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For information

Overview of the Work of the Financial and Payments Systems Task Team

Prepared by the Financial and Payments Systems Task Team (FITT)

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Overview of the Work of the Financial and Payments Systems Task Team¹

This note presents an overview of the activities and the progress made by the Financial and Payments Systems Task Team (FITT) since the last meetings of the IMF's Committee on Balance of Payments Statistics (the Committee) and the Advisory Expert Group on National Accounts (AEG) in June and July 2021, respectively. FITT's work plan includes the preparation of 17 guidance notes (GNs) covering methodological issues primarily associated with the evolution of financial and payments systems. Eight GNs have already been discussed by the Committee and the AEG at their previous meetings, six of which have been endorsed and are posted on the IMF's website on the updates of the sixth edition of the Balance of Payments and International Investment Position Manual. The two GNs discussed but not yet endorsed, require additional work to be finalized. Another two GNs will be discussed during this joint Committee and AEG meeting. In addition, three GNs will be discussed via written procedure after this meeting, following endorsement by the Balance of Payments Task Team (BPTT) and the AEG, and global consultation. The final batch of four GNs will be prepared for discussion at the February 2022 Committee and AEG meeting (see the details in Appendix I).

INTRODUCTION

- 1. The Financial and Payments Systems Task Team (FITT) primarily deals with research issues related to the financial and payments systems and specific issues relating to equity income.** It is one of the joint task teams established by the IMF's Committee on Balance of Payments Statistics (the Committee) and the Intersecretariat Working Group on National Accounts (ISWGNA) in the process of revising the IMF's *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* and *the System of National Accounts 2008 (2008 SNA)*.² The FITT works closely with the Balance of Payments Task Team (BPTT) and the Advisory Expert Group on National Accounts (AEG), which are in turn responsible for examining the guidance notes (GNs) before they are posted for global consultation and sent to the IMF's Committee on Balance of Payments Statistics (the Committee) and to the AEG/ISWGNA for final discussion and endorsement.
- 2. The timeline to produce the GNs follows the calendar of the Committee and AEG meetings to allow for discussion therein, although some of them may be approved via written procedure.** The FITT has a publicly accessible [website](#) hosted by the IMF and the UNSD where all relevant documents can be consulted and where the GNs are posted for global consultation.

¹ Prepared by Kenneth Egesa, Borys Cotto, and Joji Ishikawa—FITT Secretariat; and reviewed by Mr. Celestino Giron (European Central Bank–ECB) and Mr. Artak Harutyunyan (IMF)—Co-Chairs of the FITT.

² The FITT was officially launched on June 10, 2020, with a mandate that spans until March 2022. Key issues to be addressed by FITT, as drawn from the research agenda of the Committee, are presented in the Compendium of Issues adjoining its [terms of reference](#). The Co-Chairs of FITT are the IMF and ECB, while the Secretariat is the IMF. Its membership comprises 11 countries and eight international organizations.

OVERVIEW OF THE FITT'S WORK

3. **FITT's work plan includes the preparation of 17 GNs, covering methodological issues primarily associated with the evolution of financial and payments systems.** FITT members are organized in authoring teams for the preparation of the GNs, consisting of lead author(s) and contributors (see Appendix I).

4. **The FITT's work plan is being implemented following the agreed time frame and the priorities established by the Committee and the AEG.** Eight out of the 17 GNs have already been discussed by the Committee and the AEG, six of which have been endorsed and are posted on the IMF website. The GNs *F.5 Treatment of Credit Default Swaps* and *F.8 Valuation of Debt Securities at Both Market and Nominal Value* were endorsed in October 2020. The GN *F.3 Reverse Transactions* was endorsed by the Committee in February and by the AEG in April 2021. The GNs *F.4 Financial Derivatives by Type*, *F.6 Capturing Non-Bank Financial Intermediation*, and *F.16 Subscription Rights* were endorsed by the Committee in June and by the AEG in July 2021. The Committee and the AEG requested that additional work be done on GN *F.10 Treatment of Cash Collateral* with a view for FITT to propose a way forward and on *F.2 Asymmetric Treatment of Retained Earnings* with a view for FITT to organize testing among volunteer countries. Finally, the following two GNs will be discussed during this joint Committee and AEG meeting along with the results from the corresponding global consultations: *F.9, Valuation of Loans (Fair Value)* and *F.12 Covering Hybrid Insurance and Pension Products*.

5. **The preparation of the remaining seven GNs is ongoing.** Three GNs are expected to be discussed by the Committee and the AEG via written procedures after this joint meeting. The final batch of four GNs will be prepared for discussion at the February 2022 meeting, with a possibility of discussing some of them earlier via written procedure, if ready. Appendix II provides the timetable ahead of the meeting in February 2022. FITT Co-Chairs and Secretariat have advised the authoring teams to follow the adopted guidelines in drafting and updating the GNs. Among these, streamlining the draft GNs to keep their length around six pages (excluding annexes) is strongly recommended.

6. **Frequent communication and adequate coordination between FITT Co-Chairs, Secretariat, and authoring teams are among the key factors to keep FITT's work plan on track.** FITT Co-Chairs and Secretariat have maintained regular communication with the authoring teams, and FITT members have been kept abreast of the progress made through emails, including that of the preparation of individual GNs. Specific meetings have also been organized with the authoring teams to discuss contentious or other relevant issues. Going forward, the FITT Co-Chairs and the Secretariat will continue holding occasional virtual meetings with the authoring teams of the GNs and FITT members to discuss specific issues and work plans on individual GNs and apprise them of the overall work associated with the update of the manuals.

Appendix I. FITT Research Issues – Sequence and Timing of the GNs

Issue No.	Research Topic	Teams (Lead and Contributors)	Proposed Timing of Meeting
Financial and Payments Systems Task Team (FITT)			
<i>High-Priority Items</i>			
F.1	More disaggregated definition of the financial sector and financial instruments	Lead: IMF & OECD Contributors: South Africa, Portugal, ECB, UNSD	February 2022 Committee Meeting
F.2	Asymmetric treatment of retained earnings between direct and portfolio investment and potential extension to domestic relationships	Lead: ECB & IMF Contributors: Armenia, Switzerland, Serbia, Eurostat	June 2021 Committee Meeting (testing with countries ongoing)
F.3	Reverse transactions	Lead: BIS & IMF Contributors: South Africa, UK, FSB	Completed (February 2021 Committee Meeting)
F.4	Financial derivatives by type	Lead: BIS & ECB Contributors: UK, IMF, USA	Completed (June 2021 Committee Meeting)
F.5	Treatment of credit default swaps	Lead: UK Contributors: BIS, IMF, USA	Completed (October 2020 BOPCOM Meeting)
F.6	Non-bank Financial Intermediation	Lead: OECD & IMF Contributors: FSB, BIS, ECB, South Africa, UNSD	Completed (June 2021 Committee Meeting)
F.7	Impact of FINTECH and other financial innovations	Lead: IMF Contributors: Switzerland, Indonesia, Serbia, USA, OECD, UNSD, FSB	February 2022 Committee Meeting
F.8	Valuation of debt securities at both market and nominal value	Lead: Portugal & Eurostat Contributors: Armenia, Indonesia, BIS, Italy	Completed (October 2020 BOPCOM Meeting)
F.9	Valuation of loans (fair value)	Lead: Armenia & Italy Contributors: Eurostat, South Africa, ECCB	October 2021 Committee Meeting
F.18	Crypto Assets (new topic)	Lead: OECD, ECB, IMF, and USA	February 2022 Committee Meeting
<i>Medium-Priority Items</i>			
F.10	Treatment of cash collateral	Lead: ECB Contributors: Netherlands, BIS, Eurostat	February 2021 Committee Meeting (work ongoing to propose a way forward)
F.11	Treatment of electricity forwards	Topic dropped	

Issue No.	Research Topic	Teams (Lead and Contributors)	Proposed Timing of Meeting
F.12	Covering hybrid insurance and pension products	Lead: Japan, ECB Contributors: Serbia, Germany, Spain	October 2021 Committee Meeting
F.13	Measurement of margins on buying and selling of financial instruments	Lead: ECB Contributors: USA, UK	Written Procedure
F.14	Treatment of factoring transactions	Lead: Armenia Contributors: Uganda, ECB, Eurostat	Written Procedure
F.15	Debt concessionality (new topic)	Lead: Eurostat Contributors: Portugal, IMF	February 2022 Committee Meeting
F.16	Subscription rights (new topic)	Lead: ECB Contributors: Portugal, South Africa	Completed (June 2021 Committee Meeting)
F.17	Master risk participation agreements (new topic)	Lead: Indonesia Contributors: South Africa	Written Procedure

Appendix II. Proposed Timeline for GNs Scheduled for the February 2022 Committee Meeting

Action	Timeline
Draft GN to be ready for FITT review	No later than October 22, 2021
Draft GN to be submitted to AEG/BPTT for review	No later than November 15, 2021
GN to be posted for global consultation	No later than December 13, 2021
GN to be sent to the Committee	No later than February 7, 2022