



Joint Forty-Third Meeting of the
IMF Committee on Balance of Payments Statistics
and Twenty-Fifth Meeting of the Advisory Expert
Group on National Accounts

Inter-secretariat
Working Group on
National Accounts

Remote Meeting
February 20, 2024

BOPCOM VM2—23/05
SNA/M1.24/00b

Summary of Discussions

Summary of Discussions

INTRODUCTION

1. The forty-third meeting of the IMF Committee on Balance of Payments Statistics (BOPCOM) and the twenty-fifth meeting of the Advisory Expert Group (AEG) on National Accounts was jointly held online on February 20, 2024. This summary of discussions includes the action points agreed by BOPCOM and the AEG during the meeting.
2. Mr. Stefan Schweinfest, Director of United Nations Statistics Division, and Chair of the AEG and Mr. Bert Kroese, Chief Statistician, Data Officer, and Director of the Statistics Department (IMF), and Chair of the BOPCOM welcomed the AEG and BOPCOM members to the meeting. Mr. Kroese chaired the meeting during which three topics were discussed.

GN WS.7 TREATMENT OF EMISSION TRADING SCHEMES: SUMMARY OF WORKSHOP AND PROPOSED RECORDING

TOPICS PRESENTED FOR DISCUSSION

3. The discussion on Guidance Note (GN) WS.7 at the BOPCOM and AEG meetings in October 2023 concluded that Option 4a, treating the permits as taxes on production due at surrender and as other accounts receivable/payable between auction and surrender, is preferred by most compilers (including the GFS compilers). A few members preferred a different treatment, namely, to treat emission permits as non-produced non-financial assets—contract, leases, and licenses (Option 1). A summary note was circulated to Government Finance Statistics Advisory Committee (GFSAC) members and to several countries and international organizations to provide comments. There was overall support for Option 4a, but members raised some important points for consideration by the drafting team. The discussion at the meeting was based on a summary note of the findings of a workshop held on the subject in January 2024, also including a proposed way forward.¹

SUMMARY OF DISCUSSIONS

4. Members acknowledged that the proposed option (4a) seems to be the one preferred by a majority. Yet, they considered it important keeping the topic on the SNA and BPM Research Agendas with a view to providing further guidance for emission permits issued freely by governments, multi-country emission permit schemes, and the typology of emission permits.
5. There was a proposal to allow for additional flexibility with Option 4a regarding the classification of the financial asset and the valuation of permits issued for free, in particular for economies that have much more developed emission trading schemes. This proposal was supported by a majority of AEG and BOPCOM members that expressed an opinion. However, the *BPM7* and *2025 SNA* editorial teams argued that such flexibility would be difficult to implement in practice and that it may create

¹ A summary of the outcomes of the workshop was circulated to the meeting participants.

inconsistencies and introduce among other issues, undesired implications for government debt liabilities. It was acknowledged that any solution will not be "perfect", either from a practical or from a conceptual perspective.

6. Members noted that the recording of emission permits could be reconsidered if emissions trading schemes evolve over time, including in new ways that further impact the proposed treatment emission permits.

Main Conclusions and Actions

- To adopt Option 4a (record emission permits, as a financial asset, more specifically categorized as other accounts receivable/payable with taxes on production recorded at surrender (issuance value)) in the *2025 SNA* and *BPM7*.
- To review Option 4a in future due to future market and policy developments.
- The *2008 SNA* and *BPM6* update editorial teams to strengthen the conceptual underpinning of Option 4a in the text of the *2025 SNA* and *BPM7*.
- Emission permits to be classified in a separate category that aligns with the new environmental classifications (see [GN WS.12](#)).
- Emission permits to be placed on the *2025 SNA* and *BPM7* research agendas to consider (a) the feasibility of allowing compiling agencies the flexibility to classify emission permits as debt securities rather than other accounts receivable/payable without unduly affecting cross-country comparability; (b) the treatment of multi-country schemes; and (c) the treatment of free emission permits.

ISSUE NOTE: SUSTAINABLE FINANCE DEFINITIONS IN THE 2025 SNA AND BPM7

TOPICS PRESENTED FOR DISCUSSION

7. The AEG had endorsed, at its twenty-second meeting in March 2023, the proposal to report Environment, Social, and Governance (ESG) and green financial instruments separately as "of which" lines in the financial accounts and balance sheets (WS.12: Environmental Classifications). Definitions were to be reviewed and updated in consultation with the third G20 Data Gaps Initiative Recommendation 4 (DGI-3 Rec.4) task team. BOPCOM had agreed to add an "of which" category for green bonds and to take into consideration any new developments in this area (B.6: Sustainable Finance) and supported this work during its forty-second meeting in October 2023. The Issues Note presented at the meeting proposed changes to the *2025 SNA* and *BPM7* principles and proposed definitions.

SUMMARY OF DISCUSSIONS

8. There was broad support for the proposals made and agreement on encouraging the members to compile such data while not making it a requirement. Members appreciated the efforts to ensure consistency of taxonomies.

9. Most members agreed with the 50 percent threshold principle for equity, but one member noted the need to wait for market standards to be established before applying it. One member noted the

potential availability of an independent third party that can endorse the 50 percent threshold, but for green equity self-labelling would be needed. While most members agreed with including transition bonds in the scope of ESG debt securities, some members expressed concerns considering data availability.

Main Conclusions and Actions

- AEG and BOPCOM members agreed with the recommendations set out in the Issues Note defined in paragraph 54 of the document.
- BOPCOM members agreed with introducing a separate table for the ESG and green “of which” categories in *BPM7*, noting that data availability might represent an issue, but still strongly encouraging the implementation of the supplementary categories.
- Members agreed with the 50 percent threshold principle applied in the case of equity until a market standard becomes available or there is other guidance from the DGI-3.
- Members agreed that countries should consider transition bonds—considered in the scope of ESG debt securities—only if possible given data availability and only if important for them, with the justification to be included in the metadata.

ISSUE NOTE: TREATMENT OF NEGATIVE EQUITY POSITIONS

TOPICS PRESENTED FOR DISCUSSION

10. This Issue Note (IN) prepared by the editors discusses the treatment of negative equity positions in macroeconomic statistics. It follows up on the discussions that took place in the October 2023 meetings of the AEG and BOPCOM on the basis of a note prepared by the IMF and the ECB. In these meetings, members of both groups agreed that negative equity positions may be recorded for unlimited liability entities, but they did not reach a conclusion on the recording of negative equity positions for limited liability entities. This IN recommends allowing the recording of negative equity positions as the default option and only zeroing out negative equity positions in specific cases where it can be certified that the liability is strictly limited (Option 4).

11. In this regard, “strictly limited liability” is defined as a situation where the shareholder and its affiliates would not suffer any other direct economic losses than the existing equity investment and would not be likely to assume any new financial obligations in the event of bankruptcy or termination of the entity. As part of this recommendation, negative direct investment equity positions should generally not be zeroed out, and negative equity positions in public corporations should never be zeroed out to avoid situations where governments could hide fiscal vulnerabilities. This principle also applies to the central bank in all economies, no matter who the formal owner is, since the government is likely to step in and bail out a failing central bank to avoid far-reaching economic disruptions. Compilers are encouraged to show negative equity positions as supplementary ‘of which’ items under equity assets and liabilities.

12. The IN recommendations presented at the meeting had received support in an initial consultation of the OECD Working Group on International Investment Statistics (WGIIIS) and the IMF Government Finance Statistics Advisory Committee (GFSAC). In addition, a written AEG/BOPCOM consultation before the meeting showed that the option recommended by the editorial teams (Option 4—do not zero out

negative equity positions for limited liability entities as the default solution) received support from six AEG members and 12 BOPCOM members. A small minority of one AEG member and two BOPCOM members expressed support for Option 3 (zero out as the default solution), while there was no support for either Option 1 (never zero out) or Option 2 (always zero out).

SUMMARY OF DISCUSSIONS

13. The written consultation showed that the majority of AEG and BOPCOM Members supported the proposed recommendation (Option 4). However, one member brought forward a variation of this Option 4 to “*Zero out negative equity, except for certain legal and economic cases*” where the economic exceptions would apply to the treatment of FDI, public corporations, and central banks (Option 4*). This proposal was supported by a few other members who deemed it a good compromise between practical and conceptual considerations especially from users’ perspective. The 2025 SNA and BPM7 editorial teams expressed some concerns about potentially introducing another difference in the treatment of cross-border equity ownership compared to domestic equity ownership and did not see a clear conceptual rationale for this difference. The proponent of Option 4* considered that members should have more time to reflect on this option. It was agreed that a written consultation would be organized to determine the preference between Options 4 and 4*.

Main Conclusions and Actions

- ECB to prepare a note clarifying Option 4* and its implications for further consideration.
- While in the written consultation AEG and BOPCOM endorsed the recommendation to allow the recording of negative equity positions as the default option and only zeroing out negative positions in specific cases where liability is strictly limited (Option 4), it was agreed that members should have time to consider the alternative Option 4* that had been brought forward in the meeting. The secretariats were asked to organize a written consultation with AEG and BOPCOM. (In the subsequent written consultation, Option 4 received majority support.)
- Members agreed to keep the topic on the post 2025 SNA and BPM7 research agenda.