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

Bali, Indonesia
October 24–26, 2023

BOPCOM—23/20
For discussion

Summary of Discussions

Prepared by the Statistics Department

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Summary of Discussions

INTRODUCTION

1. The forty-second meeting of the IMF Committee on Balance of Payments Statistics (Committee) was held during October 24–26, 2023, in Bali, Indonesia (in hybrid format).[1] This summary of discussions includes the main conclusions and action points agreed by the Committee during the meeting.

2. Ms. Filianingsih Hendarta, Deputy Governor of Bank of Indonesia, provided welcoming remarks in which she stressed the progress made in the context of the Data Gaps Initiative and underlined the Committee's significant role in addressing the remaining challenges, with particular emphasis on building an integrated sectoral account compilation, improving the granularity of data taking into consideration confidentiality issues, redesigning the data collection and IT infrastructure in support of digitalization of statistical processes. She appreciated the diligent work that has been done by the Committee in the context of the update of the sixth edition of the *Balance of Payments and International Investment Statistics Manual* (*BPM6*).

3. Following the welcoming remarks by Ms. Hendarta, Mr. Bert Kroese, Chief Statistician, Data Officer, and Director of the Statistics Department (IMF), and Chair of the Committee, welcomed the Committee members to the meeting and thanked them for their ongoing commitment to the Committee's work. He introduced the topics of the meeting and welcomed the new Members of the Committee (Japan, the UN, and the World Bank).

EQUITY: THE CASE OF NEGATIVE VALUATIONS

TOPICS PRESENTED FOR DISCUSSION

- Valuation methods can generate negative positions for equity, but macroeconomic statistics manuals do not offer guidance on the treatment of equity with negative valuations.
- To that end, the drafting team (Mr. Thomas Elkjaer (IMF) and Mr. Maciej Anacki (ECB), with further inputs and proposals from the BPM and SNA editorial teams) presented a Discussion Note to the Committee discussing the issue and recommending that negative valuation of equity may be recorded for unlimited liability entities and should generally be zeroed out for limited liability entities, except for certain legal and economic cases. The authors were divided on whether a legal exception should be applied in the case of loan guarantees.
- The note was also presented at the AEG[2] meeting where there was strong support for the overall recommendation to allow the recording of negative equity for unlimited liability entities and to zero out negative equity for limited liability entities, except for certain legal and economic cases. AEG members

[1] Two Committee Members (USA and Canada) attended the meeting virtually.

[2] Advisory Expert Group on National Accounts

also agreed that stock-flow consistency should be ensured by recording revaluations matching the amount of equity that is zeroed out. Regarding loan guarantees, there were mixed views.

SUMMARY OF DISCUSSIONS

- Members unanimously agreed that negative valuation of equity could be recorded for unlimited liability entities.
- Regarding the limited liability entities, members supported recording negative equity in most of the legal and economic cases and made some important comments/observations:
  - The circumstances for recording negative valuation of equity are not limited to those mentioned in the Note;
  - Negative valuation of equity represents the economic reality in more circumstances than the ones mentioned in the Note and should be recorded without any adjustments;
  - To prevent introducing asymmetries, negative equity would also need to be Zeroed out on the asset side, but this would lead to inflated external assets and an artificially more positive net international investment position (IIP) of investor countries;
  - Extend the scope of the Note to discuss the case of negative equity in central banks;
  - In the case of direct investment enterprises (DIEs), the direct investor (DI) often takes the obligations of its affiliates for reputational reasons implying that implicit guarantees most usually exist. This is equally applicable for domestic-to-domestic relationships (including by governments);
  - Distinguishing the legal form of direct investment enterprises (i.e., unlimited versus limited liability) is very resource intensive and somehow difficult to implement in practice, particularly in the case of outward direct investment (i.e., for foreign companies). This may lead to further asymmetries between investor and investee countries. Consequently, given the practical difficulties, zeroing out equity should be limited to exceptional and well justified cases; and
  - Importance of adding clear and consistent guidance in the manuals, in order to harmonize practices across countries and statistical domains highlighted.
- With regard to loan guarantees, most of the members supported Option 1 (i.e., treat loan guarantees like other legal obligations and allow for the recording of negative equity—up to the amount of the guarantee—when affiliates provide such guarantees) noting that this option properly portrays economic reality. A minority of the members supported Option 2 emphasizing the arguments from a conceptual and practical perspective. It is considered that on the one hand this represents a departure from the general treatment of one-off guarantees which are not recorded in the accounts and do not properly portray economic reality until the moment the guarantee is called. On the other hand, it is more prone to asymmetries as information may not be available to all compilers in a symmetric way, both from the assets and the liabilities sides. It was clarified that under Option 1, contingent liabilities (guarantees) would remain outside the system until being executed and that only their impact on the value of equity would be reflected in the accounts.

- For zeroed-out values, a large majority of the members agreed that stock-flow consistency should be ensured by recording revaluations equal to the change in the value of the lower-zero-bound adjustment.
- All in all, the Committee agreed with consulting the OECD's Working Group on International Investment Statistics (WGIIS) before taking a final decision.

Main Conclusions and Actions

- Members agreed with consulting the WGIIS on the conceptual integrity, feasibility and materiality of the proposals included in the Note before taking a final decision. Feedback from the WGIIS member countries on the conceptual integrity and feasibility of the proposals included in the Discussion Note is expected by mid-January 2024. Additional evidence on the materiality of negative equity will be available at a later stage.
- A majority of members also supported that for zeroed-out values, stock-flow consistency should be maintained by recording revaluations equal to the changes in the value of the zero-bound adjustment.
- The outcome of the consultation should be reflected in a revised version of the Discussion Note updated with the feedback received during the Committee's discussion and from the WGIIS that should be circulated to the Committee and the AEG for written consultation in February 2024.

TREATMENT OF INTELLECTUAL PROPERTY PRODUCTS IN BALANCE OF PAYMENTS

TOPICS PRESENTED FOR DISCUSSION

- The following three issues relating to the treatment of intellectual property products (IPPs) were presented to the Committee.

i) Services category for recording the sale/purchase of marketing assets: As marketing assets will be treated as produced nonfinancial assets, sale/purchase of these assets should be recorded in the services account instead of the capital account. Two options are proposed:

  - Option 1: Record the sale/purchase of marketing assets as a new standard first-level category of "marketing asset services".
  - Option 2 (preferred option by the drafting team): Record the sale/purchase of marketing assets under *technical and other business services* as a standard second-level category of "marketing asset services".

ii) Different treatment of similar IPP related transactions: As per *BPM6*, the license to use in the case of computer software and audio visual and related service products are recorded under computer services and audio visual and related services, respectively. For the other IPPs, license to use the outcomes of these assets are recorded under standard first-level service category of charges for the use of IPPs n.i.e. Two options are proposed:

  - Option 1: Maintain the status quo—licenses to use IPP in the case of computer software/audio visual products are classified in the relevant service item, and licenses to use other IPPs (outcomes of R&D or marketing assets) are classified in Charges for the use of intellectual property n.i.e.

- Option 2: Align the treatment of rights to use (license to use) computer software/audiovisual products with the treatment of the right to use the outcomes of R&D/marketing assets—record the payments for licenses to use the IPPs under Charges for the use of intellectual property n.i.e. (irrespective of the underlying IPP)

iii) Treatment of licenses to use and licenses to reproduce: Guidance is also required to ensure consistent recording of the cross-border transactions in IPPs with the SNA recording, in the following cases, based on the paragraphs 10.100 and A3.63-3.66 of *2008 SNA*:

- Copies sold under license to use may be treated as fixed assets if they will be used in production for more than one year and the licensee assumes all the risks and rewards of ownership; and
- A license that allows the licensee to reproduce the original and subsequently assume responsibility for the distribution, support, and maintenance of these copies, should be regarded as the sale of part or whole of the original to the unit holding the license to reproduce.

- Based on the above guidance from SNA, the following recording is proposed in BPM:
  - Items that are classified as fixed assets in national accounts (i.e., used for more than one year and the licensee assumes all the risks and rewards of ownership) would be classified in one of the following standard service components: computer and information services; marketing asset services; personal, cultural, and recreational services; R&D services.
  - Items that are classified as consumption in national accounts (i.e., used for less than one year and the licensee is not concerned with the risks and rewards on the product) would be classified in the following standard service component: charges for the use of intellectual property n.i.e.

SUMMARY OF DISCUSSIONS

- Members fully supported consulting the Task Team on the update of the *Manual on Statistics of International Trade in Services* (*MSITS*) on the three issues presented in the Discussion Note.
- Regarding Issue 1, members overwhelmingly supported the recording of sale/purchase of marketing assets under *technical and other business services* as a standard second-level category of "marketing asset services". One of the members suggested recording it under research and development noting that this helps in ensuring consistency with the new definition of IPP.
- Regarding Issue 2, the Committee could not reach consensus. Members supporting Option 1 considered that the proposed change contradicts the product-based recording of balance payments and may result in a break in series of the underlying data. The supporters of Option 2 underscored that this option ensures consistent and simplified reporting by aligning the recording of licenses to use across different IPPs with the underlying economic nature of the transactions. Further, developing back series could be handled if this Option is implemented.
- Regarding Issue 3, members acknowledged the importance of harmonization with SNA, but expressed concerns on the feasibility of the proposal. It was noted that the proposed split based on fixed assets and consumption is not fully consistent and not applied for any other services and goods. Furthermore,

members emphasized the practical difficulties in collecting the required data. As an alternative, some suggested adding supplementary "of which" categories (use for more or less than one year) that would permit alignment with national accounts. It was also considered that practical difficulties could be circumvented by establishing "use for more than one year" as the default option where no distinction can be made.

- In addition, members made some additional suggestions/observations that include: (i) record purchase/sale of IPPs as a new category of produced nonfinancial assets (intangible) in the capital account as the current treatment of recording them as assets in national accounts and cross-border transactions as services seems to be inappropriate; (ii) licenses to use/reproduce where the licensee assumes risks and rewards of ownership may be treated similar to a financial lease, otherwise as a special type of an operating lease; and (iii) provide concrete examples of computer services/audio visual and related products which are treated as intermediate consumption

Main Conclusions and Actions

- Members agreed with consulting the Task Team on the update of *MSITS* on the conceptual integrity, feasibility and materiality of the tentative decisions taken (see below) before taking a final decision. Feedback is expected by December 2023. The feedback received from Committee members plus the outcome of the consultation should be reflected in a revised version of the Discussion Note that should be circulated to the Committee for written consultation in January 2024. In addition, members strongly supported the need for aligning the terminologies related to IPPs in the updated *BPM6* and *MSITS*.

- Subject to the outcome of the consultation, Committee members tentatively agreed on the following:
    - Regarding Issue 1, Committee Members overwhelmingly supported Option 2 proposed by the drafting team (i.e., recording marketing asset services as a standard second level category in the balance of payments services account).
    - Regarding Issue 2 (different treatment of similar IPP related transactions), the opinions of the members were split between Options 1 and 2 (i.e., harmonizing or keeping the current, distinct treatment).
    - Regarding Issue 3, while members were overall supportive of further harmonization with SNA, they considered that practical and conceptual considerations, usefulness, and the capacity to distinguish between licenses to use/reproduce for more or less than a year should also be taken into account. A possible solution, while accepting the status quo, could be establishing a fallback (e.g., that they will be used for more than a year) in case a distinction cannot be made. The use of "of which" categories (that would be filled in whenever the information is available) could also be considered.

ISSUES IN THE REVIEW PROCESS OF SELECTED BPM/SNA CHAPTERS

TOPICS PRESENTED FOR DISCUSSION

- BPM editors presented some of the key issues identified during review of the initial versions of the following BPM-only and joint BPM/SNA chapters for general guidance from BOPCOM on the approach followed:
    - BPM-only chapters/annexes: (i) Chapter 5: Classification of Financial Assets and Liabilities; (ii) Chapter 8: Financial Account; (iii) Chapter 9: Other Changes in Financial Assets and Liabilities Account; (iv) Chapter 10: Goods Account; and (v) Annex 7: Selected Financial Issues.
    - Joint BPM/SNA chapters: (i) Chapter 4: Residence, Institutional Units and Sectors; (ii) Chapter 16: Digitalization; and (iii) Chapter 17: Islamic Finance

Main Conclusions and Actions

- Members welcomed the progress in preparing the BPM-only and joint BPM/SNA chapters and the way various comments have been taken into consideration.
- The update process will continue as per the agreed generic process for drafting the BPM/SNA Chapters.

BPM7/2025 SNA OUTREACH STRATEGY

TOPICS PRESENTED FOR DISCUSSION

- BPM editors presented an outreach strategy for the launch of *BPM7* and the *2025 SNA* aiming to raise global awareness, explain the proposed changes, collect input from compilers, and discuss implementation plans.
- Two rounds of regional outreach seminars are planned—the first round will be virtual and the second round in person. The first round is expected to take place from November 2023 through May 2024 and the second round will start after the publication of *BPM7* and the *2025 SNA*.
- The target audience will be external sector statistics and national accounts compilers for both rounds and senior officials (e.g., heads of statistics or policy and research departments) for the second round.

Main Conclusions and Actions

- Members were fully supportive of the outreach strategy for *BPM7* and *2025 SNA*. There were suggestions for tailoring the activities taking into consideration the areas that are relevant for the specific region as well as the statistical capacity of the countries in the region.
- It was agreed to prepare a summary of key changes (in terms of methodology and data requirements) compared to *BPM6* to be used in the outreach strategy and published so that it serves as a reference document for external sector statistics compilers and users.
- Some members expressed their willingness to provide support with the outreach activities.

- Members will be informed of the schedule of the first round of activities for their possible participation and contributions.

PROGRESS ON THE DEVELOPMENT OF COMPILATION GUIDANCE ON THE RECORDING OF CRYPTO ASSETS IN MACROECONOMIC STATISTICS

TOPICS PRESENTED FOR DISCUSSION

- This note (prepared by the intra-departmental team of experts from the IMF Statistics Department) provided the proposed outline and the tentative timeline for developing the compilation guidance on crypto assets.
- In addition to developing practical guidance on source data and compilation methods for recording crypto assets, the compilation guidance aims to support the work of DGI-3 Rec #11 task team through collaboration and research on the areas of common interest. Within the IMF, consultations are in progress with the relevant departments for joint work on areas of common interest.
- It is proposed to conduct a workshop (virtual) during January 2024 to better understand the advantages and limitations of the existing source data/compilation practices, possible plans on data collection, and use of alternate data sources, etc.—AEG/Committee member countries/International Organizations and other countries that are relevant in this area will be invited.

SUMMARY OF DISCUSSION

- Members unanimously supported developing compilation guidance and organizing a workshop. Members made some additional suggestions/observations that include: (i) provide guidance on issues such as the valuation of crypto assets, deposits/loans in crypto assets, and the treatment of services provided by the crypto exchanges; (ii) improve the proposed structure of the compilation guidance document clearly distinguishing the contents of sections; (iii) develop use cases focusing on some purposes for which crypto assets are generally used (e.g., remittances); (iv) the possible exploration of data sources could include the IMF initiative on global Central Bank Digital Currencies (CBDC) platform, the Project Atlas of the Bank for International Settlements (BIS), and regulators of crypto assets in member countries; (v) highlight the importance of partner country data; and (vi) the proposed workshop could address the current compilation issues faced by the countries, in addition to sharing the country experiences, as relevant.

Main Conclusions and Actions

- Members unanimously supported developing compilation guidance and made some suggestions for enhancing the proposed structure. They also supported organizing a workshop for exploring data sources and compilation practices.
- Those members that have initial experience on possible data sources on crypto assets agreed to share their experiences.
- Given the evolving nature of crypto assets, members emphasized that the compilation guidance should be a living document with flexibility to be updated as needs arise.

OUTCOMES OF THE AEG AND BOPCOM CONSULTATION ON EMISSION PERMITS

TOPICS PRESENTED FOR DISCUSSION

- The committee was informed about the AEG/Committee consultation on emission permits and the next steps.
- In the July 2023 joint AEG/Committee meeting most of the members agreed on Option 4—the classification for emission permits as accounts receivable (pre-paid taxes)/accounts payable and that the taxes on production should be valued at the issuance price recorded at surrender. However, there were varying views regarding practical implementation of Option 4.
- As agreed in that meeting, the BPM/SNA editorial teams (in consultation with the GN drafting team) prepared a note elaborating on the merits, recording, and practical implications of Option 4 and circulated it to the AEG and Committee for written consultation and final approval by the end of August 2023. The note included Option 4(a), as well as an alternative Option 4(a)*. Under Option 4(a), transactions in emission permits at market prices are immediately revalued back to their issuance price in the revaluation account. Under Option 4(a)*, a new non-produced non-financial asset is created when the transaction price differs from the issuance price via the other changes in volume account. The note concluded that both options are likely to have difficulties in practical implementation (particularly where international transactions are concerned) but considered Option 4(a)* to be conceptually superior. The note proposed a workshop to work through practical issues.
- Based on the comments received, the BPM/SNA editorial teams consider that the treatment of emission permits cannot be finalised until after the proposed workshop has had the opportunity to consider the practical implications associated with the recording on emission permits in macroeconomic statistics.
- The IMF has volunteered to organise the workshop, which will likely take place in December 2023. The recommendations from the workshop will be brought back to the AEG and Committee for their consideration.

Main Conclusions and Actions

- Members unanimously supported organizing a workshop, during December 2023, for exploring the practical considerations of Options 4(a) and 4(a)*, and related issues. There was a suggestion to include Option 1, for consideration, in addition to the Options 4(a) and 4(a)*.
- In addition, members suggested including the following topics in the workshop agenda: treatment of (i) changes in the market value of tradeable emission permits; and (ii) emission permits issued freely.
- The outcomes of the workshop will be presented at a joint AEG/Committee virtual meeting in early 2024.

PROGRESS ON OTHER COMPILATION INITIATIVES

TOPICS PRESENTED FOR DISCUSSION

- The Committee Secretariat informed the Committee about three new task teams: OECD informal Expert Group on Natural Capital; Joint Eurostat-IMF Task Team on Measuring Data as an Asset in National Accounts; and Task Team on Measuring Marketing Assets and provided updates on the (i) terms of reference (TOR) of the respective task teams, (ii) current stages of work, and (iii) the timelines going forward.

Main Conclusions and Actions

- Members welcomed the initiatives for providing compilation guidance on marketing assets, data and natural resources.
- There was a suggestion from one of the members to provide support to the Data Task Team on possible exploration of alternative data sources.

THE IMF'S 2023 EXTERNAL SECTOR REPORT

TOPICS PRESENTED FOR DISCUSSION

- IMF's Research Department (RES) informed the Committee of the assessments and main findings of the IMF's 2023 External Sector Report (ESR) to help put the statistical work in policy perspective. The ESR highlights the growing imbalances in 2022 driven by the sharp rise in commodity prices, uneven recovery from COVID and monetary policy tightening. The presentation also touched upon the IMF's external sector assessment methodology and its results for 2022 as well as some data limitations.

SUMMARY OF DISCUSSION

- One member noted that the imbalances in current account balance are not only impacted by the correct recording of income flows but also trade in goods based on the International Merchandise Trade Statistics (IMTS) data in the European Union (EU), as persistent over recording of intra-EU exports compared to imports results mainly from IMTS data used for the compilation of the balance of payments goods account and to a much lesser extent from some IMTS/BOP adjustments. It was also noted that the analysis of the ESR is centered around the current account balance, while valuation (price and exchange rate) changes impacting the net international investment position should also be taken into account. The presenter agreed and noted the importance of the changes foreseen in *BPM7*, namely the importance given to the fully integrated IIP (stock-flow reconciliation) and to the IIP broken down by currency and the provision of supplementary information on reinvested earnings for portfolio investment and services by currency

Main Conclusions and Actions

- Members appreciated the presentation by the IMF's Research Department of the 2023 ESR.

GLOBAL ASYMMETRIES IN EXTERNAL SECTOR STATISTICS: AN OLD PHENOMENON EXACERBATED BY THE PANDEMIC

TOPICS PRESENTED FOR DISCUSSION

- Following up on the 2015 BOPCOM Paper on Global Asymmetries, the IMF presented a paper proposing to take a close look into the bilateral asymmetries in external sector statistics with an aim to reenergize national efforts to address the discrepancies. The paper suggested that (i) a Task Force on Global Asymmetries (TF-GA) could be formed to further investigate the issue in the next year, (ii) the TF-GA could be composed of volunteer members of the Committee and of some STA's Balance of Payments Division staff, with possible collaboration with some of the Fund's users, (iii) the TF-GA would aim to present its findings and make recommendations at the next Committee meeting, (iv) the TF-GA could organize a workshop combined with a survey on national/regional actions to address bilateral asymmetries since 2015. The outcome of the workshop and the findings of the survey could underpin the paper to be presented to the Committee.

SUMMARY OF DISCUSSION

- The IMF's Research Department (RES) noted that global asymmetries in current account balances have increased since the pandemic. These asymmetries have been allocated to the so-called current account norm: this may work well as long as asymmetries remain reasonably stable over time, which is not currently the case. Such volatility undermines the Fund's policy advice provided to countries. Therefore, RES fully supports the creation of the TF-GA. Some members pointed out that the task force needs to consider the lessons learned from previous initiatives on this issue and concretely identify the areas where this task force could help in acknowledging and addressing asymmetries arising from legal impediments to exchanging confidential data across statistical compilers. Another avenue to be explored for cases of asymmetric access to information (such as remittances) is the possibility of using mirror data via international exchanges of information like the Coordinated Portfolio Investment Survey or the Coordinated Direct Investment Survey. International organizations could assist in establishing standards to enable the exchange of confidential information as well as in focusing on enhanced tools for comparing data such as the OECD work on trade statistics, Eurostat's and OECD's work on FDI, etc. Members made some additional suggestions/observations that include: (i) highlighting the importance of bilateral exercises in addressing the discrepancies; (ii) considering the opportunity cost of taking up this task given the ongoing work on updating the *BPM6*; and (iii) significance of capacity building in reducing asymmetries.

Main Conclusions and Actions

- Members strongly supported establishing a Committee Task Force on Global Asymmetries (TF-GA) to investigate and make recommendations to the Committee on how to reduce global discrepancies. In addition, they were in full agreement with holding a workshop and/or conducting a survey on national/regional initiatives.

- Members underlined the need to exchange information with existing groups dealing with (trade) asymmetries and avoid duplication of efforts—in particular, the OECD informal group on trade asymmetries. One option could be that the Chair of the latter group also attends the TF-GA and, in turn, a member of the TF-GA participates in the OECD group.

- Members made several suggestions on the scope of the TF-GA (e.g., bilateral trade, direct and portfolio investment, remittances, debt) and possible objectives which will be taken into consideration as part of the work program of the TF-GA.

- Some members offered to participate in the TF-GA and/or to share their experiences in data reconciliation exercises or in initiatives to address asymmetries in support of the TF-GA.

- Other members that are interested in contributing to the work of the TF-GA (either by being part of the team or by sharing experiences) will inform the Committee Secretariat by November 15, 2023.

UPDATE OF THE OECD *BENCHMARK DEFINITION ON FOREIGN DIRECT INVESTMENT, FOURTH EDITION*

TOPICS PRESENTED FOR DISCUSSION

- OECD updated the Committee Members on the work on the update of the *OECD Benchmark Definition of Foreign Direct Investment, fourth edition (BD4)*. The presentation started by providing some background information on the update of the *BD4*: (i) the two phases of the update; (ii) the Benchmark definition Technical Expert Group (BTEG); and (iii) coverage, production, and current status of the Direction Notes. It then focused on some specific topics that will be covered in the update of the *BD4*, stressing the consistency with the work of the Direct Investment Task Team (DITT), and hence the *BPM7*, and explaining what additional elements have emerged in this first research phase. The presentation concluded with the timeline for the remaining steps of the update and possible avenues for collaboration.

Main Conclusions and Actions

- Members welcomed the plans for the *BD4* update and the ongoing collaboration with the update of the *BPM6* highlighting the importance of consistency across statistical manuals.

PROGRESS REPORT ON *BPM6* UPDATE AND NEXT STEPS

TOPICS PRESENTED FOR DISCUSSION

- The BPM editorial team informed the Committee about the *BPM6* update work and the next steps leading to the finalization of *BPM7*.

- The Consolidated Annotated Outline (AO) of *BPM7* was posted on the *BPM6* Update website and the translated versions of the AO will be posted as they become available.

- Initial versions of nine chapters (including four joint chapters) and two annexes of *BPM7* are completed and some of them have been reviewed by the lead reviewers. The remaining chapters/annexes will be completed by Q2/2024 and global consultation on the draft chapters/annexes will begin from November 2023 using the UN wiki platform. The last leg of Phase II of the update process will start from Q4/2024 and culminates with the publication of *BPM7*.

Main Conclusions and Actions

- Members welcomed progress report on the *BPM6* update and the next steps leading to the finalization of the *BPM7*.
- The progress on preparing the digital version of *BPM7* will be communicated to the Committee.
- It was agreed to prepare a summary of key changes compared to *BPM6* to be used when communicating with the users and for possible inclusion in the Foreword of the *BPM7*.
- The Consolidated AO of *BPM7* will be updated to include the recommendations from Issue Notes/Discussion Notes that have been approved after the AO was posted (preferably as an addendum to the document).

GLOSSARY—KEY ISSUES IDENTIFIED IN THE AEG/BOPCOM WRITTEN CONSULTATION AND ISSUE NOTE REGARDING THE GLOSSARY

TOPICS PRESENTED FOR DISCUSSION

- The latest version of the glossary of terms and definitions was sent to the AEG and Committee on September 20, 2023, with a request to provide feedback by October 6, 2023. This was followed by an Issue Note, presenting recommendations for resolving a limited number of issues, with a request to provide feedback by October 13, 2023.
- The preliminary feedback from the AEG/Committee suggests that members consider the glossary to be comprehensive and well presented. They also stressed the importance of keeping the definition column short and focused.
- There was a suggestion to add a new column titled "compilation practices." However, since the primary objective is to provide conceptual guidance and due to divergent and changing compilation practices across economies, the BPM and SNA editorial teams propose not to do this.
- There was also a request for more time to review terms and definitions. The BPM and SNA editorial teams suggest moving forward with publication of the preliminary glossary. Additional comments can be provided during the consultation of individual chapters, and the glossary should be seen as a living document until the end of the drafting process.
- The BPM and SNA editorials will go through specific comments on individual terms and definitions after the Committee meeting and make the necessary changes to the glossary before the preliminary version is published.
- The note was also presented at the AEG meeting (October 16–18, 2023). There was strong support for the overall work on the glossary and its contents, and the members agreed with the assessment of the outcomes of consultation.

Main Conclusions and Actions

- Members agreed with the outcomes of the consultation and made suggestions on the proposals relating to the below terms:
    - *FISIM:* changing the term to “implicit financial services on loans and deposits” indicating that this was formerly known as FISIM.
    - *Foreign- and domestic-controlled corporations:* ensuring consistency across manuals and with GN G.2.
    - *Pension manager:* preference to use the term “pension sponsor”—SNA editors will consult the AEG on this issue.
    - *Natural capital:* ensuring that there is no double counting as per the definition.
    - *Other equity, including equity in international organizations:* BPM/SNA editors will review the scope and definition of this term based on the GN B.12 and will come back to the Committee via email.
    - A suggestion was made to create a table with correspondence between new terminology and the one used in *2008 SNA/BPM6*.

USE OF CREDIT/DEBIT VS. REVENUE/EXPENDIDURE IN BALANCE OF PAYMENTS STATISTICS

TOPICS PRESENTED FOR DISCUSSION

- GN CM.2 proposed replacing credit/debit in the current account with revenue/expenditure and credit/debit in the capital account with change in assets/change in liabilities and harmonizing the related key terms across BPM/SNA/GFSM.
- Although there was general support for harmonizing the terminology in the July 2023 AEG/Committee meeting, a number of concerns were raised on changing the terminology from credit/debit to revenue/expenditure in the balance of payments. Therefore, it was decided to further discuss this issue. Three options together with their pros and cons were presented for consideration of the Committee:
    - Option 1: Replace (a) credit/debit by revenue/expenditure in the current account; and (b) credit/debit by disposal/acquisition of nonproduced nonfinancial assets and capital transfers receivable/payable in the capital account.
        - Ensures harmonization to a large extent with the SNA (yet not full)—similar to the harmonization between the financial accounts of BPM and SNA;
        - New terms are more self-explanatory than credit and debit, but it will be an important change for users as three main accounts need to adapt different terminologies; and
        - These changes entail some transition costs for the compilers.

- Option 2: Replace credit/debit by revenue/expenditure in the current and capital accounts.
  - Full harmonization with SNA will not be achieved and results in revenue/expenditure with different scope in SNA/BPM;
  - Similar to Option 1, new terms are more self-explanatory than credit and debit. Further, users may be able to adapt to this option easily as this change is uniform for current and capital accounts; and
  - These changes will also entail some transition costs for the compilers.
- Option 3: Maintain the status quo.
  - Harmonization with SNA would remain unresolved;
  - Terms credit and debit are not self-explanatory; and
  - No transition costs for compilers and users as no changes are required to the existing terminology.

- It was informed that the above options concern the use of proposed terms in the English language version of *BPM7* and translation of the agreed terms into other languages will ensure that the new terms are properly understood by the users of *BPM7* in those languages.
- It was also informed that the note was presented to AEG meeting on October 17, 2023, and the members strongly supported Option 1 for ensuring harmonization between BPM/SNA.

SUMMARY OF DISCUSSION

- A majority of the members initially supported Option 3 mainly on the grounds that the terms credit/debit are well-established with links to accounting and double-entry bookkeeping. They underscored that the other two options also do not ensure complete harmonization and align properly with the accounts. Some considered that the terms revenue and expenditure are more akin to GFS nomenclature.
- Some members supporting Option 3 indicated Option 2 as their second preference noting that it is more straightforward to implement compared to Option 1. A few of them indicated that they prefer the terms receipts/payments compared to revenue/expenditure. The BPM/SNA editors clarified that receipts/payments have a connotation with cash payments, so other terms could possibly be explored.
- A minority of members supported Option 1 emphasizing that implementation of Option 1 will not bring any fundamental change to the concept of balance of payments and the accounting framework. It was also stressed that this option ensures the best possible consistency across the manuals with accurate description of the terms that is easily understandable by users. Moreover, this option was also preferred by the users with a slight majority during a previous consultation.
- The BPM editorial team noted that not considering any changes could be a missed opportunity for adopting a more intuitive terminology for both compilers (especially new compilers) and users. It was explained that the language in the manual may differ (and actually differs in several countries) from alternative terms used in countries' data collection as well as in national publications. Besides, there are precedents for the use of two combined terms (besides credits and debits) in both *BPM1* and *BPM2*.

- Taking into account the comments made, it was suggested considering a **compromise alternative** that could ensure continuity between the well-established terms credits/debits and the parallel use of more user-friendly terms, namely revenues/expenditures in the current account and receivables/payables in the capital account (see below).

Main Conclusions and Actions

- From the three options that had been originally proposed, a majority of members initially supported Option 3 (i.e., maintaining the status quo).
- A **compromise alternative** to the terms proposed in the note was presented during the meeting, namely:
  - *For the current account:* revenues/credits and expenditures/debits
  - *For the capital account:* receivables/credits and payables/debits
- Members were invited to provide their views about their preferred alternative, taking into account the following three proposals:

  Option a: Agreement with the above-described compromise proposal.

  Option b: Propose a better alternative that meets the criteria of user-friendliness and enhanced consistency.

  Option c: Maintain the status quo.
- Comments to the proposed Options should be provided via written procedure by November 13, 2023.

ISSUE NOTE ON RESOLVING OUTSTANDING ISSUES

TOPICS PRESENTED FOR DISCUSSION

- The SNA lead editor presented this paper noting that during various consultations (e.g., consultations on draft chapters), there were suggestions for clarifying several issues. The presentation covered three issues: (a) interest on other accounts receivable/payable; (b) treatment of crypto funds and other funds investing in nonfinancial assets; and (c) treatment of individual pension trusts.
- Interest on other accounts receivable/payable: The *2008 SNA* is unclear regarding interest on other accounts receivable/payable. From a conceptual point of view, it seems illogical to exclude the possibility of interest accruing on other accounts receivable/payable. From a practical point of view, recording of interest is problematic. The note proposed the following recommendations:
  - Adjust the actual payment(s) for the accrued interest in cases the time gap becomes unusually long, and the amount of trade credit extended is very large. Further, such a recording becomes more relevant in periods of high inflation and interest rates; and
  - Remove the guidance on the reclassification of other accounts receivable/payable to loans in the case interest is accrued on the financial instrument, which will anyhow be very difficult to apply in practice.

- Treatment of crypto funds and other funds investing in nonfinancial assets: Crypto funds invest in a portfolio of digital tokens and cryptocurrencies—similar to real estate investment funds, the portfolio may predominantly consist of (non-produced) nonfinancial assets. The note proposed the following recommendations:
    - Treat crypto funds and other funds investing in nonfinancial assets, which are not used for the production of nonfinancial services, as financial corporations, as either money market investment funds or as non-MMF investment funds, depending on the terms of the invested instruments; and
    - Treat funds investing in real estate abroad as financial corporations.
- Treatment of individual pension trusts: In some countries, the government provides the opportunity to establish individual pension trusts (e.g., self-managed superannuation funds for self-employed persons in Australia). The note proposed to treat these types of individual pension trusts as part of social insurance and include relevant guidance in more generic terms in the *2025 SNA*.

Main Conclusions and Actions

- Members endorsed the recommendations on interest on other accounts receivable/payable, treatment of crypto funds and other funds investing in non-financial assets.
- The treatment of individual pension trusts requires further consideration, as also recommended by the AEG at their October 2023 meeting.

TASK TEAM TO DEVELOP A FRAMEWORK FOR MAINTAINING AND UPDATING INTERNATIONAL ECONOMIC AND ENVIRONMENTAL ACCOUNTING SYSTEMS AND MANUALS: TERMS OF REFERENCE

TOPICS PRESENTED FOR DISCUSSION

- IMF presented a paper proposing the constitution of a Joint task team to develop a framework for maintaining and updating macroeconomic and environmental accounting systems and manuals. The Task Team will be comprised of an expert(s) from each of the governing committees (i.e., ISWGNA, Committee, GFSAC, UNCEEA, ISWGPS)[3]. The Task Team will be responsible for developing the framework but not for its implementation. The oversight and final approval of the framework lies with the various governing bodies (e.g., UN Statistical Commission and the IMF Statistics Department) of each of the international economic and environmental accounting systems and manuals. The IMF volunteers to Chair the Task Team and provide secretariat support for its work. The committee was informed that the proposal was fully endorsed by the AEG at their recent meeting.

[3] ISWGNA: Intersecretariat Working Group on National Accounts; GFSAC: IMF Government Finance Statistics Advisory Committee; UNCEEA: UN Committee of Experts on Environmental-Economic Accounting; ISWGPS: Intersecretariat Working Group on Price Statistics.

SUMMARY OF DISCUSSION

- Some members requested including the update of international trade manuals and the OECD Benchmark Definition of Foreign Direct Investment within the scope of the proposed joint task team.

Main Conclusions and Actions

- Members strongly supported the initiative and requested more time to reflect on the document. Comments to the proposal are expected by end-November.

COORDINATION BETWEEN DGI-3 AND UPDATES OF SNA/BPM

TOPICS PRESENTED FOR DISCUSSION

- DGI Secretariat informed the Committee of the DGI-3 work plan (the governance, task teams, and the work program for the first year) based on the Draft Progress Report of the DGI-3 which was recently endorsed by the G-20 Finance Ministers and Central Bank Governors in their October 2023 Communique. The Report was scheduled for release during the week of the Committee Meeting. Task teams were set up to address all the recommendations of DGI-3 (clustered under the topics of climate change, distributional information, data sharing, and fintech) and the Inter-Agency Group lead agencies conducted stocktaking exercises to assess data availability and establish methodologies. The presentation also reported on the progress made by the countries in addressing the data gaps. The 2024 workplan of the DGI-3 will focus on drafting methodological frameworks and reporting templates or updating the existing ones as relevant.

Main Conclusions and Actions

- Members welcomed the update and indicated their support for coordination with the update work.

PROGRESS WITH DRAFTING AN ISSUE NOTE ON ESG[4] AND GREEN FINANCIAL INSTRUMENTS

TOPICS PRESENTED FOR DISCUSSION

- The presentation provided an update on the progress with the drafting of an issue note on the ESG and green financial instruments. In March 2023, the AEG agreed to the addition of some ESG and green instruments as "of which" categories of respective financial instruments. The drafting team is working on an Issues Note addressing unresolved issues related to ESG breakdowns to be presented to the AEG in early 2024.

[4] ESG stands for Environmental, Social, and Governance factors to assess the sustainability of companies and countries.

SUMMARY OF DISCUSSION

- Some members pointed out that the next step after developing methodology is to think about data collection focusing on detailed information. The importance of collaborating with the regulators in order not to do the work in isolation was highlighted, as well as the need to work on a common taxonomy for ESG and green instruments to ensure consistency and comparability.

Main Conclusions and Actions

- Members broadly supported the work and raised some questions about the classification and definitions of green financial instruments.
- Members also offered their support to work together on this subject.