



Thirtieth Meeting of the IMF Committee on Balance of Payments Statistics

Paris, France
October 24–26, 2017

BOPCOM—17/17

Summary of Discussions

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INTRODUCTION

1. The thirtieth meeting of the IMF Committee on Balance of Payments Statistics (Committee) was held at the Banque de France in Paris, October 24–26, 2017. This summary of discussions includes the action points agreed during the meeting and the short-term program of the Committee.
2. In his opening remarks, Mr. Louis Marc Ducharme, Director, IMF Statistics Department (STA), highlighted key three broad themes for this 2017 meeting: (i) responding to emerging developments in the global economy, such as digital economy, global value chains, special purpose entities, and informal economy; (ii) new conceptual issues and issues for clarification (like mobile money transfers, central bank swaps, precious metals accounts, etc.); and (iii) addressing global discrepancies and bilateral asymmetries and responding to emerging demands (such as through improved availability of data on issuer sectors and harmonized reporting of direct investment data to international organizations). These issues are also relevant to the IMF’s global policy agenda. The views of this Committee are central not only to the IMF’s work, but also to the policy priorities of IMF member countries.

GLOBALIZATION AND FINANCIAL INTERCONNECTEDNESS: CHALLENGES FOR EXTERNAL SECTOR STATISTICS

Improving the Sectorization of Nonresident Issuers for CPIS Reporting: Lessons Learnt from the Pilot Exercise and the Way Forward

Topics Presented for Discussion:

3. Following from the Committee discussion last year, the ECB and the US Federal Reserve Board (FED) conducted a pilot exercise to exchange data on securities and issuer sectors. The pilot proved that, for the initiative to be operationally successful, the exchange should be based on as standardized information as possible and it requires removing any legal obstacles for the data transmission.
4. Prior to taking the initiative further, STA proposes to conduct a survey among CPIS reporters to collect information about the volume and format of the data that could potentially be exchanged, including legal limitations, as well as to gauge potential interest to participate. The results of the survey will allow the IMF to evaluate the cost and benefits of implementing a centralized database to facilitate the exchange of securities data.
5. The views of the members were sought on the outcome of the pilot exercise conducted by the ECB and the FED on the proposal to implement a survey among CPIS reporters and on the general questions to be included in the survey.

Discussants:

The discussants (ECB and Russian Federation) reported on their experiences. The ECB suggested Committee members could promote the use of ISIN and legal entity identifier (LEI) in their respective jurisdictions and could further encourage the use of international statistical standards. The ECB noted that legal and contractual limitations to the data exchange would need to be tackled if/when the project moves forward. It also proposed to possibly repeat the data exchange next year. The Russian Federation reports sector of the nonresident issuer in the CPIS: based on its experience and difficulties found it supports the initiative to establish a centralized exchange of data at the IMF to improve the quality of the sector on nonresident issuers.

Summary of Discussions:

6. Members felt the exercise was beneficial and thus supported the initiative on improving the sectorization of nonresident issuers for CPIS reporting and the proposal to implement a survey among CPIS reporters. Members underlined the importance of better sectorization for IMF surveillance purposes and noted that it would also help address asymmetries. They also stressed the need to harmonize coding and sectorization, and favored better links to the database on multinational enterprises. Some members expressed that contractual issues with data sourced from commercial data providers would need to be addressed, so they welcomed questions in this regard be included in the survey.
7. An automatized process to exchange sector of issuer information can effectively be done if data are standardized and ISIN and LEI are used to identify securities and issuers. However, implementation of the LEI can take time, and securities issued in some jurisdictions do not have an ISIN. It was noted that, by estimates, around one third of the securities do not have an ISIN, and this proportion can be much larger in certain parts of the world (e.g., Asia). As an alternative, and to promote participation in the exercise of those countries not having a securities database, it was proposed to explore the possibility to also collect more limited information on major issuers and their institutional sector.
8. Following the Committee's request, and for those interested in taking part in the exercise, the IMF proposed a combined approach using an automatized process for securities with an ISIN code and a manual process for a limited number of the national issuers accounting for the largest cross-border positions. Different selection thresholds for either tranche could be considered in order to minimize the compiling effort for the manual tranche.
9. Regarding the survey, members suggested adding questions on data quality and implementation cost as well as rewording the question on limitations to data sharing.

Actions:

- Members' comments to the survey questions to be sent to the secretariat by November 17, 2017;
- Once Committee members' comments are incorporated, IMF to launch the survey with CPIS reporters;
- Subject to the results of the survey IMF to carry out a cost-assessment exercise on resource implications and come back to Committee to discuss the future direction of the initiative;
- Subject to a reassessment of the value-added of the exercise by the ECB and the FED, the two institutions will repeat the bilateral exchange in 2018 focusing on a narrower set of securities and report back to the Committee at its next meeting.

Globalization and Global Value Chains in External Sector Statistics: Measurement and Challenges

Topics Presented for Discussion:

10. GVCs are a consequence of firms' optimization of the location of production processes to benefit from countries' advantages in different aspects: workforce, legal environment, taxes, and/or proximity with suppliers or clients. Expansion of GVCs leads to an increasing share of trade in intermediate products, intra-group trade, and foreign direct investment, which poses challenges in the compilation and interpretation of the traditional ESS indicators.

11. "Factory-less goods producers–(FGP)" results in more borderline cases between general merchandise trade in goods, merchanting, and manufacturing services on physical inputs owned by others. Digital trade and other innovations will further trigger methodological discussions.

12. Banque de France's main proposals:

- guidelines on recommended data collection model/framework for GVCs are required;
- development of an integrated model whereby multinational firms could report to each statistical authority using a "per-country" adjusted reporting system;
- develop a more detailed breakdown of traditional ESS indicators by means of introducing either new categories of operations or new classification to help distinguish between GVC versus non-GVC activities;

- introduce a distinction between intragroup trade and trade vis-à-vis third party in key items of the current account;
- analyze the limitations of the “change in ownership principle” for establishing a multi-perspective measurement of globalization.

13. The “cross border principle” based on the location of the factors of production from which income originates, could provide the most relevant “proxy reference” to define the appropriate statistical treatment, on a case-by-case basis.

14. The views of the members were sought on (i) developing guidance for the design of easy-to-integrate external statistics datasets or opting for “building blocks” prevailing solutions; (ii) introducing new categories of complex production arrangements; (iii) including all operations related to the transit of goods in the context of global value chains in a single category “trade in goods related to cross border production arrangements”; and (iv) introducing a distinction between intragroup trade and trade vis-à-vis third parties in key items of the current account.

Discussants:

UN: presented the work on the drafting of the *UN Handbook on Global Value Chain Accounting: Extended System of National Accounts and Integrated Business Statistics*. The *Handbook* is to provide guidance to countries in the compilation of macroeconomic accounts and tables and external sector accounts in a multi-partner country and industry specific presentation (e.g., the automotive industry for the NAFTA region). These guidelines would also support the creation of external data sets to support “building blocks” for new categories of production, tax, and financing arrangements, including a distinction between intragroup trade and trade vis-à-vis third parties in the current account.

The presentation clarified that the guidelines in the *Handbook* provide:

- a national perspective for the compilation of the industry-specific global value chains of the macroeconomic and external sector accounts for the cross-border production and related tax and financing arrangements;
- an integrated multi-country presentation of the global production process, from design to final products, for selected national economies where the goods and services production and related supporting services/business functions are outsourced;
- an integrated presentation on the tax and financing arrangements of the lead firms in the chain in the macroeconomic and external sector accounts;
- a profiling of the enterprise structure of global (lead) firms or “large cases” in the national and global business registers, and a detailing of integrated business statistics to

allow for the multi-country and integrated presentation of the global value chains in the macroeconomic and external sector accounts.

IMF: discussed on trade finance issues in GVC context stressing that:

- trade finance is one of the most important elements for “oiling” the trade. New forms of trade financing have emerged and new players entered the market (e.g., inter-firm open account trading, often supplemented by third-party financing of suppliers; Supply Chain Financing; and FinTech companies performing banking activities);
- currently, there is no single comprehensive source for measuring the magnitude, composition, and dynamics of the trade finance market, nor the role that newly developed financial institutions play;
- the views of the members were sought on necessity to (i) give further consideration to trade finance in GVC and (ii) develop (by IMF) proposals for collecting GVC-related information in ESS for discussion at the 2018 Committee meeting.

Summary of Discussions:

15. The Committee expressed appreciation for the research conducted by Banque de France and the paper on GVC. General members’ views were that the concept of “change of ownership” for registration of transactions in ESS should not be revisited; efforts should be directed to making better use of the ESS existing framework.

16. Along these lines, the Committee considered the possibility of developing a satellite account within the existing standard framework for identifying transactions of GVCs based on an integrated collection of data from different sources. However, it was considered that it would be demanding and would put additional burden on compilers: existing questionnaires should be adjusted to make them understandable for reporters or new surveys should be launched, thus bringing additional costs to both compilers and users. Committee members rather preferred to focus the follow-up work on what can be done in the shorter term with a narrower focus within the existing frameworks. In this context, a Committee member suggested to look into possibilities of introducing the nationality concept in ESS.

17. The Committee considered the possibility to introduce an “of which” category in the current account to account for intragroup trade. Since this would imply changing the balance of payments standard components to create new categories, it was agreed to consider this possibility in the process of updating *BPM6*.

18. The OECD proposed to lead an electronic discussion group (with the IMF and other interested Committee members) to deal with measurement issues around GVCs under the

current *BPM6* framework, taking into consideration the UNECE guide to measuring global production¹. The group could also make proposals on how to deal with borderline (e.g., merchanting or manufacturing) cases, including factory-less production. While making recommendations, or taking on board new developments in ESS such as adding new satellite accounts or concepts, the group should consider the scarce resources available in countries with low statistical capacity.

19. With regard to trade finance, the Committee agreed that improving measurement and coverage in ESS would help tackle the gaps in coverage (although a January 2014 report by a Study Group on Trade Finance², commissioned by the Committee on the Global Financial System of the BIS, revealed that a considerable part of trade finance takes place between resident units). The Committee supported the initiation of work on developing the proposal for collecting trade finance information for discussion at the 2018 Committee meeting.

Actions:

- A Working Group, led by OECD, will be created with the task to identify components and indicators in the current balance of payments framework (*BPM6*) that are of particular relevance for the development of indicators on GVCs. The Working Group will produce a note with a proposed list of priority indicators (including a motivation for the inclusion of each of these) for consideration at the 2018 BOPCOM meeting. In addition, building on initial experiences and ideas of country members, the note will present suggestions on practical steps, with a focus on better identifying the role of multinational enterprises in current account transactions;
- IMF to prepare proposals on how to measure trade finance to be discussed by the Committee at its next meeting;
- UN to lead the work on *Handbook on Global Value Chain Accounting* in partnership with national statistical institutions (NSIs), academic institutions, and international agencies in compiling regional global value chains accounts (e.g., for the automobile industries in NAFTA region). These global value chain macroeconomic and external sector accounts will address measurement issues for the current *BPM6*, including those related to production, tax, and financing transactions and positions. The UN would report back to the Committee at its next meeting.

¹ http://www.unece.org/fileadmin/DAM/stats/publications/2015/Guide_to_Measuring_Global_Production__2015_.pdf

² <https://www.bis.org/publ/cgfs50.pdf>.

Preliminary Report of the Task Force on Special Purpose Entities (TFSPes)

Topics Presented for Discussion:

This is the **first Preliminary Report** prepared by the TFSPes.

20. The TFSPes conducted a fact-finding exercise among its members and found that all participating economies where SPEs are significant collect separate information for SPEs. The international organizations that collect these data (namely Eurostat and the OECD) do it so only for direct investment. However, there is also diversion of SPE-related flows towards portfolio debt and equity funding; new business models have appeared in the recent years which go beyond activities traditionally associated with SPEs (presumably to escape from the “SPE” labelling); there is a need to adopt a typology of SPEs (including near-SPEs) flexible enough to accommodate changes in business models over time.

21. The TFSPes supports the need to develop a suitable IMF strategy to collect and disseminate internationally-comparable statistics separately identifying cross-border data of SPEs. The TFSPes recommends encouraging the authorities of key offshore jurisdictions that are not IMF members to consider producing ESS, with a comprehensive coverage of SPEs.

22. The key preliminary recommendations of the TFSPes: (i) adopt a practical and robust definition and a typology of SPEs that would follow the basic principles laid down in *SNA 2008* and *BPM6* including residency principle and delineation of institutional units; (ii) separately identify cross-border transactions and positions for SPEs in IMF statistics; (iii) as a first step, consider the feasibility of enhancing the CDIS to collect direct investment position data to/from SPEs (e.g., for the 2020 CDIS cycle to collect end-December 2019 data).

23. The TFSPes seemingly showed an inclination towards identifying resident SPEs as an “of which” separate “quasi” institutional sector rather than recording SPE-like (or “pass through”) activities as a separate functional category in the balance of payments. Where resident SPEs are not particularly important, countries may consider identifying separately investments in nonresident SPEs.

24. The paper also presented the Work Program and Deliverables during Year II of the TFSPes. Among the questions for the TFSPes second year are the need to define SPEs and whether to recommend the separate identification of SPE-related flows in the balance of payments or SPEs-related positions in the international investment position (IIP). Member views were sought on the tentative recommendations of the TFSPes, and the work program and deliverables for the TFSPes in its second year.

Discussant:

The discussant (ECB) reported on the ESCB/Eurostat Task Force on foreign direct investment work program and the ECB's contribution to the IMF TFSPEs. ECB supports the need to obtain a common comprehensive SPEs definition and typology which is seen as a minimum requirement to improve coverage, allow for cross-country comparability, avoid asymmetries, and enable separate reporting of data on SPEs in balance of payments/IIP. The ECB is discussing an amendment to the guideline on ESS and is considering if SPEs data should be separately identified.

The ECB also noted that asymmetries in direct investment statistics are related to the recording of SPEs, CDIS gross position data on SPEs, and suggested identifying SPEs via the LEI to facilitate mirror studies.

Summary of Discussions:

25. The Committee supported the preliminary findings and recommendations of the Report; and endorsed the work program and deliverables of the TFSPEs during Year II. The Committee also agreed with the preliminary view of the TFSPEs that the reporting framework should be based on SPEs as institutional units rather than on a separate functional category encompassing the so-called "pass-through" activities. To that aim, members' views were that a practical and well-focused SPE definition is needed to collect the data. Members also stressed that it is important that the definition would not imply additional data requirements, especially for enterprise surveys. Compilers should be encouraged to make greater use of administrative data.

26. Committee members discussed the importance of identifying both resident and nonresident SPEs, to separately disseminate its flows and positions, due to the importance of each case for different economies. Considering that ESS are compiled according to the residence concept, it should be easier to compile data on resident SPEs. Accordingly, the Committee suggested the TFSPEs should give priority to collecting data on resident SPEs. As regards nonresident SPEs, the TFSPEs should evaluate existing and possible ways to obtain information on such units and the practical means to gather and compile these data. As suggested in the discussion, the TFSPEs may also consider the use of the nationality concept for the dissemination of SPEs-related statistics.

27. Some recommended to link the SPE work to globalization, including GVCs, holding of intellectual property rights, and financial and tax planning decisions.

28. It was also requested that all countries verify whether there are SPEs established in their economic territory.

29. Some members suggested that the TFSPEs takes into consideration the potentially lower frequency and/or quality requirements and thresholds for statistics collected on SPEs.

30. For the benefit of non-TFSPEs Committee members, it was suggested to set up a dedicated folder on the Committee Collaboration Site for posting all the documents of the TFSPEs as well as any other contributions on the subject that non-TFSPEs member countries may wish to provide.

Actions:

- The TFSPEs to continue with the proposed work program and deliverables for its second year;
- IMF to consider suggestion of creating a dedicated folder in the Committee Collaboration Site for posting all the documents of the TFSPEs.

Report on the Outcome of the IMF-OECD Cooperation Program on Direct Investment Statistics

Topics Presented for Discussion:

31. Detailed breakdowns for direct investment statistics are collected by Eurostat, the IMF Coordinated Direct Investment Survey (CDIS), and the OECD. There are consistent definitions and methodologies, and a common SDMX structure for data transmission. However, each database is based on a different data request; key differences are on the type of statistics (Eurostat and the OECD collect flows and income, in addition to positions and statistics by economic sector); on geographic classifications (the IMF classifies some countries and territories differently); and on the breakdowns requested (Eurostat and the OECD collect separately information on SPEs while IMF does not, and Eurostat and the IMF collect fellow enterprises while the OECD does not). The main reasons for different data requests are the different purposes and uses of the statistics by each organization. The IMF CDIS has good global coverage, including economies with different statistical capacity levels; total net inward data by immediate counterpart is the minimum core data to participate in CDIS.

32. The IMF and OECD compared bilateral direct investment positions data and metadata. Data are generally consistent despite the different data requests. Some differences were identified due to data vintages which will be solved during the next reporting cycle. The metadata comparison has been very useful to ensure that differences observed were not explained by methodological differences, to verify the accuracy of the information, and improve the quality of the information to be disseminated.

33. The views of the members were sought on the analysis undertaken and on the need for further harmonizing data requests by international organizations (IOs), including through the creation by the OECD Working Group on International Investment Statistics (WGIIS) of a technical expert group and considering different statistical capacity levels by countries.

Summary of Discussions:

34. Committee members viewed that whereas further harmonization in data requests by the IOs could be desirable, it is not a priority because the conclusions of the data comparison exercise reveal that, despite different data requests, bilateral positions are consistent. Therefore, the Committee members suggested that the focus be on other areas. In addition, for reporting requirements bound by a EU regulation there is limited scope for change.

35. Some members noted that valuation method for unlisted equity should be aligned (there are various methods to estimate market value; CDIS recommends the own funds at book value whereas for OECD it is up to the countries to use what they believe would give the best estimate of market value). As per considering different statistical capacity levels by countries, some members noted that particularly in these countries direct investment often plays a key role; the economic importance of the direct investment in each country should be considered rather than their statistical capacity.

36. The United Nations Conference on Trade and Development (UNCTAD) has created and maintains a global database on direct investment flows and stocks and large MNEs' foreign activities; it has also offered technical assistance to developing and transitioning economies to help build their capacities to collect, improve, and harmonize data on direct investment and operations of MNEs.

Actions:

- The IMF to consider further harmonizing CDIS data requests when implementing the recommendations of the Task Force on SPEs to enhance data collection (in coordination with OECD-WGIIS and Eurostat).

Measuring Digital Trade: Results of OECD/IMF Stocktaking***Topics Presented for Discussion:***

37. OECD made efforts to advance the development of a conceptual and measurement framework for digital trade based on three dimensions: the nature of transaction; the product; and the partners involved.

38. The OECD-IMF Stocktaking Survey on Measuring Digital Trade in which more than 70 countries participated indicated that countries are already exploring a variety of pilot studies for data compilation, combining existing data sources with new approaches (new questions in surveys, data linking, the exploration of new data sources including credit card information or other private sector sources).

39. The main conclusion is that the measurement framework and typology for digital trade outlined in this paper can serve as the starting point for discussions.

40. Proposed next steps:

- (i) OECD, in coordination with the IMF, would prepare a draft paper with recommendations for the 2018 G20 Trade and Investment Working Group (TIWG) meeting in Argentina, which will set out a definition and typology of digital trade; highlight gaps in measuring and mapping digital trade; identify potential biases in international trade statistics; and provide recommendations, where necessary, on data sources and accounting standards;
- (ii) the feedback from the 2018 TIWG would result in a revised paper that will be discussed at the 2018 OECD Working Party on Trade in Goods and Services (WPTGS) meeting;
- (iii) a draft *Handbook* would be developed in time for the Autumn 2018 Task Force on International Trade in Services (TFITS) and 2018 Committee meetings for feedback, with a view to circulation for global consultation and White Paper endorsement at the 2019 UN Statistics Commission meeting.

41. The views of the members were sought on the adequacy of the proposed working definition and perimeter of measurement framework for digital trade and on the proposed next steps and time frame. The members also were asked to set priorities with a view to achieving tangible progress on measurement issues.

Discussant:

The discussant (UNCTAD) elaborated on linkages between investment and digital economy based on UNCTAD World Investment Report 2017. The digital economy has important implications for investment and investment is crucial for digital development. The weight of information and communication MNEs in international production has increased in the last five years (the number of tech companies in the top 100 MNEs doubled). Digital MNEs make about 70 percent of their sales abroad, with only 40 percent of their assets place abroad. Largest digital MNEs concentrate in developed countries.

Summary of Discussions:

42. The Committee expressed overall agreement with the proposed framework and next steps. Committee members suggested to carefully consider the perimeter of digital trade, and, more broadly, of the digital economy, in order to avoid considering a large majority of transactions as digital, and to ensure that various policy needs are met. Members highlighted that follow-up work should focus on the extent to which digital activities and transactions are correctly and fully covered in ESS (and GDP) statistics, and should pay special attention to the measurement of various transactions associated with the use of digital platforms.

43. In addition, Committee members recommended that the handbook that is currently under development should include a list of data sources (such as credit cards, webscraping, ITRS) that are particularly promising and useful for compiling statistics on digital trade.

44. Members also stressed the importance of collaboration between national accounts and balance of payments compilers in this area and welcomed the work of the IMF and OECD to ensure alignment of the conceptual frameworks for digital trade and the digital economy in this respect.

Actions:

- Following the Committee's support to the follow-up proposals, OECD in collaboration with the IMF to consider the suggestions received from the Committee and lead the follow-up work;
- OECD/IMF to report back to the Committee in 2018 and to present a final report in 2019;
- IMF/OECD to present the *Handbook on Digital Economy and Trade* to the UNSC in 2019.

EMERGING ISSUES AND IMPLEMENTING THE 2017 RESEARCH AGENDA

Challenges in Covering the Informal Economy in External Sector Statistics

Topics Presented for Discussion:

45. The informal economy covers a broad typology comprising informal, underground, and illegal activities.

46. The measurement of the informal economy is particularly challenging by nature, as activities are undertaken generally outside the scope of the regular data collection, for example by, but not only, households and/or small-scale nonfinancial corporations and with a relatively low level of organization. The informal economy may not be registered and is therefore difficult to measure, and it is often the case such activities try to remain hidden for tax reasons.

47. The boundaries of the informal economy are not always clear as the activities mentioned above may overlap with other activities that units may attempt to conceal because they are illegal or incentives exist to evade government regulations.

48. Covering the informal economy in cross border statistics poses numerous challenges, including the lack of a consistent measurement framework across countries and the cost of data collection.

49. Committee members' views were sought on the measurement of the informal economy in cross-border statistics and on the establishment of a task force on the informal economy (TFIE) to develop guidance on compilation and data collection methods in cross-border statistics. Also, members were asked to comment on the proposed terms of reference and provide expressions of interest to participate in the TFIE.

Discussant:

The discussant (Eurostat) emphasized the work undertaken for developing the compilation guidance for illegal activities (prostitution, drugs, and smuggling of alcohol and tobacco), including the preparation of the *Handbook on Illegal Economic Activities (IEA)* aimed at providing guidance on compiling IEAs transactions in the context of national accounts and balance of payments.

Summary of Discussions:

50. Committee members agreed with the need to develop guidance, with the creation of a TFIE and with the proposed mandate. Since the conceptual framework already exists and different international manuals have already been prepared, the work of the TFIE should rather focus on practical measurement aspects.

51. As digitally enabled services could be a source of informal activities, there is a need to identify synergies between the digital economy and the informal economy. It was suggested that the task force lists representative, significant cases of changes in the macroeconomic accounts of countries that have integrated estimates of the informal economy. One member indicated that issues that arose for users—especially for estimating sovereign credit risk—are of interest and that the feedback of institutions providing “welfare indicators”, some of them derived from macroeconomic accounts, should be searched.

Actions:

- IMF to establish a task force on the informal economy, centered on identifying best practices in compilation methods;
- IMF to add to the terms of reference (TOR) of the TFIE the need to determine the scope and definition of the informal economy building on the work already conducted by other international organizations;
- Members to comment on the draft TOR for the TFIE;
- Members to express interest to participate in the TFIE by sending a request for participation through an email;

- Both comments to TOR and expressions of interest to join the TFIE to be sent to the Committee secretariat by November 17, 2017;
- Ensure coordination of the TFIE with the UNSD Delhi Group on Informal Sector Statistics³ as well as with the International Labor Organization.⁴

Research Agenda for External Sector Statistics

Topics Presented for Discussion:

52. An overview was provided of the implementation of nine topics included in the 2017 research agenda—the work has been undertaken on eight topics, while the implementation of one topic has been postponed for one year. The draft guidance on three topics has been discussed with Committee members via written procedure.

53. As the list of research topics is not considered closed, new topics were proposed to be included that have been gathered from ESS training courses and technical assistance missions. Also, a new timeframe was proposed for four topics from the ESS research agenda.

54. The proposed 2018 research agenda includes 11 topics to be addressed before/for the 2018 Committee meeting where the highest priority will be given to measuring digital and informal economy, and advancing the work on covering SPEs in ESS.

55. Committee members' comments were asked on the progress in implementing the 2017 research agenda. Their views were also sought on the proposed additional topics to be added to the research agenda and on topics proposed for the 2018 research agenda.

Summary of Discussions:

56. Committee members appreciated the successful implementation of the 2017 research agenda and mentioned that it was well balanced between topics for clarification with quick results and more complex topics with a longer duration for implementation. They also provided very positive feedback on the new working procedures of the Committee which enable more continuous communication by electronic means. It was also felt that prioritization is needed.

57. Members stressed that the implementation of new frameworks/manuals requires guidance on how to retroactively apply the new methodologies in order to avoid breaks in the time series.

³ <https://unstats.un.org/unsd/methodology/citygroups/delhi.cshtml>

⁴ <http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>

58. Members views related to the items proposed for the 2018 research agenda:

- Item #2 – Measurement of the informal economy – the work of the TF to be established will focus on carrying out a stocktaking of existing compilation practices and recommending best practices.
- Item #4 – Recording Bitcoins in ESS – general agreement that the topic is very timely, is addressing an urgent matter and should thus be considered as a high priority. It was proposed to adjust the name to broaden the scope, namely “Recording of Cryptocurrencies (e.g., Bitcoins) in External Sector Statistics”. Coordination with monetary and financial statistics for consistency was deemed necessary.
- Items #6 – Treatment of gaming revenues from casino operations and #7 – Recording of transactions in sports events (e.g., boxing)” – general agreement to combine the two topics and to broaden it by including also the treatment of sports players. Brazil and Philippines volunteered to prepare a paper on the newly proposed topic—Treatment of gaming, sports events, and sports players in ESS—for discussion via written procedure.
- Item #8 – Sectoral classification of international organizations – STA held bilateral discussions on the topic with the ECB and prepared an explanatory note on the recommended treatment. The secondary round of discussions between ECB and IMF will take place before the note is circulated for comments to Committee members. When finalized, the note will be sent for comments to the ISWGNA and the GFSAC and will ultimately be posted on the *BPM6* website as a note for clarification.
- Item #9 – Treatment of transactions related to “factoryless goods” production arrangements, including: (a) merchanting transactions coordinated by factoryless producers; and (b) treatment of freight and insurance associated with merchanting—the OECD electronic discussion group agreed within the discussion on GVCs to cover also such borderline cases as merchanting or manufacturing, consequently the members recommended narrowing the topic to treatment of freight and insurance associated with merchanting and the geographical allocation of net merchanting.
- Item #10 – Guidance on recording of irrevocable payment commitments – The note drafted by ECB had been sent to Committee members for comments prior to the meeting. ECB received already some comments and is in the process of reviewing them. The note will be finalized and posted on the *BPM6* website as a clarification note.
- Item #11 – Identifying dividends and superdividends: OECD to prepare a paper for discussion at 2018 Committee meeting.

59. Other changes:

- The agreement reached under agenda item 4 (Globalization and GVCs in ESS: Measurement and Challenges) to set up a working group led by the OECD should be incorporated.
- It was proposed to replace the item on “Estimation of Imports/Exports for FISIM by Central Banks Under Negative Reference Rates” by a new one: “Confronting Methods Used in National Accounts and International Accounts for Estimating FISIM”.
- Regarding the topic “Treatment of Charges for the Use of Intellectual Property”, it was proposed to keep the topic in the research agenda for 2018 and to rename it to “Treatment of Transactions in Intellectual Property Products” to broaden its scope.
- Some requested additional guidance on the compilation of the currency composition of the IIP (Tables A9-I in *BPM6*) in response to one of the G-20 Data Gaps Initiative recommendations. The IMF reminded that the DGI had just requested the Committee to monitor the degree of implementation of this recommendation. For this purpose, STA conducted a survey in 2016 aimed to identify countries that compiled or had plans to start compiling these data. The survey results were presented to the Committee at its 2016 meeting and thereafter several information papers describing how some countries compile these data have been posted on the Committee’s website. It was agreed that Committee members could get back to the DGI and report back to the Committee if relevant changes to the recommendation were to be agreed.

Actions:

- The proposed research agenda to be worked out in 2018 is approved with the following changes:
 - Item #2 – Work on measurement of the informal economy (via a Committee’s Task Force to be set up) should focus on carrying out a stocktaking of existing compilation practices and recommending best practices;
 - Item #4 – Replace topic “Recording of Bitcoins in External Sector Statistics” with “Recording of Cryptocurrencies (e.g., Bitcoins) in External Sector Statistics”;
 - Item #8 – IMF to receive comments from the ECB on the sectoral classification of international organizations. Thereafter, the note will be circulated for comments to Committee members. When finalized, the note will be sent for comments to the ISWGNA and the GFSAC and will ultimately be posted on the *BPM6* website as a note for clarification;

- Item #9 – Replace topic “Treatment of Transactions Related to “Factoryless Goods” Production Arrangement, Including: (a) Merchanting Transactions Coordinated by Factoryless Producers; and (b) Treatment of Freight and Insurance Associated with Merchanting” with “Treatment of Freight and Insurance Associated with Merchanting and the Geographical Allocation of Net Merchanting”. Germany will prepare a paper for discussion at the 2018 Committee meeting on the newly proposed topic, which should be coordinated with the electronic discussion group led by OECD/IMF;
- Item #10 – ECB to update the note “Recording of Irrevocable Payment Commitments” based on Committee members’ comments and, after the approval by the Committee, the clarification note will be posted at the *BPM6* website;
- Item #11 – OECD to prepare the paper “Identifying Dividends and Superdividends” for discussion at the 2018 Committee meeting;
- Include in the proposed research agenda for 2018 the following additional topic: Global Value Chains: Measurement Issues Under Current *BPM6* Framework. The work will include the creation of a working group led by the OECD in coordination with the IMF and with participation of interested Committee members. Preliminary results to be presented at 2018 Committee meeting. Committee members to express interest to participate in the group by November 17, 2017;
- The item “Estimation of Imports/Exports for FISIM by Central Banks Under Negative Reference Rates” should be replaced by a new one: “Confronting Methods Used in National Accounts and International Accounts for Estimating FISIM”;
- Eurostat to prepare the paper “Treatment of Transactions in Intellectual Property Products” for discussion at the 2018 Committee meeting;
- Replace topics “Treatment of Gaming Revenues from Casino Operations” and “Recording of Transactions in Sports Events (e.g., boxing)” with “Treatment of Gaming, Sports Events, and Sports Players in ESS”. Brazil and Philippines will prepare a paper on the newly proposed topic for discussion via written procedure;
- Remove the topic “Treatment of Hybrid Insurance and Pension Products in ESS” from 2018 research agenda and include it with a new timeline for 2019;
- Update the BOPCOM 17/09 paper “Research Agenda for External Sector Statistics” to include changes described above before posting it on the BOPCOM website.

**Recording of Central Bank Swap Arrangements in Macroeconomic Statistics
(BOPCOM Written Consultation Comments)**

Topics Presented for Discussion:

60. The Committee's 2016 meeting identified for follow-up action, the treatment of currency swaps agreements between central banks. The increasing importance of these arrangements underscored the need for uniformity of statistical treatment.
61. STA staff, in consultation with other IMF departments, have drafted the document on Recording of Central Bank Swap Arrangements in Macroeconomic Statistics which was sent for comments to Committee members, through a process of written consultation.
62. An overview of detailed comments received from Committee members was presented as well as the STA feedback on them, including the proposed changes to the draft resulting from the consultation.
63. The IMF will include the following changes to the paper based on Committee's comments:
- (i) clarifications to Option A indicating that it applies only for central banks for off-market operations, and Option B indicating that it applies only for market operations;
 - (ii) include in Annex II the description of treatment in IIP under Option B.
64. Committee members' agreement was sought with the proposed changes to the document emerging from the written consultation.

Discussants:

Egypt emphasized the rationale of currency swaps between central banks to ensure their access to foreign currency liquidity and thus, among others, preserve financial stability. It further addressed the recording of this type of currency swaps in the international accounts. Brazil described the recording of these transactions and positions in the balance of payments and IIP reports as well as in the Reserves Data Template based on recommended treatment outlined in the paper "Recording of Central Bank Swap Arrangements in Macroeconomic Statistics" discussed by the Committee via written procedure.

Summary of Discussions:

65. There was general agreement on the treatment proposed. Since it was drafted jointly with the IMF division dealing with monetary financial statistics, consistency between both statistics is warranted. Some members noted possible practical difficulties when the liability (i.e., the domestic-currency deposit) is not periodically revalued in accounting statements.

66. It was clarified that, while the global level of (gross) reserve assets increases when currency swaps are activated, net international reserves should not be affected. Indeed, the domestic currency deposit linked to a foreign currency should be reported in the template on international reserves and foreign currency liquidity as a reserve-related liability.

Actions:

- IMF to recirculate to Committee members the updated version including the proposed comments and to follow up with the ISWGNA/GFSAC.

Compiling Data on International Mobile Money Transfer Services

Topics Presented for Discussion:

67. Telecommunication companies have over time become an important player in the transfer of funds, including remittances. This is due to accessibility of telecommunication services and low identification requirements imposed for mobile money transfers. In some countries, mobile money comprises a significant share of cross border transactions.

68. The transfer of mobile money is executed in semi-formal and formal environments. Apart from the money transfer, it involves also telecommunication services, charges for deposits, withdrawal, and foreign exchange conversion.

69. Transactions related to mobile money transfers should be treated in the balance of payments by recording the additional charges for services brought by mobile money transfers separately from the remittances.

70. Potential data sources could be telecommunication companies (for formal transfers) and partner countries data (for semi-formal transfers). Estimations of balance of payments transactions could be done based on data from telecommunication companies on mobile money tariffs.

71. Committee members' views were sought on the proposed recording of transactions. Also, their views were asked on how money transfer and exchange rate conversion charges should be treated in the balance of payments—as part of telecommunications services or financial services, considering practicability of separating the single charge levied for the international mobile money transfer services in to various components.

Summary of Discussions:

72. Committee members expressed appreciation for the interesting and useful paper that provided a very detailed description of the mobile money operational system.

73. In some countries, telecommunication companies engaged in mobile money transfers are regulated by central banks for money transfers and by the communications agency for

telecommunications activities. Consequently, their activity is regulated and they are a potential data source.

74. Apart from components included in mobile money and identified in the paper, members indicated that other components (e.g., travel) can also be present. Some noted that both described schemes are formal (and not semi-formal) as the telecommunications companies are regulated.

75. Since mobile money transfers are an example of digitalization, Committee members suggested to discuss them in the general framework of the digital economy.

76. Members agreed that in countries where such phenomena are significant, compilers have to make efforts to separate the financial and the telecommunications services components based on surveys carried out with telecommunications companies. This would not imply a significant additional collection burden as only a limited number of telecommunication companies operate in each developing country.

77. Close cooperation with monetary and finance statistics is necessary and will be sought.

Actions:

- Launch in Uganda, Jordan, and Philippines a pilot collection of data from telecommunication companies on cross-border mobile money. The results will be reported to the Committee at the next meeting;
- The OECD and the IMF to consider the results of the pilot collection in the broader discussion on the digital economy.

International Statistical Standards for Recording Letters of Credit

Topics Presented for Discussion:

78. The sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* (paragraph 5.13) classifies the letters of credit (L/C) as contingent liabilities and recommends that no financial asset (i.e., loan) is created until funds are advanced. The BIS and China propose that if a L/C is irrevocable and once the issuing bank determines that the presented documents comply with the contract, it shall be treated like bankers' acceptance (i.e., treated as an unconditional liability of the issuing bank from the time of acceptance).

79. In addition, as there is no description on recording different types of L/Cs in the *BPM6/Compilation Guide*, it is suggested to expand the guidance relating to recording different types of L/Cs for the consideration of the Committee.

80. The views of the members were sought on the proposed treatment and on expanding guidance relating to L/Cs to clarify how to record different types of documentary credits.

Discussant:

81. The discussant (Philippines in coordination with IMF) viewed that the proposal is mainly based on the rules of the International Chamber of Commerce (ICC). These rules clarify that when L/Cs are irrevocable and once documents are presented and determined to constitute a complying presentation, the issuing bank's liability is no longer contingent, even if the contract specifies a payment date in future. However, irrevocable L/Cs can also be cancelled with the agreement of all the parties (buyer, seller, and bank); not all the irrevocable L/Cs go to the next stage where required documents are presented to the bank.

82. Also, when a L/C is irrevocable and all the documents submitted to the issuing bank fulfill the conditions of the contract, the issuing bank's liability becomes unconditional, and can be recorded like a bankers' acceptance. However, it should be determined how and when the issuing bank recognizes the L/C as a liability on its balance sheet (matched on the asset side by a loan to the importer), and if the data on such liabilities would be available from the banks.

83. Finally, there are two types of irrevocable L/Cs—either confirmed or unconfirmed; with an unconfirmed L/C, the seller bank has no liability for payment and essentially serves only as a go-between to transfer payment to the seller from the buyer's bank. Hence, further elaboration on confirmed and unconfirmed irrevocable L/Cs is needed.

Summary of Discussions:

84. The Committee members agreed that further investigations are needed to prepare a clarification note to the *BPM6*, including guidance on how to record different types of documentary credits. Members noted the need to consider change of ownership, to coordinate with MFS and NA, and to investigate how banks' accounting reflect these transactions.

85. It was clarified that the comparison with bankers' acceptance does not refer to their treatment as securities (they are clearly not), but as their treatment as unconditional loan liability of the issuing bank from the time of acceptance.

86. The BIS noted the L/Cs are particularly important in trade with and between developing countries, that historically there was a high share of cases where banks rejected documents, and nowadays the share could still be high. China currently records the liabilities when the exporter presents the documents and they are accepted by the bank; China clarified that Chinese banks classify L/Cs as an off-balance sheet item, not because they are contingent, but because they take very low risk.

Actions:

- BIS and Germany to consult with banks on how these transactions are recorded in their accounts.
- IMF (BOP/MFS) and BIS to coordinate and propose a clarification note for the consideration of the Committee.

Classification of Reserve Position in the IMF***Topics Presented for Discussion:***

87. As agreed at the Committee's meeting in October 2016, the research agenda included a request to the IMF to provide guidance on the instrument and maturity classification of Reserve Position in the IMF. It is recommended that reserve position in the IMF be classified as other deposits without a maturity breakdown, according to its characteristics and recommendations of the *BPM6*. However, if a classification by original maturity is deemed necessary, it should be attributed as long-term, in line with the nature of its main component, the reserves tranche as well as of most of the IMF indebtedness in the General Resources Account.

88. Members' views were sought on the instrument and maturity classification of the reserve position in the IMF.

Summary of Discussions:

89. The Committee agreed on the classification as other deposits, and did not see the classification by original maturity necessary except for the purpose of reporting of net external debt position. Committee members agreed with the proposed classification based on the long-term nature of the reserve position in the IMF. It was clarified that classification as long term original maturity is consistent with the liquidity of the instrument which fully qualifies it as a reserve asset.

90. ECB noted that bilateral advice previously received from the IMF had suggested to treat the reserve position in the IMF as short term. Subsequent investigations carried out after the meeting discussion confirmed that such advice (based on the *External Debt Statistics: Guide for Compilers and Users 2014*) was preliminary as the item had not been investigated as deeply (and with consultation with the Finance Department) as the proposal being made at the current Committee meeting.

Actions:

- IMF to disseminate a *BPM6* clarification note on the classification of reserve position in the IMF as other deposits and with long term original maturity classification.

Statistical Treatment of Precious Metals Accounts

Topics Presented for Discussion:

91. Following the *BPM6*: (i) allocated precious metals accounts other than monetary gold represent ownership of nonfinancial assets; and (ii) unallocated precious metals accounts are treated as deposits in foreign currency. However, *BPM6* and other macroeconomic statistics manuals provide no specific guidance on the recording of transactions/positions associated with these accounts.

92. As agreed in the Committee meeting in October 2016, the IMF is presenting a proposal for the recording of allocated/unallocated precious metal accounts in balance of payments and international investment position statistics. Further, it reaffirms that the classification of monetary gold as a financial asset within reserve assets is an exception among commodities because of the historic role of gold in the international financial system and the highly liquid and deep nature of gold markets.

93. Members' views were sought on the proposed recording of transactions/positions related to allocated/unallocated precious metals accounts.

Summary of Discussions:

94. The Committee endorsed the proposed recording. The Committee also supported not to reopen the discussion on the classification of precious metals other than gold as reserve assets.

95. Next steps include the publication of a *BPM6* clarification note. The note should also include guidance on the recording of fees (either or not as a financial service) associated to the allocated accounts. It could also cover the treatment of unallocated deposits of goods other than precious metals.

Actions:

- IMF to circulate a proposal of a clarification note to the *BPM6*.

THE ROLE OF BOPCOM IN EXTERNAL DEBT STATISTICS

The Role of BOPCOM in External Debt Statistics

Topics Presented for Discussion:

96. Recent discussions on the future role of the Interagency Task Force on Finance Statistics (TFFS) have led to proposals to replace the TFFS and its sub-structures with a new body—the Inter Agency Working Group on Debt Statistics (IAWGDS). The proposed mandate of the IAWGDS would be to address data management issues. Methodological work

currently under the TFFS' remit would come under the purview of either the Committee, for external debt statistics, or the Government Finance Statistics Advisory Committee (GFSAC), for the public debt statistics.

97. The views of the Committee are being sought on bringing methodological issues related to external debt statistics under its remit, including those that may be raised by the IAWGDS.

Summary of Discussions:

98. The Committee members supported the proposal to undertake the methodological work related to external debt statistics.

99. The IMF clarified that the Committee would undertake all the related methodological work. The need to follow the formal procedure to present this proposal to the United Nations Statistical Commission (UNSC) was noted. A written consultation for comments to the paper was requested.

Actions:

- Members' comments to the paper to be provided via written procedure by November 17, 2017.
- IMF to coordinate with UN on the formal procedure to present this proposal to the UNSC.

2018 COMMITTEE'S WORK PROGRAM

2018 Committee's Work Program

Topic Presented for Discussion:

100. The proposed five priority topics are: (i) measuring digital economy in ESS, including trade finance; (ii) coverage of the informal economy in ESS; (iii) reporting framework for special purpose entities in ESS; (iv) GVCs: measurement issues under current *BPM6* framework; and (v) cryptocurrencies.

101. The proposed three medium priority topics are: (i) remaining issues of the ESS research agenda; (ii) reducing global and bilateral asymmetries (including through the sectorization of nonresident issuers in CPIS of foreign securities held by national holders, harmonization of direct investment statistics, supporting the bilaterally-focused approach to addressing statistical discrepancies in global balance of payments statistics); and (iii) finalize the work on reviewing the updated *CPIS Guide*.

Summary of Discussions:

102. Some proposed to add to the presentation the need to come up with a definition of SPEs. Others suggested the Committee should continue monitoring how all items in its work program may affect bilateral asymmetries.

103. Some highlighted the many interlinkages between several of the topics (digital economy, GVCs, SPEs, cryptocurrencies, digital trade, factoryless production, etc.) and pleaded for the different workstreams to be discussed under a common overall reference framework. There was agreement in that the work on GVCs in the short term (next two years) should focus on low-hanging fruits, namely on trying to select a few relevant indicators available in the current macroeconomic framework and recommending countries give priority to compiling such information.

104. In this context, some noted the importance of calculating value added indicators for the work on GVCs. To that aim, it was considered essential to facilitate bilateral data exchanges between countries. It was agreed that the idea should be taken up with the DGI, since this is a good example for recommendation 20 (promotion of data sharing among G-20 economies).

105. Some highlighted the need for the Committee to bear in mind the situation of countries with low statistical capacity. In this regard, the provision of a clear prioritization as to which basic balance of payments and IIP components to compile first was deemed to be extremely important.

Actions:

- IMF to incorporate into the work program:
 - the need for the TFSPEs to come up with a definition of SPEs;
 - the task to continue monitoring how all items in the Committee's work program may affect bilateral asymmetries;
 - follow up on the strategy to compile balance of payments and IIP in countries with low statistical capacity.
- Subject to these comments being incorporated (prior to posting on the website), the Committee endorsed the proposed 2018 Committee's work program.
- China to propose to the DGI the possibility to promote the exchange of compiling methods for service account in calculating value added indicators in the context of the DGI recommendation # 20.

Other Issues:

106. The next Committee meeting will be held during October 24–26, 2018, in Washington, D.C.