

***BPM7* Chapter 7. Balance Sheet: International
Investment Position: Annotated Outline**

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(Update to *BPM6* Chapter 7)

Changes from BPM6 highlighted in yellow

I. Introduction

- As in *BPM6* Chapter 7, this chapter will cover international investment position (IIP) and its main components. The overall structure will be maintained from the *BPM6* chapter. The chapter will have separate sections on concepts and coverage (Section I), direct investment (Section II), portfolio investment (Section III), financial derivatives (other than reserves) and employee stock options (Section IV), other investment (Section V), reserves (Section VI), and off-balance-sheet liabilities (Section VII). See the Schematic Overview for details.
- 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 (e.g., *2025 SNA*) as appropriate.
- With regards to investment in the form of crypto assets, reference will be provided to Chapter 6 (functional categories); Chapter 4 (residency of crypto assets without corresponding liability if they were to be treated as financial); and Chapter 9 (the recording of other changes in the volume if crypto assets without corresponding liability were to be treated as foreign assets and included in the IIP). If there is a different outcome of GN F.18 (i.e., if they are treated as financial assets but not as external assets), agreed recording could be included in the relevant chapter at the drafting stage and reference will be included here.

II. Concepts and Coverage

- The following changes will be introduced to this section based on GN B.4.
- After introducing the definition of IIP (paragraphs 7.1 and 7.2), it will be mentioned that *BPM7* focuses on the increased importance of integrated presentation of IIP which explains the changes in IIP between two points in time with transactions from the balance of payments' financial account, revaluations, and other changes in volume.
- Integrated IIP presentation will be part of the standard components of *BPM7* (like balance of payments and IIP in *BPM6*)—with the same line items as the existing standard components in Appendix 9B, *BPM6*.
- Importance of introducing direct investment presentation by sectors and instruments will be emphasized (GN D.7). Relevant references from Chapter 6 will be provided.

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

² This chapter title is aligned with the related *2025 SNA* chapter title "Balance Sheet". However, changes to this title may be considered at the drafting stage.

- Separate reporting of data on debt cancellation and write-offs as well as reclassifications under “other changes in volume” is encouraged (i.e., they will be part of supplementary items).
- It will be emphasized that the granular data from the integrated IIP presentation will be helpful analyzing the importance of other changes (revaluations and other changes in volume) net IIP dynamics. Reference to relevant *BPM7* chapters will be provided (mainly, Chapters 2 and 19).
- IIP presentation structure in Table 7.1 will be updated based on the following integrated IIP presentation structure recommended in Annex II, GN B.4.

Table: Integrated International Investment Position Statement

Beginning of period IIP	Accumulation accounts				End of period IIP
	Transactions from BOP's financial account	Revaluations		Other changes in volume	
		due to exchange rate changes	due to other price changes	of which: write-offs and cancellations*	
Standard components listed in Appendix 9					

* Encouraged items
Note: This table will be adjusted depending on changes resulting from FITT.

III. Direct Investment

- This section will have same structure as in *BPM6*, but with the following important changes.

A. Valuation of Unlisted and Other Equity

Preferred Methods

- After presenting the six methods from *BPM6* paragraph 7.16, following GN D.2, it will be clarified that the three preferred estimation methods to provide estimates of market value are Own Funds at Book Value (OFBV), Recent Transaction Prices, and Market Capitalization. Further, it will be explained what is the concept that the estimation methods try to capture: the difference between assets and liabilities of unlisted corporations to be measured at market prices—in line with the core principles of macroeconomic statistics. Footnote 1 (*BPM6*, paragraph 7.16) will be removed accordingly.
- The decision tree to aid in implementing one of the three preferred methods (GN D.2, Annex VII) will be included. It will be noted that if some countries may not be able to implement one of the preferred methods immediately, the decision tree should serve as a guiding principle to select an alternative method in the transition to one of the three preferred methods.
- Treatment of negative equity to be elaborated based on the outcome of the clarification note to be prepared by the IMF's Statistics Department in consultation with relevant stakeholders.

- Consistency with the discussion on this issue in 2025 SNA Chapter 14 “Balance Sheet” will be maintained.

B. Entities That Borrow on Behalf of Their Affiliates

- No significant changes are foreseen except updates to chapter references on pass-through funds, SPEs, entities owned by government resident in another economy and is used for fiscal purposes, etc.

C. Quasi-Corporations

- Regarding the methods for valuation of equity, paragraph 7.25 (last sentence) will be updated to clarify that equity in quasi-corporations may be valued using one of the three preferred methods discussed in the above sub-section on valuation of unlisted equity.

IV. Portfolio Investment

- The structure of this section will be maintained as in *BPM6* with adjustments to chapter references and following updates.

A. Equity with dividends declared payable but not yet paid – no significant changes

B. Debt instrument with accrued interest – no significant changes

C. Short positions

- The discussion will be updated based on *MFSMCG* paragraphs 4.73–78 and recommendation of Issue 2 in GN F.3 (Annex II).

D. Unlisted debt and equity securities

- Positions in unlisted portfolio investment equity securities without an observable market price may be valued using the methods and approach presented in Section III-A.

E. Debt securities at nominal values

- Following GN F.8, it will be recommended to compile positions of debt securities at nominal value, as a supplement to the existing market valuation. Further, reference to the table on reconciliation between nominal and market valuation of debt securities liabilities (which is based on GN F.8 (Annex I) included in the updated “Additional Analytical Position Data” (part of Annex 13)) will be provided. It will be mentioned that debt securities used in direct investment inter-company lending will be included as a supplementary item to this table.

F. Zero-coupon and deep-discount bonds – no significant changes

V. Financial Derivatives (Other Than Reserves) and Employee Stock Options

- The section will be maintained as in *BPM6* with no significant changes.

VI. Other Investment

- The structure of this section will be maintained as in *BPM6* with adjustments to chapter references and updates to following sub-sections.

A. Valuation of Nonnegotiable Instruments

- While the current nominal valuation principle for loans will be maintained, it will be emphasized to strengthen the existing framework allowing for value reset even beyond cases of bankruptcy and liquidation, when there is public evidence of loan deterioration (GN F.9).
- Regarding concessional loans, it will be clarified that their positions are to be valued at nominal value as any other loan based on the contractual interest rate (GN F.15). Reference to relevant chapters to be provided.
- Other investment/equity in international organizations and other equity positions (GN B.12) may be valued using the methods and approach presented in Section III-A.

B. Financial Leases – no significant changes

C. Recording of Positions Associated with Securities Repurchase Agreements and Other Reverse Transactions

- Following GN F.1 (also F.3 and F.6), a supplementary item under loans “of which: Repurchase agreements, securities lending with cash collateral, and margin lending” will be introduced. Further, importance of separate identification of repo-related transactions and positions will be explained.

D. Overnight Deposits – no significant changes

E. Insurance Technical Reserves, Pension and Annuity Entitlements, and Standardized Guarantees Reserves

- No significant changes except noting that details on Takaful and Re-takaful arrangements are provided in Chapter 17 “Islamic Finance and Insurance”. Further, chapter references will be updated and consistency with 2025 SNA Chapter 24 “Insurance and Pensions” will be ensured.

VII. Reserves

- This section will be maintained as in *BPM6* with updated chapter references.

VIII. Off-Balance-Sheet-Liabilities

- No significant changes are expected. This section will remain brief as in *BPM6* with updated chapter references.

Schematic Overview³

I	<p>Concepts and Coverage</p> <p>Table 7.1: Integrated International Investment Position Statement⁴</p> <p>Table 7.2 Overview of the International Investment Position</p> <p>Definition of Economic Assets</p> <p>Classification</p>
II	<p>Direct Investment</p> <p>Valuation of Unlisted and Other Equity</p> <p>Preferred Methods</p> <p>Figure 7.1 Decision Tree for Implementing the Preferred Methods</p> <p>Entities that Borrow on Behalf of Their Affiliates</p> <p>Quasi-Corporations</p>
III	<p>Portfolio Investment</p> <p>Equity with Dividends Declared Payable but Not Yet Paid – no significant changes</p> <p>Debt Instrument with Accrued Interest – no significant changes</p> <p>Short Positions</p> <p>Unlisted Debt and Equity Securities</p> <p>Debt Securities at Nominal Values</p> <p>Zero-Coupon and Deep-Discount Bonds</p>
IV	<p>Financial Derivatives (Other Than Reserves) and Employee Stock Options</p>
V	<p>Other Investment</p> <p>Valuation of Nonnegotiable Instruments</p> <p>Financial Leases</p> <p>Recording of Positions Associated with Securities Repurchase Agreements and Other Reverse Transactions</p> <p>Overnight Deposits</p> <p>Insurance Technical Reserves, Pension and Annuity Entitlements, and Standardized Guarantees Reserves</p>
VI	<p>Reserves</p>
VII	<p>Off-Balance-Sheet-Liabilities</p>

³ Annex 7.1 from *BPM6* is not included in this chapter. It will be discussed in Annex 9 “Positions and Transactions with IMF”.

⁴ The term “statement” is not used uniformly in the BPM. Sometimes it refers to both, BOP and IIP, sometimes only to the IIP, and sometimes only to the integrated IIP. Therefore, its usage will be examined further at the drafting stage to ensure uniformity in the updated BPM.

References

- GNs B.4, D.2, D.7, F.1, F.3, F.6, F.8, F.9, F.15, and F.18. These guidance notes are posted at [Update of the sixth edition of the *Balance of Payments and International Investment Position Manual \(BPM6\)* \(imf.org\)](#) or at [List of Guidance Notes for the 2008 SNA Update](#) (unstats.un.org).
- Clarification Note on Negative Equity (forthcoming).

Key Stakeholders Consulted

- System of National Accounts and Balance of Payments Manual editors
- IMF Statistics Department Financial Institutions Division and Government Finance Division