

***BPM7* Annex 11. Data by Partner Economy:
Annotated Outline**

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(Update to Section F.2, Chapter 4, *BPM6*)

Changes from BPM6 highlighted yellow

This Annex will be mainly based on Chapter 4, BPM6 (Section F.2—Data by partner economy) with additional inputs from the BPM6 Compilation Guide (BPM6CG) and other relevant manuals/guides. The structure of the annex will be mostly maintained from BPM6, Section F.2, Chapter 4. The annex will have separate sections, namely an introduction covering the purpose and basic principles of data by partner economy (Section I), and another section covering the compilation of cross-border transactions/positions data by partner economy focusing on specific items (Section II).

In addition to the highlighted updates/additions below, further changes may be made to improve the consistency of the language with other macroeconomic statistics manuals/guides, as appropriate.

I. Introduction

- This section will cover the purpose of data by partner economy and the basic principles for compiling such data based on *BPM6* paragraphs 4.146–148, and 14.23–24; and *BPM6CG* A5.2–5.7.
- It will be noted that while the basic principle for compiling balance of payments data by partner economy is based on the economy of residence of the counterparty to the transaction or financial position, the use of the alternative method (debtor/creditor) is possible but should be clearly specified when presenting the data to users.² It will be indicated that for current account transactions (except investment income) the partner economy attribution is based on the “transactor approach” (i.e., transactions are allocated to the economy of residence of the nonresident with whom the transaction is made). Further, it will also be mentioned that for balance of payments transactions in financial instruments (and investment income), while the basic principle for partner economy attribution should be based on the economy of residence of the counterparty to the transaction (transactor approach), the use of the alternative method (debtor/creditor) is possible but should be clearly specified when presenting the data to users. As in *BPM6* (paragraph 4.152), partner data attribution on asset/liability positions will follow the debtor-creditor approach. Although this will be mentioned under financial instruments sub-section (as in *BPM6* paragraphs 4.152 and 4.154), **it will also be introduced in the basic principles for clarity.**
- **The discussion on agents (paragraph 4.149), nominee accounts and custodians (4.160), and quasi-corporations (4.164) will be included in this section as they are relevant for discussion in the next section. A simple example on nominee accounts and custodians from the *Handbook on Securities Statistics 2015 (HSS 2015)* paragraph 6.39 will be added—for example, if a resident of Country A holds securities issued by a resident of Country B and uses a nominee account in**

¹ Prepared by Venkat Josyula (BPM editor) and cleared by Carlos Sánchez-Muñoz (BPM Project Manager).

² For the purpose of compiling regional aggregates, all countries should consistently apply the same principle.

Country C, and the securities are kept in custody in Country C, the custodian in Country C may not be aware that the ultimate owner is in Country A.

II. Compilation of Cross-Border Transactions and Positions Data by Partner Economy

- This section will cover the compilation of data by partner economy for specific balance of payments components (e.g., goods, services, direct investment) and financial instruments, and associated issues. It will be based on *BPM6* paragraphs 4.150–4.164, with the following updates (references to other BPM chapters in these paragraphs will also be updated).
- **Goods:** Paragraph 4.150 (second sentence) will be slightly updated to mention about other relevant criteria (e.g., economy of shipment and consumption). Footnotes will be added to define the criteria other than the economy of origin (which is already defined in footnote 8 to paragraph 4.150) based on the guidance from *International Merchandise Trade Statistics: Concepts and Definitions 2010 (IMTS 2010)*.
- Drawing from (and in some cases expanding on) what is included in the *BPM6CG*, as well as the *UNECE Guide to Measuring Global Production*, it will address challenging issues such as merchanting and goods for processing (GN C.4 and G.7), noting where adjustments to bring source data that exhibits physical cross border flow of goods to a change of economic ownership basis may also require adjustments to the partner economy.³ Relevant examples will be provided.
- Further explanation on merchanting of goods by partner economies based on *BPM6CG* paragraphs A5.31–32 will be added. In addition, *BPM6CG* Table A5.3 will be added to illustrate the related recording in IMTS and BPM (and will be expanded to provided additional elaboration as needed). Other examples from *BPM6CG* Appendix 5 will be examined for their inclusion in relevant sub-sections, if considered appropriate.
- In addition, the issue of “inverse merchanting” and adjustments required for correct partner economy attribution in such arrangements from *BPM7* Chapter 10 (Goods Account) will be referenced.
- **Services: Freight and Insurance**—no significant changes.
- **Other Services:** This sub-section will discuss partner economy attribution related to intellectual property (GN G.5), including the attribution when the intellectual property product is owned by a Special Purpose Entity (GN G.4); transport; and other service categories.
- Further, conceptual difficulties associated with the partner economy attribution of crypto assets without corresponding liability received by miners/validators will be mentioned (related compilation guidance to address this issue will be included the updated *BPM6CG*).
- In addition, it will elaborate on possible issues associated with partner economy attribution with relevant examples in cases where a resident of the compiling economy purchases goods/services through intermediaries. For example, the resident of a compiling economy (X) purchases hotel or transport services from a non-resident economy (Y) using a digital intermediation platforms (DIPs)/tour operator based in another non-resident economy (Z). In such case, for economy of

³ This discussion and the sub-section on other services is currently included as Section III (Partner Economy Attribution), Annex 5, *BPM7* AO. It is moved to this Annex.

tour operators/DIPs (Z) only the relevant service fee should be recorded and not the total amount (based on recommendations of GNs C.4 and C.7), and that the remaining amount should be recorded to the end service providing economy (Y) of hotel/transport.

- Remittances: Remittances are often closely related to migration between two economies, and therefore, remittance flows by partner economies are analytically useful. Remittances data by partners do not need to include all partner economies. Instead, data by partner economies should focus on major remittance corridors—that is, pairs of economies with large flows. For most economies, a small number of corridors are likely to cover most remittance flows.
 - Compiling remittances data by partner economies may often require estimations even if aggregate data are available from direct measurement (e.g., through money transfer operators). This is the case because data obtained through different channels may often not identify the partner economy correctly, but instead show flows with an international settlement center. It is important that compilers adjust these data adequately, such as by basing their estimations of bilateral flows partly on demographic indicators. (*International Transactions in Remittances: Guide for Compilers and Users*).
 - As indicated in *BPM6* paragraph A5.30, remittance flows to and from major partner economies in balance of payments data may be provided on a supplementary basis, especially for major corridors. Relevant references from *BPM7* Annex 4 (*Remittances*) will be provided.
- All the issues relating to financial transactions/positions (other than direct investment) will be presented first followed by the discussion on direct investment (see the schematic overview).
- Financial instruments (*BPM6*, paragraphs 4.152–154)—no significant changes
- Securities, stripped securities, securities repurchase agreements, and depository receipts: Brief updates will be added based on the discussion in Chapter 3 of the *Coordinated Portfolio Investment Survey Guide, third edition (CPIS Guide)* covering:
 - the use of International Securities Identification Number (ISIN) in identifying the geographical attribution of securities
 - the residence attribution of securities issued/held by the international organizations and regional central banks
 - regarding repos, it will be noted at the end of paragraph 4.159 that implementing this proposal (i.e., treating securities under repo as owned by the security lending economy) may not always be straightforward, particularly in economies where accounting and statistical practices are not in line with this proposal or where there is asymmetry in the recording of repos versus the recording of reverse repos. Further, there is an added problem in countries where custodians are a primary source of information as securities on repo are not necessarily identified or identifiable by the custodian (for either the repo party or the reverse-repo party). Links to Boxes 3.4, 3.5, and 3.6 in the *CPIS Guide* will also be provided.
 - for depository receipts, a clarification example will be added at the of end of paragraph 4.161 noting that—for example, American depository receipts (ADR) are liabilities of the non-U.S.

institutional units whose securities underlie the ADR, not of the U.S. financial institutions issuing the ADR.

- Gold bullion included in monetary gold (*BPM6*, paragraph 4.162)—no significant changes
- Special drawing rights (*BPM6*, paragraph 4.163)—no significant changes
- Direct Investment: As in *BPM6* (paragraph 4.156), it will be noted that the partner allocation is based on the economy of the debtor rather than that of the counterpart transactor. A footnote will be added to indicate that *Benchmark Definition of Foreign Direct Investment, fourth edition (BD4* or its update) strongly recommends the use of debtor/creditor principle for compilation of direct investment transactions and positions by partner economy. Further, following updates will be made to this sub-section (paragraph 4.157). Regarding supplementary data on ultimate investing economy (UIE) and the ultimate host economy (UHE) as well as identification of pass-through funds, reference to *BPM7* Annex 6. “Selected Issues on Direct Investment” will be provided.
- Further, it will be noted that the *Coordination Direct Investment Survey Guide 2015 (CDIS Guide 2015)* and the *BD4* provide recommendations for compiling FDI data on a directional basis by partner economies. Main reasons for bilateral asymmetries of CDIS data reported by an economy and its main counterpart economies from *CDIS Guide 2015* Box 6.5 and other relevant documents will be referenced, which are equally relevant for discussion in this section.

Schematic Overview

I	<p>Introduction</p> <p>Agents</p> <p>Nominee Accounts and Custodians</p> <p>Quasi-Corporations</p>
II	<p>Compilation of Cross-Border Transactions and Positions Data by Partner Economy</p> <p>Goods</p> <p>Services</p> <p>Remittances</p> <p>Financial Instruments</p> <p>Securities</p> <p>Stripped Securities</p> <p>Securities Repurchase Agreements</p> <p>Depository Receipts</p> <p>Gold Bullion Included in Monetary Gold</p> <p>Special Drawing Rights</p> <p>Direct Investment</p>

References

- GNs C.4, C.7, G.4, G.5, and G.7. These guidance notes are posted at [Update of the sixth edition of the *Balance of Payments and International Investment Position Manual \(BPM6\)* \(imf.org\)](#)
- *Balance of Payments and International Investment Position Manual, sixth edition*, Chapter 4
- *BPM6 Compilation Guide*, Appendix 5
- *Benchmark Definition of Foreign Direct Investment, fourth edition*
- *Coordination Direct Investment Survey Guide 2015*
- *Coordinated Portfolio Investment Survey Guide, third edition*
- *Handbook on Securities Statistics 2015*
- *International Merchandise Trade Statistics: Concepts and Definitions 2010*
- *International Transactions in Remittances: Guide for Compilers and Users*
- [IMF working paper WP/17/261 *Asymmetries in the Coordinated Direct Investment Survey: What lies Behind?*](#)

Key Stakeholders Consulted

- System of National Accounts Lead Editor
- IMF Statistics Department Financial Institutions Division and Government Finance Division