

DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)

OUTCOME PAPER (DITEG) # 14

FEBRUARY 9, 2005

1. Topic: Permanent debt between affiliated financial intermediaries

2. Issues: See DITEG Issue Papers #14 by the IMF and Japan

3. Recommendations:

- (i) With the aim to harmonize international treatments of permanent debt between affiliated financial intermediaries, members agreed that it was worth discussing and elaborating on alternative treatments and clarifying the statistical definition of permanent debt.
- (ii) A majority of members was of the opinion that, if a clear definition of permanent debt could be developed, then permanent debt between affiliated financial intermediaries should continue to be recorded under Direct Investment.
- (iii) Some members pointed out that “debt that represents a permanent or lasting interest, in the form of subordinated debt and perpetual debt, that also has the purpose of acting as equity” (option (3) in the IMF issue paper) was appropriate for the statistical definition, and the regulatory definition (the BIS second-tier capital) might be a practical indication for compilers. However, a concern was mentioned that we had not been provided with the definition of BIS second-tier capital and therefore could not assess its practicality for use in defining direct investment. Also, it would be necessary to discuss further the issues pertaining to use of a regulatory definition (mainly aimed at promoting financial stability) for use in defining direct investment.
- (iv) Finally, members affirmed to bring the discussion forward to March 2005 DITEG meeting.

4. Rejected Alternatives:

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5. Questions for the IMF Committee on Balance of Payments (the Committee) and the OECD Workshop in International Investment Statistics (WIIS):

Questions for the Committee and WIIS will be formulated after March DITEG meeting.