

***BPM7* Chapter 9. Other Changes in Financial Assets
and Liabilities Account: Annotated Outline**

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(Update to *BPM6* Chapter 9)

Changes from BPM6 highlighted in yellow

I. Introduction

- As in *BPM6* Chapter 9, this chapter will introduce the other changes in financial assets and liabilities account 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), other changes in the volume of financial assets and liabilities (Section II), and revaluations (Section III). 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 (e.g., “other flows”, “valuations”) with other macroeconomic statistics manuals (e.g., *2025 SNA*) as appropriate.

II. Concepts and Coverage

- The structure of this section will be maintained as in *BPM6*. This section will introduce the other changes in financial assets and liabilities account and its main components; explain the need to distinguish other flows from transactions; and illustrate how other changes in volume and revaluations, together with transactions from the financial account, can explain changes in the international investment position (IIP).
- Per GN B.4, it will be clarified that other changes in volume, exchange rate changes, and other price changes are now part of the core framework (standard components). Table 9.1 will be updated to include two supplementary “of which” categories—“reclassifications” and “debt cancellation and write-offs”—under “other changes in volume,” which will also be mentioned in paragraph 9.5.

III. Other Changes in the Volume of Financial Assets and Liabilities

- The structure of this section will be adjusted compared to *BPM6* to accommodate relevant recommendations from various guidance notes and to better align it with the definition in paragraph 9.7 as well as the SNA structure. Two new subsections (“appearance and disappearance of financial assets and liabilities” and “external events”) will be added. In addition, the *BPM6* subsection “insurance reserves, pension entitlements, and provisions for standardized guarantee schemes” will become part of the new subsection “external events,” while the *BPM6* subsection “financial assets and liabilities of persons and other entities changing residence” will become part of the subsection “reclassifications.”

¹ Prepared by Jannick Damgaard (BPM editor) and cleared by the BPM Project Manager.

A. Cancellation and Write-Offs

- Per GN F.9, the discussion of write-offs in paragraph 9.9 will be expanded to allow for value reset beyond cases of bankruptcy and liquidation when there is public evidence of loan deterioration.
- Per GN WS.9, it will be clarified that provisions (except in the case of standardized guarantees) are not part of the standard *BPM7* framework and are therefore not treated as other flows. The treatment of provisions is different in financial accounting and monetary and financial statistics where they are part of the main framework. Recognition of provisions is done through other changes in the volume of financial assets and liabilities in monetary and financial statistics, so for external sector statistics (and national accounts) purposes compilers need to know what to eliminate/ignore both from positions data and other changes in the volume of financial assets and liabilities, in cases where the source is accounting or monetary and financial statistics data.
- Paragraph 9.11 on uncompensated seizures will be moved to the new subsection “external events” to better align with the SNA structure.

B. Appearance and Disappearance of Financial Assets and Liabilities

- Paragraph 9.18 on the monetization and demonetization of gold bullion will be moved to this subsection to better align with the SNA structure. Pending the outcome of the Clarification Note *Treatment of Securities Under Reverse Transactions in Reserve Assets*, it will be clarified how monetary gold is monetized/demonetized when used for reverse transactions.
- Depending on the outcome of GN F. 18, crypto assets without corresponding liability may be classified as financial assets and be included in the IIP. If this treatment were to be adopted, the monetization process would be described here.
- Per GN B.9, it will be clarified that, if it is not possible to adjust historical series on cross-border assets declared under tax amnesties, these assets can be recorded in the IIP in the current period through other changes in volume.
- Depending on the outcome of GN WS.7, emission permits may be recorded as financial assets with taxes on production recorded at surrender and at issuing price. If this treatment were to be adopted, the difference between the issuing price and current market price should be recorded as other changes in the volume of the financial asset and liability when the permit is surrendered.

C. External Events

- Paragraphs 12.46–47 in the *2008 SNA* explain that catastrophic losses should be treated as other changes in volume. A description of the treatment of catastrophic losses will be introduced in *BPM7* since such losses could be relevant for cross-border ownership of land and buildings as well as financial assets and liabilities.
- Paragraph 9.11 on uncompensated seizures will be moved to this subsection.
- Paragraph 9.24 on changes in model assumptions and their effect on insurance reserves, pension entitlements, and provisions for standardized guarantee schemes will be moved to this subsection to better align with the SNA structure.

D. Reclassifications

- Paragraph 9.18 on the monetization and demonetization of gold bullion will be moved to the new subsection “appearance and disappearance of financial assets and liabilities.”
- Pending the outcome of the Clarification Note *Treatment of Securities Under Reverse Transactions in Reserve Assets*, it will be clarified that when securities provided as collateral are not readily available for meeting balance of payments financing needs, they should be excluded from the cash borrower’s reserve assets and reclassified to portfolio investment assets.
- The section on financial assets and liabilities of persons and other entities changing residence will be moved to the subsection on reclassifications to better align with the SNA structure.

IV. Revaluations

- This section will broadly be maintained as in *BPM6* with the following changes.

A. Debt Reorganization – no significant changes

B. Financial Derivatives and Employee Stock Options

- Per GN F.4, the convention in paragraph 9.31 will change so that all revaluation effects are due to other price revaluations rather than exchange rate revaluations for those types of derivatives where it may not be practical to separate exchange rate changes from other revaluations.
- Following paragraph 6.59 of *BPM6*, it will be reiterated that, unlike other functional categories, no primary income accrues on financial derivatives. Any amounts accruing under the contract are classified as revaluations.

C. Implications of Different Treatments of Retained Earnings

- Per GN F.2, it will be clarified that retained earnings for non-direct investment equity will be part of *BPM7*, but only on a supplementary basis.

D. Implications of Inconsistencies Between Transaction Prices and Values Recorded in Positions

- Paragraph 9.33 focuses on the implications of trading of instruments that are recorded at nominal values in positions. There can also be differences between transaction prices and the values recorded in the IIP for other types of instruments (e.g., unlisted equity). Therefore, this subsection will be expanded to cover such cases and recommend treating the differences as other price changes. Consistent with the discussions on updating paragraph 238 of the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment (BD4)*, compilers will be encouraged to use all the information available to improve the quality of their estimated direct investment positions when they become aware that they are under or over-estimated (e.g., by implementing backward revisions according to their national revision policy).

E. Implications of Treatment of Interest – no significant changes

Schematic Overview

I	<p>Concepts and Coverage</p> <p>Definition</p> <p>Distinguishing other flows from transactions</p> <p>Components</p> <p><i>Table 9.1 Overview of the Other Changes in Financial Assets and Liabilities Account</i></p>
II	<p>Other Changes in the Volume of Financial Assets and Liabilities</p> <p>Cancellation and write-offs</p> <p>Appearance and disappearance of financial assets and liabilities</p> <p>External events</p> <p>Reclassifications</p>
III	<p>Revaluations</p> <p>Debt reorganization</p> <p>Financial derivatives and employee stock options</p> <p>Implications of different treatments of retained earnings</p> <p>Implications of inconsistencies between transaction prices and values recorded in positions</p> <p>Implications of treatment of interest</p>

References

- GNs B.4, B.9, F.2, F.4, F.9, F.18, WS.7, and WS.9. 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 *Treatment of Securities Under Reverse Transactions in Reserve Assets* [still under discussion]
- *BPM6*, *2008 SNA*, and *BD4*

Key Stakeholders Consulted

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