Joint Thirty-Eighth Meeting of the IMF Committee on Balance of Payments Statistics and Eighteenth Meeting of the Advisory Expert Group on National Accounts

Inter-secretariat Working Group on National Accounts

Remote Meeting
March 7–10, 2022

BOPCOM VM1—22/15
SNA/M1.22/15
For discussion

Summary of Discussions

Prepared by the secretariats of the Committee and the Advisory Expert Group

SUMMARY OF DISCUSSIONS

INTRODUCTION

1. The thirty-eighth meeting of the IMF Committee on Balance of Payments Statistics (Committee) and the eighteenth meeting of the Advisory Expert Group (AEG) on National Accounts was jointly held virtually during March 7–10, 2022. This summary of discussions includes the action points agreed by the members during the meeting.

2. In his opening remarks, Mr. Louis Marc Ducharme, Chief Statistician and Data Officer, Director of the Statistics Department (IMF), and Chair of the Committee, welcomed Mr. Kenneth Egesa from the Bank of Uganda back to the Committee in place of outgoing member Mr. Wilson Phiri from Bank of Zambia. The Chair, once again, lauded both the Committee and the AEG members for their combined efforts in conducting a second joint meeting. This joint collaboration, which was embraced last October, has clearly eased the process of reaching common ground on cross-cutting and complicated issues. At the conclusion of this meeting, and upon finalization of a few remaining guidance notes (GNs) by written procedure, the Chair noted that the focus will be on Phase II of the *Balance of Payments and International Investment Position Manual, sixth edition* (*BPM6*) update process. Upon embarking on this phase, the Committee will discuss an IMF's comprehensive strategy for integrating and prioritizing all envisaged changes in the *BPM7* either in late September of 2022 (virtually) or at the next regular October meeting. Since the two update processes were launched, it was agreed that alignment between the updated versions of the *BPM6* and the *System of National Accounts 2008* (*2008 SNA*) was central to the process. In that respect, he underscored that the SNA and BPM editorial teams should continue to work together to successfully complete Phase II with the same spirit of collaboration and coordination as currently in Phase I. The Chair of the Committee also announced the recent release of a new international database, with separate information on balance of payments and international investment position, of resident Special Purpose Entities (SPEs). This database is the outcome of the excellent work by the Committee during the last four years, and has 25 participating economies, including several key international financial centers, reporting data based on a common methodology, including an internationally agreed definition of SPEs.

3. Mr. Paul Schreyer, Chief Statistician and Director of Statistics and Data Directorate, OECD, and Chair of the ISWGNA, welcomed two new members to the AEG, Ms. Annette Thomsen from Statistics Denmark, and Ms. Anisa Nuraini from Statistics Indonesia. He also welcomed Mr. Peter van de Ven and Mr. Pete Harper, Lead Editor and Project Manager (respectively) for the SNA Update in their respective capacities. The Chair of the ISWGNA reiterated the importance of these joint meetings, and more generally, the fact that the key international standards are being updated jointly and consistently. He noted that this is no small achievement. Contrary to the BPM update, which nears completion of Phase I, discussions and conclusions on GNs for the SNA update have been scheduled to continue until the end of the year—some more testing is needed which takes time and is key for conclusions on GN themselves in several areas.

4. Before the first item on the agenda, it was requested involving the AEG on the holistic review of the *BPM6* Update Priorities. It was agreed that the draft questionnaire will be sent in parallel to both Committee and AEG members for comments before launching the global consultation with compilers and

users. Furthermore, members made a strong plea for a close coordination in the finalization of both (SNA and BPM) Research Agendas as well as by both editorial teams in the drafting of both Manuals.

CURRENT ACCOUNT TASK TEAM (CATT)

BOPCOM VM1 22/01 AND 22/01.1; SNA/M1.22/01 AND 22/01.1 – TREATMENT OF TRAVEL PACKAGES, HEALTH-RELATED TRAVEL, AND TAXES AND FEES ON PASSENGER TICKETS (C.7)

Topics Presented for Discussion

5. The GN discusses three issues: package tours, health related travel, and taxes and fees on passenger tickets.

Package Tours

6. *BPM6* mentions package tours only in the context of passenger transportation not in travel. The GN argues that the references from *BPM6* (paragraphs 10.77/10.98) and *BPM6 Compilation Guide* (paragraph 3.234) lead to the conclusion that the tour operator (TO) does not produce a new tourism product, and it should be treated similarly to a travel agency providing a separate (intermediation) service to the traveler.

7. On the other hand, the GN notes that this view could be questioned because the traveler buys the package from the TO and pays a single price for it. In addition, the TO may bear the liability for any unforeseen changes and even refund the traveler in case the tour does not take place. The *European System of National and Regional Accounts in the European Union, 2010* (*ESA 2010*) takes exactly this position. This specification in the *ESA 2010* is unique and not shared by other international standards.

8. The current treatment of package tours in the *BPM6* (i.e., the TO does not sell a distinct product but a basket of tourism services including the service for arranging the trip) is in line with the Classification of Individual Consumption by Purpose (COICOP) principles. It is also relevant to note that this view—which differs from the *ESA 1995*—was shared by the Eurostat Travel Task Force Report of 1996 shortly after the introduction of *ESA 1995*.

9. The *2008 SNA*, in a footnote to Table 29.1, states that “The value of … consumption products is net of the gross service charges paid to travel agencies, tour operators, and other reservation services”. In this context, consumption products refer to tourism-specific products, consisting of accommodation, transportation, etc. (i.e., these products are seen separately and not as part of the service charge received by the TO or travel agency).

10. Overall, it could be concluded that over the last two decades all the international standards are consistent that package tours should not be treated as a distinct product; and, even during their updates, no changes of this treatment can be found.

Health Related Travel

11. The ambiguity in interpreting “persons traveling abroad for medical reasons” is twofold: (i) should “medical reasons” be restricted to “treatment of disease provided to patients by hospitals/clinics”, or

should they be broadly defined to also include cosmetic surgery/wellness spa; and (ii) should companion(s) accompanying person(s) travelling abroad for the purpose of receiving medical treatment be covered under the "health-related travelers" as well?

12. Following the *International Recommendations of Tourism Statistics (IRTS) 2008*, health and medical care includes for example, receiving services from hospitals, clinics, convalescent homes, and more generally, health and social institutions, visiting thalassotherapy and health and spa resorts, and other specialized places to receive medical treatments when they are based on medical advice, including cosmetic surgeries using medical facilities and services.

13. Although the definitions of "travelers" in *BPM6* context and "visitors" in *IRTS* are not identical, adopting IRTS' scope of "health and medical care" is likely to improve the comparability of tourism statistics produced by different international statistical standards.

14. Following the *BPM6*, the residence of accompanying dependents of patients is determined in the same manner as the persons they accompany. However, neither *BPM6* nor other relevant international manuals and guidelines consulted suggest a broader interpretation of "health-related travelers" to also include traveling patients' companions.

Taxes and Fees on Passenger Tickets

15. The price of an airline ticket is very complex nowadays. Transport-related taxes and fees can add up to as much, if not more, as the base fare that is paid to transport a passenger from the departure airport to the airport at the final destination. It is usually calculated in accordance with the tariff applicable on the day of booking and the intended flight dates.

16. However, from a conceptual perspective, it can be concluded, that all these taxes and fees are an integral part of the ticket price (i.e., the *BPM6* market price for services that is equivalent to the *2008 SNA* purchaser price (see *Manual on Statistics of International Trade in Services 2010*, paragraph 3.52)) that the passenger has to pay to be moved from the place of departure to the place of final destination.

Outcomes of Global Consultation

17. The outcome covers the (i) global consultations conducted in January 2021 on an earlier version of GN C.7, targeting mostly balance of payments compilers; and (ii) the December 2021 Eurostat survey among the EU's National Accounts Working Group (NAWG) and Balance of Payments Working Group (BOPWG).

18. The combined consultations on the topic of travel packages revealed a majority view in favor of the GN proposal to unbundle services with the exception of NA compilers in EU who follow the guidance in the *ESA 2010* to bundle tours. A follow-on survey of NA and balance of payments compilers in the EU confirmed split views of NA compilers and difficulties with bundling that could lead to incorrect recording. Balance of payments compilers were largely in favor of unbundling.

19. Details of the separate consultations are below.

January 2021 Global Consultation

- Majority support for unbundling services included in package tours and to use the suggested definition of package tours according to the *IRTS 2008.*
- Broad agreement for classifying health related travel according to definitions of the *IRTS 2008*. However, opinions were split on recording of expenses of patients' companion (health related travel vs other personal travel).
- Large support for maintaining the existing treatment of taxes and fees on passenger tickets in *BPM6.*

Eurostat Survey Results

- Most national accountants have no problem collecting data according to the *ESA 2010* (tour operator as a new product) in the cases where the TO is a resident of the compiling economy. However, the situation tends to become more complicated when it comes to resident-nonresident transactions. The information is usually obtained from the balance of payments data, which are often built on households or border surveys.
- Balance of payments compilers noted that the surveys are usually not designed in a way to adequately collect all the components. Thus, the parts of the package provided by resident agencies or airlines are estimated, and the rest is attributed (e.g., in case of imports) to the country visited. Compilers from most countries judge the unbundling as challenging but feasible.
- In the cases where the TO is located in another country, both communities found it difficult or impossible to prepare conceptually adequate estimates largely due to information shortages. In theory, the different treatments under *ESA 2010* and *BPM6* would lead to inconsistent recordings in the country where the TO resides.
- Due to the different treatments in *BPM6* and *ESA 2010*, compilers see the need for further and harmonized guidance.

Summary of Discussions

20. The Committee and AEG members largely supported the GN's proposal for unbundling package tours into various service components and not treating them as a distinct product in the updated SNA and BPM. Reinforcing the proposal, some members underscored that (i) unbundling is conceptually sound as the tour operator is not producing the underlying services (e.g., transportation, accommodation); and (ii) in the context of external sector statistics, it is crucial to unbundle international transportation and insurance services from the package tours. At the same time, challenges in unbundling the costs of package tours and obtaining good quality data were also raised. There were suggestions for providing guidance on the disaggregation of package tours including the definition of package tours in the updated manuals. It was clarified that the standard components of *BPM7* presentation will retain "travel" as a separate component of services similar to the *BPM6* with breakdown into business and personal travel.

21. A few members yet supported treating bundled services as a new product, requesting clarifications on the consistency of unbundling with international statistical classifications (e.g., ISIC, CPC, COICOP) in case package tours are classified as separate products; and on practical issues related to

the time of recording as well as on pricing/deflation of various components. These members also supported a clear-cut limit to unbundling services and goods to only package tours in order to avoid wider application to other goods and services (for instance, free email or newspapers provided in flights or the services/applications packed in cell phones).

22. With respect to national accounts, the standard breakdown between business (whose imports decreases GDP) and personal travel (whose imports are GDP neutral) is considered important and should be maintained in the standards. Further, as the legal parameters of travel packages may be quite different across countries, it was suggested that recording travel packages as a separate supplementary line in *BPM7* may be useful in the calculation of price statistics.

23. There was majority agreement to explicitly mention unbundling of package tours under "Rearrangement of transactions" in the updated SNA and to add a box under travel in the updated BPM to provide a clearer methodological guidance supporting the unbundling of package tours.

24. Regarding the health-related travel, there was majority support that the term "medical reasons" should follow the scope of "*health and medical care*" according to the definitions of the *IRTS 2008,* for treating the residence of the patients' companions in the same way as traveling patients, and the provision of a definition of "*patients' companions*" be provided in the *BPM7 Compilation Guide*. On the expenses of patients' companion, a majority of members favored classifying it as "other personal travel" (Option 2), while a few supported Option 1—"health-related travel"—emphasizing the understanding that the accompanying traveler would not travel without the patient and therefore, the main motive of travel should be considered as health related (and not for other reasons).

25. Members unanimously agreed that the treatment of companions of education-related travelers be added to the list of issues for clarification. In line with the results of the global consultation, members fully supported the reasoning that taxes and fees on passengers' tickets are intrinsic components of the market price paid, and, hence, agreed to maintaining the existing *BPM6* treatment of taxes and fees on passengers.

Actions

- The final version of the GN (incorporating the comments from members stating the final recommendations and removing questions), to be circulated to the Committee and AEG (via written procedure) for final approval and subsequent posting on the *BPM6/2008 SNA* Update websites.

- Practical guidance on the unbundling of tour packages to be provided in the updated *BPM6 Compilation Guide*.

- STA to prepare a separate clarification note on the treatment of companions of education-related travelers.

BOPCOM VM1 22/03 AND 22/03.1; SNA/M1.22/03 AND 22/03.1 – IMPACT OF FINTECH AND OTHER FINANCIAL INNOVATIONS (F.7)

Topics Presented for Discussion

26. There is no explicit guidance for compilers to sectorize fintech companies and record fintech-related transactions and positions, in spite of the rise of fintech, in the current international statistical standards. Neither the term "fintech" nor the relevant products and technologies are referenced in the *2008 SNA* nor the *BPM6*.

27. The conceptual frameworks of the *2008 SNA* and the *BPM6*, however, implicitly cover and provide classification principles for many of the financial innovations such as new entities (e.g., fintech firms), instruments, and technological processes introduced through fintech during the last decade.

28. This GN discusses the impact of fintech on macroeconomic statistics based on the Financial Stability Board (FSB) definition.[1]

29. From a statistical point of view, it is important to consider how fintech could affect the building blocks of statistical methodology, in particular, the institutional units and sectors, the concept of residence, instrument classification, and the international statistical classification standards.

Institutional Units and Sectors

30. Fintech companies are a diverse group of entities whose activities cut across different sectors/subsectors of the economy, and they should be classified within the institutional sectors/subsectors corresponding to the nature of their activities. The GN does not consider introducing an additional subsector for "fintech companies" in the updated manuals. The Task Team on International Standard Industrial Classification (TT-ISIC) is also considering a proposal to classify fintech related activities according to the nature of their activities, in which case most fintech related activities would be captured in Section K – Financial Services. Depending on the results of the discussion on the ISIC classification, institutional sector breakdowns for fintech companies in the BPM and SNA could be revisited.

Residence

31. In principle, the concept of residence is unaffected by fintech in the sense that fintech entities are residents of the economy where they have their center of predominant economic interest; however, new technologies may bring additional compilation challenges, especially in the cross-border context. For example, the use of e-money for cross-border payments at a significant scale can challenge the residency-based compilation of macroeconomic statistics as compilers may have limited access to financial service providers (issuers of private currencies or e-money) located in other jurisdictions.

[1] Fintech is defined by the Financial Stability Board (FSB) as "technology-enabled innovation in financial services that could result in new business models, applications, processes, or products with an associated material effect on the provision of financial services."

Examples of Fintech services (Payment Services Enabled by Fintech, Deposits and Lending, Insurance, Other Financial Services)

32. E-money is defined in the *Monetary and Financial Statistics Manual and Compilation Guide* (*MFSMCG*) (paragraphs 4.38–4.41) as a payment instrument whereby monetary value is electronically stored on a physical device or remotely at a server and represents a claim on the issuer. The *MFSMCG* (paragraph 4.93) considers mobile money as a form of e-money accessible via a mobile phone or a mobile device to make direct payments to third parties.

33. Peer-to-Peer (P2P) lending companies, marketplace lending platforms (including DeFi) are facilitating lending of money from individuals and other lenders, often unsecured to unrelated individuals or small businesses, circumventing traditional financial intermediaries. Platforms that facilitate P2P lending, but do not take ownership, would, a priori, appear to be financial auxiliaries (*BPM6*, paragraph 4.79). As with other fintech functions, an explicit reference to this activity in the updated SNA and BPM would be useful, as is done in the *MFSMCG* (paragraph 3.179).

34. InsurTech is an abbreviated term for insurance technology and refers to innovative technologies and new digital tools developed to optimize the performance of insurance companies (International Association of Insurance Supervisors 2017). InsurTech activities are already implicitly covered by the existing conceptual statistical framework, but it could be useful to include a brief section on "insurance-related fintech activities" in the updated SNA and BPM.

35. Other financial services that are being enabled by fintech (i.e., capital raising, investment management, and market provisioning) do not require amendments in the statistical methodology.

36. The GN makes five recommendations:

- **Recommendation 1:** Fintech companies should be classified within the existing institutional sectors/subsectors depending on the economic objectives, functions, and behavior (see *BPM6*, paragraph 4.57 and *2008 SNA* Chapter 4, subsection 3) without introducing a new sector "Fintech". Depending on the results of the discussion by the TT-ISIC, institutional sector breakdowns for fintech companies in the BPM and SNA could be revisited.

- **Recommendation 2:** Depending on their statistical and analytical needs, countries with significant fintech activities could consider introducing an "o*f which*" category from an institutional perspective (i.e., which institutions may be considered as fintech companies). "*Of which*" categories could be introduced at the sector level (e.g., other sectors in ESS) or the sub-sector level (e.g., other financial corporations) reflecting specific needs of the country. However, compilers should be aware that such "of which" categories could become irrelevant in some years, given the fast developments in technologies (e.g., fintech today could become a traditional way to provide services tomorrow).

- **Recommendation 3:** Financial instruments and services provided by fintech should be classified in the existing categories of the macroeconomic statistics (e.g., deposits, financial services) without introducing new financial instruments or services categories. New manuals and guides should elaborate on the description and the statistical recording of items that require clarification (e.g., insurance-related fintech activities, peer-to-peer lending, other fintech enabled activities such as capital raising though crowdfunding).

- **Recommendation 4:** Revised BPM and SNA should include explicit guidance on "e-money", including "mobile money", consistent with *MFSMCG* indicating that e-money that can be used for direct payments to third parties, including for cross-border payments, be classified as transferable deposits.
- **Recommendation 5:** Compilation guides for the next edition of BPM and SNA should address compilation issues related to fintech. Compilation guides can also use the recommendations of other GNs (e.g., the GNs by the DZTT on digital products/services) to provide guidance.

Outcomes of Global Consultation

37. The global consultation widely supported the classification of Fintech companies within the existing institutional sectors/subsectors (*Recommendation 1*) rather than introducing a new "Fintech" sector.

38. There was majority support for all other recommendations as well.

Summary of Discussions

39. In line with the global consultation, all Committee and AEG members unanimously supported four recommendations of this GN, acknowledging that (i) fintech companies should be allocated within the existing institutional sectors/subsectors breakdown dependent on the economic objectives, functions, and behavior (*Recommendation 1*); (ii) a supplementary "o*f which*" categories be introduced from an institutional perspective, with a view to separately identifying fintech activities from a policy and financial stability perspective (*Recommendation 2*); (iii) financial instruments and services provided by fintech should be classified in the existing categories of the macroeconomic statistics (e.g., deposits, financial services) without introducing new financial instruments or services categories (*Recommendation 3*); and (iv) *BPM7 Compilation Guide* should address compilation issues related to fintech (*Recommendation 5*).

40. Members agreed with treating e-money used for direct payments to third parties—including for cross-border payments—as transferable deposits (Option 4) when they are liabilities of deposit-taking institutions. For non-deposit taking institutions, there were mixed views, and a consensus could not be reached. It was, therefore, decided to leave the current *BPM6* and *2008 SNA* general treatment (as either deposits or other instruments) unchanged. Some members also noted the overlaps/differences between digital money and electronic money, including different kinds of crypto assets. In this regard, Fintech innovations tend to allow institutions other than traditional banks or other deposit taking institutions to get involved in issuing money-like liabilities with a broader impact on money supply.

Action

- FITT to finalize the GN incorporating the agreements reached by the Committee and the AEG (with suggested clarifications, including that e-money should be classified as transferable deposits for liabilities of deposit-taking corporations and applying the general rules for the classification of assets for liabilities of other institutions) and removing questions for posting on the *BPM6/2008 SNA* update websites.

Topics Presented for Discussion

41. Both the *2008 SNA* and *BPM6* identify debt concessionality as a research topic (*BPM6*, paragraph 1.43 (h); and *2008 SNA*, paragraph A4.44). Key issues are (i) valuation of the underlying financial instrument in the balance sheets of debtors and creditors, and (ii) recording of the transfer element so as to reflect the economic substance of the transaction more adequately.

42. This GN is restricted to low interest loans provided in a non-commercial context, including entities acting on behalf of others, with an intention to convey a benefit. The GN also looks into the treatment of the grant element of concessional loans that are provided as clear substitutes of regular (or other) contributions to agencies.

Issue 1: Statistical Treatment of Concessional Lending—three options proposed:

- **Option A:** No change in the updated BPM and SNA—record concessional loans at their face/nominal value at inception with no further imputation and continue to record the transfer element as a memorandum item/supplementary information.
    - **Sub-option A1:** provide more detailed information (than currently requested) on the transfer element, notably the fair value of the loan and the entailed accrued interest in memorandum/supplementary information.
- **Option B:** Record concessional loans at their face/nominal value at inception, but recognize the transfer element in the core accounts, spread over time, by increasing the stream of interest earned (D.41) on the loan using a suitable non-concessional rate together with a matching transfer expense (deficit neutral in every accounting period).
- **Option C (Recommended Option):** Partition concessional loans at inception between a "genuine" loan element (GN F.4 "Financial Derivatives by Type") and an explicit "transfer element", followed later by imputed interest receivable (D.41, of the same cumulated size over the lifetime of the loan) that capitalizes on the new nominal value/principal of the loan over time, to reach the face value before maturity (deficit neutral across the life of the loan).

43. It can be argued that recording a transfer element at inception might prove unwarranted or premature given the possibility that a concessional loan is retired before maturity (then implying a revision of the original capital transfer), which in turn could support Option B.

44. Similarly, it is argued that Option C is unwarranted as it could allow debtors or creditors to play with the time of deficit impact, by conveniently choosing the time of the borrowing, in a manner that Option A and B would not.

45. It is acknowledged that Option A (status quo) has the merit of simplicity. The main argument in favor of this option is that the "cost" for the creditor—which ultimately is a proxy to the benefit conveyed—is already adequately captured by the difference between the (low) interest earned and the higher funding costs, so that the creditor's net assets deteriorate automatically and satisfactorily over time without the need for further entries. It is also argued that the nominal valuation of a loan requires recording it in the balance sheet at inception for the amounts lent.

Issue 2: Statistical Treatment of the Grant Element of Concessional Loans Provided as Substitutes of Contributions to Agencies

46. Two options are considered to address this specific issue if Option C recommended for the first issue was rejected:

- **Option A:** Macroeconomics statistics manuals should not foresee a specific rule for the cases where a concessional loan is offered as a clear substitute for a contribution/transfer.
- **Option B (Recommended Option):** Macroeconomics statistics manuals should specifically foresee that the grant/transfer element provided as substitute to regular contributions should be explicitly recorded in the core accounts at inception, thus ensuring the substance over form principle.

Outcomes of Global Consultation

47. The global consultation showed that the revisions to the statistical treatment of concessional lending proposed in Option C (record the "loan" and the "transfer" element at inception) received higher support (47 percent) than the other options. The supporters for Option A/A1 (30 percent) and the undecided (15 percent) noted that Option C was too complex, could face practicality issues, and generate asymmetries.

48. On the recording of the grant/transfer element, the recommended Option B (grants to be explicitly recorded in the core accounts at inception) garnered support of 49 percent of respondents. Consistent with their response to Issue 1, the remaining 51 percent were either in favor of the status quo as proposed in Option A (23 percent) or undecided (28 percent).

49. All other proposals of the GN received wide support from respondents.

Summary of Discussions

50. With respect to Issue 1—the statistical treatment of concession lending—no consensus was reached on Option C as recommended in the GN. There was a call for treating the valuation of all loans and the recording of all concessional loans alike consistently in both manuals.

51. The treatment of other loans with favorable terms such as those granted by employers (as compensation of employees) or central bank loans (treated as subsidies) should also be maintained.

52. In spite of many recognizing that Option C was more sound on conceptual grounds for the statistical treatment of concession lending, on account of the practical challenges in its implementation, most members indicated their preference for Option A/A1 from a practical point of view. They argued that Option A (or A1) is consistent with the international statistical standards on valuation of loans (at nominal value), including concessional loans and viewed it as a better approach in reducing global asymmetries. Moreover, Option A/A1 is considered appropriate from a compilation perspective as calculating the loan value and an imputed transfer element at inception (Option C) could be difficult. In addition, some members noted that Option C would require clarifying how to calculate financial intermediation services indirectly measured (FISIM) in case of imputed concessionary interest. Option B received minority support.

53. Members agreed to changing the terminology "concessional loans" to "concessionary loans" in the updated SNA and BPM. With respect to the discount rate(s) to define and measure concessionality

for new concessional loans and cases of debt reorganization, there was a greater support for the OECD's CIRR. There was almost unanimous support that the option recommended for new concessional loans (Option A) should also be applicable to cases of restructured loans.

54. FITT co-Chairs clarified that, although with Option A the discussion of the discount rate would become less relevant, the scope of the GN is restricted to low interest rate loans provided in a non-commercial context, including entities acting on behalf of others with an intention to convey a benefit. The co-chairs noted that the GN preferred defining "concessionally" based on the funding rate (although with Option A/A1 the discussion of the discount rate would become less relevant); and, following this definition, IMF loans will not fall under the category of concessional lending. They also indicated that given the implications of the proposals for government finance statistics (GFS), the drafting team included three GFS representatives.

Actions

- FITT to revise the GN incorporating the comments of the Committee/AEG.
- The updated version of the GN, to be circulated to the Committee and AEG (via written procedure) for final approval and subsequent posting on both the *BPM6* and *2008 SNA* Update websites.

BOPCOM VM1 22/05; SNA/M1.22/05 – ASYMMETRIC TREATMENT OF RETAINED EARNINGS: TESTING AND EXPERIMENTAL CALCULATIONS (F.2)

Topics Presented for Discussion

55. At the June 2021 Committee meeting, it was requested that the supplementary data collections proposed in Option 2 of the GN F.2 be tested with a sample of volunteer countries, covering at least reinvested earnings (RIE) on portfolio investment (PI). It was also recommended that subject to the views of the AEG, the testing could also be extended to domestic equity relationships. In that respect, FITT has conducted a two-stage testing exercise among balance of payments compilers. The United Nations Statistics Division (UNSD) agreed to support the same testing exercise among national accounts compilers and have already conducted the first stage of the survey.

Balance of Payments Testing

56. During the first stage, a survey[2] was launched to collect information on source data availability to compile RIE estimates for PI equity as a supplementary item in the balance of payments statistics, and to enquire about countries' interest in participating in a testing exercise. Twenty-nine economies expressed the interest in participating in the second stage testing exercise for the RIE of PI assets and 31 economies for the RIE of PI liabilities.

57. However, out of 31 volunteer economies, only six responded to the questionnaire, which entailed experimental calculations, with only four providing data on RIE for both PI assets and liabilities.

[2] Eighty-one respondents from 75 economies completed the survey.

58. Two approaches were used for compiling the reported data: (i) using aggregate stock data from international investment position (IIP) and performance indices (price earnings ratios, dividends yield payout ratio, etc.) to compile the reported data, and (ii) direct reports from the relevant corporations.

59. The overall results of the testing exercise among the balance of payments compilers provide different compilation approaches to implement Option 2 (i.e., introducing supplementary tables for compiling RIE in PI assets and liabilities).

60. This supplementary approach may be revisited during the next round of the update of international statistical standards, taking into account the actual reporting by countries of the proposed supplementary tables on RIE in portfolio investments.

National Accounts Testing

61. First stage survey of national accounts compilers received positive response from around 15 countries. Fourteen countries agreed to participate in the proposed practical compilation exercise for private domestic equity and 16 institutions for public corporations.

62. The second phase of the testing among the national accountants has not yet started and is planned to be completed by the end of 2022. Confirming the feasibility of the recommendation on the domestic relationships in this GN will be possible after the results of the UNSD testing become available.

Summary of Discussions

63. Most Committee and AEG members reiterated their agreement with Option 2 that leaves the core balance of payments accounts unchanged but introduces supplementary tables for reinvested earnings (RIE) in portfolio investments (PI) assets and liabilities. While some members acknowledged the testing proved that there are methods to compile/estimate the requested data, they noted that data availability remains limited. Therefore, they requested further guidance on acceptable/recommended methods in the *BPM7 Compilation Guide*.

64. There was unanimous support from both the Committee and AEG that the second phase of testing among the national accountants be completed by the end of 2022, before confirming the application of the recommendation to the domestic relationships.

Actions

- FITT to update the GN indicating Option 2 as the preferred option (and clarifying that instead of proof of feasibility, the outcome of the testing should refer to the evidence of existence of methods to compile/estimate the requested data, as data availability remains limited) for inclusion in *BPM7* will be posted on the *BPM6* and *2008 SNA* Update websites.

- The GN will be further updated following the results of the testing of the national accounts community, including the way forward, to be circulated to the Committee and AEG members via written procedure for approval.

- Practical guidance to be included as part of the *BPM7 Compilation Guide.*

Topics Presented for Discussion

65. Given that comprehensive guidance on the classification and recording of crypto assets is not available in the current version of macroeconomic statistics manuals, all aspects relating to crypto assets are examined in detail in this GN. Whereas there is largely an agreement on the recording of most types of crypto assets, discussion remains on the recording of crypto assets without a corresponding liability designed to act as a general medium of exchange (CAWLM) and those designed to act as a medium of exchange within a platform only (i.e., payment tokens without a corresponding liability (CAWLP)).

Issue 1: Typology of Crypto Assets

66. The GN recommends classifying crypto assets into three broad categories:

I. Crypto assets designed to act as a general medium of exchange
   - with a corresponding liability:
     - issued by a monetary authority (e.g., central bank digital currencies (CBDCs) that qualify as crypto assets);
     - not issued by a monetary authority (e.g., stablecoins with a claim on the issuer);
   - without a corresponding liability (CAWLM) (e.g., crypto assets such as Bitcoin).

II. Crypto assets that only act as a medium of exchange within a platform or network (i.e., payment tokens)
   - with a corresponding liability;
   - without a corresponding liability (CAWLP).

III. Security tokens (which always have a counterpart liability)
   - Debt security crypto assets (e.g., Bond-I issued by the World Bank); this also includes utility tokens that provide the holders future access to goods or services;
   - Equity crypto assets;
   - Derivative crypto assets (i.e., derivative contracts that rely on cryptography and that can be exchanged peer-to-peer even if the underlying asset is not a crypto asset).

67. No separate category has been included for hybrid tokens and new crypto asset types like non-fungible tokens (NFTs).

Issue 2: Classification of Crypto Assets

68. The GN recommends that all crypto assets meet the asset boundary and crypto assets with a corresponding liability should be recorded as financial assets. However, the GN could not reach consensus on the classification of crypto assets without a corresponding liability designed to act as a general medium of exchange (CAWLM).

Issue 2a: Are CAWLM Financial or Nonfinancial Assets?

69. CAWLM appear to have characteristics of a hybrid, undefined asset, which is related to the fact that it is a relatively immature asset class that is constantly evolving. CAWLM have features of both

financial (designed to act as a medium of exchange) and nonfinancial assets (no corresponding liability), but do not fully meet the statistical definition of either. In light of this hybrid nature, the statistical treatment of CAWLM can be approached in three different ways.

- Approach 1: Treatment of CAWLM as a New Type of Nonfinancial Asset.
- Approach 2: CAWLM as a new type of financial assets, a New Exception to the Counterpart Liability Criterion.
- Approach 3: CAWLM as a New Hybrid Asset Class.

Issue 2b: How Should the Activities Related to the Creation of CAWLM be Accounted for?

70. The GN discussed two approaches on the possible creation of CAWLM.

- Approach 1: Regard CAWLM as Produced Assets.
- Approach 2: Regard CAWLM as Non-Produced Assets.

71. However, no consensus could be reached on Issues 2a and 2b. Given the interlinkages between Issue 2a and 2b, four options have been proposed for treating CAWLM (produced nonfinancial, non-produced nonfinancial, financial, and hybrid asset) with their pros and cons.

72. **Option I (Produced Nonfinancial Assets):** CAWLM are nonfinancial assets and the outcome of a production process undertaken by miners in the case of mineable coins and creators/issuers for non-mineable coins; the expenditure counterpart is capital formation by the producers.

- Consistent with the counterpart liability criterion as applicable to all financial assets except monetary gold;
- Consistent with current international accounting standards and views of some regulators (including the IMF);
- Requires an expansion of, or change to, one of the categories of produced nonfinancial assets to include this specific type of digital valuables (possibly an update to the current definition of valuables);
- Consistent with the view that CAWLM appear for the first time in the wallet of miners;
- Consistent with the view that the initial owners of the coins may not be recognized as consuming the validation services provided by miners;
- Adds to capital formation;
- Leads to barter trade in case CAWLM is used as medium of exchange; however, given the main current role of CAWLM as store of value similar to valuables and not as a medium of exchange, this is currently not a major problem.

73. **Option II (Non-Produced Nonfinancial Assets):** CAWLM are nonfinancial assets that are "released" to the owners of existing coins via other changes in the volume of assets; they then distribute them to the new owners (e.g., the miners in case of mineable coins) in exchange for validation services or

as a payment for the enhancement or regular maintenance of an intellectual property products (IPP) representing the crypto asset framework.

- Consistent with the counterpart liability criterion as applicable to all financial assets except monetary gold;
- Consistent with the view that miners do not actually produce coins but receive them in exchange for validation services or payment for the maintenance/enhancement of an IPP (i.e., crypto assets framework), ensuring a consistent recording of the different types of validation (i.e., in exchange for an explicit and/or implicit fee), as well as of CAWLM regardless of the way in which they are brought into circulation (i.e., mineable versus non-mineable CAWLM);
- Requires an expansion of one of the categories of non-produced nonfinancial assets to include this specific type of non-produced nonfinancial assets (e.g., contracts, leases, and licenses);
- Adds to production of and consumption/trade in services or to capital formation in relation to the creation of an IPP;
- Leads to a transaction akin to barter trade in case CAWLM is used as medium of exchange; however, given the main current role of CAWLM as store of value similar to valuables and not as a medium of exchange, this is currently not a major problem;
- Practical implementation of this treatment may require some assumptions on the counterpart of the implicit validation fee or payment for the IPP maintenance/enhancement, which may pose challenges and consequently may affect bilateral asymmetries.

74. **Option III (Financial Assets):** CAWLM are financial assets that are "released" to the owners of existing coins via other changes in the volume of assets; they then distribute them to the new owners (e.g., the miners in case of mineable coins) in exchange for validation services or as a payment for the enhancement or regular maintenance of an IPP representing the crypto asset framework.

- Consistent with the definition of nonfinancial assets;
- Inconsistent with the counterpart liability criterion that is applicable to all financial assets except monetary gold; requires an update to the definition of financial assets through an additional exception to the principle of counterpart liability. Such an additional exception may open the door for other commodities to be regarded as financial assets;
- Consistent with the view that miners do not actually produce coins but receive them in exchange for validation services or payment for the maintenance/enhancement of an IPP (i.e., crypto assets framework), ensuring a consistent recording of the different types of validation (i.e., in exchange for an explicit and/or implicit fee), as well as of CAWLM regardless of the way in which they are brought into circulation (i.e., mineable versus non-mineable CAWLM);
- Adds to production of and consumption/trade in services or capital formation in relation to the creation of an IPP;
- Holdings of CAWLM may increase the country's net financial position with the rest of the world, without any counterparty, creating an additional inconsistency between total financial assets and liabilities world-wide. It may also complicate the interpretation of IIP;

- Practical implementation of this treatment may require some assumptions on the counterpart of the implicit validation fee or payment for the IPP maintenance/enhancement, which may pose challenges and consequently may affect bilateral asymmetries.

75. **Option IV (Hybrid Assets):** CAWLM are produced assets and the outcome of the activity of miners and creators/issuers of non-mineable coins; the expenditure counterpart is capital formation by the producers; however, transactions in existing CAWLM are treated similarly to financial transactions.

- Consistent with the current definitions of financial and nonfinancial assets;
- Requires the creation of a new asset category and a new account;
- Consistent with the view that CAWLM appear for the first time in the wallet of miners;
- Consistent with the view that the initial owners of the coins may not be recognized as consuming the services provided by miners;
- Adds to capital formation;
- Does not lead to barter trade in case CAWLM is used as medium of exchange (which is limited at this stage).

76. FITT members broadly supported the recommendations and related discussion on the distinction of crypto assets, the asset treatment of crypto assets with corresponding liability, and the four classification options for CAWLM, including related pros/cons. Preliminary views on the classification options of CAWLM were split between Option I and Options III and IV.

Outcomes of Global Consultation

77. The global consultation showed overwhelming support for all the proposals in the GN (except CAWLM). Regarding the CAWLM, none of the proposed options received majority support, while more than one-third (36 percent) of the respondents were undecided. Option IV (hybrid asset) received support from 31 percent respondents followed by Option I (produced nonfinancial asset—17 percent) and Option III (financial asset—14 percent). Only one respondent supported Option II (nonproduced nonfinancial asset).

Summary of Discussions

78. The Committee and AEG members unanimously supported almost all the proposals in the GN—crypto assets meet the definition of the asset boundary, classification of crypto assets, treatment of crypto assets with corresponding liability, digital assets decision tree, and pros and cons of the proposed options. However, regarding the classification of CAWLM—in the absence of majority support for any of the proposed options—the members could not reach consensus on a preferred option. Members' views were mainly split between Option I (produced nonfinancial assets) and Option III (financial assets). A few members considered Option II (nonproduced nonfinancial assets) as a second-best to Option III. A few members were still undecided at this stage.

79. Members supporting Option I underscored that the resources put into mining CAWLM suggest the existence of a production activity and noted that this treatment requires limited assumptions/exceptions compared to other options. Members supported an update to the current

definition of valuables and a separate asset category to include this specific type of digital valuables, as proposed in the GN. It was also noted that treating CAWLM as a financial asset allowing an exception may open the door to other exceptions to be applied to other commodities, which are also used as a store of value. Members finally noted that international financial reporting standards (IFRS) currently classify CAWLM as nonfinancial assets.

80. Those supporting Option III noted that failure to record CAWLM as financial assets may potentially distort macroeconomic aggregates (e.g., net lending/borrowing as soon as they start to be widely used as a medium of exchange, including government deficit in case they are used as alternative to (other) liquid financial investments and mediums of exchange. Furthermore, recognizing CAWLM as financial assets by convention may not necessarily be disruptive, given that an exception (monetary gold) already exists. Moreover, the specific characteristics that would qualify them as financial assets (i.e., they derive their value from the expectation that somewhere in the future they may start acting as a medium of exchange) are not shared with commodities such as silver and non-monetary gold, so avoiding opening the door to other assets. Finally, treating them as financial assets would be in line with the view expressed by some participants that CAWLM are not actually produced.

81. There was broad agreement not to pursue Option IV—*hybrid assets*—to avoid complicating the sequence of accounts on both conceptual and practical grounds, and to avoid introducing new balancing items, which would be extremely difficult to explain to users. This option would be moved from the main text to an annex of the GN as a rejected option.

82. All in all, members agreed that whatever the option, separate recording should be warranted in order to permit a change in methodology if and when necessary. A decision could be postponed until the next meeting, considering the evolution of the market as well as possible regulatory and accounting developments. To nurture such discussion, the FITT drafting team was tasked with preparing an updated version of the GN mostly focusing on Option I (produced nonfinancial assets) and Option III (financial assets) for a joint Committee/AEG session at the October meeting. The GN could also establish certain conditions (like those required for an asset to be considered as medium of exchange) that, once fulfilled, would justify moving from the treatment developed as interim guidance[3] (produced nonfinancial assets) to Option III (financial assets). Establishing clear conditions would permit introducing a second exception to the definition of financial assets without opening the door for further exceptions.

83. Members unanimously supported collecting data on ownership, transactions, and stocks of crypto assets following the high-level guidance provided in Annex IV of the GN. This will help in understanding the evolution of these assets and identifying whether CAWLM meet the condition of being used as a medium of exchange.

84. Regarding NFTs, members largely supported preparing a separate GN (to be prepared by the DZTT in coordination with FITT) to appropriately address different issues related to them.

85. Some Committee members requested consulting the Government Finance Statistics Advisory Committee (GFSAC) before taking a final decision to ensure a coordinated approach across statistical domains.

[3] Treatment of Crypto Assets in Macroeconomic Statistics. Paper by IMF (BOPCOM 18/11)

Actions

- FITT to prepare another version of the GN with the adjustments requested by the Committee and the AEG for CAWLM and stating the final recommendations for all topics other than the classification of CAWLM.
- FITT to present the updated version of the GN covering the treatment of CAWLM, focusing on Options I and III and moving Option IV to an annex, and incorporating any additional considerations coming from consultation with the GFSAC, the evolution of the market, regulatory decisions, and IFRS for a final decision at a joint AEG/Committee session in October.
- DZTT in coordination with FITT to prepare the GN on NFTs for the Committee and AEG's consideration via written procedure.

GLOBALIZATION TASK TEAM (GZTT)

BOPCOM VM1 22/08 AND 22/08.1; SNA/M1.22/08 AND 22/08.1 – TREATMENT OF SPECIAL PURPOSE ENTITIES (SPES) AND RESIDENCY (G.4)

Topics Presented for Discussion

86. This GN was discussed at the October 2020 AEG meeting and presented for the first time at the Committee. It draws largely on the recent Committee work on SPEs, including the definition.

87. The GN proposes three options:

- Option I: Change the core conceptual *2008 SNA* and *BPM6* framework for SPEs—not to treat SPEs with nonresident parents as separate institutional units from their parents (option rejected).
- Option II: No change in the current SNA/BPM framework but separately identifying SPEs by increasing the granularity and supplementary data provided within the SNA through the institutional sector accounts (ISAs).
- Option III: Extension to the existing framework—the possibility of adopting nationality-based presentation as an alternative concept without departing from the current statistical SNA/BPM framework.

88. The AEG at its October 2020 meeting strongly supported:

- Option II, with a view that no change should be made to the residency principle in the SNA and BPM frameworks. SPEs with nonresident parents should continue to be classified as institutional units in the economic territory in which they are located.
- The definition of SPEs, based on direct or indirect foreign control in the SNA, aligned with ESS to facilitate the implementation of Option II.
- Distinguishing a separate "of which" category (within the non-financial and financial corporations' sectors) for foreign-controlled SPEs, aligning the treatment of SPEs in the national accounts and external sector statistics.

- Considering different terms to distinguish these SPEs from SPEs with resident parents.
- Having complementary statistics to the residency principle for countries that have information on nonresident SPEs (i.e., domestic parents that own SPEs in foreign countries) to consolidate with that of their parents as supplementary information.

89. The AEG requested further clarification on the treatment of non-resident SPEs set up by governments. This was addressed in GN D.5 “Eliminating the Imputations for an Entity Owned or Controlled by General Government that is Used for Fiscal Purposes”, which will be circulated for final endorsement of the AEG and the Committee shortly.

Outcome of the Global Consultation

90. There was large support to (i) leave the core BPM and SNA framework unchanged while proposing supplemental information on SPEs by way of an encouraged breakdown of foreign controlled SPEs within ISAs for countries for which SPEs are significant, in the national accounts, and the separate identification of SPEs within ESS; and (ii) align the SPE definition in the updated manuals based on the recent work of the Committee.

91. 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 it. From a practical perspective, 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 were noted.

92. A large majority viewed that the IMF’s Operational Guidelines, released in November 2020, as comprehensive enough to operationalize the SPEs definition for identification in the ISAs. Most national accountants did not attend the IMF outreach activities, which mainly targeted ESS compiling institutions.

Summary of Discussions

93. In line with the global consultation, the Committee and AEG members unanimously supported the proposals on (i) adopting the SPEs definition, in both *BPM7* and *2025 SNA*; and (ii) integrating the proposed breakdown of foreign controlled SPEs within the ISAs for countries for which SPEs are significant, leaving the core BPM and SNA framework unchanged.

94. Regarding the SPEs data on a nationality basis, a majority of members supported presenting it as an extension to the core framework. Members suggested that such presentation should be voluntary.

95. It was agreed to drop the term “foreign controlled” before SPEs given that the definition in the context of ESS already contains foreign control as one of its elements. With regards to the terminology “near SPEs”, it was clarified that this terminology was included in the Report of the Task Force on SPEs to refer to those entities that have most of the SPE features. In addition, it was clarified that there was no proposal to change the balancing items in the SNA and create two different measures of Gross National Income. The intention is to show the impact of SPEs on the domestic economy through supplementary information.

Action

- GZTT to finalize the GN, stating the Committee and AEG's approval to the recommendations and removing the questions, to be posted on the *BPM6/2008 SNA* Update websites.

BOPCOM VM1 22/07 AND 22/07.1; SNA/M1.22/07 AND 22/07.1 – GLOBAL VALUE CHAINS AND TRADE IN VALUE-ADDED (G.7)

Topics Presented for Discussion

96. Policy demand for more statistical information on global value chains (GVCs) has grown significantly over recent years. This GN examines how production fragmentation has deepened the divergence between gross flows, as recorded by traditional international trade statistics, and the data on production and final demand as accounted for in value added statistics.

97. To better account for interlinked core production activities and supporting services activities, the GN does not recommend any changes to the core *2008 SNA* and *BPM6* concepts. The conventional gross international trade flows should remain as the featured measures of cross-border trade because of their important role in calculating a country's overall trade balance and GDP. The GN rather supports including a description of GVCs and Trade in Value Added (TiVA) in the next set of manuals as well as developing supplementary information for analysis to help motivate greater uptake.

98. Within the SNA, to better understand GVC at a global level, the GN favors building:

(i) TiVA indicators, addressing the double counting implicit in gross flows of trade,

(ii) GVC satellite account, and

(iii) more granularity using the extended supply and use tables (eSUTs).

99. TiVA estimates can be viewed as a macro approach that requires a massive international effort to link country/regional SUTs with international trade statistics. eSUTs can help improve these estimates through a focus on targeted aggregations that better address challenges around homogeneity assumptions. GVC satellite account can be viewed as a more targeted bottom-up approach focusing on a GVC for a specific product/industry or group of products/industries produced within a GVC.

100. Within the BPM, supplemental cross-border statistics detailed by geography or product have been proposed and agreed by the Committee in 2019 as part of a reporting template for GVC data collection. The template has been included in CATT GN C.2. Furthermore, C.2 recommended a framework to highlight the role of Multinational Enterprises (MNEs) in the current account, covering both trade in goods and services and direct investment (DI) income, and GZTT GN G.2 provides a definition of MNE.

Outcomes of Global Consultation

101. The global consultation revealed strong support for including descriptions of GVCs and TiVA in the next set of manuals, with no changes required to the SNA and BPM concepts to support GVC analysis. It was agreed that the GN adequately summarizes the vast amount of work done in this area.

102. To better understand GVCs at a global level, the inclusion of all three proposals within the SNA—namely (i) TiVA indicators, (ii) GVC satellite account, and (iii) more granularity using the extended supply and use tables (eSUTs)—was favored. The importance of elaborating compilation methods, including relevant examples or case studies was highlighted and the suggestion was to include in the updated SNA links to more detailed Handbooks and manuals that have examined these issues.

Summary of Discussions

103. Both Committee and AEG members unanimously agreed with all proposals put forward in the GN, namely including descriptions of GVCs and TiVA in the next set of manuals and supporting the development of supplementary information for GVC analysis. However, some members underscored that the supplementary information should remain voluntary and not be embedded into official statistics, considering countries' varying degrees of statistical capacity and scarce resources. A few members pleaded for International Organizations to commit to maintaining the statistical infrastructure to produce Inter-Country Input-Output tables (ICIOs) to create indicators on GVCs or other indicators relevant for users and policy analyses.

Action:

- GZTT to finalize the GN, stating the Committee and AEG's approval to the recommendations and removing the questions, for posting on both the *BPM6* and *2008 SNA* update websites.

BOPCOM VM1 22/09 AND 22/09.1; SNA/M1.22/09 AND 22/09.1 – ECONOMIC OWNERSHIP AND RECORDING OF INTELLECTUAL PROPERTY PRODUCTS (RESULTS OF THE GLOBAL CONSULTATION AND FINAL ENDORSEMENT) (G.5)

Topics Presented for Discussion

104. This GN was presented at the October 2021 Committee and November 2021 AEG meetings for initial feedback.

105. With no intention to change the current standards, the GN examines five different options for recording of intra-MNE transactions in previously produced IPPs.

- Option 1: The ultimate parent is deemed the economic owner of all IPP assets across the MNE group.
- Option 2: The producer of the IPP is deemed the economic owner of the IPP asset. In many MNEs, dedicated R&D units (affiliates) produce the IPP.
- Option 3: The unit that uses the IPP in productive activities is the economic owner.
- Option 4: A more nuanced option based on the *Guide to Measuring Global Production* (*GMGP*) decision tree. The decision tree assigns economic ownership to a unit on the basis of whether the unit is (i) a producer of the IPP or not, (ii) whether it receives explicit payment to produce the IPP or a payment to acquire the whole of the previously produced IPP (corresponding with a change in ownership), or (iii) the use of the IPP (no change in ownership).

- Option 5: Intra-MNE transactions in cross-border previously produced IPP assets are viewed as a type of securitized asset and recorded in the financial account of the national accounts and balance of payments.

106. Option 4, mostly recommended in the GN, was also supported by both the Committee and the AEG. It was noted that consistent application of the decision tree across countries in order to avoid discrepancies is challenging. Furthermore, both AEG and Committee agreed with the proposal to attribute economic ownership of the IPP to an SPE, aligned to the current recommendation of the GZTT in its GN G.4 "Treatment of Special Purpose Entities and Residency" and to the IMF definition of SPEs.

107. The GN, further to the discussion at the Committee, has been updated to include the definition of IPP as stated in the SNA and mapping EBOPS Research and Development categories to the Central Product Classification categories.

Outcomes of Global Consultation

108. The global consultation among both balance of payments and national accounts compilers showed large agreement that the IPP's economic ownership depends on the underlying arrangement and that a default solution should not be applied. There was strong support in using the *GMGP* Decision Tree as a tool for applying the preferred conceptual treatment of assigning economic ownership of IPPs across an MNE Group. Amongst other things, in most cases, the legal and economic ownership coincide; and by identifying the flows related to IPP, the economic ownership can be determined.

109. There was also support that an SPE holding IPP assets (node 1.2.2 of *GMGP* Decision Tree) be deemed the economic owner of the IPP assets since SPEs are considered institutional units.

110. From the practical side, a majority indicated that there has been no greater coincidence of economic ownership and legal ownership of IPPs than was the case previously. Only a few have tested the decision tree, underscoring the demanding data requirements and the need for knowledge of business activities of the reporting unit.

Summary of Discussions

111. Both Committee and AEG members unanimously supported the proposals in the GN, agreeing with (i) the economic ownership (parent, producer, production affiliate), for previously produced IPP, depends on the underlying arrangement such that a default solution cannot be considered, (ii) the *GMGP* Decision Tree as a useful instrument in determining the economic owner of IPP across an MNE group, and (iii) the SPE holding the IPP assets to be the economic owner of the assets aligned with the GZTT GN G.4 "Treatment of SPEs and Residency" and as per the IMF's "Operational Guidelines on SPEs". It was also noted that following the decision tree could at times result in more than one company within the group owning the IPP, which may require guidance on how to apportion the IPP.

Action

- GZTT to finalize the GN, incorporating the Committee and AEG's approval to the recommendations and removing the questions, for posting on both the *BPM6* and *2008 SNA* update websites.

Topics Presented for Discussion

112. This GN was presented at the October 2021 Committee and November 2021 AEG meetings for initial feedback.

113. This GN discusses two major conceptual options.

Option I: Marketing Assets are Treated as Produced Non-Financial Assets

114. This, if accepted, entails major changes in the SNA because it will expand the asset and production boundaries, but should not have a significant impact on the international accounts. It will, however, entail a few changes in the BPM, namely (i) payments for the use of a marketing asset (franchise fee) would be recorded as services, the current *BPM6* default solution, with the removal of the recommendation to split part of the payment and record as income; (ii) outright acquisition/sale of a marketing asset would be recorded in the goods and services account, removing the recording in the capital account; and (iii) sub-licensing a marketing asset may bring a change in the economic ownership of (part of or whole of) the underlying marketing asset.

Option II: Marketing Assets are Maintained as Being Non-Produced Non-Financial Assets but with Consistent and Enhanced Reporting in Both Manuals

115. Regarding payments for the use of a marketing asset (franchise fee), the existing *BPM6* guidance is to separate the income and service elements. However, due to practical difficulties in implementation, the current *BPM6* convention records the entire value as charges for the use of intellectual property (under services). This recommendation is inconsistent with how transactions related to non-produced assets are usually recorded (i.e., payments for the use of natural resources are recorded as property income).

116. Both the *BPM6* and *2008 SNA* offer no options for recording the property income from non-produced assets, other than rent. The GN proposes to split rent within property income, into two categories: (i) rent on natural resources and (ii) rent on other non-produced assets.

117. Both the Committee and AEG members considered that marketing assets should conceptually be considered as produced non-financial assets given that they are an outcome of production. However, they recognized the practical difficulties in measurement.

118. Committee members supported signaling the preferred conceptual treatment in updated manuals; noting that a change in the standards would be adopted in the next review. This would allow countries enough time to undertake extensive testing and facilitate implementation.

119. While both the Committee and AEG members felt that conceptual soundness should prevail over practical considerations, they agreed to seek views during the global consultation on the preference between the two options so as not to bias the outcome. In addition, the AEG and Committee suggested introducing a new IPP category for marketing assets in the current account.

Outcomes of Global Consultation

120. The consultation revealed a large majority among both balance of payments and NA compilers agreed that, on a conceptual basis, marketing assets meet the SNA and BPM definitions of produced nonfinancial assets. There was also majority consensus with creating a new subcategory of produced nonfinancial assets within IPP for marketing assets.

121. From a practical angle, the majority indicated that they currently could not adequately measure the current production of marketing assets and include them in measures of gross fixed capital formation. However, some noted that it should be possible if appropriate guidance was given and could be undertaken by way of new data collections or modifications to existing surveys.

122. In the event the status-quo is maintained, there was a slightly higher preference to record transactions related to the rights to use marketing assets between services and income (*BPM6* flexible option if information is available). There was also majority support for expanding the definition of property income to include a subcategory for payment for nonproduced nonfinancial assets other than natural resources, preferably called “rent on other nonproduced nonfinancial assets”. From the practical side, a strong majority noted that they currently record international transactions in the right to use marketing assets in services.

Summary of Discussions

123. Both Committee and AEG members were supportive to the GZTT’s proposal of undertaking a targeted testing before deciding on the final recommendation. Members remained favorable to the preferred treatment of marketing assets as produced on conceptual grounds and were of the view that the testing might resolve the practical concerns that were raised during the *2008 SNA* preparation. In fact, some members emphasized the need for agreeing on a conceptually sound treatment and not to be guided only by practical difficulties.

124. Should the status quo (continue treating these assets as nonproduced) be maintained, members generally agreed that clearer guidance is still needed on the treatment of payments for the rights to use marketing assets. There was a slight preference to treat those payments as services (the default solution in *BPM6*, if a split is not possible). There was also large support for creating a new subcategory on the payment for nonproduced nonfinancial assets other than natural resources in the primary income account. Some members noted that the concept of rent, and the need to distinguish between rent and services, has been discussed by other task teams during the update process, so proper coordination should be ensured. Eurostat is preparing a more general GN on rent that will also be discussed as part of the update process.

Actions

- GZTT to undertake some testing on the measurement of marketing assets.
- GZTT to update the GN, incorporating the results of the testing of the national accounts community and ensuring consistency with ongoing discussions on the concept of rent, to be circulated to the Committee and AEG members via written procedure for approval.

FINANCIAL AND PAYMENTS SYSTEMS TASK TEAM (FITT)

BOPCOM VM1 22/02 AND 22/02.1; SNA/M1.22/02 AND 22/02.1 – MORE DISAGGREGATED DEFINITION OF THE FINANCIAL SECTOR AND FINANCIAL INSTRUMENTS (F.1)

Topics Presented for Discussion

125. The current breakdowns of institutional sectors and financial instruments in the *2008 SNA* and the *BPM6* may not be sufficient to capture new developments in the financial world. The GN proposes additional disaggregated breakdowns of institutional sectors and financial instruments to improve the analytical value of the system of national accounts (SNA) and the external sector statistics (ESS), and to better align these breakdowns with recent developments in the financial industry and markets.

126. This GN consolidates the recommendations on additional institutional sector and financial instrument breakdowns from several other GNs to finalize and present them in a comprehensive and holistic manner. Furthermore, this GN makes an additional proposal to separately identify nonfinancial corporations from households and nonprofit institutions serving households in other sectors of ESS.

127. Broadly, the GN presents three major issues.

Issue 1—Further Institutional Sector Breakdowns in the SNA

128. The GN confirms the proposal to include further breakdowns of the financial corporations sector as recommended in the GN F.6 “Capturing Non-bank Financial Intermediation in the System of National Accounts and External Sector Statistics”, and as part of the DGI-II work, in the updated version of the SNA, as well as the “of which” items for domestically controlled public and private corporations (both financial and nonfinancial) that are part of a domestic multinational as recommended by GN G.2.

129. This GN also incorporates the recommendation of GN G.4 “Treatment of SPEs and Residency” to include an “of which” category for foreign controlled SPEs for nonfinancial corporations (S.11x) and financial corporations (S.12x).

Issue 2—Further Institutional Sector Breakdowns in ESS

130. This GN confirms the proposal to introduce further breakdowns for other financial corporations (OFCs) as supplementary items following the recommendations in the GN F.6 “Capturing Non-bank Financial Intermediation in the System of National Accounts and External Sector Statistics”. It proposes to split nonfinancial corporations (NFCs), and households and Nonprofit institutions serving households (NPISHs) as two separate standard components in ESS.

131. Further, following the recommendations from GN G.4, this GN proposes to introduce “of which” items for SPEs as supplementary items for deposit-taking corporations, OFCs, and NFCs sectors.

Issue 3—Additional Breakdowns for Financial Instruments in the SNA and ESS

132. This GN confirms the proposal to introduce breakdowns of financial derivatives as presented in the GN F.4 “Financial Derivatives by Type”. It also proposes to include “Repurchase agreements, securities lending with cash collateral, and margin lending” as an “of which” item under loans in the updated SNA and BPM.

133. In the event that other forthcoming GNs, currently being drafted or discussed, contain proposals for additional institutional sector or financial instrument breakdowns, this GN will revisit its recommendations to incorporate those new proposals towards the end of the update process of the SNA and BPM.

Outcomes of Global Consultation

134. The global consultation broadly supported the proposed institutional sector breakdowns (Issue 1 and Issue 2) put forward in the GN for national accounts and ESS, respectively. There was also agreement for the proposed recommendation on additional financial instruments' breakdown in the SNA and BPM (Issue 3).

Summary of Discussions

135. The Committee and AEG members generally supported the proposals to introduce more granularity for both institutional sector and financial instrument breakdowns in the updated SNA and BPM, with some cautioning that the proposed "*of which*" items and the additional sector breakdowns in both manuals should remain voluntary. There was strong support for introducing the separate identification of nonfinancial corporations from households and NPISHs in the updated BPM to align with the SNA. Some, nonetheless, noted the possibility of confidentiality constraints given the usually small role households and NPISH play in ESS, as well as the difficulties in separately identifying the data under certain circumstances. In this regard, some members suggested maintaining the upper sector nonfinancial corporations, households and NPISHs in BPM, while the corresponding breakdown will be part of the standard components. It was also noted that the breakdown applied to financial derivatives is in line with the BIS over-the-counter (OTC) derivatives statistics and the BIS Triennial Survey.

136. Some members raised concerns on the increasing number of supplementary items that are being proposed as part of the updates. Both AEG and Committee members agreed that a testing exercise and outreach to users to identify on update priorities vis-à-vis their costs and benefits will be essential to help compilers implement the most valuable supplementary items for their economies and users first. While it is true that users always demand more granular data, resource constraints of statistical agencies should be acknowledged. It was equally noted that at times while some of the proposed breakdowns are additional and not obligatory, they can be essential for producing good estimates in the core accounts.

137. Members agreed with the suggestion that FITT should revisit the recommendations in the GN if there are any new proposals through the end of the SNA and BPM update process. A relevant example is the discussion around the classification of crypto assets.

Action

- FITT to finalize the GN, stating the Committee and AEG's approval to the recommendations, (recognizing the possibility of being further updated) and removing the questions, for posting on both the *BPM6* and *2008 SNA* Update websites.

COMMUNICATION TASK TEAM (CMTT)

BOPCOM VM1 22/12 AND 22/12.1; SNA/M1.22/12 AND 22/12.1 – TERMINOLOGY AND BRANDING OF THE ECONOMIC ACCOUNTING STATISTICAL STANDARDS (CM.2)

Topics Presented for Discussion

138. This GN was presented at the October 2021 Committee and November 2021 AEG meetings for initial feedback, and subsequently, the GN was posted for joint BPM/SNA global consultation. In this GN, the CMTT reviewed the concepts, terminologies, and labels across the SNA, BPM, and Government Finance Statistics Manual (GFSM) and made proposals for further harmonization or alignment.

139. In this meeting, the outcome of the global consultation was presented so that the AEG/Committee can take a decision on the next steps in finalizing the GN.

- Update the proposals in the GN:
  - to clarify the proposals that will result in changes to the standards and those that are supplementary information for users.
  - revisit, if any, for changes that were not well supported or where there were divergent views (e.g., changing *GDP by production* to *GDP by Industries*, *consumption of fixed capital* to *depreciation*) by either dropping the proposal or proposing alternatives (including alternatives received from the global consultation).
  - to clarify the changes that are proposed specifically for the SNA, BPM, and GFSM.
  - to clarify the proposals related to the use of “gross” and “net” in the SNA, BPM, and GFSM.
  - to clarify the term and scope of “financial accounts” in the GN.
- Test the proposals with a select group of users.
- Finalize the GN based on the feedback from global consultation and users for which strong support for change was noted (i.e., greater than 70% support for a change).
- Present a finalized GN at the next meeting of the AEG/BOPCOM for approval.

Outcomes of Global Consultation

140. The global consultation aimed at receiving the opinion of macroeconomic statistics compilers on proposals (i) to harmonize the terminology and definitions across the SNA, BPM, and GFSM; (ii) to amend (and harmonize) the labels of some of the key statements/accounts across the domains; (iii) to have user-friendly terms and definitions to replace or supplement existing terms and definitions across the manuals; and (iv) to streamline the use of “gross” and “net” in the SNA and other domains.

Harmonization of Concepts

141. In general, most of the respondents agreed that there is a need for greater harmonization in the terminologies across statistical domains. Majority of the respondents agreed with all the proposals, particularly in the context of the SNA. However, some respondents were less convinced that terms such

as *revenue* and *expenditure* would be appropriate in the context of the balance of payments—specifically for the income accounts.

Changes to Account Labels

142. Majority of the respondents generally agreed with (or were neutral on) the proposals. However, proposals to change the label "balance of payments/international investment position" to "balance of international payments/international investment accounts", the allocation of primary income account to earned income account, the use of disposable income account, and the use of adjusted income accounts were not well supported.

143. Respondents agreed that the terms *"primary"* and *"secondary*" are not user-friendly and do not provide much information on the contents of the accounts. However, some requested additional clarification on the proposed terminology for the balancing items in these accounts.

Proposals to Introduce Expanded Definitions and More User-Friendly Terms

144. The global consultation showed diverging views on the proposals. Some of them, for example, a change *from consumption of fixed capital to depreciation*, from *other taxes on production* to *taxes on production like fixed business rates* were not supported. On the other hand, respondents were largely in favor of other changes such as *rent* to *natural resource rent*; *constant prices (for GDP)* to *volume estimates*, *financial lease* to *finance lease, etc.*

145. Gross and Net Terms: Another area of divergence both within the SNA and among the SNA, the BPM, and GFS domains is the use of the terms *"gross"* and *"net".* The GN proposed that: (i) the terms "gross" and "net" are only used in the context laid out in the *2008 SNA;* and (ii) all other uses of such terms should be avoided, and the references made in full—for example, acquisitions less disposals, lending less borrowing, etc.

Summary of Discussions

146. Both the Committee and AEG members generally supported the proposals put forward in the GN with respect to continuing the process of harmonizing key terms across the domains, the next steps, and the need to involve the user community. However, some members suggested being pragmatic in harmonizing key terms across the statistical domains in light of the user communities' well-established understanding of the existing terminology. Some members suggested minimum replacement only if necessary. A few members raised specific concerns around some of the proposed changes—using the terms "net", "GDP by industries", "depreciation", "transfer income account", "employee labor costs", "revenue and expenditure", or changing the terms "balance of payments" and "international investment position". It was additionally suggested to consider including changes that are being discussed as part of other GNs, for instance B.2 on Net International Reserves (NIR), B.4 introducing the term accumulation accounts in the integrated IIP or the proposal in G.9 to create an additional category under primary income for income from non-produced non-financial assets (other than natural resources).

147. Regarding the next steps, before the user community testing gets under way, a revised GN should be sent for comments to the Committee and AEG members. This will allow them to take note of the revisions as well as the justification for why alternative suggestions have or have not been taken on

board. With respect to user community testing, members discussed the importance of seeking feedback from business analysts, researchers, policy makers, and other users of official statistics.

Action

- CMTT to revise the GN, incorporating the Committee and AEG's discussion in addition to the global consultation outcome, for approval by the Committee and AEG members before undertaking the user community testing.

BOPCOM VM1 22/11 AND 22/11.1; SNA/M1.22/11 AND 22/11.1 – AN ASSESSMENT FRAMEWORK TO MEASURE ALIGNMENT WITH THE ECONOMIC ACCOUNTING STATISTICAL STANDARDS (CM.1)

Topics Presented for Discussion

148. One important feature of the international economic statistical standards (IESSs) is their ability to facilitate the comparison of estimates across countries. When countries use IESS to compile macroeconomic statistics, a certain degree of choice, freedom, and variation can be taken in implementing the recommendations. This results in varying degrees of "alignment" to the IESSs across countries. In this context, this GN proposes an alignment framework that countries can use to determine the status of their national economic statistics vis-à-vis international standards.

149. The GN was presented to the Committee in October and the AEG in November 2021 for initial feedback and subsequently, the GN was posted for joint BPM/SNA global consultation.

150. In this meeting, the outcome of the global consultation was presented so that the AEG/Committee can take a decision on the next steps in finalizing the GN.

- Test the results of the framework with some users (starting with internal users).
- Add a section to the GN to detail the benefits of the alignment frameworks for users.
- Review completed frameworks and make adjustments/clarifications based on feedback received.
- Adding explanatory notes to all three frameworks.
- Reviewing the elements in each dimension of the framework for elements that could be combined.
- Review whether there needs to be an overall message to communicate the level of alignment.
- Update GN with guidelines on appropriately balancing providing information on alignment with statistical standards and providing other metadata (specifically focusing on the statistical offices with limited resources).

Outcome of the Global Consultation

151. The global consultation revealed majority support for the alignment frameworks in the statistical standards proposed in the GN. They also showed support on the dimensions and elements of the proposed frameworks. Further, the majority of respondents noted that while completing the proposed frameworks would require some initial resource investment, updating and maintaining them is not expected to be resource intensive.

Summary of Discussions

152. Both Committee and AEG members fully supported the proposed next steps including the testing of alignment frameworks with a select group of users. Regarding the "Not Applicable" option in the alignment frameworks, it was clarified that countries may choose to assign this to items of limited materiality or relevance in the country.

Action

- CMTT to update the GN considering the results of testing with the user community and feedback received from the global consultation for final approval by the Committee and AEG members via written procedure.

BOPCOM VM1 22/13 AND 22/13.1; SNA/M1.22/13 AND 22/13.1 – A TAXONOMY FOR COMMUNICATING ECONOMIC STATISTICS RELEASES, PRODUCTS, AND PRODUCT UPDATE (CM.3)

Topics Presented for Discussion

153. Over the years, national statistical organizations (NSOs), national central banks (NCBs) and other national agencies have developed country specific methods and practices to communicate statistical releases, products, and product updates to users. This national approach to communication has been driven in part by limited guidance provided by the current IESSs.

154. This GN includes a set of proposed recommendations on practices to communicate statistical releases, products, and product updates to users that national authorities could integrate into their current communication practices. The adoption of international guidelines in this area should assist in cross-comparability of information and provide clarity for users.

155. The GN was presented to the Committee in October and the AEG in November 2021 for initial feedback and subsequently, the GN was posted for joint BPM/SNA global consultation.

156. In this meeting, the outcome of the global consultation was presented so that the AEG/Committee can take a decision the next steps in finalizing the GN.

- Incorporate the feedback from global consultation/previous meetings and proceed with testing (with select user groups).
- Add additional clarifications and examples for the balance of payments and GFS domains in the main text of the GN.
- Review the feasibility of aligning or bridging the proposals on types of revisions with existing revisions frameworks.
- Update the text on revisions to stress the importance of countries implementing the recommendations of the GN based on their users' demands and analytical needs.
- Review types of changes that may trigger revisions and propose methodological changes, coverage changes, and source data changes.

- Expand on the definition of the product types—clearly distinguishing between “supplementary”, “thematic” (and “extended”).
- Provide further clarifications of “experimental”, “provisional”, “final”, or “official” estimates. Explain that different classes of estimates do not always indicate differences in the “quality” of the estimates.

Outcome of the Global Consultation

157. Overall, the global consultation showed strong support for the proposals made in the GN, noting that they are largely consistent with their current dissemination policies. The global consultation sought feedback on the set of proposals for a statistical program to implement a standard (internationally consistent) taxonomy to communicate the (i) releases and vintages of data; (ii) revisions to vintages of economic statistics; and (iii) quality and types of statistical products.

158. However, some respondents argued that there may be a need for the proposals to be more aligned with existing frameworks, such as the Committee on Monetary, Financial, and Balance of Payments Statistics’ Harmonised European Revision Policy for Macroeconomic Statistics. There was general agreement with the addition of a new chapter, supporting communication practices, in the updated statistical manuals.

Summary of Discussions

159. Both Committee and AEG members unanimously agreed with the proposed next steps including the testing of the recommendations with the user community. At the same time, some members made useful observations/suggestions that include (i) if possible, the testing exercise could assess if the proposed terms are reasonable when translated into various languages; (ii) instead of using the term “methodological changes”, which might be understood as conceptual+ accounting, use the term “changes in estimation methods”; (iii) providing recommendations on the terminology to be used for the “substance of the vintage”; and (iv) clarifying the distinction between “coverage revision” and “source data revision” as there could be overlaps between them.

Action

- CMTT to update the GN considering the results of testing with the user community and feedback received from the global consultation, for a final approval by the Committee and AEG members via written procedure.

ISLAMIC FINANCE TASK TEAM (IFTT)

BOPCOM VM1 22/14 AND 22/14.1; SNA/M1.22/14 AND 22/14.1 – ISLAMIC FINANCE IN THE SYSTEM OF NATIONAL ACCOUNTS AND EXTERNAL SECTOR STATISTICS (IF.1)

Topics Presented for Discussion

160. Comprehensive internationally accepted guidelines to account for Islamic finance in the national accounts and ESS using a holistic and integrated macroeconomic statistical framework based on the *2008 SNA/BPM6* are absent. There is a need to develop recommendations to resolve a number of issues

arising from the intrinsic nature of Islamic finance and its specific provisions. The GN discussed the following topics and made recommendations.

Terminology for the Investment Income for Islamic Deposits, Loans, and Debt Securities (Issues 1.1–1.3)

- The GN recommends using the term "interest and similar returns". Retaining the term "interest" in the proposed terminology ensures continuity with the current terminology in the *2008 SNA* and *BPM6* to describe the investment income on conventional deposits, loans, and debt securities. The "similar returns" part of the proposed terminology can be used to describe the broader interest-like returns on Islamic deposits, loans, and debt securities, thus enabling the better integration of these Islamic financial instruments and the associated income into the existing macroeconomic statistical frameworks.
- The GN prefers the second option to retain the current classification of the investment income components in the *2008 SNA* and *BPM6*, rename "interest (D41)" to "interest and similar returns (D41)" but give economies with significant Islamic financial activities the option to create a sub-category within interest and similar returns (D41) to present the investment income for Islamic deposits, loans, and debt securities.
- The GN recommends changing the key paragraphs of the *2008 SNA* (7.113 and 7.114) and *BPM6* (11.48) that relate to interest to reflect the above terminology.

Sectorization and Output of Islamic Financial Entities (Issues 2.1–2.4)

- The GN provides recommendations for the sectorization and measurement of the output of Islamic financial institutions. The table below provides a summary of the recommendations for those Islamic financial entities which were discussed more thoroughly by the Task Team due to their perceived uniqueness to Islamic finance.

Table. Summary of Recommendations for Classifying, Sectorizing, and Calculating Output of Islamic Financial Entities

Entity	Are They Institutional Units (Issue 2.2)?	Sectorization (Issue 2.3)	Methods to Calculate Output (Issue 2.4)
Off-balance sheet restricted investment accounts	Yes	Non-money market investment funds (S124)	Sum of costs and FISIM on financing arrangements such as Murabaha and Ijarah
Islamic windows in conventional banks	Yes	Deposit-taking corporations except the central bank (S122)	Combination of FISIM, fees and commissions
Waqf funds	Yes	Captive financial institutions and money lenders (S127)	Sum of costs
Hajj funds	Yes	Non-money market investment funds (S124)	Sum of costs

Economic Ownership of Non-Financial Assets Related to Sales, Lease, and Equity Financing That Are Legally Owned by Islamic Financial Corporations (Issues 3.1–3.2)

- Islamic accounting frameworks support the recording of non-financial assets related to sales, leasing, and equity financing on the balance sheets of Islamic financial corporations rather than their economic owners which are entitled to the benefits.

- **Economic ownership of nonfinancial assets in arrangements such as Murabaha, Bal Muajjal, etc.:** The GN recommends the following: (i) it is possible that Islamic financial corporations can establish a separate institutional unit (often, in partnership with other units) that will then be the economic owner of the underlying non-financial assets; (ii) if no separate institutional units are set up, Islamic financial corporations can act as facilitators by transferring the economic ownership of the non-financial assets from the seller to the client so that they will not be classified as the economic owner of the non-financial assets, and (iii) the economic owners of the underlying non-financial assets should be considered as the ultimate purchasers of these assets that they obtain through Islamic financial corporations.

- **Economic ownership of non-financial assets when clients default on paying for these assets in arrangements such as Murabaha and Bal Muajjal:** The GN recommends that the client will still be considered as the economic owner of the underlying non-financial asset as the default on payment is essentially a default on a financial payment. However, it may be possible for the Islamic financial corporation to confiscate the underlying assets, if feasible.

Classification of Islamic Financial Instruments and Corresponding Investment Income (Issues 4.1–4.2)

- The GN recommends that the classification of the Islamic financial instruments and the corresponding investment income be based on the approach in Annex II. In many instances, there is not a perfect one-to-one relationship between the Islamic financial instrument and the recommended classification in either set of accounts. In many cases, there are other several deciding factors that need careful consideration before a classification decision can be reached.

- The GN recommends constructing a "decision tree" incorporating the above parameters that will enable compilers to classify an Islamic financial instrument appropriately in both the SNA and ESS (Issue 4.2). The decision tree can be included in a proposed compilation guide on Islamic finance.

Reference Rates and Terminology to Calculate Islamic FISIM (Issues 5.1, 5.3–5.6)

- The GN recommends that the FISIM formula in the *2008 SNA* should be used to calculate the financial intermediation services provided by Islamic deposit-taking corporations (Option 1). The fact that Islamic financial corporations are classified as deposit-taking corporations suggests that they are involved in financial intermediation activities.

- On the scope of instruments of Islamic finance, the GN agrees that it would be better to include Qard, Wadiah, Amanah, and Qard-hasan deposits and Qard-hasan financing in the bundle of deposits/loans to calculate FISIM and SNA interest even though they pay hibah or no investment income as the Islamic financial corporation is basically providing a service, such as safe keeping and maintaining records of loans, and that service element should be accounted for. The sub-task team also prefers to use total deposits and total loans rather than the more complex instrument-by-instrument approach to calculate Islamic FISIM.

- Separate reference rates should be applied for each currency involved in cross-border Islamic deposits and loans. The rate should be taken from financial markets of the home market of the currency (*BPM6*, paragraph 10.130).
- The GN recommends using the same terminology recommended on the issue on the terminology for investment income for Islamic deposits, loans, and debt securities, for consistency
- Given the different views on the reference rate, the IFTT recommends inviting economies to participate in empirical tests of which reference rate(s) to use in the calculation of domestic and cross-border FISIM on Islamic deposits and loans. The results of the empirical tests will provide inputs to finalize the recommendation on the reference rate.

Takaful and Retakaful Islamic Insurance and Reinsurance (Issues 6.1–6.3)

- Classify takaful operators, takaful funds, "light" takaful, and takaful windows as separate institutional units in the compilation of national and international accounts statistics.
- Sectorize takaful operators into the financial auxiliaries' subsector (S126) and takaful funds, "light" takaful, and takaful windows into the insurance corporations subsector (S128) of the financial corporations sector, respectively, if they are classified as institutional units.
- Calculate the output of these four Islamic insurance entities if they are classified as institutional units as follows: (i) takaful operators—as the wakalah fees they charge to administer takaful funds and/or the share of profits earned from investing takaful funds; (ii) takaful funds—sum of costs as the wakalah fees they pay to takaful operators and/or the share of profit payable to takaful operators plus other intermediate consumption, if any; (iii) "light" takaful—using the existing methods that are used to calculate the output of conventional insurance in the *2008 SNA*; and (iv) takaful windows—as the sum of costs.

General Recommendations

- Include a special section or an appendix on Islamic finance in the updated SNA and BPM that highlights the differences between conventional and Islamic finance, brings together all the entries in the accounts connected with Islamic finance, and explains their interconnections; and
- Develop an Islamic finance compilation guide to (i) discuss the differences between conventional and Islamic finance; (ii) provide guidance on developing an Islamic finance satellite account to enhance its statistical visibility; and (iii) provide practical guidance and illustrative numerical examples on how to record Islamic financial activities in the national and international accounts.

161. The GN was presented to the Committee in October 2021 and the AEG in November 2021 for initial feedback. AEG supported the recommendation to develop an Islamic finance compilation guide and recommended that the proposed change to the definition of interest to include interest-like returns should specify that these returns refer to returns on Islamic deposits, loans, and debt securities. Further, the need to provide guidance on the allocation of the output of some Islamic financial entities such as

off-balance sheet restricted investment accounts and Hajj funds and the measurement of volume estimates of Islamic financial services was noted.

162. An updated version incorporating the relevant feedback was circulated for joint BPM/SNA global consultation from December 14, 2021, to January 25, 2022. The outcome of the global consultation was presented at this meeting for the AEG/Committee to take a final decision on the recommendations in the GN.

Outcome of the Global Consultation

163. The global consultation showed solid support for the recommendations for the various topics in the GN. The need for more flexibility for current macroeconomic statistical standards to account for Islamic finance activities was reinforced. There was general agreement with the recommendations to (i) broaden the terminology used for the investment income for Islamic deposits, loans, and debt securities; (ii) sectorize Islamic financial entities and calculate their output; (iii) apply the concept of economic ownership to the treatment of nonfinancial assets underlying various Islamic financial arrangements; (iv) classify Islamic financial instruments using a slotting-in approach to preserve the universality of current standards and develop a decision tree to guide future classification; and (v) sectorize Islamic insurance entities and calculate their output.

164. While there was support for using the FISIM formula in the *2008 SNA* from a conceptual perspective to calculate Islamic financial intermediation services, there were diverging views on the appropriate reference rate to use, with a slight preference to recognize only one reference rate for both conventional and Islamic FISIM.

165. There was also strong support for the recommendations to include a special section on Islamic finance in the updated SNA and BPM, and to develop a compilation guide on Islamic finance. Some countries volunteered to participate in testing and experimentation exercises if they were to be organized.

Summary of Discussions

166. The Committee and AEG members commended the IFTT for the excellent work done in conceptualizing and grouping the issues and developing and consolidating the recommendations in a single GN for global consultation. The Committee and AEG members also unanimously agreed with the outcome of the global consultation that supported all the recommendations of the IFTT, apart from Issue 5.2 related to the reference rates for calculating Islamic FISIM. On this point, it was agreed to undertake experimentation and testing on which reference rates to use for calculating Islamic FISIM, with the countries that volunteered to participate in this exercise. In addition, members expressed full support for the recommendations to include a section on Islamic finance in the updated BPM and SNA (specific details to be worked out by the respective editors) and to develop an Islamic finance compilation guide (including guidance to compile an Islamic finance satellite account).

167. There was a suggestion to refine the wording of the definition of “interest and similar returns” as the reference to profit in the definition may cause confusion with the distributed income of corporations. It was clarified that while some minor changes could be made to the definition, maintaining the underlying principles of Islamic finance in the current macroeconomic statistical framework and mapping the Islamic deposits, loans, and debt securities with the corresponding investment income is necessary (as interest is

prohibited under Islamic law). It was agreed that the IFTT will discuss how to refine the wording of the proposed definition with the editors of the *2025 SNA* and *BPM7*.

Actions

- IFTT to refine the wording of the proposed definition of the term “interest and similar returns” in consultation with the editors of the *2025 SNA* and *BPM7*.
- IFTT to revise the GN, to reflect the Committee and AEG’s approval of the recommendations, the need for experimentation and testing of Issue 5.2, and to remove the questions, for posting on both the *BPM6* and *2008 SNA* update websites.
- IFTT to further update the GN to incorporate the results of the experimentation and testing of Issue 5.2 (on the reference rate for Islamic FISIM) and circulate it to the Committee and AEG members for final approval via written procedure.