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For discussion

G.4 Treatment of Special Purpose Entities and Residency: Outcome of Global Consultation

Prepared by the Globalization Task Team (GZTT)

INTERNATIONAL MONETARY FUND

G.4 Treatment of Special Purpose Entities and Residency: Outcome of Global Consultation¹

The global consultation showed large support to the conceptual recommendations put forward in the guidance note (GN), namely to (i) leave the core Balance of Payments Manual and System of National Accounts framework unchanged while proposing supplemental information on Special Purpose Entities (SPEs) by way of an encouraged breakdown of foreign controlled SPEs within the institutional sector accounts (ISAs) for countries for which SPEs are significant, in the national accounts, and the separate identification of SPEs within cross-border flows and positions and (ii) align the SPE definition in the updated manuals based on the recent work of the IMF's Committee on Balance of Payments Statistics (Committee). There was less support for presenting SPEs statistics on a nationality basis complementary to the residency-based statistics even though this was meant for countries which would derive value added from the presentation. While supplemental information on SPEs within both the national accounts and balance of payments were perceived as useful and needed, from a practical perspective, the respondents recognized, amongst others, several challenges associated with the current data collection systems' limitations, coordination between national accounts and balance of payments in implementing the SPE definition, update of the business register, and data sharing practices. A large majority of the respondents viewed that the Operational Guidelines, released by the IMF in November 2020, are comprehensive enough to operationalize the SPEs definition for identification in the ISAs. Most national accountants haven't benefitted from the IMF outreach activities on the new SPE data initiative which mainly targeted the institutions compiling the external sector statistics.

In view of the broad support received during the global consultation, this GN is proposed to be considered by the AEG and the Committee for final decision.

INTRODUCTION

1. **The global consultation² targeted balance of payments and national accounts (NAs) compilers³ seeking feedback on both the conceptual recommendations and practical aspects.** Sixty complete responses from 55 economies⁴ were received. By geographical distribution, Europe was highly represented (27 economies), followed by Western Hemisphere (nine economies), Asia Pacific (eight economies), Middle East and Central Asia (seven economies) and Africa (four economies). By statistical domain, of the 60 complete responses, 30 coordinated responses were submitted, while 10 from balance of payments, and 20 from NAs compilers were received separately. **Annex I presents the detailed consultation results.**

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² The survey, which closed on August 14, 2021, was posted simultaneously on the UNSD and the IMF *BPM6* Update web pages.

³ Both national accounts and balance of payments compilers were asked to either send separate responses or a single coordinated one.

⁴ Ninety responses were submitted, of which sixty were complete responses from fifty-five distinct economies because five economies have submitted two separate responses—one for balance of payments and one for national accounts.

CONCEPTUAL ISSUES

The Guidance Note (GN) discusses two specific recommendations: the proposed availability of supplemental information on Special Purpose Entities (SPEs) within both the national accounts, and the external sector statistics as well as the internationally agreed definition of SPEs.

2. **There was majority support that SPEs, as part of intra-multinational enterprise (MNE) activities, present measurement challenges for both NAs and balance of payments, which if not properly captured or identified, can distort macroeconomic statistics.** The numerous measurement challenges put forward were (i) volatility in the SPE population, (ii) nature of the SPE activities, (iii) difficulties in identifying SPEs, (iv) limited information available due to limited employees, (v) sizable transactions over a limited period of time, (vi) complicated group structures of MNEs and associated difficulties in interpreting which part of their activities is carried out for the benefit and on behalf of the resident SPE, and (vii) SPE's autonomy over the Head Office. It was noted that while SPEs are, at times, covered in surveys such as the International Investment Position (IIP) Survey or an economic survey or census as part of the GDP calculation, they may not be separately identified.
3. **There was large agreement for supplemental information on SPEs within the NAs and the External Sector Statistics (ESS).** Both NAs and balance of payments compilers expressed the view that the separate identification will help policy users, researchers, and analysts.
4. **Most respondents (74 percent of the 60 responses) were willing to leave the core System of National Accounts (SNA) and Balance of Payments Manual (BPM) framework unchanged but to consider supplemental information on SPEs by way of an encouraged breakdown of foreign controlled SPEs within the institutional sector accounts (ISAs) for countries for which SPEs are significant.** The minority, which disagreed, argued that a change in the statistical infrastructure would be needed, coupled with the difficulties of additional burden, lack of available data, amongst others.
5. **There was large support to endorse the definition for SPEs, aligned with what has been approved in the context of ESS.** This would ensure consistency between both the revised *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* and *System of National Accounts 2008 (2008 SNA)* and allow for comparable international statistics on SPEs. This definition was, therefore, considered suitable for identifying SPEs that are part of MNEs for national accounts purposes. The minority, which disagreed (8 percent), noted that some elements of the definition were inappropriate, of which employment, purposes of establishment, or institutional unit.
6. **The majority of the respondents agreed that SPEs incorporated in the same economic territory as their parents are not termed as SPEs and be known on the specific type of activity (e.g., domestic securitization vehicle or trusts).** These SPEs are usually not consolidated on account of being autonomous (e.g., households or securitization vehicles).

7. **Out of the 55 responses,⁵ only 20 economies noted that SPEs are important in their jurisdictions.⁶** Half of them indicated users' frequent request on SPE related statistics.

8. **Less than half of the respondents (43 percent of 58 responses received) were agreeable to the additional proposal of presenting SPEs statistics on a nationality basis to complement residency-based statistics.** The extension of the SNA or BPM core framework by reclassifying SPEs to the economies of their parents on a supplemental basis was meant for economies for which these statistics would be of added value. Around 33 percent was neutral, while the remaining opposed. Respondents, noted that this presentation would require very developed statistical systems, extra information on non-resident SPE held by resident entities, considerable imputations every accounting period, as well as data sharing practices or a more developed data exchange system, which are all very ambitious endeavors.

PRACTICAL ISSUES

The GN discusses practical issues when implementing the proposed recommendations, of which the importance of the business register, availability of administrative data, developing new collection instrument, coordinating the work between balance of payments and national accounts (NAs) compilers, as well as participation in the IMF outreach activities.

9. **Views were split from the NAs' perspective with a slightly higher majority of respondents⁷ indicating that they may not be able to use the same units identified as SPEs in ESS (if done by another institution) and coordinate data collection in order to be able to produce an encouraged breakdown of foreign controlled SPEs within the ISAs.** The remaining respondents felt they could adopt a coordinated approach in compiling the ISAs. Institutions which compile both the balance of payments and national accounts found this easier. Otherwise, an agreement between the statistical offices and the central banks on the implementation of the definition as well as data sharing should be worked out.

10. **The majority noted that the national statistics agency or the central bank maintained a business register.** However, a large proportion of the 48 respondents (72 percent) could not identify SPEs from their business register. Out of the 29 economies which responded, 13 noted that average investment was needed to upgrade their business register, 12 mentioned a large investment, while only four stressed minimal investment.

11. **More than half of the respondents mentioned that a new collection instrument was needed to be developed to gather information on SPE activities.** A large majority indicated that they cannot have access to available administrative data sources (e.g., through SPEs regulatory or licensing institutions) to collect SPEs data for macroeconomic statistics.

⁵ Three countries (two from Asia and one from Middle East) abstained from replying to this question.

⁶ For two countries from Europe, conflicting responses were received from the national accounts and balance of payments compilers.

⁷ Forty-seven responses were submitted, of which 20 from national accounts, and 27 coordinated balance of payments and national accounts.

12. **Fifty-five percent of respondents were aware that the IMF's Statistics Department (for its member countries) and ECB (for the euro area) are both launching a new data initiative to collect cross-border flows and positions of SPEs beyond direct investment in host jurisdictions.**

European economies were the most aware, followed by Asia-Pacific, Africa, Western Hemisphere, and Middle East. The outreach activities conducted by the IMF's Statistics Department jointly with other International Organizations, the regional workshops organized as part of the new SPE data initiative, as well as the invite letter sent to participate in the data collection have all contributed to raising awareness. Some respondents highlighted their participation in the upcoming IMF data collection.⁸

13. **From a user-needs perspective, around half of the 59 respondents agreed with the proposed practical guidance to identify separately (avoid consolidation), to the extent possible, the cross-border transactions of SPEs with resident immediate parent but subject to indirect foreign control, which can also be any other operating unit within the group.** This guidance is only meant to identify separately SPEs transactions or positions from cross-border statistics and should not be viewed as an exception to the rule of establishing an institutional unit as laid out in the SNA. Thirty-seven percent adopted a neutral stance, while the minority proportion, mostly national accountants, disagreed with considering this practical guidance. Amongst others, they argued that any attempt to introduce exclusions from existing practice would prove problematic, as they would carry quality risks with respect to both over- and under-coverage of cross-border statistics, and increase the burden placed on compilers.

14. **A higher proportion of respondents noted that the IMF's SPEs Operational Guidelines are comprehensive enough to operationalize the definition in identifying SPEs in the ISAs.** The guidelines are expected to assist compilers in implementing a national data collection framework.

15. **Amongst the practical difficulties outlined by the respondents were largely data availability, confidentiality, and resource constraints to undertake this new collection.** Given that, in some economies, the legislation does not currently oblige the SPEs to register, identifying them or having access to their information could be daunting. The absence of relevant details for the ISAs, as part of national accounts work, can be taxing on the compilers.

⁸ Mostly national accounts compilers have not participated in the series of regional workshops that the IMF has organized on this new SPE data initiative compared to a higher participation from balance of payments compilers. National accounts compilers were either uninvited, unaware of this new data initiative, or simply did not participate because it was not a priority. As expected, balance of payments compilers were more informed, or formed part of the Task Force on SPEs, or have had continued discussions on the topic through the ECB and OECD.

Annex I. Summary Results of the Global Consultation

1. Number of responses submitted

	AFR	APD	EUR	MCD	WHD	Total
Balance of Payments (BP)	2	1	4	1	2	10
National Accounts (NA)	2	4	7	5	2	20
Coordinated	1	4	19	1	5	30
Total	5	9	30	7	9	

Note: 55 economies responded, 5 economies submitted 2 separate responses for balance of payments and national accounts.

2. SPEs, as part of intra-MNE activities, present measurement challenges for both national accounts and balance of payments. Do you agree with this statement?

		AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	BP			3		1	4	
	NA	1		4		1	6	
	Coordinated			3	1	2	6	
Total		1		10	1	4	16	27%
Agree	BP	1	1		1	1	4	
	NA	1	3	3	5	1	13	
	Coordinated	1	3	15		4	23	
Total		3	7	18	6	6	40	67%
Neutral	Coordinated		1	1			2	3%
Strongly Disagree	BP	1		1			2	3%
Grand Total		5	8	30	7	10	60	

3. Are SPEs important in your jurisdiction?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	4	2	10	2	2	20	36%
No	1	4	19	4	7	35	64%
Total	5	6	30	6	9	55	

Note: Three economies did not reply

4. Do your users frequently request SPE related statistics?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	2		6	1	1	10	17%
No	3	8	24	6	8	49	83%
Total	5	8	30	7	9	59	

Note: One country did not reply

5. Do you consider that supplemental information on SPEs by way of an encouraged separate identification of SPEs within the national accounts will help policy users, researchers, and analysts?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	1			1	1	3	5%
Agree	3	3	16	5	6	33	58%
Neutral	1	5	8		2	16	28%
Disagree		1	4			5	9%
Total	5	9	28	6	9	57	

Note: Three economies did not reply

6. Do you consider that supplemental information on SPEs by way of an encouraged separate identification of SPEs within external sector statistics will help policy users, researchers, and analysts?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	1		3	1	1	6	10%
Agree	4	4	19	6	6	39	65%
Neutral		5	6		2	13	22%
Disagree			2			2	3%
Total	5	9	30	7	9	60	

7. The GN endorses a definition for SPEs, aligned with the one used in the context of cross border statistics, and approved by the BOPCOM, suitable for identifying SPEs that are part of MNEs for NA purposes. The benefit of a common definition of SPE is relevant in the context of data comprehensiveness, quality, and comparability, ensures consistency between BPM and SNA and allow for comparable international statistics on SPEs. Do you support this?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	1		9	3	2	15	25%
Agree	4	8	15	3	7	37	63%
Neutral			1	1		2	3%
Disagree			5			5	8%
Total	5	9	30	7	9	60	

Note: One economy did not reply

8. To undertake data collection, the GN expresses the preference to leave the core SNA and BPM framework unchanged but to consider supplemental information on SPEs by way of an encouraged breakdown of foreign controlled SPEs within the ISA (see Annex VI) for countries for which SPEs are significant. Do you support this?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	1		4	1	1	7	12%
Agree	4	8	15	5	5	37	62%
Neutral		1	4	1	3	9	15%
Disagree			6			6	10%
Strongly Disagree			1				2%
Total	5	9	30	7	9	60	

9. Are you aware that the IMF's Statistics Department (for its member countries) and European Central Bank (for the euro area) are launching this year a new data initiative to collect cross-border flows and positions of SPEs beyond direct investment in host jurisdictions?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	2	5	22	1	3	33	55%
No	3	3	8	6	6	26	45%
Total	5	8	30	7	9	59	

Note: One economy did not reply

10. The IMF's Statistics Department has been organizing a series of regional workshops on this new data initiative. Have you participated in one of them?

a. National Accounts

	NA	Coordinated	Total
Yes	1		1
No	19	25	44
Total	20	25	45

Note: Fifteen responses were blank

b. External Sector Statistics

	BP	Coordinated	Total
Yes	5	14	19
No	5	15	20
Total	10	29	

Note: Twenty-one responses were blank

11. For national accounts compilers, would your organization be able to identify the same units identified as SPEs (if done by another institution) in external sector statistics and coordinate data collection in order to be able to produce an encouraged breakdown of foreign controlled SPEs within the institutional sector accounts?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	1	3	15		3	22	47%
No	2	4	9	6	4	25	53%
Total	3	7	24	6	7	47	

12. Does your national statistics agency or the central bank maintain a business register?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	4	6	29	3	6	48	81%
No	1	2	1	4	3	11	19%
Total	5	8	30	7	9	59	

Note: One economy did not reply.

13. Do you identify SPEs in your Business Register?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	1	1	13	0	2	17	35%
No	3	5	16	3	4	31	65%
Total	4	6	29	3	6	48	

Note: Twelve responses were blank.

14. Would the investment necessary to identify SPEs be small, average, or large?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Small	1	1	1	1	0	4	14%
Average	2	1	7	1	2	13	45%
Large		3	7	1	1	12	41%
Total	3	5	15	3	3	29	
No response	2	4	15	4	6	31	
Grand total	5	9	30	7	9	60	

15. Would you need to develop a new collection instrument to collect information on SPE activities?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	3	4	13	7	7	34	60%
No	2	4	15	0	2	23	40%
Total	5	8	28	7	9	57	

Note: Three economies did not reply.

16. Is it possible to have access to available administrative data sources (e.g., through SPEs regulatory or licensing institutions) to collect data on SPEs for the purpose of building macroeconomic statistics?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Yes	2	3	16	2	1	24	40%
No	3	5	14	5	8	35	60%
Total	5	8	30	7	9	59	

Note: One economy did not reply.

17. The guidance note acknowledges that SPEs have to be directly or indirectly controlled by nonresidents such that those entities that carry the attributes of an SPE except with no direct or indirect nonresident control will not be referred to as SPEs for the purpose of separately identifying SPEs in the Institutional Sector Accounts. The guidance note recommends entities incorporated in the same economic territory as their parents but not consolidated on account of being autonomous (households or securitization vehicles) will not be termed as SPEs for purposes of separate identification or data collection. These units will be classified based on the specific type of activity (e.g., domestic securitization vehicle or trusts). Do you agree with this recommendation?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree			3	2		5	9%
Agree	4	6	22	2	7	41	69%
Neutral	1	2	4	3	2	12	20%
Strongly Disagree			1			1	2%
Total	5	8	30	7	9	59	

Note: One economy did not reply.

18. The guidance note proposes the option of extending the SNA or BPM core framework (i.e., SPEs should be reclassified to the economies of its parents) be considered on a supplemental basis for countries for which these statistics would be of added value. Presenting SPEs statistics on a nationality basis would be a complement to the residency-based statistics and not a substitute. Do you agree with this proposal?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	1					1	2%
Agree	1	7	8	4	4	24	41%
Neutral	2	1	10	3	3	19	33%
Disagree			7		2	9	16%
Strongly Disagree			5			5	9%
Total	4	8	30	7	9	58	

Note: Two economies did not reply.

19. From a user needs perspective, compilers are being encouraged to avoid consolidating the cross-border transactions of SPEs with resident immediate parent but subject to indirect foreign control, which can also be any other operating unit within the group, to the extent possible, while avoiding double counting. This guidance to compilers will only be meant to identify separately SPEs transactions or positions from cross-border statistics and should not be viewed as an exception to the rule of establishing an institutional unit as laid out in the SNA: Do you foresee any practical issue with this guidance?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree	1		2			3	5%
Agree	3	7	7	4	5	26	44%
Neutral	1	1	14	3	3	22	37%
Disagree			5		1	6	10%
Strongly Disagree			2			2	3%
Total	5	8	30	7	9	59	

Note: One economy did not reply.

20. The IMF has released a guidance: Special Purpose Entities: Guidelines for a Data Template for assisting compilers in implementing a national data collection framework. Special Purpose Entity Guidelines are available on the Thirty-Fourth Meeting of the IMF's Committee on Balance of Payments Statistics webpage. Please indicate the extent to which you agree to the following statement: Do you think that the guidelines are comprehensive enough to operationalize the definition in identifying SPEs in the institutional sector accounts?

	AFR	APD	EUR	MCD	WHD	Total	Percent
Strongly Agree			2		1	3	5%
Agree	4	4	16	3	4	31	53%
Neutral	1	4	12	4	4	25	42%
Total	5	8	30	7	9	59	

Note: One economy did not reply

Annex II. Economies that Have Submitted Complete Responses

Balance of Payments		
1.	Africa (AFR)	Malawi
2.	AFR	Mauritius
3.	Asia and Pacific (APD)	Thailand
4.	Europe (EUR)	Estonia
5.	EUR	Portugal
6.	EUR	Ireland
7.	EUR	Russian Federation
8.	Middle East and Central Asia (MCD)	Lebanon
9.	Western Hemisphere (WHD)	Bolivia
10.	WHD	Brazil
National Accounts		
11.	AFR	Mauritius
12.	AFR	South Sudan
13.	APD	Indonesia
14.	APD	Japan
15.	APD	Thailand
16.	APD	Viet Nam
17.	EUR	Luxembourg
18.	EUR	Ukraine
19.	EUR	Portugal
20.	EUR	Russia
21.	EUR	Moldova
22.	EUR	Germany
23.	EUR	The Netherlands
24.	MCD	Afghanistan
25.	MCD	Saudi Arabia
26.	MCD	Kuwait
27.	MCD	Uzbekistan
28.	MCD	Qatar
29.	WHD	Costa Rica
30.	WHD	Mexico

Both National Accounts and Balance of Payments		
31.	AFR	South Africa
32.	APD	Australia
33.	APD	Malaysia
34.	APD	New Zealand
35.	APD	Singapore
36.	EUR	Lithuania
37.	EUR	Switzerland
38.	EUR	Belarus
39.	EUR	Romania
40.	EUR	France
41.	EUR	Georgia
42.	EUR	Spain
43.	EUR	Israel
44.	EUR	Latvia
45.	EUR	Ireland
46.	EUR	Cyprus
47.	EUR	Norway
48.	EUR	Hungary
49.	EUR	Czech Republic
50.	EUR	Austria
51.	EUR	Poland
52.	EUR	Sverige
53.	EUR	United Kingdom
54.	EUR	Italy
55.	MCD	Republic of Armenia
56.	WHD	Chile
57.	WHD	Paraguay
58.	WHD	Colombia
59.	WHD	Uruguay
60.	WHD	Argentina