



STATISTICS

Issues in Review Process of Selected BPM/SNA Chapters (BOPCOM 23/05)

Forty-Second Meeting of the IMF Committee on
Balance of Payments Statistics

October 24–26, 2023

1

Outline

- BPM-Only Chapters/Annexes
- Joint BPM/SNA Chapters

2

BPM7 Chapter 5 Classification of Financial Assets and Liabilities

- **Review completed by stakeholders, SNA reviewers, and BOPCOM assigned reviewer. Next step is the BPTT review before posting for global consultation.**
 - Mainly clarifications on specific items (e.g., insurance products, factoring). *BPM6* definitions and classification of financial assets and liabilities will mostly be maintained.
 - Crypto assets will be touched upon in this Chapter, but they will be mainly discussed in Chapter 14.
 - New annex on financial derivatives and reverse transactions will be introduced to provide comprehensive pictures.

BPM7 Chapter 5 Classification of Financial Assets and Liabilities

- **Main comments received are:**
 - Elaboration of domestic institutional arrangements/accounting treatments and the reserve asset qualification to record SDRs.
 - Clarification to record pension entitlements (e.g., treatments of social security schemes and pension entitlements of pension schemes where the government or another public unit is the employer).
 - Cases to record interbank loans (e.g., overdraft loans provided to vostro accounts for foreign correspondent banks) to be consistent with the Monetary and Financial Statistics.
 - Importance to record notional values (market values are recorded in BOP/IIP) of FX forwards/swaps, given their debt-like characteristics (i.e., FX needs to be paid/received).
 - Other editorial suggestions for precision, clarity, and consistency with the SNA.

BPM7 Chapter 8: Financial Account

- **Review completed by key stakeholders, SNA lead editor, and BOPCOM assigned reviewer. Next step is the BPTT review before posting for global consultation.**
 - The overall structure will be maintained from the *BPM6* chapter with some clarifications and adjustments.
 - Key updates include:
 - Reference to expanded annex on direct investment and adjusted treatment of borrowing for fiscal purposes.
 - Reinvestment of earnings for portfolio investment other than investment funds incorporated as a supplementary item.
 - Updated definition of superdividends.
 - Explain when it is acceptable to record financial derivatives on net basis.

BPM7 Chapter 8: Financial Account

- **Main comments received:**
 - Crypto assets designed to act as medium of exchange with corresponding liability may merit a paragraph within this chapter.
 - SNA is very cautious about the possibilities in practice to adjust for transfer pricing. Some text could be added to that effect.
 - Employee stock options (ESOs) granted by nonresident parents are common in the real world. It would be useful to have more guidance.
 - Consider adding an example on borrowing for fiscal purposes.
 - Other editorial suggestions for precision, clarity, and consistency with the SNA.

BPM7 Chapter 9: Other Changes in Financial Assets and Liabilities Account

- **Review completed by key stakeholders, SNA lead editor, and BOPCOM assigned reviewers. Next step is the BPTT review before posting for global consultation.**
 - The overall structure will be maintained from the *BPM6* chapter with some clarifications and adjustments.
 - Key updates include:
 - Other changes in volume, exchange rate changes, and other price changes are now standard components.
 - Section on *other changes in the volume of financial assets and liabilities* adjusted to align with the *2025 SNA* and incorporate relevant GN recommendations.
 - Section on *revaluations* expanded to discuss other cases than loans where there can be differences between transaction prices and the values in the IIP.

BPM7 Chapter 9: Other Changes in Financial Assets and Liabilities Account

- **Main comments received:**
 - The chapter (as in *BPM6*) mentions that, for seizures between residents and nonresidents relating to nonfinancial assets, a supplementary item can be recorded. How should this be done?
 - The chapter (as in *BPM6*) states that changes in contractual terms that are not a result of a renegotiation should be treated as reclassifications. One reviewer suggested treating them as transactions instead.
 - Description of differences between transaction prices and the values recorded in the IIP for unlisted equity goes against the basic idea of GN D.2.
 - Other editorial suggestions for precision, clarity, and consistency with the SNA.

BPM7 Annex 7 Selected Financial Issues

- **Review completed by stakeholders, SNA reviewers, and BOPCOM assigned reviewers. Next step is the BPTT review before posting for global consultation.**
 - New annex on financial derivatives and reverse transactions will be introduced to provide comprehensive pictures.
 - Elaboration on financial derivatives, including recommendations from the approved GN (e.g., classification by risk category, importance of compiling currency composition data of FX forwards/swaps).
 - Elaboration on reverse transactions (e.g., repos), including recommendations from the approved GN (e.g., clarifications on short-positions and related income).

BPM7 Annex 7 Selected Financial Issues

- **Main comments received are:**
 - Elaboration on the classification of financial derivatives by market risk category with more detailed definitions/explanations on each market risk.
 - Clarification on the difference between central bank swap arrangements and regular FX swaps.
 - Clarification on the option/forward-hybrid characteristics of credit default swaps.
 - Elaboration on covered warrants.
 - Clarification on manufactured interest and dividends when repoed securities are on-sold to a third party.
 - Other editorial suggestions for precision and clarity.

BPM7 Chapter 10 Goods Account

- **State of play:** Review is completed by stakeholders, currently with SNA reviewer
- Many helpful suggestions by stakeholders:
 - ▶ To include definition of knowledge capturing products (to be addressed alongside Chapter 11 drafting)
 - ▶ Reference to *IMTS: Concepts and Definitions* – Currently (as in *BPM6*) not referencing the version (except specific paragraphs), although *IMTS 2025* will be published close to *BPM7*.
 - ▶ Restructure table 10.2 into
 - Adjustments arising from change of ownership principle
 - Adjustments arising from Global manufacturing
 - Adjustments arising from Valuation
 - Other adjustments
 - ▶ Asymmetries caused by the net treatment of merchanting – can be discussed in Annex 5

BPM7 Chapter 10 Goods Account

Stakeholder review (cont'd)

- ▶ CIF to FOB issues (to be addressed alongside Chapter 11 drafting)
 - ◆ Insurance premiums are deducted in BPM, but insurance services 2008 SNA (§28.10)
 - ◆ In addition, if insurance premiums are deducted from goods and services are re-routed to the services account the balance of the goods and services accounts would be affected due to CIF/FOB
 - ◆ How to deal with resident carriers/insurers in the CIF to FOB adjustment
- ▶ Global manufacturing arrangements
 - ◆ Definition of FGP: *A principal that controls the [outcome of (?)] production of a good by undertaking the entrepreneurial steps and providing the technical specifications required to produce the good, but that fully outsources the material transformation process required to produce the output.*
 - ◆ What comprises a transformation of a good under processing? Is it necessarily a physical transformation?

BPM7 Chapter 4/2025 SNA Chapter 5 **Residence, institutional units and sectors**

- **Review completed by SNA lead editor and sent to lead reviewers. Also, circulated to AEG/BOPCOM for initial feedback. Next step BPTT review for global consultation.**
- Starting point: *2008 SNA Chapter 4*—updated with inputs from *BPM6 Chapter 4*
- In line with previous agreements, changes have been made clear with track changes
- **Some parts won't be included in either *BPM7* or *2025 SNA***
- **Maximum common text in individual *BPM7/2025 SNA* chapters**

BPM7 Chapter 4/2025 SNA Chapter 5 **Residence, institutional units and sectors**

Feedback up to now (review is ongoing)

- Mostly minor comments, a significant part of which can be addressed relatively easily:
- Use of the term economic territory, instead of country
- Treatment of IPPs owned by non-residents
- Include updated tables and figures

BPM7 Chapter 17/2025 SNA Chapter 26 Islamic Finance

- **Review completed by stakeholders, SNA lead editor and lead reviewers. Next step BPTT review for global consultation.**
- In general, it is fair to say that this chapter is in a reasonably good shape.
- There were a series of proposed edits and comments that arose from the review.
- Almost all of the proposed edits were helpful to the interpretation of the text and were taken on board.
- There were also a number of useful comments, most of which were adapted to the text.

BPM7 Chapter 17/2025 SNA Chapter 26 Islamic Finance

- There was a question in the section on Islamic financial institutions and sectoring to **why separate Islamic insurance from Islamic finance**, given that the title of the chapter is Islamic finance.
- In the income section, there was a question on the **level of detail that should be provided under Interest and similar returns**.
- In the financial instruments section, the question of **Financial derivatives in Islamic finance** is the substantive issue in the chapter to be resolved.
- A few of the reviewers confirmed that hedging derivatives do exist, and one reviewer indicated that there can also be futures and forwards on commodities. The text has been updated for these. Nevertheless, it seems that this is to some extent an “open issue”, with potentially considerable differences in the use of derivatives across economies. Further investigations and consultations are proceeding, which will likely lead to further updates.

BPM7 Chapter 16/2025 SNA Chapter 22 Digitalization

- Review completed by stakeholders, SNA lead editor and lead reviewers. Next step BPTT review for global consultation.
- The chapter was well-received.
- Many of the comments were editorial suggestions on the exposition – improvements in wording or the organization of the discussion.
- Add a reference to the *Handbook on Measuring Digital Trade*.
- Including data and databases and software in intellectual property (IP) products may cause confusion in BOP compilation, where ICT and use of IP are separate categories.
- In addition to the discussion of the cases where the producer approach is used (digital platforms), the cases in which the digital intermediation platform invoices the buyer is separately invoiced for its services should be covered.

BPM7 Chapter 16/2025 SNA Chapter 22 Digitalization

- Mention crypto assets as one of the items covered in the capital account chapter of the SNA covered.
- Drop the terms “digital goods” and “digital fixed assets”.
- *The Handbook on Measuring Digital Trade uses “online platforms” rather than “digital platforms”.*
- Adopt the term “crypto assets without redemption rights”.
- The decision tree figure for classifying crypto assets should be refined to be more informative.