Draft Version

INTERNATIONAL MONETARY FUND

Statistics Department

Balance of Payments and International Investment Positions Manual, seventh edition (*BPM7*)

Draft Annotated Outline

September 2023

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Foreword

The IMF Statistics Department launched the update of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* in March 2020 targeting to publish an updated version of the *Manual (BPM7)* by March 2025. The *BPM6* update has been carried out in two phases in close coordination with the update of the *System of National Accounts 2008* (*2008 SNA*), also with a target release date of March 2025.

- **Phase I**: Finalization of the detailed research on the issues identified in the *Compendium of Research Issues* and discuss how they would impact the new version of the *Manual (BPM7);* and
- **Phase II**: Finalization of the Annotated Outline and drafting of the chapters/annexes of *BPM7,* and extensive consultations about the proposed changes.

This consolidated Annotated Outline (AO) of *BPM7* brings together the final versions of the AOs of individual chapters/annexes that were posted over the last year. Users can download the AOs of individual chapters/annexes or the consolidated AO from the *BPM7* Chapters web page. The AO has been prepared by the *BPM6* update editorial team (Venkat Josyula, Jannick Damgaard, Patrick Quill, Joji Ishikawa, Evrim Bese Goksu, and Wilson Phiri—Senior Economists in the Balance of Payments Division, IMF Statistics Department), in consultation with SNA editors and project manager on joint chapters. Carlos Sánchez-Muñoz, Assistant Director and Division Chief (BPM Project Manager) and Kristy Howell, Deputy Division Chief (alternate BPM Project Manager) in the Balance of Payments Division supervised the overall preparation of the AO. Pinkney Redley provided administrative assistance in preparing the individual AOs and the consolidated AO. Versions of the AO in Arabic, Chinese, French, Russian, and Spanish will be posted as they become available.

The AOs of individual chapters/annexes were approved by the IMF Balance of Payments Committee and the Advisory Expert Group on National Accounts—in the case of joint chapters—and benefitted from the comments received during the stakeholder (primarily the statistical communities focused on Government Finance Statistics, Monetary and Financial Statistics, and System of Environmental-Economic Accounting) and global consultations with participation of statistical experts from a wide range of countries. In addition to the highlighted updates and additions in the AO, further changes may be made at the drafting stage of chapters to improve the consistency of the language with other macroeconomic statistics manuals (e.g., *2025 SNA*) as appropriate.

The preparation of *BPM7* chapters following this AO has started, and the draft chapters will be posted for global consultation on the *BPM6* update website and on the *2008 SNA* website, as relevant. The users and compilers of external sector statistics, national accounts, and other areas of macroeconomic statistics areas are encouraged to provide their feedback.

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Chapter 1. Introduction

(Update to *BPM6* Chapter 1)
Changes from BPM6 *highlighted in yellow*

- As in *BPM6* Chapter 1*,* this chapter will explain the main objectives of the *BPM7 (Manual)*, and the overall structure will be maintained from the *BPM6* chapter while adding subsections on the new topical chapters and communication. The chapter will have separate sections on purposes of the *Manual* (Section I), structure of the *Manual* (Section II), history of the *Manual* (Section III), the 2025 revision (Section IV), and revisions between editions of the *Manual* (Section V). See the Schematic Overview for details.

A. PURPOSES OF THE *MANUAL*

- In addition to the objectives listed in *BPM6*, another objective will be included related to providing principles and guidelines to improve the way external sector statistics are communicated and disseminated.

- The references to the *Manual*, *2025 System of National Accounts*, *Monetary and Financial Statistics Manual and Complication Guide*, and *Government Finance Statistics Manual* will be updated to reflect the latest versions, and references to the *OECD Benchmark Definition of Foreign Direct Investment*, the *External Debt Statistics Guide* the *Handbook on Securities Statistics,* the *International Merchandise Trade Statistics Manual*, and the *Manual on Statistics of International Trade in Services* will be added. It will be mentioned that a common glossary of macroeconomic statistics has been developed as part of the update process.

B. STRUCTURE OF THE *MANUAL*

- The structure of this section will be slightly adjusted compared to *BPM6* since new subsections on the topical chapters and the new chapter on communicating and disseminating economic statistics will be added. The introductory text will be updated to reflect the inclusion of 20 chapters and 14 annexes in *BPM7*.

- It will be highlighted that out of 20 chapters, seven are developed as common chapters with the *2025 SNA*.

1. INTRODUCTORY CHAPTERS

- No significant changes

2. CHAPTERS FOR EACH ACCOUNT

- This subsection will reflect the fact that there will be separate chapters for the goods account and services account in *BPM7*.

3. TOPICAL CHAPTERS

- This new subsection will be added to introduce the topical chapters on globalization, digitalization, Islamic finance, and informal activities that will be included in *BPM7* as a new feature.

4. ANALYSIS

- No significant changes

5. COMMUNICATION

- This subsection will be added to introduce the new chapter on communicating and disseminating economic statistics.

6. ANNEXES

- The title of the subsection will be changed from "Appendixes" in *BPM6* to "Annexes" in *BPM7* to align with the SNA language. In addition, the subsection will be expanded with references to the new annexes on cross-border trade; direct investment; selected financial issues; insurance and pensions; positions and transactions with the IMF; sustainable finance; and data by partner economy.

7. STANDARD COMPONENTS AND MEMORANDUM ITEMS

- No significant changes to the description of standard components, memorandum items, and supplementary items.

C. HISTORY OF THE *MANUAL*

- This section will be expanded with a paragraph describing the main changes introduced with *BPM6*, and the references to related manuals and guides will be updated.

D. THE 2025 REVISION

- This section will be updated to describe the process for the 2025 BPM revision and highlight the close links to the SNA update process and other statistical domains, including the development of a common glossary for macroeconomic statistics. In line with the backbone strategy for updating *BPM6*, this subsection will lay out the main update themes, including globalization, digitalization, and drivers from the evolution of financial and payments systems.

E. REVISIONS BETWEEN EDITIONS OF THE *MANUAL*

- The paragraph on the research agenda will be updated to drop those topics already addressed in this update round and to include new ones like crypto assets and reconciliation of direct investment and AMNE statistics as identified in the holistic review of *BPM6* update priorities. Other issues that will be identified during the remainder of the update process along with the SNA discussions will also be included in the research agenda. With the use of digital versions of the manuals, it is expected that clarifications and updates to the methodology may more easily be incorporated in between major revisions.

Schematic Overview

A.	Purposes of the *Manual*
B.	Structure of the *Manual* 1. Introductory Chapters 2. Chapters for Each Account 3. Topical Chapters 4. Analysis 5. Communication 6. Annexes 7. Standard Components and Memorandum Items
C.	History of the *Manual*
D.	The 2025 Revision
E.	Revisions between Editions of the *Manual*

References

- Paper prepared for the October 2019 Meeting of the IMF Committee on Balance of Payments Statistics: *A Backbone Strategy for Updating* BPM6 (BOPCOM–19/10).
- Paper on the *Outcomes of the Holistic Review Survey of* BPM6 *Update Priorities* (available at https://www.imf.org/en/Data/Statistics/BPM).

Chapter 2. Overview of the Integrated Framework

(Update to *BPM6* Chapter 2)
Changes from BPM6 *highlighted in yellow*

A. INTRODUCTION

- As in *BPM6* Chapter 2, this chapter will focus on presenting an overview of the integrated framework of external accounts and brief details on its components. The overall structure will be mostly maintained from the *BPM6* chapter. The chapter will have separate sections on Introduction (Section I), structure of the external accounts (Section II), and metadata, dissemination standards, data quality, and time series (Section III). See the Schematic Overview for details.

B. STRUCTURE OF THE EXTERNAL ACCOUNTS

1. OVERALL FRAMEWORK

- The scope of this sub-section will be maintained as in *BPM6* with the following changes.
- After explaining that the external accounts summarize the economic relationship between residents of that economy and nonresidents, it will be mentioned that the external accounts framework is composed of three major intertwined elements: (i) the balance of payments; (ii) the international investment position (IIP); and (iii) the accumulation accounts—which break down changes in the IIP between two points in time into balance of payments' financial account transactions and other changes in financial assets and liabilities accounts (revaluations and other changes in volume). This will also ensure consistency with the terminology of "accumulation accounts" in the SNA (GN B.4).
- Further, it will be indicated in Figure 2.1 that in the case of external accounts accumulation accounts include the financial account and the other changes in financial assets and liabilities accounts only.
- Paragraph 2.7 the reference to Annex 2.1 will be deleted (as Annex 2.1 is moved to Chapter 20 Communicating and Disseminating Economic Statistics).

2. BALANCE OF PAYMENTS

- The scope of this sub-section (including Box 2.1 on double-entry accounting) will be mostly maintained as in *BPM6* with the following minor changes. The balances on capital account and financial accounts will be explicitly defined in the updated paragraphs 2.16 and 2.17 in line with Table 2.1. References of relevant *BPM7* chapters will be updated.

3. ACCUMULATION ACCOUNTS

- This sub-section will have the following changes.
- In the SNA framework, accumulation accounts are those that record flows that effect the entries in the balance sheets at the start and end of the accounting period. There are four accumulation accounts—the capital account, the financial account, the other change in the volume of assets account, and the revaluation account (paragraph 1.20, *2008 SNA*).
- Within the external accounts, accumulation accounts explain the changes between opening and closing IIP (external balance sheet) and comprise the balance of payments' financial account and other changes in financial assets and liabilities accounts. References to relevant *BPM7* chapters will be updated.

4. INTERNATIONAL INVESTMENT POSITION

- As in *BPM6*, definition of IIP and its description as a subset of national balance sheet will be maintained (paragraphs 2.8 and 2.9).
- Further, it will be mentioned that the integrated IIP (i.e., concerning stock-flow reconciliation) will be the centerpiece of *BPM7*.
- Paragraph 2.11 to be maintained with no changes.
- A shorter version of the integrated IIP from *BPM7* Table 7.1 will be included to highlight the importance of this presentation in *BPM7* from the very beginning—to include only financial assets and liabilities by functional categories.

Table 2.1 Integrated International Investment Position Statement[1]

Table: Integrated International Investment Position Statement

Beginning of period IIP	**Accumulation accounts**							**End of period IIP**
	Transactions from BOP's financial account	Revaluations			Other changes in volume			
			due to exchange rate changes	due to other price changes		of which: write-offs and cancelations*	of which: reclassifications*	
Standard components listen in Appendix 9								

* Encouraged items
Note: This table will be adjusted depending on changes resulting from FITT.

[1] The term "statement" is not used uniformly in the BPM. Sometimes it refers to both the balance of payments and IIP, sometimes only to the IIP, and sometimes only to the integrated IIP. Therefore, its usage will be examined further at the drafting stage to ensure uniformity in the updated BPM.

5. INTEGRATED RECORDING OF POSITIONS AND TRANSACTIONS

- No significant changes

6. NET ERRORS AND OMISSIONS[2]

- No significant changes

7. LINKAGES WITHIN THE EXTERNAL ACCOUNTS

- No significant changes

8. LINKAGES AND CONSISTENCY WITH OTHER MACROECONOMIC DATASETS

- A sub-section on External Debt Statistics (EDS) will be added to highlight the links between IIP and EDS (including the discussion on valuation of debt securities from GN F.8).

9. NUMERICAL EXAMPLE—TABLE 2.2 (CONSISTENT WITH DATA IN ANNEX 2.1)[3]

- It will be maintained as in *BPM6,* while modifying the Table on the IIP in line with Table 2.1.

C. METADATA, DISSEMINATION STANDARDS, DATA QUALITY, AND TIME SERIES

- This section will have same structure as in *BPM6*, but with the following minor changes.
  - Discussion on seasonal adjustment in updated paragraph 2.41 will refer to *Quarterly National Accounts Manual, 2017 Edition* (*Chapter 7 Seasonal Adjustment*)
  - Box 2.2 on Data Quality Assessment Framework (DQAF) will be based on 2012 version of DQAF for Balance of Payments and International Investment Position (e.g., item 1.1 professionalism will be known as institutional integrity following 2012 DQAF).
  - Reference to discussion on the Framework for Measuring Alignment with Economic Accounting Statistical Standards, Section VII, Chapter 20 will be provided (Chapter 20 provides reference DQAF presented in this section).

Annex 2.1. Overview of Integrated Economic Accounts[4]

Table 2.3 Overview of Integrated Economic Accounts.

[2] The use of this term in the updated manual is subject to the decision on change in terminology proposed in GN CM.2.

[3] Annex 2.1, *BPM6* (Satellite Accounts and Other Supplementary Presentations) will be dropped from this chapter in *BPM7*. It will be included in new *BPM7* Chapter 20 Communicating and Disseminating Economic Statistics.

[4] Updates to categories/data presented in these tables may occur based on the treatment of crypto assets without corresponding liability (GN F.18) and any other updates.

- It will be based on *2025 SNA* tables on sequence of accounts and no significant changes are expected.

Table 2.4 Links between Instrument and Functional Categories

Table 2.4a. Balance of Payments Financial Account by Instrument

Table 2.4b. Integrated IIP by Instrument

Table 2.4c. Conversion of Data from Instrument Split to Functional Categories

Schematic Overview

A.	Introduction
B.	Structure of the Accounts 1. Overall framework 2. Balance of Payments[5] 3. Accumulation Accounts 4. International Investment Position Table 2.1 Integrated International Investment Position Statement 5. Integrated Recording of Positions and Transactions 6. Net Errors and Omissions 7. Linkages within the External Accounts 8. Linkages and Consistency with Other Macroeconomic Datasets 9. Numerical Example Table 2.2 Overview of External Accounts Box 2.1 Double-entry Basis of Balance of Payments Statistics
C.	Metadata, Dissemination Standards, Data Quality, and Time Series 1. Metadata, Dissemination Standards, and Data Quality 2. Time Series Box 2.2 Data Quality Assessment Framework
Annex 2.1	Overview of Integrated Economic Accounts Table 2.3 Overview of Integrated Economic Accounts (from *2025 SNA*) Table 2.4 Links between Instrument and Functional Categories

References

- GNs B.4, F.8, and F.18. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).
- 2012 version of DQAF for Balance of Payments and International Investment Position
- *Quarterly National Accounts Manual, 2017 Edition*

[5] Ordering of the subsections is slightly revised from *BPM6* (i.e., balance of payments, accumulation accounts, and IIP instead of presenting IIP first) to be consistent with the presentation of related topics in Chapter 2, *2008 SNA*.

Chapter 3. Flows, Stocks, and Accounting Rules

(Joint SNA/BPM chapter – Update to *BPM6* Chapter 3)

This annotated outline[1] *has been prepared jointly with the* SNA *editorial team to cover the full range of topics to be included in the chapter on Flows, Stocks, and Accounting Rules. In the drafting stage, only those issues that are relevant from the external sector statistics perspective will be included in the BPM; likewise, only those issues that are relevant to national accounts will be included in the SNA.*

The Annotated Outline mainly uses the 2008 SNA *chapter structure (i.e., Chapter 3: Stocks, flows and accounting rules). Changes based on inputs from* BPM6*/other manuals and other SNA chapters are highlighted in gray and those based on guidance notes/other references are highlighted in yellow.*

A. INTRODUCTION

- This chapter discusses the flows, stocks, and accounting rules covering both national and external. As in the *System of National Accounts 2008* (*2008 SNA)* Chapter 3, the first section (Section A: Introduction) will have separate sub-sections to briefly introduce the following concepts: stocks and flows, balancing items, grouping stocks and flows into accounts, and accounting rules with no major changes.[2]
- The sub-section on balancing items will include a brief paragraph on balancing items relevant for external accounts.
- The chapter is organized in the following sections: flows (Section B); stocks (Section C); balancing items (Section D); accounting rules (Section E); and symmetry of reporting in external accounts (Section F).

[1] Given the overarching nature of this chapter, this annotated outline (AO) presents as an overview of the main changes known at this stage, and not a comprehensive view of all the changes to be included in the update of the chapter. Further, the use of "netting" in this chapter will be subject to the final recommendations of GN CM.2.

[2] Further alignment of the terms, "stocks" used in national accounts and "positions" used in external sector, will be achieved during the drafting stage.

B. FLOWS

1. TRANSACTIONS

- As in the *2008 SNA*, this sub-section will cover monetary transactions (exchanges or transfers, rearrangement, rerouting, and partitioning), non-monetary transactions (barter, remuneration in kind, transfers in kind, and internal transactions), and externalities and illegal actions with the following changes.

- Under monetary transactions (rerouting), three additional examples will be added from *Balance of Payments and International Investment Position Manual, sixth edition (BPM6),* paragraph 3.18 covering following items:
  - ✓ retained earnings of investment funds
  - ✓ government has a nonresident entity to undertake fiscal functions related government borrowing
  - ✓ implicit taxes or subsidies associated with multiple exchange rate regime

- Text on portioning of assets will be added in continuation to the discussion on partitioning of transactions. Examples based on recording of emission trading permits (GN WS.7), the potential split asset approach for natural resources (GNs WS.6, WS.10, and WS.11) will be included. In addition, the dual use of assets for consumption and production purposes[3] is a relevant example.
  - Following GN C.7, unbundling of various services included in travel packages will be included as an additional example of partitioning, after paragraph 3.68.

- Monetary transactions from "units facilitating a transaction on behalf of others" (paragraphs 3.69–74) will be called "reassigning transactions", to be consistent with *GFSM 2014*. Reassignment records a transaction arranged by a third party on behalf of others as taking place directly by the two principal parties involved.

2. OTHER FLOWS

- As in the *2008 SNA*, this sub-section will cover other changes in the volume of assets and holding gains and losses.

- Depending on the outcome of GN F.18, this may be updated to include crypto assets, as needed.

- It will be clarified that changes in status of existing financial claims/liabilities arising from the change in residence of individuals from one economy to another are treated as other changes in the volume of assets (see *BPM6* paragraph 3.21).

[3] Refers to the use of assets by households for both production and consumption purposes. For example, a car used for providing taxi services (e.g., Uber) as well as personal use.

C. STOCKS

- It will have separate sub-sections on benefits, ownership, definition of an asset, financial assets and liabilities, nonfinancial assets, the asset boundary, entry and exit of assets from the balance sheet, and exclusions from the asset boundary with the following changes.

- A separate sub-section on nonfinancial assets will be included prior to the sub-section on asset boundary (to be based on paragraph 3.37). Further, reference will be provided to *System of National Accounts 2025 (2025 SNA)* Chapter 11 “Capital Account”.

- Under the sub-section on ownership, clarification on economic ownership of (non-renewable) natural resources, biological resources, and renewable energy resources will be provided—this will depend on the outcomes of GNs WS.6, WS.8, and WS.11.

- Further, this sub-section will provide a brief guidance on the economic ownership of intellectual property products (IPPs) following the recommendation of GN G.5. It will clarify that the economic ownership for previously produced IPP, depends on the underlying arrangement and recommends using the decision tree from the *UNECE Guide to Measuring Global Production (GMGP)* in determining the economic owners of IPP across an MNE group. It will also clarify that special purpose entities (SPEs) can be the economic owners of IPP assets. For additional details, refer to Section II, *Balance of Payments and International Investment Position Manual, seventh edition* (*BPM7*) Chapter 15/*2025 SNA* Chapter 23 “Globalization”.

- The sub-section on financial assets and liabilities will clarify that the international investment position covers financial assets and liabilities that have an international character (based on *BPM6* paragraph 3.25,).

- In the sub-section on the asset boundary (which covers provisions in paragraphs 3.41), further clarification on provisions (financial asset related, nonfinancial asset related, and unrelated to asset ownership) will be provided following the recommendation of GN WS.9. It will also provide reference (updated Table 13.1 of *2008 SNA*) to *2025 SNA* Chapter 14 “Balance Sheet”.

D. BALANCING ITEMS

- As in the *2008 SNA*, this section will discuss the balancing items in the flow accounts and balancing items in the stock accounts.

- It will also include balancing items specific to external accounts (to be added from *BPM6* paragraphs 3.126–129).

E. ACCOUNTING RULES

1. TYPES OF ACCOUNTING SYSTEM

- This will cover vertical double-entry bookkeeping, horizontal double-entry bookkeeping, and quadruple-entry bookkeeping, clearly indicating their application to national and external accounts. For example, the following additions will be made from the external accounts perspective (based on *BPM6* paragraphs 3.26–29):
- Vertical double-entry bookkeeping: it will be added that the external accounts for an economy are to be compiled on a vertical double-entry bookkeeping basis from the perspective of the residents of that economy.
- Horizontal double-entry bookkeeping: Following example on dividends payable will be added to illustrate this accounting system in external accounts. At the worldwide level, dividends payable by all economies should be equal to dividends receivable by all economies.
- Quadruple-entry bookkeeping: Definitions, classifications, and accounting principles in the external accounts are derived from the viewpoint of conceptual symmetry as well as symmetric reporting by partner economies. The quadruple approach to transactions in the external accounts is needed for bilateral comparisons and global integrated data.
- Further, conventions and terminologies for recording flows will be discussed (*BPM6* paragraphs 3.30–31).

2. VALUATION

- As in the *2008 SNA*, this sub-section will cover valuation of transactions, valuation of partitioned flows, special valuation concerning products, valuation of other flows, and valuation of positions of financial assets and liabilities with the following changes.
- Following the general rules, definition of market prices from *BPM6* (paragraph 3.67) will be added.[4]
- Concessional Pricing (paragraph 3.134): Regarding concessional lending, never record a transfer element for concessional lending in the “central framework” of national accounts and external sector statistics, except for concessional loans provided by employers to employees (as per GN F.15). Reference to relevant *BPM7/2025 SNA* chapters will be provided for additional details.
- Valuation of Imports and Exports of Goods (paragraph 3.149): It will be clarified that the current standard for valuing imports and exports of goods using free on board (FOB) will be retained. However, it will be noted that the valuation of imports and exports at the observed transaction value is conceptually preferred and, subject to further testing, will be introduced

[4] Various definitions in updated SNA/BPM will be consistent following the recommendations of the combined Glossary to be developed by the CMTT (still under discussion).

as the standard in the next version of the manuals (following GN G.1). For additional details, refer to *BPM7* Chapter 10 "Goods Account".

- Valuation of Positions of Financial Assets and Liabilities
  - ✓ In addition to the text in SNA, relevant parts of *BPM6* text in paragraphs 3.84–87 and 3.90 will be included.
  - ✓ Following GN F.8, explicit guidance to compile stock of debt securities at nominal value, as a supplement to the existing market valuation will be emphasized (and reference to relevant *BPM7/2025 SNA* chapters will be provided for additional details).
  - ✓ Following GN D.2, updated guidance on the valuation of unlisted equity will be briefly mentioned (and reference to relevant *BPM7/2025 SNA* chapters will be provided for additional details).
- Additionally, recommendations of GN AI.1 (still under discussion) may have implications for some of the language on valuation (although no impact on main principles is envisaged at this stage).

3. TIME OF RECORDING

This sub-section will cover all the items as in the *2008 SNA* with the following changes.

- Time of Recording of Redistributive Transactions (paragraph 3.171): (i) not record fine/penalty transactions until the unit issuing the fine has an "unconditional claim to the funds" and if a judgment or ruling is subject to further appeal, an unconditional claim exists "when the appeal is resolved (specifically for balance of payments), following GN C.8; and (ii) guidance on the time recording of deferred or waived rental payments (*IMF Special Series Note on Recording of Deferred or Waived Rental Payments*).
- Time of Recording Transactions in Financial Assets and Liabilities: details on the time of recording of employee stock options and one of (nonstandardized guarantees) will be added from *BPM6* paragraphs 3.58–59.
- Time of Recording of Transactions in Nonproduced Nonfinancial Assets will be added as a new item (based on *BPM6* paragraph 3.53).
- Timing Adjustment for International Transactions: additional details from *BPM6* paragraphs 3.61–66 will be included.

4. UNIT OF ACCOUNT AND CURRENCY CONVERSION (*BPM6* PARAGRAPHS 3.92–108)

- As in the *BPM6*, this will cover the following topics—unit of account, domestic versus foreign currency, currency of denomination and currency of settlement, and currency conversion principles.

5. AGGREGATION, NETTING, CONSOLIDATION

- As in the *2008 SNA*, it will cover the principles of aggregation, netting, and consolidation with the following additions from *BPM6*.

- Aggregation: specific details relevant for external accounts will be added from *BPM6* paragraphs 3.109–113.
- Netting: specific details for external accounts will be added from *BPM6* paragraphs 3.114–121.

F. SYMMETRY OF REPORTING IN EXTERNAL ACCOUNTS

- This section will be based on Section G, Chapter 3, *BPM6*.

Schematic Overview

A	Introduction 1. Stocks and Flows 2. Balancing Items 3. Grouping Stocks and Flows into Accounts 4. Accounting Rules
B	Flows 1. Transactions 2. Other Flows
C	Stocks 1. Benefits 2. Ownership 3. The Definition of an Asset 4. Financial Assets and Liabilities 5. Nonfinancial Assets 6. The Asset Boundary 7. Entry and Exit of Assets from the Balance Sheet 8. Exclusions from the Asset Boundary
D	Balancing Items
E	Accounting Rules 1. Types of Accounting System 2. Valuation 3. Time of Recording 4. Unit of Account and Currency Conversion 5. Aggregation, Netting, Consolidation
F	Symmetry of Reporting in External Accounts

References (to be updated)

- Guidance Notes AI.1, C.7, C.8, CM.2, D.2, G.1, G.5, F.8, F.15, F.18, WS.6, WS.7, WS.8, WS.9, WS.10, and WS.11. These guidance notes are posted at Update of the *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org)
- *IMF Special Series Note on Recording of Deferred or Waived Rental Payments*
- *2008 SNA* Chapter 3, *BPM6* Chapter 3, *GFSM 2014* Chapter 3, *MFSMCG* Chapter 5

Chapter 4. Residence, Institutional Units, and Sectors

(Joint SNA/BPM chapter – Update to *BPM6* Chapter 4)

This annotated outline[1] *has been prepared jointly with the* SNA *editorial team to cover the full range of topics to be included in the chapter on Residence, Institutional Units, and Sectors. In the drafting stage, only those issues that are relevant from the external sector statistics perspective will be included in the BPM; likewise, only those issues that are relevant to national accounts will be included in the SNA.*

The Annotated Outline mainly uses the 2008 SNA *chapter structure (i.e., Chapter 4: Institutional Units and Sectors). Changes based on inputs from* BPM6*/other manuals and other SNA chapters are highlighted in gray and those based on guidance notes/other references are highlighted in yellow.*

A. INTRODUCTION

- This chapter discusses the institutional units, sectors, and residence from the perspective of both national and external accounts. The first section (Introduction) will have the same sub-sections as in the *2008 SNA* with the following changes.
- Institutional Units: It will be based on sub-section 1 of Section A.[2]
- Residence and Economic Territory: This sub-section will be called "Residence and Economic Territory". This sub-section will cover general principles of residence based on *2008 SNA* paragraphs 4.10–15, and *BPM6* paragraphs 4.113–115. In addition, discussion on the economic territory of international organizations, special zones (free trade ones/offshore banks and offshore financial centers), changes in the economic territory, and joint zones from *BPM6* paragraphs 4.7–10 will be covered.
- This sub-section will also include the definition of population and related discussion from *2008 SNA* paragraphs 19.9–11.
- Specific issues associated with residence (i.e., (i) residence of different types of institutional units; (ii) assets and liabilities held by groups that include both residents and nonresidents; and (iii) change in residence of entities other than persons) will be covered in Section J.
- Sectoring and Economic Behavior: Following GN F.7, a new paragraph will be added after 4.22 to clarify that (i) fintech companies should be classified within the existing institutional

[1] Given the overarching nature of this chapter, this annotated outline (AO) presents as an overview of the main changes known at this stage, and not a comprehensive view of all the changes to be included in the update of the chapter.

[2] A box on "Statistical units other than institutional units and enterprises" covering establishments and local and global enterprise groups will be included in *BPM7* (based on paragraphs 4.53–56, *BPM6*). Further, relevant links to *2025 SNA* Chapter 6, Enterprises, Establishments, and Industries, will be provided.

sectors/subsectors depending on the economic objectives, functions, and behavior without introducing a new sector "Fintech"; (ii) depending on their statistical and analytical needs, countries with significant fintech activities could consider introducing an "of which" category.

- An Overview of Institutional Sectors: Following the description in *2008 SNA* paragraphs 4.24–32, (i) SNA institutional sector classification and external accounts institutional sector classification (updated *BPM6* Tables 4.1 and 4.2 based on GN F.1); and (ii) *BPM6* paragraphs 4.60–61 on external accounts will be included.
- Subsectors: Following GN F.1, the *2008 SNA* paragraph 4.34 heading will be revised as "Domestic and foreign control", and description will be updated as follows: On subsectoring, it is recommended to identify those nonfinancial corporations (NFCs) and financial corporations (FCs) that are controlled domestically and those that are foreign controlled (reference to relevant paragraphs defining "control" will be provided). Domestically controlled are further split into public corporations (those controlled by government) and others (national private corporations). In addition, "of which" items for (i) domestically controlled public and private corporations (both financial and nonfinancial) that are part of a domestic multinational; and (ii) foreign controlled special purpose entities (SPEs) for NFCs (S.11) and FCs (S12), recommended. The latter could be especially important for some host jurisdictions where SPEs are significant. *2008 SNA*'s Figure 4.1 will be updated accordingly.
- For the purpose of reporting external sector statistics data to IMF, more disaggregated institutional sector breakdowns will be followed: (a) other financial corporations (OFCs) as supplementary items; (b) separately identify NFCs from households and nonprofit institutions serving households; and (c) introduce "of which" items for SPEs as supplementary items for deposit-taking corporations, OFCs, and NFCs sectors (as per GN F.1).
- The chapter is organized in the following sections: corporations (Section B); nonprofit institutions (Section C); the nonfinancial corporations sector (Section D); the financial corporations sector (Section E); the general government sector (Section F); the household sector (Section G); the nonprofit institutions serving households sector (Section H); the rest of the world (Section I); and specific issues associated with residence (Section J).

B. CORPORATIONS

- This will have the same sub-sections as the *2008 SNA* (types of corporations, special cases, and ownership and control of corporations) with the following changes.

1. TYPES OF CORPORATIONS

- In continuation to the discussion on quasi-corporations in paragraphs 4.42–46, a new sub-topic "institutional units with cross-border elements" will be introduced to cover the following items/updates based on *BPM6*: branches including construction projects and production delivered from base (*BPM6,* paragraphs 4.26–33), notional resident units for land and other natural resources owned by nonresidents (*BPM6,* 4.34–40), multiterritory enterprises (*BPM6,* 4.41–44), joint ventures (*BPM6,* 4.45–46), Quasi-corporations identified prior to incorporation (*BPM6,* 4.47), trusts (*BPM6,* 4.48)[3] and other incorporated enterprises (*BPM6,* 4.49).

- SPEs: discussion in *2008 SNA* paragraphs 4.55–67 will be updated based on additional details from *BPM6* paragraphs 4.50–52 and GN G.4 (definition and recommendation in paragraph 29). It will be clarified that the term SPEs should be used only for those entities with direct and indirect foreign control and not to use it to refer to any type of financial entity that is created for a special purpose (as implied by the term).
  - ✓ For instance, captive financial institutions wholly owned and controlled solely by resident parent entities should not be treated and referred to as SPEs—include under FCs as in *BPM6* paragraphs 4.82–83. Resident-controlled affiliates should be referred according to their typology (conduits, captives, etc.) that can be analyzed within the corresponding institutional sector, but not classified as an SPE (and hence not recorded in the "of which" SPE category).
  - ✓ Special purpose units of general government to be included under Section F (general government sector), provided they are resident of the economy of the general government. If they are non-resident they are treated as separate units (*2008 SNA* 4.67/*BPM6* 4.93). In this case, it is recommended to introduce enhanced imputations, which are considered as appropriate and sufficient, to better reflect the fiscal operations of government controlled SPEs (GN D.5). For additional details, refer to *BPM7* Chapter 8. Further, language of this sub-section will be aligned with the discussion on SPEs in paragraphs 2.136–139 of the *Government Finance Statistics Manual 2014* (*GFSM 2014*).

2. SPECIAL CASES

- As in the *2008 SNA*, it will discuss groups of corporations and head offices (HO) and holding companies (HC) with the following changes. Following the SNA clarification note N&N 37 (The delineation of head offices and holding companies in the national accounts), guidance will be provided for (a) determining whether a HO/HC is a separate institutional unit or not; and (b) distinguishing HCs from HOs.

3. OWNERSHIP AND CONTROL OF CORPORATIONS

- Subsidiary and Associate Corporations: Consistent with the criteria applied for classifying the corporations controlled by a non-resident (i.e., treating them as subsidiary based on 50 percent of equity threshold—see below), corporation B is said to be subsidiary of corporation A if corporation A holds more than 50 percent equity in corporation B (i.e., 4.73-b will be deleted).
- Control by a Non-Resident Unit: Paragraph 4.81 will be updated to reflect the agreement on control based on GNs G.2 and D.10, and consistent with *BPM6* (i.e., control will be decided

[3] An Issue Note on "Trusts and Similar Type of Funds" is in the process of being prepared and may have an impact on this topic.

based on equity holding that entitles more than 50 percent of the voting power and not to be based on other criteria such as the control of the board or other governing body, control of the appointment and removal of key personnel, control of key committees of the corporations, and so on).

C. NONPROFIT INSTITUTIONS

- No significant changes

D. THE NONFINANCIAL CORPORATIONS SECTOR

- *2008 SNA* paragraph 4.96 (second criteria) and the first column of SNA Table 4.1 will be updated based on GN F.1 (see below).

- Non-financial corporations (S11)
  - Domestically controlled (S11DO)
    - Public nonfinancial corporations (S11001)
      - *Of which:* Public nonfinancial corporations which are part of domestic multinationals (S110011)
    - National private nonfinancial corporations (S11002)
      - Of which: National private nonfinancial corporations which are part of domestic multinationals (S110021)
  - Foreign controlled (S11003)
    - *Of which: SPEs*

E. THE FINANCIAL CORPORATIONS SECTOR

- Updated breakdown of FCs based on GN F.1 for national and external accounts will be added.
- This chapter in *2025 SNA* will include only limited details on the subsectors of FCs (as in the *2008 SNA)*. Subsectors are discussed in detail in the *2025 SNA* Chapter 29 Financial Corporations.
- *BPM7* will continue to provide all the relevant details on subsectors of FCs (with some possible additions from the *MFSMCG*) from paragraphs 4.67–90. Efforts will be made to align the text on FC subsectors in *BPM7* with *2025 SNA* Chapter 29.

F. THE GENERAL GOVERNMENT SECTOR

- It will have four sub-sections (government units as institutional units, the general government sector and subsectors, the alternative method of subsectoring, and other issues related to government units) with the following changes from the *2008 SNA*.

- Other Issues Relating to Government Units: this sub-section will have two items mainly based on *BPM6*: (a) government entities resident abroad (to be added from *BPM6* paragraph 4.93); and (b) restructuring agencies (*BPM6,* paragraphs 4.94–95).

G. THE HOUSEHOLDS SECTOR

- Following GN WS.2, guidance will be provided for additional breakdowns of households, to account for distribution of income, consumption, saving, and wealth. There is no clarity at this stage about preferred definition of income and consumption (part of testing).

H. THE NONPROFIT INSTITUTIONS SERVING HOUSEHOLDS SECTOR

- No significant changes

I. THE REST OF THE WORLD

1. International Organizations
   - It will include updates from *BPM6* paragraphs 4.103–107.
2. Regional International Organizations (including Central Banks of Currency Unions (CUCBs))
   - It will include updates based on paragraph 4.142, *BPM6*. It will also be added that there are two types of CUs—centralized and decentralized. Further, it will be clarified that national agencies of centralized CUs are treated as institutional units separate from the CUCB Head Quarters (with related explanation following GN B.3). For additional details refer to *BPM7* Annex 3.

J. SPECIFIC ISSUES ASSOCIATED WITH RESIDENCE[4]

- This section will present the following four sub-sections based on Section E, Chapter 4, *BPM6*. As these issues are mainly relevant for external accounts, they are separated from the core principles of residence discussed in Section A (applicable to both national and external accounts).

1. Residence of different types of institutional units (*BPM6,* paragraphs 4.116–144), residence of households, residence of enterprises, and residence of other institutional units.
2. Assets and liabilities held by groups that include both residents and nonresidents (*BPM6,* paragraphs 4.145–164).
3. Change in residence of institutional units (*BPM6,* paragraphs 4.165–167).
4. Alternatives to the residence concept (*BPM6,* paragraph 4.168).

[4] “Data by partner economy” (*BPM6,* paragraphs 4.146–164) is not included in this chapter. It will be presented as a separate annex with some additional guidance.

Schematic Overview

A.	Introduction 1. Institutional Units 2. Residence and Economic Territory 3. Sectoring and Economic Behavior 4. The Total Economy 5. An Overview of Institutional Sectors Figure 4.1: Illustrative Allocation of Units to Institutional Sectors Table 4.1: *2025 SNA* Classification of Institutional Sectors Table 4.2: *BPM7* Classification of Institutional Sectors 6. Subsectors 7. The Rest of the World
B.	Corporations 1. Types of Corporations Legally Constituted Corporations Quasi-Corporations Institutional Units with Cross-Border Elements 2. Special Cases 3. Ownership and Control of Corporations
C.	Nonprofit Institutions (same subsections as in the *2008 SNA*)
D.	The Nonfinancial Corporations Sector Table xx: Subsectors of the Nonfinancial Corporations
E.	The Financial Corporations Sector (same subsectors as in the *2008 SNA*/*BPM6*-changes to items within the subsectors)
F.	The General Government Sector 1. Government Units as Institutional Units 2. The General Government Sector and Subsectors 3. The Alternative Method of Subsectoring 4. Other Issues Related to Government Units
G.	The Households Sector (same subsections as in the *2008 SNA*)
H.	The Nonprofit Institutions Serving Households Sector (same subsections as in the *2008 SNA*)
I.	The Rest of the World (same subsections as in the *2008 SNA*)
J.	Specific Issues Associated with Residence 1. Residence of Different Types of Institutional Units 2. Assets and Liabilities Held by Groups that Include Both Residents and Nonresidents 3. Change in Residence of Institutional Units 4. Alternatives to the Residence Concept

References

- Guidance Notes B.3, D.5, D.10, F.1, F.7, F.18, G.2, G.4, and WS.2. These guidance notes are posted at Update of the *Balance of Payments and International Investment Position Manual, sixth edition* (*BPM6*) (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org)
- ISWGNA clarification (SNA News, Number 37, December 2014) The delineation of head offices and holding companies in the national accounts
- *2008 SNA* Chapter 4, *BPM6* Chapter 4, *GFSM 2014* Chapter 2, and *MFSMCG* Chapter 3

Chapter 5. Classifications of Financial Assets and Liabilities

(Update to *BPM6* Chapter 5)
Changes from BPM6 highlighted in yellow

1. *As Chapter 5 of the sixth edition of the* Balance of Payments and International Investment Position Manual *(*BPM6*), Chapter 5 of* BPM7 *will discuss classifications of financial assets and liabilities in external sector statistics.*[1] *These classifications are applied to positions, associated income and financial account transactions, and other changes involving financial assets and liabilities.*

2. *There will be separate sections on the definition of assets and liabilities (Section II), classifications of financial assets and liabilities by type of instruments (Section III), arrears (Section IV), classification by maturity (Section V), classification by currency (Section VI), and classification by type of interest rate (Section VII).*

A. DEFINITION OF ECONOMIC ASSETS AND LIABILITIES

1. ASSETS IN GENERAL

- *BPM6* definitions for assets and economic owner will be maintained.

2. FINANCIAL INSTRUMENTS

- Financial instruments include assets and other financial instruments (i.e., contingent assets and liabilities) as defined in *BPM6*.

3. CLAIMS

- The definition of a liability will be introduced. The *BPM6* definition of a claim and explanation about nonfinancial assets will be maintained.

4. FINANCIAL ASSETS

- The *BPM6* definition of a financial asset will be maintained.

5. OTHER FINANCIAL INSTRUMENTS NOT RECOGNIZED AS FINANCIAL ASSETS

- The *BPM6* definition of contingent assets and liabilities will be maintained. The explanation will remain brief because contingent assets and liabilities (including provisions) are not generally

[1] The use of “external sector statistics” in *BPM7* will be examined in totality at the drafting stage of the chapters.

recorded in external sector statistics (the outcomes from the GN on provisions would not have a large impact on the BPM). Deviation from MFS (which records provisions in the main accounts) will be mentioned in a footnote or Annex that will also highlight deviations from manuals for other macroeconomic statistics.

6. OTHER ISSUES

- (1) Crypto assets—the definition of crypto assets, their two categories (i.e., those with/without a corresponding liability), their recording in relevant financial instruments or nonfinancial assets, crypto assets in the digital assets framework (with links to digital assets decision tree from GN F.18) and reference to the chapter on digitalization will be mentioned. Crypto assets will be discussed in Chapter 16 in *BPM7* and Chapter 22 in *2025 SNA* in more details. (2) Reference to *BPM7* Chapter 17 on Islamic finance.

- Negotiability discussed in this section of *BPM6* will be discussed in the section for debt securities in *BPM7*.

B. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY TYPE OF INSTRUMENT

1. INTRODUCTION TO CLASSIFICATION OF PARTICULAR FINANCIAL ASSETS AND LIABILITIES:

- The current three broad categories of financial assets and liabilities (i.e., equity, debt, and other) in *BPM6* provide useful information for users (e.g., to identify external debt).

2. EQUITY AND INVESTMENT FUND SHARES

a. Equity

- Equity will include subscription rights. Issuance of subscription rights does not change the residual value of the corporation, and the resulting detached assets represent part of such residual value; therefore, subscription rights should be recognized as equity (F.16).

- Other equity will be renamed to "equity in international organizations and other equity" to record capital subscriptions to international organization comprehensively (B.12). Reserve position in the IMF is not recorded in other equity but in reserve assets.

b. Investment fund shares or units

- No significant changes

3. DEBT INSTRUMENTS

a. Special Drawing Right

- No significant changes

b. Currency and Deposits

- Central bank swap arrangements that do not have the characteristics of a standard (market priced) contract are recorded as exchanges of deposits between the central banks, with the obligation to unwind the operation at a fixed exchange rate on a specified date. The deposit issued by the central bank and held by the counterpart central bank is denominated in domestic currency, but fully linked to a foreign currency. Therefore, the deposit should be treated as being denominated in foreign currency. Central banks swaps with a standard (market priced) contract are recorded as standard currency swaps (BOPCOM Clarification Note 5).

- Margins and cash collaterals (e.g., those for financial derivatives)—recording to be added in accordance with F.10 (to be approved).

- Currency includes central bank digital currencies (F.18).

- Deposits include electronic money when they are liabilities of deposit-taking corporations. For non-deposit taking corporations, the current treatment of *BPM6* and *2008 SNA* (as either deposits or other instruments) should be applied.

c. Debt Securities

- No significant changes

d. Loans

- Introduction of a supplementary item under loans "of which: repurchase agreements, securities lending with cash collateral, and margin lending" (F.1, F.3, and F.6).

- Margins and cash collateral (e.g., those for financial derivatives)—recording to be added in accordance with F.10 (to be approved).

- Clarification of specific interbank loan positions (e.g., overdrafts in nostro/vostro accounts and cash collateral for repos) will be clarified.[2]

- The factoring claim against the debtor is treated as a loan and the factoring income as a fee paid by the supplier. Recourse factoring is treated in the same way as non-recourse factoring. The instrument reclassification from trade credit to a loan (for the original borrower) should be treated as a transaction in the financial account. The ideal conceptual treatment of the discount earned by the factor and the convention (the treatment as a fee) will also be mentioned.

[2] Some of them are classified as deposits in *BPM6*/*2008 SNA* but as loans in the MFS. BPM/SNA could adopt the MFS classification in cases where banks can identify loans and deposits separately.

e. Insurance, Pension, and Standardized Guarantee Schemes

- Hybrid insurance products are allocated to life or nonlife insurance depending on which features are predominant (F.12).
- Autonomous employer-independent schemes or funds can qualify as social insurance pensions if accumulated contributions are set aside for retirement income and are subject to regulation or supervision in line with or similar to employer-related pension schemes/funds (F.12).
- Reference to IF.1/Chapter 17 (e.g., Takaful and Re-takaful arrangements) will be added (keep the reference to Annex 8 on Insurance and Pensions).

f. Other Accounts Receivable/Payable

- Margins and cash collaterals (e.g., those for financial derivatives)—recording to be added in accordance with F.10 (to be approved).

4. OTHER FINANCIAL ASSETS AND LIABILITIES

a. Monetary Gold

- Paragraph 5.76 of *BPM6* will be updated to include the discussion on pool allocated gold accounts. Pool allocated gold accounts (a depository sets aside numbered bars into a segregated pool, which backs the amount of pool allocated gold the depository owes to their customers) will be treated similar to allocated gold accounts (i.e., classified as monetary gold when held as reserve assets).

b. Financial Derivatives and Employee Stock Options

- Financial derivatives will be classified by risk category, by instrument, and by trading venue and clearing status as supplementary items. Emphasize the importance of compiling notional values of foreign currency financial derivatives for Table A9-I-1b and 2b of *BPM6* (market/fair values remain as the primary valuation method for balance of payments and IIP) (F.4).
- Clarify classifying credit default swaps (CDS) as an option-type contract although they have some characteristics of a forward-type contract (F.5). CDS will be primarily classified by risk category (i.e., credit derivatives) in *BPM7* (F.4).

Structures and definitions in the following sections will be maintained.

C. ARREARS

- No significant changes

D. CLASSIFICATION BY MATURITY

Clarification on the definition of remaining maturity (e.g., debt payments as the basis for remaining maturity classification) in line with BOPCOM Clarification Note 2 and the *2013 External Debt Statistics Guide*.

E. CLASSIFICATION BY CURRENCY

- No significant changes

F. CLASSIFICATION BY TYPE OF INTEREST RATE

- No significant changes

Schematic Overview

The structure of the BPM6 *Chapter 5 will be maintained.*

A.	Definition of Assets and Liabilities 1. Assets in general 2. Financial instruments 3. Claims 4. Financial assets 5. Other financial instruments not recognized as financial assets 6. Other issues
B.	Classification of Financial Assets and Liabilities by Type of Instrument 1. Introduction to classification of particular financial assets and liabilities 2. Equity and investment fund shares a. Equity b. Investment fund shares 3. Debt instruments a. Special Drawing Rights b. Currency and deposits c. Debt securities d. Loans e. Insurance, pension, and standardized guarantee scheme f. Other accounts receivable/payable 4. Other financial assets and liabilities a. Monetary gold b. Financial derivatives and employee stock options
C.	Arrears
D.	Classification by Maturity
E.	Classification by Currency
F.	Classification by Type of Interest Rate

References

1. GNs B.12, C.5, F.1, F.3, F.4, F.5, F.6, F.7, F.10, F.12, F.14, F.18, IF.1. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org).

2. *Monetary and Financial Statistics Manual and Compilation Guide*

3. *Handbook on Securities Statistics*

Chapter 6. Functional Categories in External Accounts

(Update to *BPM6* Chapter 6)
Changes from BPM6 *highlighted in yellow*

A. INTRODUCTION

- As in the *BPM6* Chapter 6, this chapter discusses the concept of functional categories used in the compilation of balance of payments/international investment position statistics.
- The chapter will have separate sections on direct investment (Section II), portfolio investment (Section III), financial derivatives (other than reserves) and employee stock options (Section IV), other investment (Section V), and reserves (Section VI), in addition to an Introduction (Section I). See the Schematic Overview for details.
- Introduction from *BPM6* Chapter 6 will mostly remain unchanged. Table 6.1 on the link between financial assets classification and functional categories will also be included in the Introduction.
- With regards to investment in the form of crypto assets under different functional categories, it will be clarified that their recording will be based on the guidance in Section II.F, Chapter 5, *BPM7* (following GN F.18) and the chapter on Digitalization.

B. DIRECT INVESTMENT

1. DEFINITION OF DIRECT INVESTMENT

- Definition of direct investment (DI) and related concepts/definitions of direct investment relationship, direct investor/investment enterprise, control and influence, subsidiaries/associates/fellow enterprises/affiliates, and requirements for a direct investment relationship will be consistent with *BPM6 and BD4/5*.
- Following the GN D.3, investments in investment funds shares (F52) will be considered always portfolio investment while investments by investment funds (MMF and non-MMF) may qualify as DI in accordance with the current DI rules (i.e., considered DI if investment in equity of 10 percent or more, and PI otherwise).
- For clarity, a table showing which institutional sectors could be direct investors and direct investment enterprises will be added, based on the discussion in paragraph 6.20–6.24. Further, additional explanations/examples will be considered from *BD4/5* to improve the discussion on the Framework for Direct Investment Relationships (FDIR) including the methods for FDIR mentioned in paragraph 6.18. This section will also refer to GN D.10 (Defining the boundaries of DI).

2. COVERAGE OF DIRECT INVESTMENT FLOWS AND POSITIONS

- The discussion on intercompany lending, debt between selected affiliated financial corporations, coverage of other financial instruments, pass-through funds, effect of domestic ownership links on direct investment relationships, and beginning and ending direct investment relationships will be mostly maintained with the following updates.

- A clarification table for determining the functional category of debt between affiliated institutions will be added.

- Equity in international organizations (paragraph 6.32): Equity in international organizations is excluded from direct investment, even in cases in which voting power is 10 percent or more. Instead, equity contributions are included in *other investment – other equity, including equity in international organizations* (other equity can no longer be included in portfolio investment as described in GN B.12).

- Pass-through funds (paragraphs 6.33 and 6.34): this will be updated based on the recommendations of GN D.6 with brief mention on the identification of pass-through funds and income based on the residency of the ultimate investor as supplementary indicators noting that additional details will be included in Annex 6 (Selected Issues on DI); and supplementary presentation of DI statistics with identification of pass-through funds based on the residency of the ultimate investor will be included.

3. TYPES OF DIRECT INVESTMENT TRANSACTIONS AND POSITIONS

This sub-section will have the following important updates based on GN D.7.

- Direct investment standard components presentation will be by instruments (equity and debt instruments) and sectors (central bank; deposit-taking corporations except the central bank; general government; other financial corporations; nonfinancial corporations; and households and NPISHs).

- Presentation based on the relationship between the investor and the entity receiving the investment (DI in DIE, reverse investment, and between fellow enterprises), and reinvestment of earnings will be included under memorandum items (these are standard components in *BPM6*).

- Subsections on presenting data as per the directional principle and analytical uses of the different presentations will be updated, taking into account the changes to standard components based on instruments/sectors—use of the DI data by sectors in the Balance Sheet Approach (BSA) will be highlighted.

- Box 6.4, *BPM6* (Derivation of Data under the Directional Principle) will be modified as DI in DIE, reverse investment, and between fellows have been shifted to memorandum items with no breakdown of equity and debt instruments.

4. OTHER ISSUES CONCERNING DIRECT INVESTMENT TRANSACTIONS, POSITIONS, AND INCOME

- This will be mostly maintained as in *BPM6* with relevant minor updates as needed. For example, cash pooling (GN D.18) and Greenfield Investment and Extension of Capacity (GN D.1) will be briefly introduced as separate items in this subsection, with a reference to further discussion that will be included in Appendix 6.

- Direct investment is further discussed in the chapters concerning positions, financial account transactions, and earned income (Chapters 7, 8, and 12, respectively). Selected issues on DI will be discussed in Annex 6.

C. PORTFOLIO INVESTMENT

- This section defines portfolio investments and explains specific issues relating to its coverage (inclusions and exclusions), as in the *BPM6*.

- References from *CPIS Guide* (third edition) Chapter 3 will be added to bring clarity on specific issues, as relevant.

- Following the GN D.3, always treat investments in investment fund shares (F52) as portfolio investment irrespective of the equity held (i.e., 10 percent or higher).

- As in *BPM6*, further information on portfolio investment will be included in Chapter 7 (concerning positions), Chapter 8 (concerning financial account transactions), and Chapter 12 (concerning primary income).

D. FINANCIAL DERIVATIVES (OTHER THAN RESERVES) AND EMPLOYEE STOCK OPTIONS

- The *BPM6* definition of the functional category financial derivatives (FDs) will be maintained with no change. A brief description of other issues as in *BPM6* will be included—amounts accruing under the contract (classified as revaluations—with additional clarification in the revised Chapter 9 "Other Changes in Financial Assets and Liabilities Account"), intermediary may provide services associated with transactions in derivatives, etc.

- Following GN F.4 (and the Outcomes of the Holistic Review Survey of *BPM6* Update Priorities), it will be noted that classification by market risk category, by instrument , and by trading venue and clearing status will be included as supplementary items (with links to discussion on FDs in Chapter 5, *BPM7*). In addition, compiling notional values of foreign currency derivatives will be emphasized (updated *BPM6* Appendix 9, Tables A9-I-Ib and A9-I-2b).

- Further, guidance on recording of FDs by gross and net basis will be explained noting that recording of transactions on a net basis is acceptable where separate data on transactions in assets and liabilities are not available, and the position may change between assets and liabilities (e.g., forwards, swaps). The method used should be consistently applied during the life of the instrument, not only when switching from assets to liabilities (the same should be included in 8.34 of *BPM6* and Chapter 17 of *2008 SNA*).

- Further details on FDs will be presented in Chapter 8, “Financial Account” (Recording of Post Trading Activities—novation and portfolio compression) and Chapter 9, “Other Changes in Financial Assets and Liabilities Account” (Convention for Recording of Revaluations on Foreign Currency Derivatives). More detailed examples on novation and portfolio compression will be presented in Annex 7 on Selected Financial Issues.

E. OTHER INVESTMENT

- This section will be maintained as in *BPM6* with no major changes.
- Other equity is included in other investment, when it is not direct investment or reserve assets. Participation in some international organizations is not in the form of securities (or is in the form of unlisted shares that are not tradable) and so it is classified as *other investment – other equity, including equity in international organizations* (paragraph 6.62).
- Following the GN B.12, the *BPM6* standard presentation for the balance of payments will be modified as follows:

  Other investment – other equity should be renamed as *other investment – other equity, including equity in international organizations.*

- It will be clarified that debt instruments associated with some cash pooling arrangements may be classified under other investment (following GN D.18). Cash pooling is further discussed in Section II.D and Annex 6.
- As in *BPM6,* information on other investment will be included in Chapter 7 (concerning valuation of positions, particularly loans), Chapter 8 (concerning financial account transactions), and Chapter 12 (concerning primary income).

F. RESERVES

- This section will have two sub-sections: reserve assets and reserve-related liabilities, and a Box on net international reserves.

1. RESERVE ASSETS

- As in *BPM6*, this subsection provides the definition of reserve assets and discusses the concepts of residence, control, definition of monetary authorities, availability for use, liquidity, assets denominated in the currency of neighboring countries, assets denominated/index to the domestic currency but settled in foreign currency, etc.

c. *Classification of Reserve Assets*

- Descriptions and standard components remain the same as in *BPM6*, but further elaboration will be provided along the lines of *IRFCL Template Guidelines*, to maintain complete consistency.
- Pool allocated gold accounts (a depository sets aside numbered bars into a segregated pool, which backs the amount of pool allocated gold the depository owes to their customers) will be treated similar to allocated gold accounts (i.e., classified as monetary gold, when held as reserve assets). This is consistent with updated paragraph 5.76, *BPM6* (see Chapter 5, *BPM7*).
- With regards to securities that have been transferred under repurchase agreements, the updated treatment which is consistent with the *IRFCL Template Guidelines* is under consideration (clarification note has been prepared by the IMF) and the relevant parts of *BPM6* (paragraphs 6.88–6.89) will be updated. The note will also update paragraph 6.82 on the treatment and recording of gold swaps undertaken by monetary authorities.
- Under other claims (paragraph 6.92), updates on long-term loans to IMF Trust Accounts considering the new Trusts (e.g., Resilience and Sustainability Trust—RST) will be added. Additional details on this issue will be provided in *Annex 9 "Positions and Transactions with IMF"*.
- Regarding the additional presentations of reserve assets, a brief description of COFER and SEFER will be provided.

d. *Selected Cases*

- This will cover sovereign wealth funds, pooled assets, central bank swap arrangements as in *BPM6* with enhanced details/examples based on the clarification note on central bank swaps, Asian Bond Fund, and ongoing discussion on the channeling of SDRs to Multilateral Development Banks (if the process is completed).

Foreign Assets that Do Not Qualify as Reserve Assets

- This will cover all the issues discussed in *BPM6* with additional elaborations, as needed.
- Capital subscriptions to international organizations that are not readily available to the monetary authorities do not meet the definition of reserve assets. Equity arising from these subscriptions are included in other investment – other equity, including equity in international organizations (paragraph 6.106).
- In the context of credit lines, a brief explanation will be provided on Flexible Credit Lines (FCL) and Precautionary and Liquidity Lines (PLL) of the IMF, and their eligibility for including in the reserve assets. Additionally, Annex 9 will provide details on positions and transactions with the IMF. With regards to frozen assets, it will be explained that reserve assets that are affected are to be reclassified to the relevant functional category (for all relevant categories of reserve assets-SDRs, monetary gold, RPF, securities, equity, deposits, etc.).

2. RESERVE-RELATED LIABILITIES

- The concept of reserve-related liabilities and table for presenting related data will be consistent with *BPM6.*

Box on Net International Reserves (NIR)

- Following GN B.2, a Box on NIR will be added in this section noting that NIR goes beyond the scope of the BPM framework and that the necessary data to calculate NIR is covered by the IRFCL framework.

- The concept of NIR is widely used as an indicator of a country's external vulnerability. This new Box will introduce a standard statistical definition of NIR based on the existing statistical frameworks in the *BPM6* and *IRFCL Guidelines* (based on GN B.2).

  Net international reserves = Reserve assets – Net short-term foreign currency drains

- The statistical definition provides a comprehensive approach aimed to inform reserve adequacy assessments and macroeconomic policy advice. Modifications for country-specific characteristics and vulnerabilities remain crucial for reserve adequacy assessments and in the design and monitoring of Fund-supported programs.

Schematic Overview

The structure of the BPM6 *Chapter 6 will be maintained.*

A.	Introduction
B.	Direct Investment 1. Definition of direct investment 2. Coverage of direct investment flows and positions 3. Types of direct investment transactions and positions 4. Other issues concerning direct investment transactions, positions, and income
C.	Portfolio Investment
D.	Financial Derivatives (Other Than Reserves) and Employee Stock Options
E.	Other Investment
F.	Reserves 1. Reserve Assets 2. Reserve-related liabilities Box: Net International Reserves

References

- GNs B.2, B.12, D.1, D.3, D.6, D.7, D.10, D.11, D.12, D.14, D.18, F.4, and G.4. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) (imf.org).
- *Clarification Note: Treatment of Securities Under Reverse Transactions in Reserve Assets*
- *IRFCL Guidelines for a Data Template 2013*
- OECD *Benchmark Definition of Foreign Direct Investment, fourth edition 2008*
- *System of National Accounts 2008*
- *IMF Financial Operations 2018*

Chapter 7. Balance Sheet: The International Investment Position

(Update to *BPM6* Chapter 7) [1]

Changes from BPM6 *highlighted in yellow*

A. INTRODUCTION

- As in *BPM6* Chapter 7, this chapter will cover international investment position (IIP) and its main components. The overall structure will be maintained from the *BPM6* chapter. The chapter will have separate sections on concepts and coverage (Section I), direct investment (Section II), portfolio investment (Section III), financial derivatives (other than reserves) and employee stock options (Section IV), other investment (Section V), reserves (Section VI), and off-balance-sheet liabilities (Section VII). See the Schematic Overview for details.

- In addition to the highlighted updates/additions below, further changes may be made to improve the consistency of the language with other macroeconomic statistics manuals (e.g., *2025 SNA*) as appropriate.

- With regards to investment in the form of crypto assets, reference will be provided to Chapters 5 (classification of financial assets and liabilities), 6 (functional categories), and 14 (capital account).

B. CONCEPTS AND COVERAGE

- The following changes will be introduced to this section based on GN B.4.

- After introducing the definition of IIP (paragraphs 7.1 and 7.2), it will be mentioned that the integrated presentation of the IIP is a central piece of *BPM7*. The integrated IIP breaks down changes between two points in time into balance of payments´ financial account transactions, revaluations, and other changes in volume.

- The integrated IIP presentation will be part of the standard components of *BPM7* (like balance of payments and IIP in *BPM6*)—with the same line items as the existing standard components in Appendix 9B, *BPM6*.

- The importance of the direct investment presentation by sectors and instruments will be emphasized (GN D.7). Relevant references from Chapter 6 will be provided.

[1] This chapter title is aligned with the related *2025 SNA* chapter title “Balance Sheet”. However, changes to this title may be considered at the drafting stage.

- Separate reporting of data on debt cancellation and write-offs as well as reclassifications under “other changes in volume” is encouraged (i.e., they will be part of supplementary items).

- It will be emphasized that granular data from the integrated IIP presentation (transactions, revaluations, and other changes in volume) will be extremely helpful for analyzing net IIP dynamics. Reference to relevant *BPM7* chapters will be provided (mainly, Chapters 2 and 19).

- The IIP presentation structure in Table 7.1 will be updated based on the following integrated IIP presentation structure recommended in Annex II, GN B.4.

Table: Integrated International Investment Position Statement

<table>
<tr><td rowspan="3">Beginning of period IIP</td><td colspan="5">Accumulation accounts</td><td rowspan="3">End of period IIP</td></tr>
<tr><td rowspan="2">Transactions from BOP's financial account</td><td colspan="2">Revaluations</td><td colspan="2">Other changes in volume</td></tr>
<tr><td>due to exchange rate changes</td><td>due to other price changes</td><td>of which: write-offs and cancelations*</td><td>of which: reclassifications*</td></tr>
<tr><td colspan="7">Standard components listen in Appendix 9</td></tr>
</table>

* Encouraged items
Note: This table will be adjusted depending on changes resulting from FITT.

C. DIRECT INVESTMENT

- This section will have the same structure as in *BPM6*, but with the following important changes.

1. VALUATION OF UNLISTED AND OTHER EQUITY

Preferred Methods

- After presenting the six methods from *BPM6* paragraph 7.16, following GN D.2, it will be clarified that the three preferred estimation methods to provide estimates of market value are Own Funds at Book Value (OFBV), Recent Transaction Prices, and Market Capitalization. Further, it will be explained that the estimation methods try to capture: the difference between assets and liabilities of unlisted corporations to be measured at market prices—in line with the core principles of macroeconomic statistics. Footnote 1 (*BPM6,* paragraph 7.16) will be removed accordingly.

- A decision tree will be included to aid in implementing one of the three acceptable methods (GN D.2, Annex VII). It will be noted that if some countries may not be able to implement one of the preferred methods immediately, the decision tree should serve as a guiding principle to select an alternative method in the transition to one of the three acceptable methods.

- Treatment of negative equity to be elaborated based on the outcome of the clarification note to be prepared by the IMF's Statistics Department in consultation with relevant stakeholders.
- Consistency with the discussion on this issue in *2025 SNA* Chapter 14 "Balance Sheet" will be maintained.

2. ENTITIES THAT BORROW ON BEHALF OF THEIR AFFILIATES

- No significant changes are foreseen except updates to chapter references on pass-through funds, SPEs, entities owned by government resident in another economy and is used for fiscal purposes, etc.

3. QUASI-CORPORATIONS

- Regarding the methods for valuation of equity, paragraph 7.25 (last sentence) will be updated to clarify that equity in quasi-corporations may be valued using one of the three acceptable methods discussed in the above sub-section on valuation of unlisted equity.

D. PORTFOLIO INVESTMENT

- The structure of this section will be maintained as in *BPM6* with adjustments to chapter references and following updates.

1. EQUITY WITH DIVIDENDS DECLARED PAYABLE BUT NOT YET PAID

- no significant changes

2. DEBT INSTRUMENT WITH ACCRUED INTEREST

- no significant changes

3. SHORT POSITIONS

- The discussion will be updated based on *MFSMCG* paragraphs 4.73–78 and recommendation of Issue 2 in GN F.3 (Annex II).

4. UNLISTED DEBT AND EQUITY SECURITIES

- Positions in unlisted portfolio investment equity securities without an observable market price should be valued using the methods presented in Section III-A.

5. DEBT SECURITIES AT NOMINAL VALUES

- Following GN F.8, it will be recommended to compile positions of debt securities at nominal value, as a supplement to the existing market valuation. Further, reference to the table on reconciliation between nominal and market valuation of debt securities liabilities (which is based on GN F.8 (Annex I) included in the updated "Additional Analytical Position Data" (part of Annex 13)) will be provided. It will be mentioned that debt securities used in direct investment inter-company lending will be included as a supplementary item to this table.

6. ZERO-COUPON AND DEEP-DISCOUNT BONDS

- no significant changes

E. FINANCIAL DERIVATIVES (OTHER THAN RESERVES) AND EMPLOYEE STOCK OPTIONS

- The section will be maintained as in *BPM6* with no significant changes.

F. OTHER INVESTMENT

- The structure of this section will be maintained as in *BPM6* with adjustments to chapter references and updates to following sub-sections.

1. VALUATION OF NONNEGOTIABLE INSTRUMENTS

- While the current nominal valuation principle for loans will be maintained, it will be emphasized that the existing framework—allowing for value reset when there is public evidence of loan deterioration, even beyond cases of bankruptcy and liquidation—should be strengthened (GN F.9)

- Regarding concessional loans, it will be clarified that their positions are to be valued at nominal value as any other loan based on the contractual interest rate (GN F.15). Reference to relevant chapters to be provided.

- Other investment/equity in international organizations and other equity positions (GN B.12) should be valued using the methods and approach presented in Section III-A.

2. FINANCIAL LEASES

- no significant changes

3. RECORDING OF POSITIONS ASSOCIATED WITH SECURITIES REPURCHASE AGREEMENTS AND OTHER REVERSE TRANSACTIONS

- Following GN F.1 (also F.3 and F.6), a supplementary item under loans "of which: Repurchase agreements, securities lending with cash collateral, and margin lending" will be introduced. Further, importance of separate identification of repo-related transactions and positions will be emphasized.

4. OVERNIGHT DEPOSITS

- no significant changes

5. INSURANCE TECHNICAL RESERVES, PENSION AND ANNUITY ENTITLEMENTS, AND STANDARDIZED GUARANTEES RESERVES

- No significant changes except noting that details on Takaful and Re-takaful arrangements are provided in Chapter 17 “Islamic Finance and Insurance”. Further, chapter references will be updated and consistency with *2025 SNA* Chapter 24 “Insurance and Pensions” will be ensured.

G. RESERVES

- This section will be maintained as in *BPM6* with updated chapter references.

H. OFF-BALANCE-SHEET-LIABILITIES

- No significant changes are expected. This section will remain brief as in *BPM6* with updated chapter references.

Schematic Overview[2]

A.	Concepts and Coverage *Table 7.1: Integrated International Investment Position Statement*[3] *Table 7.2 Overview of the International Investment Position* 1. Definition of Economic Assets *2.* Classification
B.	Direct Investment 1. Valuation of Unlisted and Other Equity Preferred Methods *Figure 7.1 Decision Tree for Implementing the Preferred Methods* 2. Entities that Borrow on Behalf of Their Affiliates 3. Quasi-Corporations
C.	Portfolio Investment 1. Equity with Dividends Declared Payable but Not Yet Paid 2. Debt Instrument with Accrued Interest 3. Short Positions 4. Unlisted Debt and Equity Securities 5. Debt Securities at Nominal Values 6. Zero-Coupon and Deep-Discount Bonds
D.	Financial Derivatives (Other Than Reserves) and Employee Stock Options
E.	Other Investment 1. Valuation of Nonnegotiable Instruments 2. Financial Leases 3. Recording of Positions Associated with Securities Repurchase Agreements and Other Reverse Transactions 4. Overnight Deposits 5. Insurance Technical Reserves, Pension and Annuity Entitlements, and Standardized Guarantees Reserves
F.	Reserves
G.	Off-Balance-Sheet-Liabilities

[2] Annex 7.1 from *BPM6* is not included in this chapter. It will be discussed in Annex 9 “Positions and Transactions with IMF”.

[3] The term “statement” is not used uniformly in the BPM. Sometimes it refers to both, BOP and IIP, sometimes only to the IIP, and sometimes only to the integrated IIP. Therefore, its usage will be examined further at the drafting stage to ensure uniformity in the updated BPM.

References

- GNs B.4, D.2, D.7, F.1, F.3, F.6, F.8, F.9, F.15, and F.18. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).
- Clarification Note on Negative Equity (forthcoming).

Chapter 8. Financial Account

(Update to *BPM6* Chapter 8)

Changes from BPM6 *highlighted in yellow*

- As in *BPM6* Chapter 8*,* this chapter will introduce the financial account and its main components. The overall structure will be maintained from the *BPM6* chapter. The chapter will have separate sections on concepts and coverage (Section I), direct investment (Section II), portfolio investment (Section III), financial derivatives (other than reserves) and employee stock options (Section IV), other investment (Section V), reserve assets (Section VI), and arrears (Section VII). See the Schematic Overview for details.
- Additional references to other chapters regarding the treatment of financial instruments may be added during the drafting process.

A. CONCEPTS AND COVERAGE

- This section will be maintained as in *BPM6* with no significant changes. It will introduce the financial account, explain the use of net recording in the standard framework and gross recording on a supplementary basis as well as principles related to timing and valuation.

B. DIRECT INVESTMENT

- The structure of this section will be slightly adjusted compared to *BPM6*. A new subsection on dividends and withdrawal of equity will replace the *BPM6* subsection on superdividends since this concept will not apply to direct investment in *BPM7*.

1. REINVESTMENT OF EARNINGS

- No significant changes

2. DIVIDENDS AND WITHDRAWAL OF EQUITY

- This subsection will replace the subsection *Superdividends*, which is described in paragraph 8.23 of *BPM6*. Per GN D.17 and the Issue Note *Identifying Superdividends and Establishing the Boundary Between Dividends and Withdrawal of Equity in the Context of Direct Investment*, it will be explained that the concept of superdividends does not apply to direct investment enterprises, and any distributions of accumulated reserves from ordinary earnings should be treated as dividends. It will also be explained that only the earnings from non-operating activities (sales of fixed capital assets and liquidations of branches) would be treated as exceptional and recorded as withdrawals of equity.

3. DIRECT INVESTMENT FLOWS IN KIND

- no significant changes

4. MERGERS AND ACQUISITIONS

- Mergers and acquisitions will be contrasted to greenfield investment and extension of capacity as described in GN D.1. There will be references to Chapter 6 on functional categories and Annex 6 on selected direct investment issues where greenfield investment and extension of capacity will be addressed in further detail.

5. CORPORATE INVERSION AND OTHER RESTRUCTURING

- The definition of corporate inversions will be updated with the amendment provided in GN D.4. Moreover, the text will be shortened, and references will be made to Annex 6 on selected direct investment issues, which will be expanded to include a taxonomy of the most usual cases of corporate actions that involve inversions or other forms of restructuring with similar economic effects.

6. BORROWING FOR FISCAL PURPOSES

- This subsection will be updated with the guidance on recording imputations with a more analytically meaningful instrument breakdown as described in GN D.5 and with a reference to Annex 6 on selected direct investment issues where this will be explained in further detail.

C. PORTFOLIO INVESTMENT

- The structure of this section will be slightly adjusted compared to *BPM6* as a new subsection on superdividends will be added.

1. REINVESTMENT OF EARNINGS IN INVESTMENT FUNDS

- Per GN F.2 and the Issue Note "*Identifying Superdividends and Establishing the Boundary Between Dividends and Withdrawal of Equity in the Context of Direct Investment*", it will be clarified that reinvestment of earnings for portfolio investment other than investment funds will be incorporated as a supplementary item to *BPM7*.

2. SUPERDIVIDENDS

- This is a new subsection that is not included in *BPM6*. Per the Issue Note "*Identifying Superdividends and Establishing the Boundary Between Dividends and Withdrawal of Equity in the Context of Direct Investment*", it will be explained that any distribution in excess of operational profits, including out of accumulated reserves, should be classified as a superdividend and treated as withdrawal of equity. The practical difficulties of implementing this treatment will be acknowledged in the text.

3. CONVERTIBLE BONDS

- No significant changes

4. DEBT DEFEASANCE

- No significant changes

5. SHARE AND DEBT BUYBACKS

- No significant changes

6. BONUS SHARES

- No significant changes

D. FINANCIAL DERIVATIVES (OTHER THAN RESERVES) AND EMPLOYEE STOCK OPTIONS

- The structure of this section will be the same as in *BPM6*, but additional guidance related to financial derivatives will be added as described below

1. FINANCIAL DERIVATIVES

- Per GN F.4, paragraph 8.34 of *BPM6* will be updated to clarify the cases in which recording transactions on a net basis is acceptable (i.e., where separate data on transactions in assets and liabilities are not available, and the position may change between assets and liabilities (e.g., forwards, swaps)).
- Depending on the outcome of GN F.10, margins may also be classified as loans in certain circumstances. If this treatment were to be adopted, paragraph 8.39 on margins will be updated accordingly.

2. EMPLOYEE STOCK OPTIONS

- No significant changes

E. OTHER INVESTMENT

1. ONE-OFF GUARANTEES AND OTHER DEBT ASSUMPTION

- No significant changes

2. INSURANCE TECHNICAL RESERVES, PENSION FUND ENTITLEMENTS, AND PROVISIONS FOR CALLS UNDER STANDARDIZED GUARANTEES

- Following the decision at the 15th Meeting of the Advisory Expert Group on National Accounts, it will be clarified that when nonlife insurance policies are surrendered by mutual agreement between policyholders and nonlife insurers, the technical reserve liabilities of the nonlife insurers will be reduced by the amount of the unearned premiums that is returned to the policyholders and recorded as a transaction. Correspondingly, the technical reserve assets of the policyholders will be reduced by the same amount and recorded as a transaction.

3. SPECIAL DRAWING RIGHTS

- No significant changes

4. SECURITIES REPURCHASE AGREEMENTS AND OTHER REVERSE TRANSACTIONS – NO SIGNIFICANT CHANGES

- This section will include a reference to Annex 7 where the treatment of reverse transactions will be discussed in further detail.

5. CURRENCY

- No significant changes

6. CHANGE OF CONTRACTUAL TERMS – NO SIGNIFICANT CHANGES

F. RESERVE ASSETS

- This section will be maintained as in *BPM6* with one addition. Consistent with paragraphs 9.19–20 of *BPM6*, it will be clarified that transactions involving unallocated gold accounts are recorded in the financial account under reserve assets only if they occur between two monetary authorities for reserve purposes or between a monetary authority and an international financial organization. Otherwise, they will be classified as currency and deposits. Along those lines, this section will also include a reference to Chapter 6 where the treatment of securities (and gold bullion) under reverse transactions in reserve assets is described.

G. ARREARS

- This section will be maintained as in *BPM6* with no significant changes.

Schematic Overview

A.	Concepts and Coverage *Table 8.1: Overview of the Financial Account* 1. Net Recording 2. Gross Recording on a Supplementary Basis *3.* Timing and Valuation
B.	Direct Investment 1. Reinvestment of Earnings 2. Dividends and Withdrawal of Equity 3. Direct Investment Flows in Kind 4. Mergers and Acquisitions 5. Corporate Inversion and Other Restructuring 6. Borrowing for Fiscal Purposes
C.	Portfolio Investment 1. Reinvestment of Earnings in Investment Funds 2. Superdividends 3. Convertible Bonds 4. Debt Defeasance 5. Share and Debt Buybacks 6. Bonus Shares
D.	Financial Derivatives (Other Than Reserves) and Employee Stock Options 1. Financial Derivatives 2. Employee Stock Options
E.	Other Investment 1. One-Off Guarantees and Other Debt Assumption 2. Insurance Technical Reserves, Pension Fund Entitlements, and Provisions for Calls Under Standardized Guarantees 3. Special Drawing Rights 4. Securities Repurchase Agreements and Other Reverse Transactions 5. Currency 6. Change in Contractual Terms
F.	Reserve Assets
G.	Arrears

References

- GNs D.1, D.4, D.5, D.17, F.2, F.3, F.4, and F.10. These guidance notes are posted at [Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org)] or at [List of Guidance Notes for the *2008 SNA* Update] (unstats.un.org).[1]
- Issue Note "*Identifying Superdividends and Establishing the Boundary Between Dividends and Withdrawal of Equity in the Context of Direct Investment*".
- Clarification Note "*Treatment of Securities Under Reverse Transactions in Reserve Assets*".
- Paper prepared for agenda item 3.1 of the 15th Meeting of the Advisory Expert Group on National Accounts: "*Incorporating Corrected Inconsistencies in the* 2008 SNA*, Clarifications and Interpretations and Other Global Statistical Initiatives into the Updated* 2008 SNA".

[1] Guidance notes that are under consultation at the time of writing this AO are marked by an asterisk (*).

Chapter 9. Other Changes in Financial Assets and Liabilities Account

(Update to *BPM6* Chapter 9)

Changes from BPM6 *highlighted in yellow*

- As in *BPM6* Chapter 9*,* this chapter will introduce the other changes in financial assets and liabilities account and its main components. The overall structure will be maintained from the *BPM6* chapter. The chapter will have separate sections on concepts and coverage (Section I), other changes in the volume of financial assets and liabilities (Section II), and revaluations (Section III). See the Schematic Overview for details.

A. CONCEPTS AND COVERAGE

- The structure of this section will be maintained as in *BPM6*. This section will introduce the other changes in financial assets and liabilities account and its main components; explain the need to distinguish other flows from transactions; and illustrate how other changes in volume and revaluations, together with transactions from the financial account, can explain changes in the international investment position (IIP).

- Per GN B.4, it will be clarified that other changes in volume, exchange rate changes, and other price changes are now part of the core framework (standard components). Table 9.1 will be updated to include two supplementary "of which" categories—"reclassifications" and "debt cancellation and write-offs"—under "other changes in volume," which will also be mentioned in paragraph 9.5.

B. OTHER CHANGES IN THE VOLUME OF FINANCIAL ASSETS AND LIABILITIES

- The structure of this section will be adjusted compared to *BPM6* to accommodate relevant recommendations from various guidance notes and to better align it with the definition in paragraph 9.7 as well as the SNA structure. Two new subsections ("appearance and disappearance of financial assets and liabilities" and "external events") will be added. In addition, the *BPM6* subsection "insurance reserves, pension entitlements, and provisions for standardized guarantee schemes" will become part of the new subsection "external events," while the *BPM6* subsection "financial assets and liabilities of persons and other entities changing residence" will become part of the subsection "reclassifications."

1. CANCELLATION AND WRITE-OFFS

- Per GN F.9, the discussion of write-offs in paragraph 9.9 will be expanded to allow for value reset beyond cases of bankruptcy and liquidation when there is public evidence of loan deterioration.

- Per GN WS.9, it will be clarified that provisions (except in the case of standardized guarantees) are not part of the standard *BPM7* framework and are therefore not treated as other flows. The treatment of provisions is different in financial accounting and monetary and financial statistics where they are part of the main framework. Recognition of provisions is done through other changes in the volume of financial assets and liabilities in monetary and financial statistics, so for external sector statistics (and national accounts) purposes compilers need to know what to eliminate/ignore both from positions data and other changes in the volume of financial assets and liabilities, in cases where the source is accounting or monetary and financial statistics data.

- Paragraph 9.11 on uncompensated seizures will be moved to the new subsection "external events" to better align with the SNA structure.

2. APPEARANCE AND DISAPPEARANCE OF FINANCIAL ASSETS AND LIABILITIES

- Paragraph 9.18 on the monetization and demonetization of gold bullion will be moved to this subsection to better align with the SNA structure. Pending the outcome of the Clarification Note *Treatment of Securities Under Reverse Transactions in Reserve Assets*, it will be clarified how monetary gold is monetized/demonetized when used for reverse transactions.

- Per GN B.9, it will be clarified that, if it is not possible to adjust historical series on cross-border assets declared under tax amnesties, these assets can be recorded in the IIP in the current period through other changes in volume.

- Depending on the outcome of GN WS.7, emission permits may be recorded as financial assets with taxes on production recorded at surrender and at issuing price. If this treatment were to be adopted, the difference between the issuing price and current market price should be recorded as other changes in the volume of the financial asset and liability when the permit is surrendered.

3. EXTERNAL EVENTS

- Paragraphs 12.46–47 in the *2008 SNA* explain that catastrophic losses should be treated as other changes in volume. A description of the treatment of catastrophic losses will be introduced in *BPM7* since such losses could be relevant for cross-border ownership of land and buildings as well as financial assets and liabilities, and feed into measures of climate change risk in external sector statistics (GN B.6).

- Paragraph 9.11 on uncompensated seizures will be moved to this subsection.

- Paragraph 9.24 on changes in model assumptions and their effect on insurance reserves, pension entitlements, and provisions for standardized guarantee schemes will be moved to this subsection to better align with the SNA structure.

4. RECLASSIFICATIONS

- Paragraph 9.18 on the monetization and demonetization of gold bullion will be moved to the new subsection "appearance and disappearance of financial assets and liabilities."

- Following the Clarification Note "*Treatment of Securities Under Reverse Transactions in Reserve Assets*", it will be clarified that when securities provided as collateral are not readily available for meeting balance of payments financing needs, they should be excluded from the cash borrower's reserve assets and reclassified to portfolio investment assets.
- The section on financial assets and liabilities of persons and other entities changing residence will be moved to the subsection on reclassifications to better align with the SNA structure.

C. REVALUATIONS

- This section will broadly be maintained as in *BPM6* with the following changes.

1. DEBT REORGANIZATION

- No significant changes

2. FINANCIAL DERIVATIVES AND EMPLOYEE STOCK OPTIONS

- Per GN F.4, the convention in paragraph 9.31 will change so that all revaluation effects are due to other price revaluations rather than exchange rate revaluations for those types of derivatives where it may not be practical to separate exchange rate changes from other revaluations.
- Following paragraph 6.59 of *BPM6*, it will be reiterated that, unlike other functional categories, no primary income accrues on financial derivatives. Any amounts accruing under the contract are classified as revaluations.

3. IMPLICATIONS OF DIFFERENT TREATMENTS OF RETAINED EARNINGS

- Per GN F.2, retained earnings for non-direct investment equity and non-investment fund shares will be part of *BPM7*, on a supplementary basis.

4. IMPLICATIONS OF INCONSISTENCIES BETWEEN TRANSACTION PRICES AND VALUES RECORDED IN POSITIONS

- Paragraph 9.33 focuses on the implications of trading of instruments that are recorded at nominal values in positions. There can also be differences between transaction prices and the values recorded in the IIP for other types of instruments (e.g., unlisted equity as described in GN D.2). Therefore, this subsection will be expanded to cover such cases and recommend treating the differences as other price changes. Consistent with the discussions on updating paragraph 238 of the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment (BD4)*, compilers will be encouraged to use all the information available to improve the quality of their estimated direct investment positions when they become aware that they are under or over-estimated (e.g., by implementing backward revisions according to their national revision policy).

5. IMPLICATIONS OF TREATMENT OF INTEREST

- No significant changes

Schematic Overview

A.	Concepts and Coverage 1. Definition 2. Distinguishing other flows from transactions 3. Components *Table 9.1 Overview of the Other Changes in Financial Assets and Liabilities Account*
B.	Other Changes in the Volume of Financial Assets and Liabilities 1. Cancellation and write-offs 2. Appearance and disappearance of financial assets and liabilities 3. External events 4. Reclassifications
C.	Revaluations 1. Debt reorganization 2. Financial derivatives and employee stock options 3. Implications of different treatments of retained earnings 4. Implications of inconsistencies between transaction prices and values recorded in positions 5. Implications of treatment of interest

References

- GNs B.4, B.6, B.9, D.2, F.2, F.4, F.9, F.18, WS.7, and WS.9. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).
- Clarification Note "*Treatment of Securities Under Reverse Transactions in Reserve Assets"*
- *BPM6*, *2008 SNA*, and *BD4*

Chapter 10. Goods Account

(New BPM chapter, split from existing Chapter 10: Goods and Services Account)

Changes from BPM6 *highlighted in yellow*

A. INTRODUCTION

- As in *BPM6* Chapter 10, this chapter will introduce the two outcomes of production—goods and services—but then the chapter will be split, with services discussed in the next chapter.
- The chapter will have separate sections on the major components of the goods account—general merchandise (Section II), goods under merchanting (Section III), and nonmonetary gold (Section IV)—and then will cover two additional topics—reconciliation of IMTS and BOP goods (Section V) and additional breakdowns and supplementary presentations (Section VI).[1] See the Schematic Overview for details.
- *BPM6* Table 10.1 will be modified to present an overview of the goods account only (services will be presented in a separate table in Chapter 11). The table will also be expanded to include the new supplementary ("of which") items related to goods traded as part of global manufacturing arrangements.
- The introduction will include a reference to products ordered through electronic means (e-commerce) but supplied across borders. These and other aspects of the digital economy are covered in more detail in Chapter 16 (Digitalization).

B. GENERAL MERCHANDISE

- The definition of general merchandise; lists of what is to be included in and excluded from general merchandise; and discussion of other goods-related issues such as general and special trade, time of recording, valuation, and re-exports will be maintained as in *BPM6* with a few updates.
- Under "items to be included in general merchandise" (paragraph 10.17), there will be an addition to clarify that export sales to merchants and import purchases from merchants should be included in general merchandise. It will further be clarified that this should include goods sold to a merchant and purchased from a merchant under a so-called "inverse merchanting" arrangement. Inverse merchanting is when a merchant resident in Country A purchases goods from a resident of Country B and sells the goods without physical transformation to another enterprise resident in Country B without the goods leaving Country B. In this case, the goods should be separately identified and included in the balance of payments of Country B, under *general merchandise*. Because there is no physical cross-border flow, adjustments for exports

[1] Depending on the outcome of GN F.18 on crypto assets, it may be necessary to add a section on crypto assets.

and imports are needed to reflect that a change of economic ownership happens twice in B. An enterprise in Country B sells goods to the merchant enterprise resident in A (export for Country B) and another enterprise in B buys goods from the same enterprise in A (import for Country B).

- Following GN C.4, it will be clarified that sales of final goods under an factoryless goods producer (FGP) arrangement will be recorded under general merchandise, not under merchanting. Further, goods traded within a global manufacturing arrangement will be included as a supplementary "of which" item under general merchandise.

- The chapter will retain the current standard for valuing general merchandise using free on board (FOB)-type valuation. However, the chapter will note that the valuation of imports and exports at the observed transaction value is conceptually preferred and, subject to further testing, will be introduced as the standard in the next version of the manuals (per GN G.1).[2] In addition, the discussion of valuation of imports and exports, including the CIF-FOB adjustment, will need to be aligned across the SNA and BPM.

C. GOODS UNDER MERCHANTING

- This section—which defines merchanting and explains the recording of goods under merchanting—will be maintained as in *BPM6* with the following important changes.

- Following GN C.4, the chapter will clarify that the treatment of the acquisition of goods by merchants as negative exports is necessary to assure a global balance of the accounts; if these purchases were considered as imports and exports in the merchant's economy, the global flows of the traded goods would be double counted.

- A reference will be made in this section to the new discussion of inverse merchanting in Section II.

- Box 10.1 will be modified to cover numerical examples relating to merchanting and re-exports. These examples will then be built on in a new box in Chapter 11 (Services Account) to further describe arrangements that combine merchanting with processing-type arrangements as well as other arrangements. This will help support the definitions and explanations of these different arrangements in the manuals.

- Following GN C.4, net exports of material inputs procured abroad by the principal in an FGP arrangement and sold abroad to the contractor will be recorded as a supplementary "of which" item under net exports of goods under merchanting.

- Following Clarification Note 10, this section will include a clarification that freight transport and insurance costs associated to merchanting are to be recorded at transaction prices as agreed between the parties, and dependent on the agreed delivery terms (that is, not FOB) and that

[2] Future changes to the standards will of course be subject to agreement of the parties involved.

the country allocation of "net exports of goods under merchanting" should be done by adding up all credit and debit entries of goods under merchanting for each partner country.

D. NONMONETARY GOLD

- The definitions of nonmonetary gold (as contrasted with monetary gold) and discussion of related issues—will be maintained as in *BPM6* with no major changes.

E. RECONCILIATION OF IMTS AND BALANCE OF PAYMENTS GOODS

- The section will emphasize the good practice for compilers to produce and publish a reconciliation table of the differences between merchandise trade statistics and goods on a balance of payments basis, which is important for analysis of global value chains (see GN G.7) and illustrates the conceptual differences between BOP and IMTS.

- Table 10.2 (reconciliation between IMTS and balance of payments) will be enhanced to cover all goods transactions in the reporting country changing ownership between a resident and a nonresident without crossing the border. For example, not only net exports of merchanting (+) should be mentioned but also needed adjustments for exports and imports of inverse merchanting transactions (+) because by definition IMTS does not capture these transactions. Following GN C.4, there will also be changes to the line items related to goods for processing to also cover FGP activity.

F. ADDITIONAL BREAKDOWNS AND SUPPLEMENTARY PRESENTATIONS

- Expanding on the existing discussion in *BPM6* (for example in paragraph 10.15), this section will describe the additional breakdowns of goods that are encouraged (according to the priorities of the compiling economy) to support analysis. More detailed breakdowns could include major products, major product groups, industry of origin, and broad economic categories (links to classification systems), and trade by currency (to be discussed further in Annex 5).

- Following GN C.2 and G.7, further disaggregation of total exports and imports of goods by characteristics of the trading enterprise (ownership and size) is recommended as a supplementary presentation to highlight the role of enterprises with different characteristics in the current account (described further in Chapter 15).

Schematic Overview

A.	Introduction 1. Outcomes of production Table 10.1, Overview of the Goods Account
B.	General Merchandise 1. Introduction 2. Items to be included in general merchandise 3. Items to be excluded from general merchandise because there is no international transaction 4. Items to be excluded from general merchandise because they are included elsewhere 5. Deliveries between affiliated enterprises 6. General and special trade 7. Time of recording 8. Valuation 9. Re-exports
C.	Goods under Merchanting 1. Introduction 2. Difference between merchanting, goods for processing, and FGP arrangements Box 10.1, Examples of Goods under Merchanting and Re-exports 3. Geographic allocation 4. Freight and insurance related to goods under merchanting
D.	Nonmonetary Gold 1. Introduction 2. Unallocated gold accounts 3. Distinguishing nonmonetary gold transactions from monetary gold transactions
E.	Reconciliation of IMTS and BOP Goods 1. Introduction Table 10.2, Reconciliation between Merchandise Trade Statistics and Total Goods on a Balance of Payments Basis 2. Importance for combining datasets
F.	Additional Breakdowns and Supplementary Presentations 1. By product 2. By industry 3. By currency 4. By enterprise characteristics

References

- GNs G.1, G.7, C.2, C.3, and C.4. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org).
- Clarification Note on The Treatment of Freight and Insurance Associated to Merchanting and the Geographical Allocation of Net Merchanting (CN.10)
- *International Merchandise Trade Statistics: Concepts and Definitions* (*IMTS 2010*)
- *Manual on Statistics of International Trade in Services 2010* (*MSITS 2010*)
- *Handbook on Measuring Digital Trade*

Chapter 11. Services Account

(New BPM chapter, split from existing Chapter 10: Goods and Services Account)
Changes from BPM6 *highlighted in in yellow*

A. INTRODUCTION

- Following up on the introduction to Chapter 10, this section will provide further elaboration on the concepts and coverage of services.
- Definition of services and related discussion will be expanded to capture important elements from the *2008 SNA* paragraphs 6.16–6.22 (and its update) and Box 1.1, *MSITS 2010*.
- Following GNs C.4 and DZ.9, and in continuation to the discussion on outsourcing in *BPM6* paragraph 10.59, this section also introduces the definition of fee-based digital intermediation platform (DIP) services (recommended in the *Handbook on Measuring Digital Trade*) as online fee-based intermediation services enabling transactions between multiple buyers and multiple sellers, without the intermediation platform taking economic ownership of the goods or rendering-services that are being sold (intermediated). For additional guidance on intermediation fee refer to trade-related services.
- Regarding the intermediation services (including the digital intermediation), following GN C.6, it is clarified that they are not separately identified in the balance of payments services classification. However, supplementary items could be introduced to identify intermediation services in the update of the *Manual of International Trade in Services (MSITS 2010)* and in the new *EBOPS* revision. Further, digital supply and use tables (following the GN DZ.5) will provide useful insights on DIPs—which is identified as one of the “digital” industries under this framework.
- Following GN DZ.8, measurement of cloud computing in balance of payments will be briefly mentioned. These and other aspects of the digitalization are covered in more detail in Chapter 16 (Digitalization).
- This section will briefly mention about digital trade noting that further details are included in Annex 5 (Selected Issues on Trade).
- In addition to the highlighted updates/additions, the consistency of the language with other macroeconomic statistics manuals (e.g., *2025 SNA, MSITS 2010, IRTS 2008*) will be maintained.
- *BPM6* Table 10.1 will be modified to present an overview of the services account only (goods will be presented in a separate table in Chapter 10)—17 main standard service categories.
- It will be mentioned that additional breakdowns/supplementary presentation of services (e.g., trade in services by currency is presented in Annex 5) and exports/imports of services by characteristics of the trading enterprise is presented in Chapter 15 (Globalization).

- The chapter will have one separate section in addition to Introduction (Section I)—classification of services (Section II). See the Schematic Overview for details.

Table 11.1 Overview of Services Account (17 main standard service categories)
Manufacturing services on physical inputs owned by others
Maintenance and repair services n.i.e.
Transport
Travel
Construction
Insurance and Pension services
Financial services
Charges for the use of intellectual property n.i.e.
Telecommunication services
Computer and information services
Research and development services
Professional and management consulting services
Trade-related services
Operating leasing services
Technical and other business services
Personal, cultural and recreational services
Government goods and services n.i.e.

B. CLASSIFICATION OF SERVICES

- The classification of services will be updated with additional first-level standard service categories, which improves the correspondence between the balance of payments services classification and the Central Product Classification (CPC).
- As in the *BPM6*, the classification is mainly product based, but is transactor based for travel, construction, and government goods and services n.i.e.
- If new services are identified during the ongoing CPC revision,[1] then the balance of payments classification will reflect them where relevant.

[1] The revised draft CPC will be circulated for global consultation around October 2023 and the final CPC is expected to be submitted to the UNSC in March 2024.

1. MANUFACTURING SERVICES ON PHYSICAL INPUTS OWNED BY OTHERS

- This subsection will be maintained as in *BPM6* with the following important updates.
- The numerical examples related to manufacturing services on physical inputs owned by others from *BPM6* Box 10.1 will be moved to a new box in Chapter 11, Box 11.1. It will also include a numerical example based on GN C.4 that explains the differences between (1) processing-type arrangements (manufacturing services on physical inputs owned by others), and (2) factoryless goods producer (FGP)-type arrangements.
- Box 10.2 will be expanded (new Box 11.2) to briefly explain FGPs in addition to the other existing arrangements and will include the decision tree from GN C.4, Annex II, with links to Section II of the Globalization chapter, which will cover global production.

2. MAINTENANCE AND REPAIR SERVICES

- This subsection will be maintained as in *BPM6* with no changes.

3. TRANSPORT[2]

- This subsection will be maintained mostly as in the *BPM6* with the following minor update.
- A reference to the Box on package tours included in the updated subsection on travel will be provided in paragraph 10.77.

4. TRAVEL

- This subsection explains the scope of travel and its measurement as in the *BPM6*, with the following important updates.
- Paragraph 10.86 will be updated to clarify that goods and services provided free to nonresidents by government and NPISH known as social transfers in kind[3] (e.g., free health services received by a foreign tourist from a hospital within general government, free educational services received by a foreign student from a university within general government) are included under travel. Social transfers in kind will be explained in the updated chapter on Transfer Income Account, consistent with SNA.

[2] Regarding the inconsistency between *BPM6* and *2008 SNA* on the recording of freight services provided by a carrier resident in the importing economy (see example 3, Box 10.3, *BPM6* and paragraph 14.72, *2008 SNA*), it is noted that the issue is being discussed with the SNA editors for agreeing on a consistent recording in the updated manuals.

[3] Social transfers in kind consist of goods and services provided to households by government and NPISHs either free or at prices that are not economically significant (paragraph 8.141, *2008 SNA*). The assumption on these transfers in paragraphs 8.145 and 9.120 of *2008 SNA* may need to be reviewed.

a. *Package Tours*

- A separate box provides conceptual guidance on the package tours clarifying that they should not be treated as a new product, but as a basket of at least three major services following the TSA: (i) the services themselves (for example, transport, accommodation); (ii) the services provided by the tour operator; and (iii) the margin of the travel agency (usually different from the tour operator) selling the tour (GN C.7). The box also provides a definition of a package tour (following the *IRTS 2008*), echoing the reasoning given in the updated SNA and emphasizing the cross-border aspect of unbundling the package.

b. *Health Related Travel*

- For the health-related travel, the scope of “medical reasons” follows the definition of “health and medical care” from *IRTS 2008* (paragraph 3.17) provided below.

  “Health and medical care covers services received from hospitals, clinics, convalescent homes, health and social institutions, thalassotherapy, health and spa resorts, other specialized places to receive medical treatments based on medical advice, as well as cosmetic surgeries using medical facilities and services”.

- It is clarified that the travel expenses of patients’ companions be included under “other personal travel” treating them as “normal travelers”.

c. *Education Related Travel*

- Clarification on the treatment of companions of education-related travelers will be provided (based on a separate clarification note to be prepared by BEA)

d. *Other issues related to travel (paragraph 10.95,* **BPM6***)*

- Following GN C.1, supplementary breakdown of travel to include personal, cultural and recreation services (acquired by travelers) as a distinct item under the other services category (in addition to Health and Educational services).

5. CONSTRUCTION

- Except the following update, no other changes are suggested to the concepts and coverage of construction in *BPM6*.
- Following GN C.1, a separate supplementary breakdown of construction for both construction abroad (1.A.b.5.1) and construction in the compiling economy (1.A.b.5.2) may be provided for (a) constructions and (b) construction services, along the lines of the CPC divisions 53 (covering the physical outputs of construction activities, and in this case, those provided in less than a year) and 54 (services provided in constructing the physical output), respectively.

6. INSURANCE AND PENSION SERVICES

- As in the *BPM6*, this subsection explains the coverage of insurance and pension services, and their measurement in balance of payment with the following updates.

- Following the GN F.12, treatment of hybrid insurance products is explained. Hybrid insurance products are a mixture of the two primary types of insurance—life insurance (insurance whose financial claims arise regardless of an event occurrence—i.e., insurance with a saving component), and nonlife insurance (insurance whose financial claims arise only if an event occurs). Such insurance products are classified into life (financial account) or nonlife insurance (current transfers) depending on which features are predominant (i.e., the saving component (life insurance) or the component whereby claims are paid only if the insured event occurs (nonlife insurance)). It is clarified that term life insurance will continue to be included in nonlife insurance (as in *BPM6*).

- Further details on insurance including the hybrid products are provided in *Annex 8 "Insurance and Pensions"*.

- Further details on Takaful and Re-takaful arrangements are provided in *Chapter 17 "Islamic Finance and Insurance".*

- It is clarified that Insurance services through fintech (i.e., InsurTech) are covered under insurance and pension services (GN F.7). Further details on this and other aspects of digitalization included in Chapter 16.

7. FINANCIAL SERVICES

- As in the *BPM6*, this subsection explains the coverage of financial services and their measurement in balance of payment with the following update.

- Explicit charges. Additional information/links on the service charges on purchases of IMF resources and commitment fees associated with undrawn balances under stand-by or extended arrangements with the IMF to be provided noting that further details are included in *Annex 9 "Positions and Transactions with IMF"*.

- Fintech. Following the GN F.7, financial services provided by fintech (e.g., payment services/peer-to-peer lending services/other financial services such as capital raising/investment management enabled by Fintech) are classified in the financial services without introducing new services categories. Insurance services provided through Fintech are covered under insurance and pension services. Sectorization of Fintech companies is discussed in Chapter 4 and the classification of financial instrument provided by Fintech in Chapter 5. In addition, Fintech and other aspects of the digitalization are covered in detail in Chapter 16.

- Margins on buying and selling transactions. No changes will be made to the underlying concept of margins presented in the *BPM6,* but further elaboration will be provided on the relevant concepts including a brief mention of practical challenges in compiling this item. Additional guidance on the compilation including the tradeoffs involved with the various compilation approaches (i.e., survey-based, estimation, and/or mixed approach) will be provided in the updated *BPM6 Compilation Guide* noting that countries should assess materiality when considering whether or not to compile this item (based on GN F.13 guidance, which is expected to be finalized soon).

- Factoring: Guidance on the income received by the factor (as fee) will be provided with relevant references to factoring transactions in other chapters of *BPM7* (based on GN F.14).

- FISIM and negative interest rates (paragraphs 10.134 and 10.135 to be updated).[4] While FISIM should be positive irrespective of whether interest rates are either positive or negative (since output cannot be negative), negative interest rates may cast doubts on the right reference rates to be used in the calculation of FISIM. Further, negative interest rates on deposits raise the risk of negative FISIM, as banks may offer interest rates higher than reference rates, to retain depositors. Therefore, compilers shall carefully review the reference rates to be used with a view to avoid negative FISIM.

8. CHARGES FOR THE USE OF INTELLECTUAL PROPERTY N.I.E.

- This subsection will be maintained as in the *BPM6* with the following important updates.

- The following definition of IPP based on GN DZ.7 (which is update of the *2008 SNA* definition in paragraph 10.98) will be included. In addition, clarification on IPP sale/purchase transactions will be provided.[5]

  "Intellectual property products are the result of research, development, investigation, or innovation leading to knowledge or the creation of artificial intelligence systems that the developers can market or use to their own benefit in production because use of the knowledge or system is restricted by means of legal or other protection."

- This subsection will also refer to Section III, Chapter 15 (Globalization) on determining economic ownership of IPPs among units of an MNE, and the recording of related transactions.

9. TELECOMMUNICATION SERVICES

10. COMPUTER AND INFORMATION SERVICES

Following GN C.6, telecommunication, computer, and information services category in *BPM6* is split into two standard, first-level categories, as shown below to allow a separate identification of telecommunication (1.A.b.9) and computer/information services (1.A.b.10).

- Computer and information services will include the provision of cloud computing services (i.e., delivery of computing power, database storage, and other IT resources). Definition of cloud

[4] The updated SNA will also include guidance on negative interest rates, and the possible impact on the calculation of FISIM.

[5] Issues relating to the economic ownership and use of IPPs and the outright sale/purchase of IPPs will be further discussed with SNA editors to provide consistent guidance across the updated manuals.

computing (based on GN DZ.8) including the challenges in measuring it will be added with links to further discussion in Chapter 16, Digitalization.

1.A.b.9 Telecommunications services
1.A.b.10 Computer, and information services
*1.A.b.10.1 Computer services**
*1.A.b.10.2 Information services**

* Supplementary item

11. RESEARCH AND DEVELOPMENT SERVICES

12. PROFESSIONAL AND MANAGEMENT CONSULTING SERVICES

13. TRADE-RELATED SERVICES

14. OPERATING LEASING SERVICES

15. TECHNICAL AND OTHER BUSINESS SERVICES

- Following GN C.6, other business services category in *BPM6* is split into five standard, first-level categories, as shown below. The coverage of the first two components (1.A.b.11 and 1.A.b.12) would be identical to those in the *BPM6*. The existing *BPM6* category *Technical, trade-related and other business services* would be split into three subgroups—1.A.b.13 and 1.A.b.14 would cover Trade-related services and Operating leasing services, respectively. Technical and other business services (1.A.b.15) would cover *BPM6* items (i) Architectural, engineering, and other technical services (10.151(a)); (ii) Waste treatment and de-pollution, agricultural, and mining services (10.151(b)); and (iii) Other business services (10.151(e)).

1.A.b.11 Research and development services
1.A.b.12 Professional and management consulting services
1.A.b.13 Trade-related services
1.A.b.14 Operating leasing services
1.A.b.15 Technical and other business services

- Regarding operating leasing (and also under financial leasing in Chapter 5), a reference will be made to IFRS 16, preferably in a footnote, highlighting that it is not aligned with the BPM/SNA standards regarding the concept of economic ownership (based on GN C.5).[6]

[6] In general, the language of BPM and SNA on leasing will be closely examined for possibilities to further align them.

- Further, the concepts of dry and wet leasing of aircrafts (discussed in paragraph 12.34 *BPM6 CG*) and their treatment will be explained in the updated paragraph 10.156, which already discusses the leasing of aircraft/ships etc. with and without crew.

- Following GN C.4, under technical and other business services (1.A.b.15), reference to "services merchanting" in paragraph 10.160 will be removed. It is clarified that "merchanting of services", from a pure conceptual view, is impossible as services cannot be traded in the same way as goods and "pure" merchanting transactions cannot involve services because no ownership rights can be established on services according to the current international standards. As the production of a service generally coincides with its consumption, services are always directly delivered from the producer to the consumer.

- Services can only be intermediated by a third person against a fee and the fees should be recorded under trade-related services (1.A.b.13), as a supplementary "of which" item in the external accounts of the partner countries. This treatment is suggested for cases where explicit or implicit intermediation fees should be perceived/recorded. A footnote will be added to this on the following lines. The suggested treatment of this intermediation service is to assimilate them to those defined in *BPM6* paragraph 3.10, when "one unit (an agent) arranges for a transaction to be carried out between two other units in return for a fee from one or both parties to the transaction" (based on GN C.4). It will be clarified that payments from producers to DIPs following the "net approach" (GN DZ.9) are recorded under trade-related services, provided they are cross-border transactions. Additional details on "net approach" and other aspects of DIPs are covered in Chapter 16 (Digitalization).

16. PERSONAL, CULTURAL, AND RECREATIONAL SERVICES

- As in the *BPM6*, this subsection explains the coverage of personal, cultural, and recreational services with the following minor updates.

- Tele-health/tele-education are included under Other personal, cultural, and recreational services (10.168/10.169 already provide guidance on health services provided remotely/educational services through internet).

17. GOVERNMENT GOODS AND SERVICES N.I.E.

- The scope of this subsection remains unchanged from *BPM6*. However, additional methodological and compilation guidance on the compilation of government goods and services n.i.e. in respect of the specific products to be included (under Other services supplied by and to governments), along the lines of the CPC divisions 91 (public administration and other services provided to the community as a whole; compulsory social security services) and CPC division 99 (Services provided by extraterritorial organizations and bodies), to enhance the consistency between cross border transactions and the *SNA*.

Schematic Overview

A.	Introduction 1. Definition of Services 2. Time of Recording and Valuation Table 11.1 Overview of Services Account
B.	Classification of Services 1. Manufacturing Services on Physical Inputs Owned by Others (Box 11.1 Numerical example to explain the recording of manufacturing services on physical inputs owned by others, FGPs, and difference with merchanting and re-exports in Box 10.1) (Box 10.2 Recording of Global Manufacturing Arrangements-updated as Box 11.2) 2. Maintenance and Repair Services n.i.e. 3. Transport 4. Travel 5. Construction 6. Insurance and Pension Services 7. Financial services 8. Charges for the use of intellectual property n.i.e. 9. Telecommunication Services 10. Computer and Information Services 11. Research and Development Services 12. Professional and Management Consulting Services 13. Trade-related Services 14. Operating Leasing Services 15. Technical and Other Business Services 16. Personal, Cultural and Recreational Services 17. Government Goods and Services n.i.e.

References

- GNs C.1, C.3, C.4, C.5, C.6, C.7, DZ.5, DZ.7, DZ.8, DZ.9, F.7, F.12, F.13, F.14, G.5, G.8, G.9, etc. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) (imf.org).
- Clarification Note on The Statistical Treatment of Negative Interest Rates (CN.3)
- Clarification Note on The Treatment of Freight and Insurance Associated to Merchanting and the Geographical Allocation of Net Merchanting (CN.10)
- *BPM7* Chapters 10,15,16, and Annex 5
- *System of National Accounts 2008*
- *Manual on Statistics of International Trade in Services 2010* (*MSITS 2010*)
- *Handbook on Measuring Digital Trade*
- *International Recommendations for Tourism Statistics 2008*
- UN *Handbook on Financial Production, Flows and Stocks in the System of National Accounts*
- UNECE *Guide to Measuring Global Production*
- *Central Product Classification* Ver 2.1 (and its update)

Chapter 12. Earned Income Account

(Update to *BPM6* Chapter 11) [1]

Changes from BPM6 *highlighted in yellow*

As in Balance of Payments and International Investment Position Manual, sixth edition (BPM6) *Chapter 11, this chapter will introduce the primary income account and its major components. The structure will be maintained from the* BPM6 *chapter. The chapter will have separate sections on overview of the primary income account (Section I), types of primary income (Section II), investment income and functional categories (Section III). See the Schematic Overview for details.*

A. OVERVIEW OF THE PRIMARY INCOME ACCOUNT

The structure and content of this section will be maintained as in the *BPM6*. This section will introduce primary income and its main components, describe the links to gross domestic product (GDP) and gross national income (GNI), and distinguish primary income from secondary income.

B. TYPES OF PRIMARY INCOME

This section—which discusses the coverage, timing, and valuation for each type of primary income—will be maintained as in *BPM6* with the following important changes.

- Per GN B.9, a new paragraph or analytical box will be added under this section to clarify that income declared under tax amnesties should follow the accrual principle, meaning that adjustments from cash recording will need to be made. Reference to related discussion in other *BPM7* chapters will be provided.

1. COMPENSATION OF EMPLOYEES

- No significant changes

2. DIVIDENDS AND WITHDRAWALS OF QUASI-CORPORATIONS

- Paragraph 11.27 on exceptional payments will be revised as a result of GN D.17 (and the related Issue Note). Specifically, the GN recommends that the concept of superdividends for foreign direct investment be discarded, and any distributions of accumulated reserves from ordinary earnings will be treated as dividends. Therefore, the paragraph will be revised to indicate that all distributions out of accumulated reserves from ordinary income should be treated as dividends. It will retain the treatment of exceptional payments by corporations to

[1] Note that the term “primary income” is used throughout this annotated outline. However, pending the outcomes of CM.2, Terminology and Branding of the Economic Accounting Statistical Standards, and related work to develop a standard glossary for macroeconomic accounts, the term may be changed. The current proposal under review is to replace “primary income” with “earned income.”

their shareholders that are made from the sales of assets; these should not be treated as dividends. It will also acknowledge that it may still be useful to separately identify payments from accumulated reserves, if feasible, for comparability with domestic superdividends, and thus, this will be added as a supplementary item. Corresponding changes will be made to paragraph 11.30, on liquidating dividends.

3. REINVESTED EARNINGS

- Following GN D.16, the definition of retained earnings (paragraph 11.34) and discussion of reinvested earnings on direct investment enterprise (11.40–47) will be clarified. Box 11.1 on Reinvested Earnings with Chain of Ownership will, likewise, be updated to reflect clarifications suggested in D.16.
- Also relevant to the discussion of the net recording of reinvested earnings is the discussion in GN C.8 on whether fines and penalties should impact direct investment income when direct investment enterprises are the responsible party in these transactions. Because no agreement was reached, the updated chapter will recommend that compilers base their determination about whether to include fines/penalties as part of Current Operating Performance Concept (COPC) on the specific characteristics of the fine/penalty, including whether it is considered extraordinary.
- Per GN F.2, a new paragraph will be added to encourage supplementary reporting of information on retained earnings for portfolio investment and to signal the possible expansion of the treatment of retained earnings to portfolio investment in a future update of the standards.

4. INTEREST AND SIMILAR RETURNS

- Per the recommendations of GN IF.1 on Islamic Finance, the term “interest” will be replaced with “interest and similar returns” to include the broader interest-like returns on Islamic instruments. The definition of interest will be updated accordingly. Economies with significant Islamic financial activities will be encouraged to create a sub-category within interest and similar returns to present the investment income for Islamic deposits, loans, and debt securities separately. This section may refer the reader to Chapter 26 of *2025 SNA* on Islamic Finance for more detail.
- Following the IMF Clarification Note 3 on the treatment of negative interest rates, a paragraph will be added to clarify that negative interest rates should be recorded as negative income receivable by the investors (and payable by the financial institutions). Economies with a significant amount of negative-yielding deposits could consider the incorporation of an “of which” category showing the negative interest income separately in their national publications.
- The discussion of investment income accrued while securities are under reverse transactions (paragraph 11.69) will be updated according to the outcomes of GN F.3. Specifically, in the case where a reverse transaction covers the period when dividends/interest are payable for an on-sold security (also called manufactured dividends/interest), the recommendation is to

record positive credit in dividends/interest for the security lender and negative credit in dividends/interest for the security borrower (as shown in F.3, Annex II).

- The numerical examples included in this section will be expanded to include additional numerical examples for bonds issued at par, at discount, and at premium, drawing in part from the examples in the *Handbook on Securities Statistics* (Annex 1).

5. INVESTMENT INCOME ATTRIBUTABLE TO POLICYHOLDERS IN INSURANCE, STANDARDIZED GUARANTEES, AND PENSION FUNDS

- A number of clarifications on the treatment of pension schemes have come from the SNA since *2008 SNA* was published (SNA News & Notes 39/40, AEG 9/2014). These will be reviewed to determine if any changes/clarifications are needed in BPM to align the treatment.[2]

6. RENT

- Pending discussions on the recording of data (GN DZ.6), treatment of rent (AI.2), there may need to be changes to the definition and recording of rent in the macroeconomic accounts. Likewise, discussions of accounting for the economic ownership and depletion of natural resources (GN WS.6), accounting for biological resources (GN WS.8), and treatment of renewable energy resources (GN WS.11), while focused on domestic transactions, may have implications for the guidance on rent in BPM.

7. TAXES AND SUBSIDIES ON PRODUCTS AND PRODUCTION

- Pending the outcomes of GN WS.7, a new section may be added to describe transactions for taxes on production related to emission permit trading schemes. Cross-border transactions are possible because there are international emission trading schemes where corporations may purchase emission permits from one economy and surrender them in another economy. This may imply that one economy will be receiving tax revenue from production activities that occurred in another economy.

- Pending the outcomes of GN WS.14, a discussion of the borderline between taxes and service fees may be expanded/clarified and aligned across the manuals.

C. INVESTMENT INCOME AND FUNCTIONAL CATEGORIES

This section—which explains the classification of investment income by functional category—will be maintained as in *BPM6* with the following important changes.

- Table 11.2 will be updated to reflect the new detailed breakdown of direct investment income, following the recommendations of GN D.7, which recommended to de-emphasize the

[2] In addition, there is also ongoing discussion within the SNA community of the treatment of holding gains and losses in the case of insurance transactions, which may have an impact on, in particular, output (and therefore the concept of net premiums) and investment income attributable to insurance policyholders.

breakdown by investment relationship (direct investor in direct investment enterprise; direct investment enterprises in direct investor (reverse investment); and between fellow enterprises) in favor of sectoral breakdown (see proposed table in Annex III of the GN). The sectoral breakdown of direct investment income will be included within the standard components of the balance of payments.

- This section will recommend disaggregation of investment income by characteristics of the trading enterprise (ownership and size) as a supplementary presentation (as recommended in GN C.2) to highlight the role of enterprises with different characteristics in the current account. This supplementary presentation will also be described further in Chapter 15, Globalization.

Schematic Overview

A.	Overview of Primary Income Account 1. Definition 2. Links to GDP and GNI 3. Distinguishing primary income from secondary income 4. Structure of primary income account Table 12.1 *Overview of the Primary Income Account*
B.	Types of Primary Income 1. Compensation of employees 2. Dividends and withdrawals from quasi-corporations 3. Reinvested earnings *Box 12.1 Reinvested Earnings with Chain of Ownership* 4. Interest and similar returns *Box 12.2 Numerical Example of Calculation of Interest Accrual on a Fixed Interest Rate Bond Issued at Par* *Box 12.3 Numerical Example of Calculation of Interest Accrual on a Fixed Interest Rate Bond Issued at Discount* *Box 12.4 Numerical Example of Calculation of Interest Accrual on a Fixed Interest Rate Bond Issued at Premium* *Box 12.5 Numerical Example of Calculation of Interest Accrual on a Zero-Coupon Bond* *Box 12.6 Numerical Example of Calculation of Interest Accrual on an Index-Linked Bond—Broad-Based Index* *Box 12.7 Numerical Example of Calculation of Interest Accrual on an Index-Linked Bond—Narrowly Based Index* 5. Investment income attributable to policyholders in insurance, standardized guarantees, and pension funds 6. Rent 7. Taxes and subsidies on products and production
C.	Investment Income and Functional Categories 1. Direct investment income *Box 12.5 Numerical Example of Calculation of Reinvested Earnings of a Direct Investment Enterprise* *Table 12.2 Detailed Breakdown of Direct Investment Income updated to reflect sectoral breakdown in favor of investment relationship* 2. Portfolio investment income 3. Other investment income *Table 12.3 Detailed Breakdown of Other Investment Income* 4. Income on reserve assets 5. Supplementary presentation of investment income by enterprise characteristics

References

- GNs B.9, B.12, D.7, D.16*, D.17*, C.2, F.2*, F.3, G.9, IF.1, DZ.6, WS.6*, WS.7*, WS.8*, WS.11*, WS.14*, and AI.2. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).[3]
- Clarification Note on The Statistical Treatment of Negative Interest Rates (CN.3).
- SNA News & Notes 39/40 on recording of flows between defined benefit pension schemes and their sponsors and AEG 9/2014 meeting decisions on treatment of holding gains and losses for pensions.
- *Handbook on Securities Statistics*

[3] Guidance notes that are under consultation at the time of writing this AO are marked by an asterisk (*).

Chapter 13. Transfer Income Account

(Update to *BPM6* Chapter 12) [1]

Changes from BPM6 *highlighted in yellow*

As in Balance of Payments and International Investment Position Manual, sixth edition (BPM6) *Chapter 12, this chapter will introduce the secondary income account and its major components. The structure will be maintained from the* BPM6 *chapter. The chapter will have separate sections on overview of the secondary income account (Section I), concepts and coverage (Section II), and types of current transfers (Section III). See the Schematic Overview for details.*

A. OVERVIEW OF THE SECONDARY INCOME ACCOUNT

The structure and content of this section will be maintained as in *BPM6*. This section will introduce secondary income and its main components, describe the links to gross national disposable income, and contrast secondary income with primary income.

B. CONCEPTS AND COVERAGE

This section—which discusses the coverage, timing, and valuation for secondary income—will be maintained as in *BPM6* with the following important changes.

1. TRANSACTIONS: EXCHANGES AND TRANSFERS

- No significant changes

2. DISTINCTION BETWEEN CURRENT AND CAPITAL TRANSFERS

- Per GN C.8, the list of transactions considered to be capital transfers will be expanded to include nonrecurrent payments in compensation for accumulated losses or extensive damages; these are not listed explicitly in *BPM6* (although they are discussed later in paragraphs 12.55–56).

3. RECORDING AND VALUATION OF TRANSFERS

- Per GN C.8, paragraphs 12.17–18 will be modified to clarify that fine/penalty transactions should not be recorded until the unit issuing the fine has an "unconditional claim to the funds" and to clarify that if a judgment or ruling is subject to further appeal, an unconditional claim

[1] Note that the term "secondary income" is used throughout this annotated outline. However, pending the outcomes of CM.2, Terminology and Branding of the Economic Accounting Statistical Standards, and related work to develop a standard glossary for macroeconomic accounts, the term may be changed. The current proposal under review is to replace "secondary income" with "transfer income."

exists "when the appeal is resolved." It will be noted that the corresponding entry to fines and penalties accrued but not yet paid should be recorded as other accounts receivable/payable.

- The redistribution of income accounts, in *2008 SNA* Chapter 8, includes a number of examples of different types of transfers and how they should be recorded—such as transfers in cash, provision of goods and services by enterprises, and social transfers in kind—which may be added to BPM for consistency/completeness.

C. TYPES OF CURRENT TRANSFERS

1. PERSONAL TRANSFERS

- No significant changes

2. OTHER CURRENT TRANSFERS

- Pending the outcomes of GN WS.14, the discussion of the borderline between taxes and service fees would be expanded/clarified and aligned across the manuals.[2]
- Stemming from the outcomes of the AEG decision (7/2012), the discussion of non-life insurance-related transfers will be expanded to clarify how a major catastrophic event should be defined for purposes of determining if the transfers are current or capital.
- Based on GN F.12, the treatment of net premiums and claims on hybrid insurance products will depend on the allocation of the product as either life or nonlife insurance.
- The discussion on fines and penalties (paragraph 12.54) will be expanded per C.8 (see Annex VI). It will also be clarified that contingent fine and penalties in mergers and acquisitions contracts are updates to the market value of the acquired enterprise and therefore should be recorded as direct investment or portfolio investment flows, not as transfers.
- The discussion of major compensation payments (12.55–56) will be updated to clarify when compensation payments should be treated as capital transfers (C.8).
- Based on the decision in GN B.8, a new paragraph will be added to describe the treatment of nonrefundable contributions to government (or their nominated agency) under citizen-by-investment (CBI) programs as non-tax revenue (transfers not elsewhere classified). Given the variation in operationalization of this type of CBI program, the choice of current or capital transfer should be based on the specific nature of the program following the statistical principles from the manual. (The current treatment of refundable contributions to CBI programs—as investment—will be retained.)

[2] The related discussion of stability fees and their treatment (AEG 7/2012 and 8/2013) may also have implications for balance of payments that still need to be investigated.

Schematic Overview

A.	Overview of Secondary Income Account 1. Definition 2. Distinguishing Primary Income from Secondary Income 3. Components *Table 13.1 Overview of the Secondary Income Account*
B.	Concepts and Coverage 1. Transactions: Exchanges and Transfers 2. Distinction Between Current and Capital Transfers 3. Recording and Valuation of Transfers
C.	Types of Current Transfers 1. Personal Transfers 2. Other Current Transfers

References

- GNs B.8, C.8, F.12, and WS.14*. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org) or at List of Guidance Notes for the 2008 SNA Update (unstats.un.org).[3]
- AEG 7/2012 meeting decisions on life insurance and major catastrophic events.
- AEG 7/2012 and 8/2013 discussion on stability fees.

[3] Guidance notes that are under consultation at the time of writing this AO are marked by an asterisk (*).

Chapter 14. Capital Account

(Update to *BPM6* Chapter 13)
Changes from BPM6 *highlighted in yellow*

As in the Balance of Payments and International Investment Position Manual, sixth edition (BPM6) *Chapter 13, this chapter will provide an overview of the capital account and its main components. The structure will be maintained from the* BPM6 *chapter. The chapter will have separate sections on concepts and coverage (Section I), acquisitions and disposals of nonproduced, nonfinancial assets (Section II), and capital transfers (Section III). See the Schematic Overview for details.*

A. CONCEPTS AND COVERAGE

- This section—which discusses the coverage and recording of capital account transactions—will be maintained as in *BPM6* with changes in Table 13.1 to reflect the inclusion of crypto assets without a corresponding liability, the exclusion of marketing assets, and the inclusion of goodwill under acquisitions (DR.)/disposals (CR.) of nonproduced nonfinancial assets.

B. ACQUISITIONS AND DISPOSALS AND NONPRODUCED, NONFINANCIAL ASSETS

This section—which describes each type of nonproduced, nonfinancial asset and how they are recorded in the balance of payments—will be maintained as in *BPM6* with the following important changes.

1. NATURAL RESOURCES

- No significant changes

2. CONTRACTS, LEASES, AND LICENSES

- Discussion on the use of natural resources and permits to undertake specific activities will be expanded/clarified, drawing from the *2008 SNA* and any relevant decision coming from the WSTT GNs.

- As per GN DZ.10, non-fungible tokens (NFTs) that convey limited commercial rights would be recorded under contracts, leases, and licenses.

- Pending the outcomes of GN WS.7, emission permits will now be treated as financial assets, with taxes on production recorded at the time of surrender of the permits. For international emission trading schemes, this means there can be cross-border transactions in taxes on production, which will be recorded as primary income. Therefore, the current paragraph in *BPM6* (13.14) describing possible capital account transactions related to emission permits will be removed.

- Pending the outcome of the discussions of GN AI.2 on the treatment of rent, and based on options, in GN DZ.6, for recording payments for observable phenomena, other than as rent, the right to access data may be included as a nonproduced nonfinancial asset.

3. GOODWILL

- Following the decision of the joint AEG/BOPCOM meeting in March 2023, marketing assets will be treated as produced assets and recorded in the current account. This section will refer only to Goodwill and Table 13.1 adjusted accordingly.

4. CRYPTO ASSETS WITHOUT A CORRESPONDING LIABILITY

- Following the decision of the joint AEG/BOPCOM meeting in March 2023, crypto assets without a corresponding liability will be treated as a new separate category of nonproduced nonfinancial asset in a new section. Table 13.1 will be adjusted accordingly.

C. CAPITAL TRANSFERS

This section—which describes each type of capital transfer and how they are recorded in the balance of payments—will be maintained as in *BPM6* with the following important changes, and with a small reordering of the categories (to better align with SNA).

1. DEBT FORGIVENESS

- No significant changes

2. NONLIFE INSURANCE CLAIMS

- Stemming from the outcomes of the AEG (7/2012) decision, the discussion of non-life insurance-related transfers will refer to the expanded guidance (first introduced in Chapter 13, Secondary Income Account) on how a major catastrophic event should be defined for purposes of determining if the transfers are current or capital.

3. CAPITAL TAXES

- No significant changes

4. INVESTMENT GRANTS

- No significant changes

5. ONE-OFF GUARANTEES AND OTHER DEBT ASSUMPTION

- No significant changes

6. OTHER CAPITAL TRANSFERS

- Per GN C.8, the current paragraph in *BPM6* (13.29) will indicate that major compensation payments should be recorded as capital transfers (rather than current transfers) if they are intended to recover losses incurred over a multi-year period or to replace an asset (referring also to where will be first discussed in Chapter 13).
- Based on the decision in GN B.8, a new paragraph will be added to indicate that nonrefundable contributions to government (or their nominated agency) under citizen-by-investment (CBI) programs may be classified as a current or capital transfer depending on the specific nature of the program. It will cross-reference where these contributions are first introduced in Chapter 13.
- Per GN F.15 and the related Issue Note, paragraph 13.33 on the transfer element to concessional lending will be revised to clarify that no transfer elements of concessional lending should be recorded in the capital account, but supplementary information on the transfer element of such lending could be provided.

Schematic Overview

A.	Concepts and Coverage 1. Definition 2. Components 3. Relationship to SNA 4. Time of Recording 5. Gross Recording *Table 14.1 Overview of the Capital Account*
B.	Acquisitions and Disposals of Nonproduced, Nonfinancial Assets 1. Natural Resources 2. Contracts, Leases, and Licenses 3. Goodwill 4. Crypto Assets Without a Corresponding Liability
C.	Capital Transfers 1. Debt Forgiveness 2. Nonlife Insurance Claims 3. Capital Taxes 4. Investment Grants 5. One-Off Guarantees and Other Debt Assumption 6. Other Capital Transfers

References

- GNs AI.2, B.8, C.8, DZ.6, DZ.10, F.15, F.18, G.9, WS.7, and WS.9. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).

- Document 2.6.3 of AEG 7/2012 meeting decisions on life insurance and major catastrophic events

- BOPCOM 22/07 - Issue Note on treatment of concessional lending

Chapter 15. Globalization

(New SNA/BPM chapter)

This annotated outline has been prepared jointly to cover the full range of topics to be included in a chapter on globalization. In the drafting stage, SNA and BPM editors will coordinate such that only those issues that are relevant from the external sector statistics perspective will be included in the BPM; likewise, SNA will include only those issues that are relevant to national accounts.

A. INTRODUCTION

- Globalization—the economic integration of countries around the world—adds complexities to the traditional interrelations between economies. Due to reductions in transportation costs, the information technological revolution, lower production costs, and more open economic policies, production processes became fragmented across national economies in a production chain between resident and non-resident firms. Capital is increasingly intangible, and capital and people moved more freely across borders.

- Globalization has thereby led to increasingly complex corporate structures that cross multiple economic borders. Multinational enterprises (MNEs) have developed in this way for many reasons, including the benefits of geographical diversification, responding to trade barriers, increasing proximity to markets, and reducing the cost of labor, transportation, and taxes.

- The concepts of residence and economic presence, which are central to macroeconomic statistics, are more difficult to interpret in the case of MNEs, for which activities extend across national boundaries.

- This proposed new thematic chapter on globalization elaborates on issues that are touched upon or presented throughout the manuals and refers, as appropriate, to other sources, including manuals and guides published since the last update of the standards to help compilers address globalization issues.

- It will explain how globalization has given rise to measurement challenges for compilers and made it more difficult for users to fully understand the national and international macroeconomic statistics. These measurement challenges motivate some of the proposed supplementary presentations—which provide alternative views or additional detail that are important for understanding the connections and linkages between economies. To address these challenges, it is increasingly important to agree internationally on the methodological guidelines needed to foster international comparability of comprehensive data.

- Even if headwinds develop to some of the factors driving globalization, the guidance in this chapter will still yield macroeconomic statistics that provide insights into the changing nature of globalization.

- Section II will define an MNE and discuss its role in globalization. Section III will describe global production arrangements, including complex production arrangements such as factoryless goods production. Section IV will present some of the measurement challenges related to MNEs and global production. Section V will describe existing macroeconomic indicators, alternative presentations, and supplementary detail that can help address these challenges and meet user needs. Finally, Section VI will describe analytical tools that have been developed to better understand the relationship between globalization and the domestic economy, including trade in value added (TiVA), global value chains (GVCs), and extended supply-use tables (eSUTs). See the Schematic Overview for details.

B. MNES

- This section will begin with the definition of MNE (which will also be introduced earlier in the manuals—e.g., in *2025 SNA* Chapter 5/*BPM7* Chapter 4) and highlight the definition of control, as stated in the current *BPM6* paragraph 6.12–6.14 (which in the updated SNA will be aligned, per GN G.2).
- It will then turn to a discussion of what MNEs do:
  - Through their activities, MNEs manage production, trade, direct investment, and international transfer of knowledge and technology, with the aim of maximizing their global after-tax profits.
  - MNEs increasingly resort to setting up global structures to benefit from different legal and tax regimes. They employ tax planning strategies, such as profit-shifting, that exploit gaps and mismatches in tax rules to shift profits to low or no-tax locations where there is little to no economic activity.[1]
  - MNEs establish special purpose entities (SPEs) not only to channel financial investments globally, but increasingly, for other activities such as to manage intellectual property rights, research and development, and trade. This section will refer to a standardized and internationally agreed definition of SPEs (from GN G.4) and discuss a classification of SPEs, which will be introduced in *2025 SNA* Chapter 5/*BPM7* Chapter 4, on Residence, Institutional Units, and Sectors and also discussed elsewhere in *2025 SNA* as appropriate. A typology of SPEs (GN G.4, Annex V) will also be included in this chapter.[2,3]
- Because intellectual property products (IPPs) are not physically contained, and use of IPPs by one part of an MNE group does not prevent the simultaneous use by another part, MNEs may register previously produced IPPs in an economy with a more favorable tax regime. In introducing this topic, this section will recommend the use of the decision tree from the

[1] In the context of this discussion, a link can be provided to the OECD and G20 Base Erosion and Profiting Shifting (BEPS) initiative.

[2] Note that per GN G.2, the decision tree, "Illustrative Allocation of Units to Institutional Sectors for the National Accounts," from GN G.2 Annex V, will replace Figure 4.1 in the *2025 SNA* chapter on institutional units (Chapter 5 in the *2025 SNA*).

[3] The definition of SPEs will be aligned across all other macroeconomic statistics manuals, including the *MFSMCG* and the *GFSM*, where both discuss the different types of SPEs while acknowledging the absence of an international definition.

UNECE *Guide to Measuring Global Production* (*GMGP*), which shows how the underlying arrangement can be used to identify the economic owners (parent, producer, or production affiliate) of previously produced IPPs (GN G.5). It will also clarify that SPEs can be the economic owners of IPP assets.

C. GLOBAL PRODUCTION

- This section will begin by describing how globalization has led to changes in production processes with production fragmented across economies in a production chain between resident and non-resident firms—the basis of GVCs.

- It will cover different production arrangements, including factoryless goods production, manufacturing services performed on inputs owned by others, and merchanting (GN C.4, which is expected to be finalized soon), referring to where these concepts are also discussed elsewhere in the manuals (e.g., in *BPM7* Chapter 10, Goods Account, Box 10.1, and in *BPM7* Chapter 11, Services Account, Box 11.1). The typology for global production arrangements (GN C.4, Annex III) will also be introduced in this section. This discussion will also include links to the International Standard Industrial Classification of all Economic Activities (ISIC), where the classification of these units is covered.

D. MEASUREMENT CHALLENGES[4]

- MNEs and global production arrangements present measurement challenges for both national accounts and balance of payments. The measurement challenges that are related to fundamental concepts may be summarized in this chapter, while details on measurement issues will be covered in the Balance of Payments Compilation Guide or other guidance.
    - With complex global corporate structures and production arrangements dividing activities across many jurisdictions, there arises the issue of the subsequent allocation of these activities to different economies.
    - Complex financing and ownership structures of MNEs can mask ultimate ownership links and "inflate" DI flows and positions as each flow into and out of each economy is counted even if the funds, or income, are just passing through.
    - Similarly, production fragmentation inflates gross trade flows. This effect will be illustrated in a figure, as shown in GN G.7, Annex II.
    - Cross-border mobility of corporate assets—including intangible assets such as IPPs, the ability to easily change the legal domicile of a firm to another country, and other activities,

[4] For the purpose of this high-level outline, the measurement challenges associated with globalization are presented separately in a section. At the drafting stage, they may be incorporated differently in the SNA and BPM context.

such as transfer pricing and intra-group services—can make the true location of the generation of profits and value added ambiguous.

- Ensuring that all activity of an MNE is captured, not duplicated, and properly allocated by economic territory is a statistical challenge since current standards do not view the MNE as a single entity.[5] If not properly recorded, the activities of MNEs can result in a misallocation of GDP and, as a result, can severely distort an economy's macroeconomic indicators.

E. ALTERNATIVE INDICATORS AND SUPPLEMENTARY INFORMATION TO MONITOR THE IMPACT OF GLOBALIZATION AND MEET USERS NEEDS

- This section will focus on emphasizing macroeconomic indicators within the existing macroeconomic framework, developing more granular or supplementary data consistent with the core framework, and alternative presentations that extend beyond the core frameworks to provide additional information to users on the impacts of globalization.
- First, macroeconomic indicators within the current macroeconomic frameworks will be emphasized and used to understand the activities of MNEs. For example:
  - Key indicators within the SNA, such as gross/net national income (GNI/NNI), gross/net national disposable income (GNDI/NNDI), and household (adjusted) disposable income, which are generally less distorted by globalization and less sensitive to the impact of MNE activities than GDP should be highlighted, especially for countries with significant MNE presence (G.2). These indicators better reflect the underlying economic activities of MNEs.
  - Statistics on the Activities of Multinational Enterprises (AMNE) and the closely related Foreign AffiliaTes Statistics (FATS), which provide additional information on foreign-controlled enterprises beyond the traditional foreign direct investment (FDI) statistics covered in the balance of payments and international investment position accounts. The discussion of coverage, statistical units, time of recording and valuation, attribution of AMNE variables and compilation issues from the current *BPM6* Appendix 4 will be brought into this chapter, with a few updates. It will include references to other sources of information, such as the OECD *Benchmark Definition of Foreign Direct Investment* and the *Manual on Statistics of International Trade in Services*. It will also emphasize the importance of reconciling FDI and AMNE statistics to address some of the measurement challenges posed by MNEs and to support analyses and policymaking (as well as to act as a data integrity check) (GN D.9).

[5] In this context a reference can be made to the use of large case units as a strategy to obtain consistent information about the economic activity of MNEs.

- Next, more granular or supplementary data that provides more disaggregation but is consistent with the fundamentals of the core framework can provide further insights, such as:
  - Supplementary presentations of DI statistics, by ultimate investing economy, by ultimate host economy, etc., (to be covered in detail in the updated *BPM7* Annex 6, Selected Issues on Direct Investment) can help address these challenges (GN D.6).
  - Additional granularity in the institutional sector accounts (ISAs), based on control and ownership of corporations, can also be implemented based on the economy's statistical infrastructure, available resources, and policy needs (GN G.2). This section can include a figure showing additional granularity in ISAs based on GN G.2, Annex II.
  - A supplementary presentation of trade and investment income by characteristics of the enterprise, including ownership (e.g., domestically controlled or foreign-controlled) and size can help to identify the role of MNEs in the current account (GN C.2, C.4, D.6, and G.7). Regarding the thresholds (on product, industry, and size), this section will provide some general criteria (as in paragraphs 12–15 of GN C.2) but leave it to compilers to decide on their own thresholds. The template (see Annex I of GN C.2) will be introduced as a table in the chapter.
  - Separate identification of SPEs within the cross-border statistics:[6] the SPE data collection within ESS and encouraged breakdowns of data for SPEs, including extensions (per GN G.4), are important for better understanding the contribution of SPEs from both the national and external accounts perspective (will link to *Special Purpose Entities: Guidelines for a Data Template*). For countries for which SPEs are significant, this section recommends that national accounts compilers identify SPEs within the ISAs as an "of which" supplementary category for both foreign controlled financial and non-financial corporations. Enhanced imputations for government sponsored SPEs (GN D.5, which is expected to be finalized soon) will be covered in the updated chapter on the Financial Account (*BPM6,* paragraphs 8.24–8.26).
  - Supplementary statistics within the BPM framework, such as additional detail by geography or by product, can also be used to improve indicators on the analysis of GVCs (see GN G.7 Annex V).
- And finally, alternative presentations or extensions compiled outside the SNA and BPM conceptual framework based on alternative concepts can provide unique perspectives. For example:
  - This section will encourage a voluntary option of extending the core framework with a supplementary presentation of SPEs reclassified from their countries of legal incorporation to the countries of their parents for economies for which SPEs are deemed important.

[6] This will go beyond the current *BPM6* guidance from paragraph 4.87, which limits supplementary separate identification for SPEs to within direct investment.

F. ANALYTICAL TOOLS

- This final section will introduce several analytical tools that have been developed to better understand the relationship between globalization and the domestic economy. It will begin with an introduction to the concept of TiVA, which measures the value that is added by each country and industry in the production of goods and services that are traded and consumed worldwide. It will provide an overview of the resulting TiVA indicators, and refer to other material, such as information on the OECD-WTO TiVA initiative.

- Next, this section will introduce the concept of a GVC satellite account and explain how it can be used to better identify and articulate a GVC for a specific product or group of products produced within a GVC. The GVC satellite account is comprised of GVC-specific SUTs, either national or multi-country, based on an enterprise-centered approach consisting of integrated and more detailed business statistics and information on business lines/functions, and GVC-specific ISAs. It will explain how these can be compiled, referring also to materials such as the 2019 GVC Handbook for more information.

- Finally, this section will introduce eSUTs, which are designed to provide granularity on the role of MNEs in production processes and to aid GVC and TiVA analysis. It is important to note that compilers are expected to implement eSUTs flexibly in ways that are most relevant to their specific circumstances. This section will describe some possible extensions and refer to the UN guidelines on *Accounting for Global Value Chains: GVC Satellite Accounts and Integrated Business Statistics* as well as the forthcoming OECD *Handbook on Extended Supply and Use Tables*, for more details and the full set of extensions.

Schematic Overview

A.	Introduction
B.	Multinational Enterprises (MNEs) 1. Definition of MNEs and Concept of Control 2. Understanding the Role of MNEs Box: Typology of SPEs Figure: GMGP Decision Tree
C.	Global Production 1. Global Production Arrangements Box: Typology of Global Production Arrangements
D.	Measurement Challenges Figure: Effect of Production Fragmentation on Gross Trade Flows
E.	Alternative Indicators and Supplementary Information to Monitor the Impact of Globalization and Meet Users Needs 1. Existing Macroeconomic Indicators 2. Granular or Supplementary Data Figure: ISAs: Financial and Non-financial Corporations Table: Template for Identifying the Role of Enterprise Characteristics in the Current Account (from GN C.2, Annex 1) 3. Alternative Presentations or Extensions
F.	Analytical Tools 1. TiVA Indicators 2. GVC Satellite Account 3. Extended SUTs

References

- *BPM6* Appendix 4
- GNs G.2, G.4, G.5, G.7, C.2, C.4, D.5, D.6, and D.9
- UNECE *Guide to Measuring Global Production*
- UNECE *Impact of Globalization on National Accounts*
- UN *Accounting for Global Value Chains: GVC Satellite Accounts and Integrated Business Statistics*
- IMF "Final Report of the Working Group on Balance of Payments Statistics Relevant for the Analysis of Global Value Chains"
- OECD *Benchmark Definition of Foreign Direct Investment, fourth edition*
- IMF "Final Report of the Task Force on Special Purpose Entities"
- IMF *Special Purpose Entities: Guidelines for a Data Template*

Chapter 16. Digitalization

(New SNA/BPM chapter)

This annotated outline has been prepared jointly to cover the full range of topics to be included in chapters on digitalization. In the drafting stage, only those issues that are relevant from the external sector statistics perspective will be included in the BPM; likewise, only those issues that are relevant to national accounts will be included in the SNA.

A. INTRODUCTION

- This new thematic chapter will elaborate on issues arising from digitalization that are touched upon throughout the manuals and provide a consolidated view of these issues, including definitions, explanations, and, where relevant, concise measurement guidance for the products and business models that have emerged in the digital economy.
- This section will define digitalization and note that its profound impact on production, consumption, trade, and other aspects has created a need to enhance the visibility of digital products and activities in macroeconomic accounts. This entails both changes in classification systems (such as showing computer and information services as a first-level services category in the current account, and additional "of which" breakdowns in the balance of payments) and compiling thematic accounts (digital SUTs) and extended accounts for free services.
- The introductory section will then briefly indicate the aspects of the digital economy and the issues covered in the chapter. This section will mainly draw on GNs DZ.1 (Sections 1 and 2), DZ.5 (Sections 1–4), and C.6.
- The chapter is organized in the following sections: *Digital Goods and Services,* with subsections on data assets, artificial intelligence (AI), and cloud computing (Section II); *Digital Platforms*, with subsections on definitions and classifications, nonfinancial digital intermediation platforms, and free platforms *and free digital goods and services* funded by advertising and data collection (Section III); *Digitalization and the Financial System,* with subsections on digital financial services and digital assets (Section IV); *Measuring Prices and Volumes of Products affected by Digitalization* (Section V); and *Analytical Tools for Measuring the Impact of Digitalization*, with subsections on digital supply and use tables and extended accounts for free digital platforms (Section VI).

B. DIGITAL GOODS AND SERVICES

Cloud Computing

- This subsection will define cloud computing and hosting services and discuss the compilation challenges and data needs arising from the replacement of ownership of on-premises IT capital stocks by remotely accessed computing services. Guidance on determining economic ownership of IT assets, and measuring own-account investment in equipment, cross-border transactions in cloud computing services and foreign direct investment (FDI) associated with cloud computing, including foreign-hosted IT equipment recorded on an ownership basis, will also be provided.

- This subsection will also mention that distinguishing intermediate consumption of cloud computing services, as recommended in the section on the digital SUTs (Section VI), may improve measurement of cloud computing and provide important information for data users. It will also reference the discussion of cloud computing in the section on measuring prices and volumes (Section V).

- This subsection will next discuss investment in long-term licenses for software hosted in the cloud as a measurement issue arising from cloud computing. It will draw on the GNs DZ.3, DZ.6, DZ.7, and DZ.8 and the Eurostat-OECD *Report on Intellectual Property Products.*

- This subsection will draw on GN DZ.8 and on the cloud computing discussions in GN DZ.1.

Data Assets

- This subsection will note that data assets are central to many firms' value and operations in the digital economy, define data as an asset produced by accessing and recording observable phenomena (OP), and provide guidance on capturing gross and net investment in data assets and transactions in data copies, including valuation techniques. It will also address distinguishing data investment from software investment. The recommendations on data as an asset will expand the software and databases category of intellectual property products of the *2008 SNA* (paragraph 10.109–10.114) and the SNA production boundary. This discussion will draw on GNs DZ.6 and DZ.4.

Artificial Intelligence (AI)

- This subsection will discuss the need to increase the visibility of AI by distinguishing AI software as a special type of software, and the inclusion of intelligent systems in the expanded definition of intellectual property products (*2008 SNA* paragraph 10.98). The discussion will also note that data assets are used to train and update AI software via machine learning (ML) and consider the boundary between AI software assets and data assets. This discussion will draw on GN DZ.7.

C. DIGITAL PLATFORMS

Definitions and Classifications

- This subsection will define digital platforms, distinguishing them from non-platforms such as e-tailers. It will also define digital intermediation and identify the three types of digital platforms: (1) non-financial digital intermediation platforms (DIPs), which intermediate transactions in goods and nonfinancial services; (2) free platforms funded by advertising and collection of users' OP; and (3) financial DIPs, which intermediate funding transactions or payment transactions. Next, it will indicate that financial DIPs will be discussed in a separate section on digitalization and the financial system. This discussion will be based on GNs DZ.9, DZ.1, and F.7.

Nonfinancial Digital Intermediation Platforms (DIPs)

- This subsection will discuss nonfinancial DIPs, noting that they generally receive fee income for facilitating transactions and do not take ownership of the good or service being transacted. It will then mention the challenges in delineating the services of these DIPs and the activity that they intermediate, including prevalence of cross-border transactions and of informal suppliers. It will also present the “net approach” to recording these transactions and explain how it affects measurement of the cross-border transactions of DIPs. The draft *BPM7* Chapter 11 *Services Account* also discusses these issues but mentions that additional details are covered in the chapter on *Digitalization*. This discussion will draw on DZ.9 and C.4.
- In addition to new material in this chapter, in Chapter 7 of the new SNA, the definition of margin services (paragraph 6.21) will be updated to clarify that margin services exclude digital intermediation services that facilitate changes in ownership of goods.

Free Digital Platforms and Free Digital Goods and Services

- This subsection will explain how free goods and services that are part of a bundle of outputs supplied by platform and non-platform market producers are included in current-price GDP. It will then explain the measurement framework of free platforms funded by advertising and creation of data assets from users’ observable phenomena (OPs). It will also provide guidelines on open-source software and user-generated content. This subsection will be based on GN DZ.3.
- The subsection will next briefly discuss free digital goods and services in measures of price and volume change and reference the longer discussion of free digital goods and services in Section V on price and volume measurement. This part of the section will draw on GN DZ.1.
- This subsection will recommend a (supplementary) extended account with an alternative treatment of free digital platforms funded by advertising and collection of users’ OPs.[1] This part of the section will be based on GN DZ.4.
- Finally, the subsection will note that the supplementary information provided on free goods and services could include using adjusted prices to value bundled free and marked-up items where the price of the marked-up item funds the free item.

D. DIGITALIZATION AND THE FINANCIAL SYSTEM

New financial services and means of payment enabled by digitalization

- The first part of this subsection will note that digitalization has resulted in the appearance of new financial services and payment mechanisms. It will then note that the new and enhanced services made possible by digitalization fall within existing categories of products and

[1] The alternative treatment will reroute a portion of households’ spending on advertised products to become direct purchases of the platforms’ free services. It will also recommend the inclusion in data assets of (i) the cost of procuring households’ OPs by producing the free services that attract them to platform, and (ii) the value of the user-generated content that households produce with intermediate inputs of the platform’s free services.

activities but can be shown as “of which” items if they are important and identifiable. (*BPM7* Chapter 11 *Services Account* discusses these issues noting that further details are provided in the chapter on *Digitalization*). This subsection and the next one will draw on GN F.7.

Digital Financial Services

This subsection will discuss financial digital intermediation platforms as suppliers of services to facilitate peer-to-peer lending, equity-based crowdfunding, and philanthropic crowdfunding. The distinction between financial digital intermediation services (in which the platform charges fees for facilitating transactions between suppliers and users of funds) and financial intermediation services (in which the intermediary borrows from the fund suppliers and lends to the fund demanders) will be highlighted. Financial DIPs generally receive explicit fees for their matching and transaction facilitation services, so they are financial auxiliaries (S126), not financial intermediaries.

Crypto Assets and Related Digital Assets

- Fungible crypto assets and related digital assets are broadly classified into two categories: (i) those designed to act as a general medium of exchange (with and without corresponding liability); and (ii) other digital assets such as security tokens. This subsection will include a decision tree to distinguish different digital assets based on Annex II.1, GN F.18. As presented in the decision tree, digital financial assets and crypto assets are partially overlapping categories of digital assets.

- This subsection will also provide definitions of various types of crypto assets and explain the roles of distributed ledger technology (DLT) and blockchains in enabling decentralized payment clearing. It will explain that crypto assets can be broken down into fungible and nonfungible crypto assets. Further, a typology of fungible crypto assets based on Annex II.2, GN F.18, will be included to explain the classification of fungible crypto assets.

- It will be noted that all fungible crypto assets meet the asset boundary. Regarding the classification of fungible crypto assets, those with a corresponding liability should be recorded as financial assets.

- The classification of fungible crypto assets designed to act as a general medium of exchange without a corresponding liability (CAWLM) and fungible crypto assets designed to act as a medium of exchange within a platform or network without corresponding liability (CAWLP) is not yet decided and this annotated outline will be updated based on the decision made after evaluating the responses to the user survey agreed on at the joint AEG/BOPCOM meeting in October 2022.

- A discussion of non-fungible tokens (NFTs) will define them as digital records hosted on a blockchain that are associated with a digital or physical asset but which are distinct from that asset. A classification of NFTs into (i) those that only grant personal use and display rights, (ii) those that grant limited commercial rights, and (iii) those that grant full ownership rights will be discussed and guidelines on the recording of each category of NFT will be presented.

The recommended treatment of each type of NFT will be as shown in the endorsed GN DZ.10.

E. MEASURING PRICES AND VOLUMES OF PRODUCTS AFFECTED BY DIGITALIZATION

- This section will note that many of the measurement challenges from digitalization involve volumes rather than current-price output and highlight the distinctive issues that arise in measuring price and volume change for digital products.
- The products and activities considered will include ICT goods, software and data, cloud computing and other ICT services, DIPs, e-commerce, and free platforms funded by advertising and data collection.
- The measurement issues include the frequent appearance of new or improved products and product models, customization/variety, bundling, and e-commerce.
- Methods mentioned will include quality adjustment techniques (hedonics, options pricing, producer costs), resampling (as defined in the Eurostat *Handbook on Price and Volume Measures in National Accounts*), and unit value indexes for homogeneous items.
- This section will assume that the issues in price and volume measurement are covered in more depth in Chapter 18 of the *2025 SNA*. This section will draw on GN DZ.1, the Eurostat *Handbook on Price and Volume Measures in National Accounts*, and the *Consumer Price Index Manual: Concepts and Methods* (2020). Research papers cited in GN DZ.1 may also be consulted.

F. ANALYTICAL TOOLS TO INCREASE THE VISIBILITY OF DIGITALIZATION

Thematic Account on the Digital Economy and Extended Account on Free Digital Products

- The first part of this subsection will indicate that the extended account discussed in the section on free digital products and a more comprehensive thematic account on the digital economy will help show the impact of digitalization. The thematic account on the digital economy would show the alternative aggregations and additional detail developed in digital supply and use tables (SUTs) together with the alternative measures of free digital products based on expanded boundaries of production and consumption developed in the extended account on free digital products.

Digital Supply and Use Tables

- This subsection will present guidelines for compiling digital SUTs as a tool for showing the extent of digitalization in the economy by adding rows to the SUTs that break out transactions that are digitally ordered or digitally delivered, while also providing a breakdown of the digital products.
- The digital SUTs also contain added columns on the output, value added, and intermediate consumption of (i) ICT industries; (ii) free digital platforms funded by advertising and data

collection; (iii) non-financial DIPs; (iv) firms dependent on DIPs; (v) e-tailers; (vi) digital only firms providing financial and insurance services; and (vii) other producers operating only digitally.

- The section will also identify priority indicators within the digital SUTs. These will include value added of digital industries, intermediate consumption of digital intermediation services and cloud computing services, and digitally ordered transactions.
- The section will draw on, and refer to, the GN DZ.5 and on "Digital Supply-Use Tables: A Step Toward Making Digital Transformation More Visible in Economic Statistics", *Going Digital Toolkit Note*, No. 8.

Schematic Overview

A.	Introduction 1. Definition of digitalization; scope of the digital economy as covered in the chapter 2. Organization of the chapter
B.	Digital Goods and Services 3. Data Assets 4. Issues in the Measurement of Software 5. Cloud computing
C.	Digital Platforms 6. Definitions and classifications 7. Nonfinancial Digital Intermediation Platforms (DIPs) 8. Free Platforms and Free Digital Products
D.	Digitalization and the Financial System 1. Digital financial services 2. Crypto Assets and Related Digital Assets a. Crypto Assets and Related Digital Assets Decision Tree b. Fungible Crypto Assets c. Nonfungible Crypto Assets
E.	Measuring Prices and Volumes of Products Affected by Digitalization 1. Distinction between volume measurement and current-price measurement 2. Digital Products that present Price and Volume Measurement Challenges 3. Methods for Handling the Price Measurement Challenges
F.	Analytical Tools to Increase the Visibility of Digitalization 1. Thematic Account on the Digital Economy and Extended Account on Free Digital Products 2. Digital Supply and Use Tables

References

- Guidance Notes C.6, DZ.1, DZ.2, DZ.3, DZ.4, DZ.5, DZ.6, DZ.7, DZ.8, DZ.9, F.7, and F.18
- Eurostat-OECD *Report on Intellectual Property Products.*
- Eurostat *Handbook on Price and Volume Measures in National Accounts*
- IMF *Consumer Price Index Manual: Concepts and Methods* (2020)
- Mitchell, J. (2021) Digital Supply-Use Tables: A Step Toward Making Digital Transformation More Visible in Economic Statistics, *OECD Going Digital Toolkit Note*, No. 8.
- OECD, WTO and IMF, 2020, *Handbook on Measuring Digital Trade*
- Shirono et al., 2021, Is Mobile Money Part of Money? Understanding the Trends and Measurement, IMF Working Paper.
- *MFSMCG* Chapter 3
- *2008 SNA* Chapters 3, 4, 6, 10, and 15

Chapter 17. Islamic Finance

(New SNA/BPM chapter)

This annotated outline has been prepared jointly to cover the full range of topics to be included in a chapter on Islamic finance. In the drafting stage, SNA and BPM editors will coordinate such that only those issues that are relevant from the national accounts perspective will be included in the 2025 SNA*; likewise,* BPM7 *will include only those issues that are relevant to external sector statistics.*

- This new SNA/BPM chapter will present complete and consistent guidance to properly account for Islamic finance and insurance in the national accounts and external sector statistics. In doing so, it will review the special types of financing arrangements (sale-based contract, lease-based contract, equity-based contracts or profit/loss sharing) that characterize Islamic finance.
- It will reflect the distinct operations of Islamic finance and insurance, and address issues such as the nature of income on certain financial instruments (deposits, loans, debt securities), the sector classification of Islamic financial institutions, the measurement of output, including FISIM, the treatment of insurance like business and the classification of select Islamic financial instruments. This chapter will also clarify the concept of economic ownership in the case of Islamic finance, as well as Islamic insurance and reinsurance arrangements.

A. GENERAL OVERVIEW OF ISLAMIC FINANCE AND INSURANCE

- Islamic finance and insurance are prevalent in some regions of the world, and some reports estimate that it has grown significantly in the last 10 years.[1] This first section will provide an overview of the Islamic finance and insurance in relation to global financial system, to ensure that users of *2025 SNA*/*BPM7*, mainly compilers in Islamic and non-Islamic countries, understand the need for and purpose of this chapter.
- It will explain that Islamic finance, indeed the whole Islamic financial system, follows the Shari'ah law (Islamic law). It will briefly discuss the specific set of key principles followed by Islamic finance, related to riba (equivalent to receipts and payments interest), gharar (excessive uncertainty), maysir (gambling), and financing activities that are deemed harmful to society, as well as the Islamic concept that parties must share the risks and rewards of business activities. It will explain that Islamic financial institutions (IFIs), as well as Islamic financial standard setting institutions have adapted to these norms as a means of ensuring a sound Shari'ah compliant financial system.
- This section will also summarize how these principles impact the measures of output and property income as well as the classification of financial instruments. They also bring up issues associated with the classification of institutional sectors. In addition, there are considerations with respect to the economic ownership of non-financial assets under certain arrangements to be accounted for.

[1] See https://icd-ps.org/uploads/files/ICD-Refinitiv%20IFDI%20Report%2020201607502893_2100.pdf

- It will also overview some specific issues related to insurance business. It will introduce the main takaful models that are widely recognized, the types of takaful, the related regulations and basic accounting standards.
- This specificity is quite different from conventional finance and insurance in other parts of the world. As a result, it is essential to understand Islamic financing and insurance constructs and arrangements to properly reflect these into the SNA/BPM framework. This will facilitate compilation of the accounts in economies where Islamic finance is relevant, preserving the universality of the international statistical standards as well as improve the international comparability and interpretability of national accounts and external sector statistics.
- The chapter will have separate sections covering the general overview of Islamic finance (Section I), economic ownership of nonfinancial assets (Section II), Islamic financial institutions/entities sectoring (Section III), Islamic units measures of output in the SNA production account (Section IV), the nature of returns on Islamic investments in the primary income account of SNA/BPM (Section V), and the classification of Islamic financial instruments in the accumulation accounts and the balance sheet (Section VI). See Schematic Overview for further details.

B. ECONOMIC OWNERSHIP OF NON-FINANCIAL ASSETS UNDER SPECIFIC ISLAMIC FINANCIAL ARRANGEMENTS

- Economic ownership, and the financial arrangements that give rise to its consideration, provide a good background for the subsequent sections of this chapter. This section will first briefly discuss the concepts of economic and legal ownership in the SNA/BPM.
- It will then turn to the issue of how ownership applies to certain Islamic finance arrangements. It will note that Islamic financial corporations can generate income through various arrangements where they provide financing, typically through sales, lease trade credits, and equity participation.
- The regulatory framework will be briefly reviewed. Islamic accounting standards recommend recording the ownership of non-financial assets related to certain financial schemes to the legal owners (IFIs).
- This section will next discuss the recommended treatment of economic ownership of non-financial assets in a series of financing arrangements that are “similar to” sales/lease/equity financing, including arrangements such as Murabaha, Bai Muajjal, Mudaraba, Istina, and operating or financing Ijarah.
- Lastly, the economic ownership of non-financial assets when clients default on paying for these assets in financing arrangements will be considered.
- Illustrations will be provided as required, sourced to a large extent from the Annexes in GN IF.1 (Annex F.3).

C. ISLAMIC FINANCIAL INSTITUTIONS/ENTITIES SECTORING

- As a next step to understanding Islamic finance and insurance, it is useful to profile the characteristics of IFIs as well as to relate them to the subsectors of financial corporations in the SNA/BPM. A basic description of the types of IFIs and their activities and terminology will be included in this section.
- Islamic Finance: IFIs span many financial corporations' subsectors. Deposit-taking corporations in S122 can include Islamic banks, commerce and development banks, commercial banks, Islamic microfinance banks, online banks, and Islamic windows in conventional banks. S124 can include non-MMF investments funds, off-balance sheet restricted investment accounts, and Hajj Funds. It will explain that IFIs, as well as standard setting institutions in Islamic countries have adapted to these norms as a means of ensuring a sound Shari-ah compliant financial system.
- Islamic Insurance: With respect to insurance like business, takaful operators are classified to S126 (financial auxiliaries) and takaful funds (including takaful windows) are classified to S128 (insurance corporations). It will introduce the core concepts underlying the various takaful undertakings and how the fulfilment of Shari'ah principles results in three groups of units that need to be considered distinctively in the SNA and BPM frameworks. It will also clarify the main takaful models that are widely recognized, the types of takaful, the related regulations and basic accounting standards.
- Illustrations will be provided as required, sourced to a large extent from the Annexes in GN IF.1 (Annexes D and F.2 on sectoring).

D. ISLAMIC FINANCIAL INSTITUTIONS' MEASURES OF OUTPUT IN THE SNA PRODUCTION ACCOUNT

- The output of IFIs by institutional sector/subsector will be presented. For some institutional units in the subsectors of financial corporations, this will include output related to both explicit and implicit service charges (FISIM).
- The discussion will elaborate on FISIM (reference rate and terminology) noting that FISIM formula in the *2008 SNA/BPM6* should be used to calculate the financial intermediation services provided by Islamic deposit taking corporations. The decision on reference rates to use for calculating Islamic FISIM is subject to testing and further discussion with the AEG/BOPCOM.
- Further discussion on the underwriting surplus in takaful arrangements will help to better rearrange the sub-processes of Islamic insurance in the macroeconomic statistics that would be handled differently from conventional insurance, especially regarding the identification of the service component.
- Illustrations will be provided as required, sourced to a large extent from the Annexes in GN IF.1 (Annex D and F.4).

E. THE NATURE OF RETURNS ON ISLAMIC INVESTMENTS IN THE PRIMARY INCOME ACCOUNT OF SNA/BPM

- This section will discuss the concepts of interest and similar returns,[2] with reference to investment income on Islamic financial instruments that are very similar to deposits, loans, debt securities, and equity securities. This is specifically relevant for economies with significant Islamic financial activities.
- It will introduce the possibility of new breakdowns in the property income sub-account to accommodate returns on Islamic instruments. These “of which” breakdowns are specifically considered to provide more flexibility for economies with significant Islamic financial activities.
- Illustrations will be provided as required, sourced to a large extent from the Annexes in GN IF.1 (Annexes F1, B and C).

F. THE CLASSIFICATION OF ISLAMIC FINANCIAL INSTRUMENTS IN THE ACCUMULATION ACCOUNTS AND BALANCE SHEET ACCOUNT

- The section will focus on the recommended slotting-in approach trying to make how Islamic financing arrangements fit into SNA/BPM instruments, including the criteria for the classification. It will discuss the corresponding relationship to investment income.
- In doing so, it will define and state the purpose of Islamic instruments. Instruments such as Qard, Wadia, Mudaraba, Restricted Mudaraba, types of Sukuk, Ijara, Musharaka, etc.
- It will also link specific instruments to the relevant financial corporations’ subsectors to complete the picture of Islamic finance.
- Further, there will be a separate sub-section that discusses the links between the Islamic financial instruments and functional categories of *BPM7*, and related investment income.
- Illustrations will be provided as required, sourced to a large extent from the Annexes in GN IF.1 (See Annexes B and C)

[2] 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* (see the Summary of Discussions of the March 2022 joint AEG/BOPCOM meeting).

Schematic Overview

A.	**General Overview of Islamic Finance** 1. Background 2. Key principles of Islamic Finance and Insurance, and relevance for the national accounts/external sector statistics measures 3. Outline of the chapter
B.	**Economic Ownership of Nonfinancial Assets Under Specific Islamic Financial Arrangements** 1. Overview of legal ownership versus economic ownership 2. Special considerations in Islamic Finance and the regulatory framework 3. Economic ownership under different types of financial arrangements a. Sales financing types b. Lease financing types c. Equity participation financing types d. Etc. 4. Economic ownership of non-financial assets when clients default
C.	**Islamic Financial Institutions/Entities Sectoring** 1. Islamic Financial Institutions (IFIs) by business type 2. Allocating the IFIs to specific institutional subsectors of financial corporations a. Deposit-taking institutions (S122) b. Non-MMF investment funds (S124) c. Other financial intermediaries (S125) d. Financial auxiliaries (S126) e. Captive financial institutions and money lenders (S127) f. Insurance corporations (S128)
D.	**Islamic Financial Institutions' Measures of Output in the Production Account** 1. Output of ISIs by subsector, including direct and indirect services 2. FISIM methodology a. Reference rate and terminology 3. Alternative perspective on output measurement specific to Islamic Finance
E.	**The Nature of Returns on Islamic Investments in the Primary Income Account** 1. Concept of interest and similar returns, based on the breakdowns 2. Investment income on instruments that closely resemble a. Deposits b. Loans c. Debt securities d. Equity securities

F.	**The Classification of Islamic Financial Instruments in the Accumulation and Balance Sheet Accounts** 1. Factors for deciding the classification of Islamic Financial Instruments 2. Classification in national accounts and the links to investment income a. Instruments classified as currency and deposits b. Instruments classified as loans c. Instruments classified as debt securities d. Instruments classified as trade credits and advances e. Instruments classified as equity f. Instruments classified as receivables 3. Financial instruments linked to specific financial corporations 4. Islamic Finance financial instruments under the functional classification of *BPM7* and related investment income
	Annex: Islamic Finance and Insurance arrangements, and its recording in the sequence of accounts (a summary of what is covered in the sections)

References

- GN IF.1 Islamic Finance in the National Accounts and External Sector Statistics
- UN paper “Perspectives on Islamic Finance in the National Accounts”
- Annex 4.3 of the IMF *Monetary and Financial Statistics Manual and Compilation Guide, 2016*

Chapter 18. Informal Economy

This annotated outline has been prepared to cover the revisions required for the revised SNA chapter and the new BPM chapter on informal activities. In the drafting stage, SNA and BPM editors will coordinate such that only those issues that are relevant from the external sector statistics perspective will be included in the BPM; likewise, SNA will include only those issues that are relevant to national accounts. This chapter represents a significant revision of 2008 SNA *Chapter 25, incorporating the latest recommendations from the International Labour Organization on informal productive activities.*

A. INTRODUCTION

- Informal productive activities provide employment and income to many people who might otherwise be unemployed. Informal workers and enterprises tend to be vulnerable to negative economic shocks, which has consequences for inequality and poverty. Measuring the informal economy is important for designing, implementing, monitoring, and analyzing macroeconomic and social policies. The measurement framework for the informal economy aims to ensure consistent measures of informal production and informal labor inputs. Data compiled according to this framework are designed to inform policy decisions that may decrease the vulnerability of informal workers and enterprises.

- The informal economy includes all informal productive activities carried out by workers or economic units within the general production boundary. Informal productive activities encompass informal labor inputs and informal production. The informal sector is a subset of the informal economy. The informal sector is defined as household unincorporated market enterprises and the associated labor input that are not formally recognized by government authorities because they are not registered for tax or similar purposes.

- The Introduction provides an overview of the variety of activities and motivations that constitute the informal economy and describes some of the policy interests associated with measuring informal activities. New informal economic activities are emerging, including some activities that are associated with digitalization such as informal taxi drivers, which are often associated with lower and uncertain income for workers. The quantification of the informal economy is needed for designing and implementing policies.

- The *2008 SNA* recognized the importance of informal activities and that they should be integrated in the national accounts, both to provide a complete view of the economy that is comparable over time and across economies and to measure the part of the economy that reflects the labor and economic activity of people without formal jobs. However, neither the *2008 SNA* nor the ILO resolutions at that time provided statistical recommendations or a comprehensive framework for the informal economy. Since 2018, the ILO has developed a comprehensive and improved framework, which is summarized in this chapter.[1]

[1] See “Statistics on the informal economy”, Report for discussion at the Tripartite Meeting of Experts in Labour Statistics on the Revision of the Standards for Statistics on Informality, (Geneva, 7–10 February 2023,

- The non-observed economy is a concept that is conceptually distinct and different from the informal economy. The non-observed economy includes activities that, for various reasons, are not captured in regular statistical enquiries. It is a pragmatic term that is used in the context of achieving exhaustive statistics. Because informal activities tend to be difficult to measure and are sometimes omitted from statistical surveys or administrative data sources, there tend to be certain overlaps between the informal economy and the non-observed economy. Nevertheless, the concepts serve different purposes, and each includes elements that are not included in the other. The principal focus of this chapter is on the informal economy, but a section at the end of the chapter discusses the non-observed economy and its relation to the informal economy.

- The Introduction concludes with a summary of the structure of the rest of the chapter.

B. FRAMEWORK FOR THE INFORMAL ECONOMY

- The overarching concept of the informal economy is all informal productive activities carried out by workers or economic units within the general production boundary.

- Informal productive activities are defined as all productive activities carried out by persons or economic units that are—in law or in practice—not covered by formal arrangements. This can be viewed as an underlying concept that contributes to a comprehensive framework recognizing the two highly linked but also slightly different perspectives of informality (i.e., the perspective of workers and the perspective of economic units).

- Informal productive activities carried out by informal household unincorporated market enterprises are known as the "informal sector". Although the word "sector" is used in the context of the informal economy framework, the word is used with a different meaning from the SNA sense of a grouping of institutional units. However, the term *informal sector*, comprising all informal enterprises, is well established, and therefore will not be replaced with an alternative terminology.

- Informal productive activities carried out by persons are known as "informal work". If these activities are carried out with the intention to generate pay or profit, it is "informal employment".

- The rest of this section deals mainly with the informal productive activities carried out by economic units. Informal work is covered in Section D.

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https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_865498.pdf. These proposed new standards are scheduled to be discussed and adopted at the 21st International Conference of Labour Statisticians in October 2023.

- The framework for the informal economy first assigns all economic units to either the formal sector, the informal sector, or the household own-use production sector depending on the intended destination of the production and the formal status of the economic unit.
  - All non-household economic units (corporations, general government, and NPISHs) are assigned to the formal sector, as those economic units are formally recognized as producers of goods or services.
  - Households are assigned to the formal sector if they undertake production through a household unincorporated market enterprise (defined below) that is registered for tax or similar purposes and is therefore formally recognized as a producer of goods and services.
  - Households are assigned to the informal sector if they undertake production mainly intended for the market through a household unincorporated market enterprise that is not formally recognized by government authorities by not being registered for tax or similar purposes. It is noted that the ILO's criterion that the informal sector comprises production is mainly intended for the market is close to the SNA requirement that all or most of the output be sold.
  - Households producing goods and services mainly intended for own final use are assigned to the household own-use production sector, which is included in the informal economy but not part of the informal sector.
- Household unincorporated market enterprises do not have a complete set of accounts and it may not be possible to separate all assets into those that belong to the household in its capacity as a consumer from those belonging to the household in its capacity as a producer. In a second step, the framework identifies the productive activities (production and labor inputs) that are informal.
- Production/international trade carried out by economic units in the formal sector, including undeclared and underdeclared production/international trade, is not part of the informal economy (but may be accounted for as non-observed production activity / international trade). Formal economic units can, however, use informal labor inputs for production. These labor inputs are part of the informal economy. Data on informal labor inputs in the formal sector are compiled from a labor statistics perspective.
- Informal household unincorporated market enterprises can also be called informal enterprises for brevity. All production within the informal sector is part of the informal economy.
  - The informal sector includes agricultural production of informal enterprises.
  - The size of an enterprise should not be considered as a criterion to classify household unincorporated market enterprises as informal.
  - A single household can carry out more than one type of production activity intended mainly for the market that is not registered, which are to be identified as separate informal enterprises if feasible and relevant.
  - All labor inputs in the informal sector are informal.

- The household own-use production sector includes all households producing goods and services that are mainly intended for own final consumption. This includes the production of informal or temporary NPISHs, as well as direct volunteer work.
  - The household own-use production sector extends beyond the SNA production boundary by including production of services by households for own use, direct volunteering, and services produced by informal NPISHs.
  - Production of informal or temporary NPISHs as well as direct volunteer work is always informal.
  - Housing services of owner-occupiers are by convention excluded from the informal economy.
  - Household own-use production—other than housing services of owner occupiers, informal or temporary NPISHs, and direct volunteering—that is undertaken using the labor of household members is mostly informal, though exceptions are possible. Examples show how the criteria are evaluated.[2]
- *Illegal Activities*[3] – This subsection will cite the SNA's general guidance regarding coverage of illegal activities and clarify that most, but not all, illegal productive activities would be part of the informal economy if the principles of informality are applied. However, the production of goods and services whose sale, distribution or possession is forbidden by law are by convention excluded from the informal economy, and statistics on informality should be supplemented with measures of such illegal productive activities. Production that is usually legal but becomes illegal when carried out by unauthorized producers should be included in the informal economy.
- This section will incorporate Boxes 1 and 2 and Figure 1 from the IE.1 Guidance Note, which provide a tabular framework for the scope of the informal economy and a decision tree to identify informal productive activities.

C. DIGITALIZATION AND INFORMAL CROSS BORDER FLOWS

- *Digitalization*[4] has penetrated many aspects of economic activity and has led to concerns about the possible mismeasurement of economic activity. Some new types of informal economic activities make use of digital technologies. These activities have created new types of jobs that may be formal or informal in nature. Many of the jobs are dependent contractors (treated in Section D). Dependent contractors facilitated by digitalization would typically depend on formal enterprises (possibly non-resident) that provide a digital intermediation

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[2] IE.1 Guidance Note, "Statistical framework for the informal economy", Joint Informal Economy Task Team, IMF Committee on Balance of Payments Statistics and Intersecretariat Working Group on National Accounts, paragraph 36.

[3] IE.1 GN, paragraphs 38–41.

[4] IE.1 GN, paragraphs 52–56.

service. The household unincorporated market enterprise that is engaged in this activity should be assigned to the formal or informal sector based on the usual criteria.

- *Informal Cross Border Flows*[5] – This subsection discusses the problems that arise in external sector statistics when transactions that are outside the scope of regular statistical inquiries and data collection systems are omitted. Some of these omissions may be related to activities in the informal economy but others may be related to activities undertaken by formal enterprises with formal labor inputs. For example, merchandise trade statistics for some economies may not cover shuttle trade because these are undertaken by household unincorporated market enterprises and may not be covered by customs recording. The framework for the informal economy can be used for external transactions including informal cross border transactions in goods (including shuttle trade and smuggling of legitimate goods by informal units), informal services (including tourism services such as room rental and informal restaurants and bars), and remittances transmitted through informal channels. Households may transmit income derived from the informal economy as remittances through either formal or informal money transfer channels.

- *Illicit Financial Flows*[6] – Illicit financial flows should be distinguished from cross-border informal economy flows. Four main types of activities can generate illicit financial flows: (i) tax and commercial activities, (ii) illegal markets, (iii) corruption, and (iv) exploitation-type activities and financing of crime and terrorism. Illicit financial flows can emerge either as illicit income generation or as illicit income management. Illicit financial flows should be distinguished from illegal transactions. The latter are treated no different from legal transactions and are included in the balance of payments statistics framework. However, not all illicit financial flows are transactions; therefore, not all the flows would be recorded in macroeconomic statistics. Flows arising from exploitation-type activities are not transactions and are therefore excluded from the balance of payments statistics.

D. INFORMAL WORK[7]

- Before introducing the concept of informal employment, the ILO definitions of several related terms will be introduced, such as a job or work activity, independent workers, dependent workers, employment for profit, and employment for pay. Then the various categories of informal employment will be defined.

- *Employers* are in informal employment if they are workers who operate and own or co-own a household unincorporated market enterprise.

- *Dependent contractors* own and operate household unincorporated market enterprises and have contractual arrangements of a commercial nature (but not a contract of employment) to

[5] IE.1 GN, paragraphs 57–60.

[6] IE.1 GN, paragraphs 61–63.

[7] In drafting, care will be taken to coordinate with the chapter on labour to avoid duplication of text by cross-referencing between the chapters. This section will focus solely on informal employment.

provide goods or services for or through another economic unit, as well as other conditions described in IE.1 GN, paragraphs 50–51. Many new forms of dependent contractors are facilitated by digitalization. Dependent contractors are in informal employment if they

  - do not own or co-own a formal economic unit and are not registered for tax and thereby do not have a formal status, or
  - own or co-own a formal economic unit or are registered for tax, and thereby have a formal status but without effective access to formal arrangements intended to reduce the economic risk related to the job.

- *Employees* are in informal employment if their employment relationship is not in practice formally recognized by the employer in relation to the legal administrative framework of the country and not associated with effective access to formal arrangements such as labor legislation, social protection, income taxation, or entitlement to employment benefits. This includes domestic staff when there is no formal arrangement between the employer and employee.
- *Contributing family workers* are in informal employment if their job is not in practice formally recognized in relation to the legal administrative framework.
- Include Tables 2 and 3 from the appendix of the ILO's "Statistics for the informal economy", which show "informal productive activities by persons in the informal economy" and "informal and formal jobs by status in employment and sector".
- Include a short description of partly informal productive activities in relation to formal jobs. All labor inputs of workers in informal jobs and informal work activities are informal. However, workers in formal employment can also provide informal labor inputs to economic units in the formal sector—for example, when income and hours worked are not declared.
- The chapter also discusses informal forms of work other than employment:
  - *Direct volunteering* is always informal.
  - *Organization-based volunteer work* is informal if the work is carried out for an informal NPISH or an informal sector enterprise, or for or through a formal economic unit when the volunteer is not covered by formal arrangement that aim to protect the worker and regulate and facilitate the activities carried out.
  - *Unpaid trainee work* is informal if it is not effectively covered by formal arrangements aiming to protect the worker and facilitate and regulate the work carried out by the worker.
  - *Own-use production work* is informal if it is not effectively covered by formal arrangements that aim to promote or facilitate the work and protect and regulate the actions and functions of the worker.

E. THE NON-OBSERVED ECONOMY

- The extent of economic activity missing from statistical data collections and from administrative sources, including some illegal activities, is known as the non-observed economy. The non-observed economy overlaps with, but is not the same as, the informal economy.

- International transactions (and possibly positions) missing from statistical data collection and administrative sources constitute non-observed elements of the external accounts. Some of these omissions may be related to activities in the informal economy but others may be related to activities outside the scope of the informal economy such as undeclared and underdeclared production and trade by formal units. Merchandise trade statistics of some economies may also not cover some items that are traded by formal enterprises.

- The process of assembling a set of national accounts, especially when the supply and use framework is used, casts light on missing information including illegal activities. While balancing supply and use tables may in effect estimate some non-observed activity, it may not be sufficient to capture all of it. Techniques described in the manual *Measurement of the Non-Observed Economy: A Handbook* are useful for measuring both the non-observed economy and some aspects of informal enterprises**.**

F. GUIDELINES, STUDIES, AND HANDBOOKS ON THE INFORMAL ECONOMY

- This section reviews and cites various guidelines, studies, and handbook on the informal economy that may be useful for compilers of these statistics. For example, it could cite and briefly summarize the items cited in Annex II of the Guidance Note: reports of the BOPCOM Task Force on the Informal Economy; the IMF paper, “Measuring the Informal Economy”; ILO reports and guidelines; ICLS resolutions; and *Conceptual Framework for Statistics on Informal Economy.* Other guidelines or studies could be cited as well if their contents are especially relevant to measuring the informal economy; for example, proceedings and papers of the Delhi Group on Informal Sector Statistics.

Schematic Overview

A.	**Introduction** 1. Purpose of measuring the informal activities in terms informing policy decisions 2. Brief introduction of key concepts 3. Emergence of new types of informal activity 4. Development of a new framework for measuring the informal economy 5. Distinction between the informal economy and the non-observed economy *6.* Structure of the Chapter
B.	**Framework for the Informal Economy** 1. Definitions referring to informal units (informal sector), informal workers, and the informal economy incorporating new guidance per GN IE.1 2. Set out the formal sector, the informal sector, and the household own-use production sector and their links to informal activities 3. Provide guidance on measurement of informal production and labor inputs in each sector 4. Per GN IE.1, clarify that unlike the SNA, the informal economy generally excludes the production of goods and services whose sale, distribution or possession is forbidden by law 5. Incorporate Boxes 1 and 2 and Figure 1 from GN IE.1 providing a tabular framework and a decision tree to identify informal productive activities
C.	**Digitalization and Informal Cross Border Flows** 1. Discuss the role of digitalization in the emergence of new types of informal activities 2. Discuss informal trade and cross-border flows, 3. Discuss illicit cross-border financial flows
D.	**Informal Work** 1. Introduction to ILO concepts of work and employment 2. Categories of informal employment (including a discussion of dependent contractors and partly informal productive activities in relation to formal employment) 3. Incorporate Tables 2 and 3 from the Appendix of “Statistics for the informal economy”. 4. Categories of informal forms of work other than employment
E.	**The Non-Observed Economy** 1. Definition and background 2. Relationship between the non-observed economy and the informal economy 3. Discussion of non-observed transactions in the external accounts 4. The role of supply and use tables and use tables in identifying some non-observed production
F.	**Guidelines, Studies, and Handbooks on the Informal Economy** 1. Discussion of various guidelines, studies, and handbooks that provide guidance on compiling statistics on the informal economy or on the non-observed economy

References

- GNs IE.1 Guidance notes are posted at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).
- ILO, "Statistics for the informal economy," report for discussion at the Tripartite Meeting of Experts in Labour Statistics on the Revision of the Standards for Statistics on Informality, (Geneva, 7–10 February 2023), https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_865498.pdf.
- ILO, "Conceptual framework for statistics on informal economy," room document to support the discussions at the Meeting of Experts on Labour Statistics in Preparation for the 21st International Conference of Labour Statisticians (Geneva, 7–10 February 2023), https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_867429.pdf.

Chapter 19. Selected Issues in Balance of Payments and International Investment Position Analysis

(Update to *BPM6* Chapter 14)

Changes from BPM6 *highlighted in yellow*

- As in *BPM6* Chapter 14*,* this chapter will provide an introduction to the use of balance of payments and international investment position data in economic analysis. The structure from the *BPM6* chapter will be used as the starting point, and additional sections will be added based on the recommendations in GN B.4 to expand the scope of the chapter. Some of the existing and proposed new text may be streamlined in the drafting process to avoid that the chapter gets too lengthy, and references to recent policy relevant research will be included throughout the chapter.[1]

- The chapter will have separate sections on introduction (Section I), general framework (Section II), nexus between current account and international investment position (Section III), alternative presentations of balance of payments data (Section IV), financing a current account deficit (Section V), balance of payments adjustment in response to a current account deficit (Section VI), implications of a current account surplus (Section VII), the balance sheet approach (Section VIII), valuation paradox (Section IX), calculating and using rates of return (Section X), and further information (Section XI).[2] See the Schematic Overview for details.

- In addition to the highlighted updates/additions below, further changes may be made to improve the consistency of the language with other macroeconomic statistics manuals (e.g., *2025 SNA*) as appropriate.

A. INTRODUCTION

- This section will be expanded to provide a brief reference to topics that were not included in the corresponding *BPM6* chapter (i.e., nexus between current account and international investment position, valuation paradox, and calculating and using rates of returns).

[1] Expert users of external sector statistics will be consulted during the drafting process, for instance economists from the IMF's Research Department and the IMF's Strategy, Policy, and Review Department.

[2] Compared to the corresponding *BPM6* chapter, the following new sections have been added based on the recommendations from GN B.4: *nexus between current account and international investment position*, *valuation paradox*, and *calculating and using rates of returns*. The GN also recommends including new sections on the *international investment position and risk measurement* and the *consistency between balance of payments/international investment position and national accounts*. It is proposed to incorporate the former into the existing section on the balance sheet approach, while the latter will be addressed in Annex 11 on the links between international standards for macroeconomic statistics.

B. GENERAL FRAMEWORK

- No significant changes

C. NEXUS BETWEEN CURRENT ACCOUNT AND INTERNATIONAL INVESTMENT POSITION

- Following the proposed text on pages 12–14 in GN B.4, it will be shown how the change in the net international investment position (IIP) equals the current account and capital account balances plus valuation effects and other changes in volume. Explicitly linking net IIP changes to the current account balances offers better insights into the dynamics driving IIP developments, including the feedback loop between the current account and IIP through investment income. It will also introduce the three-dimensional account system to show changes in the net IIP by source, instrument, and sector.

D. ALTERNATIVE PRESENTATIONS OF BALANCE OF PAYMENTS DATA

- No significant changes

E. FINANCING A CURRENT ACCOUNT DEFICIT

- No significant changes

F. BALANCE OF PAYMENTS ADJUSTMENT IN RESPONSE TO A CURRENT ACCOUNT DEFICIT

- No significant changes

G. IMPLICATIONS OF A CURRENT ACCOUNT SURPLUS

- No significant changes

H. THE BALANCE SHEET APPROACH

- The balance sheet approach provides a systematic analytical framework for exploring how balance sheet weaknesses contribute to macrofinancial vulnerabilities. Following GN B.4 pages 15–17, this section will be expanded with additional text on liquidity and interest rate risk, currency risk, and credit risk, and potentially also with links to national accounts data.

I. VALUATION PARADOX IN THE INTERNATIONAL INVESTMENT POSITION

- Per GN B.4 pages 17–18, this section will emphasize that revaluation effects should be interpreted with a degree of caution since the values recorded in the IIP do not necessarily reflect actual realized gains or losses. It will introduce the so-called valuation paradox, which refers to the fact that a country's net IIP may improve as it approaches insolvency because of large negative revaluations in bonds issued by government and corporations and held by nonresident investors.

J. CALCULATING AND USING RATES OF RETURN

- Following GN B.4 pages 19–21, this section will underscore that rates of return are important for understanding the allocation of capital between economies, differences in the sustainability of current account deficits, and the behavior over time of the current account, the financial account, and the IIP. It will introduce a framework for calculating the income rate of return, the revaluation rate of return, and the total rate of return. The systematic estimation of rates of return across the IIP can shed light on how the characteristics of investment across functional categories can differ.

K. FURTHER INFORMATION

- The list of references will be updated with recent policy relevant research, for instance the IMF's work on the External Sector Report, the External Balance Assessment methodology, and dominant currencies.

Schematic Overview

A.	Introduction
B.	General Framework
C.	Nexus Between Current Account and International Investment Position
D.	Alternative Presentations of Balance of Payments Data 1. Standard Presentation 2. Analytic Presentation 3. Sectoral Analysis 4. Monetary Presentation 5. Partner Analysis
E.	Financing a Current Account Deficit
F.	Balance of Payments Adjustment in Response to a Current Account Deficit
G.	Implications of a Current Account Surplus
H.	The Balance Sheet Approach
I.	Valuation Paradox in the International Investment Position
J.	Calculating and Using Rates of Return
K.	Further Information

References

- GN B.4. This guidance note is posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org).

Chapter 20. Communicating and Disseminating Economic Statistics

(New SNA/BPM chapter) [1]

A. INTRODUCTION

- This chapter aims to provide principles and guidelines together with innovative approaches for producers of macroeconomic statistics to improve the way those statistics are communicated. This helps in increasing comparability, understanding and the experience for the users of these statistics.
- The way in which macroeconomic statistics are communicated has a significant impact on users' understanding and utilization of the data. Thus, communication is a very important aspect when it comes to presenting statistical information, making sure that a wide range of users properly understand them, comprehend the full extent of their analytical usefulness and draw the right conclusions. There is an ever-growing focus on the need to improve communication and to meet the needs of a diverse range of users.
- For producers of macroeconomic statistics, the aim should be to develop their statistical systems to disseminate comprehensive, timely and reliable data. The role of dissemination should be viewed as a key component of the production chain of official statistics. This reinforces the need to establish a clear communication policy and data dissemination strategy.
- The chapter will include nine sections, including an introduction (Section I), communication policy and dissemination strategy (Section II), communication with users – principles and standards (Section III), communication with suppliers (Section IV), statistical confidentiality (Section V), taxonomies and metadata (Section VI), a framework for measuring alignment with the economic accounting statistical standards (Section VII), prominence of net measures compared to gross measures (Section VIII), and examples of the use of easier to understand terminology for users (Section IX). See the Schematic Overview for details.

B. COMMUNICATION POLICY AND DISSEMINATION STRATEGY

- The production, analysis, and dissemination of official statistics must be done in a transparent and accessible way. To aid all users, information is provided through different channels, for example websites, regular press releases, statistical reports and emails. This section will also cover:
  - links to media and users; and

[1] This is an annotated outline for the chapter. Some links between this chapter and other *2008 SNA*/*BPM6* chapters are noted. In the drafting stage, there may be further adjustments to balance the content between chapters.

- objectives of a dissemination strategy to meet users' needs and to provide maximum access to official statistics.

▪ Other aspects that will be reflected upon in a concise way, with references to existing guidance where available, include:
  - communication with policy and media relations;
  - publication policy, including a release calendar to promote transparency;
  - revision policy - to explain to users why revisions are necessary and help to improve quality of the statistics as well as lay out in advance when revisions are expected;
  - regular analysis of press coverage and feedback;
  - user satisfaction surveys to aid continuous improvement;
  - different digital formats, use of XML and/or other machine-readable formats;
  - communication narratives/terminology to target different user groups;
  - sharing more metadata linked to and via the alignment frameworks (see Section VII);
  - reference to the National Summary Data Pages (NSDPs) that most countries have in place to disseminate economic statistics; and
  - links to the Generic Statistical Business Process Model (GSBPM) and guidance on integrated economic statistics (such as the UN *Guidelines on Integrated Economic Statistics*) to draw out further the links and roles between official statistical producers, their communication/media teams, and users.

▪ The preparations of all official statistics publications should ensure clear, understandable headline messages which can be extracted from sound data, methods and analyses. It is the responsibility of the statistical producers(s) to ensure any message is clearly described, often in a non-technical manner, while more technical/methodological features or statistical conclusions could be provided in accompanying documents.

▪ The section will reflect the results of testing of the Communications Task Team (CMTT) Guidance Notes.

C. COMMUNICATION WITH USERS – PRINCIPLES AND STANDARDS

▪ It is widely accepted that official statistics should be reliable, objective and relevant for decision making. The UN has a well-established and agreed suite of *Fundamental Principles of Official Statistics (2013),* of which Principle 1 is key for communication.

▪ To help establish good dissemination practices, there is a range of information, good practices and dissemination standards already available which will be referenced.

▪ The need to be aware and understand who the users may be and what are their needs is extremely important. This knowledge helps to steer what message is being conveyed when statistics are released in a language understood by users (who may not have the technical expertise of the nuances of national and external accounts or references like the SNA or BPM). Also to note, there is a balance and correctness to be struck when publishing in a local language but also to reach an international audience publishing in a more widely international used language is advised.

- This section will also cover the types of users—including the media; indirect users; and the importance of treating users equally in terms of access to macroeconomic statistics in advance of publication. In addition, this section will provide guidance on the treatment of sensitive data (not for public use) and on data made available as “freely available via regular releases and publications” versus “bespoke analyses” requested by users (which may have to be paid for).

D. COMMUNICATION WITH SUPPLIERS

- Producers of official statistics need to communicate effectively with their data suppliers, who represent a unique set of stakeholders that may or may not be users of official statistics. In particular, the use of language that suppliers can understand is essential in collecting data to enable the compilation of the appropriate definitions as laid out in the economic accounting statistical standards, either directly or appropriately adjusted to meet the relevant definitions.
- This section will also cover the types of suppliers and links to the suppliers as well as the usefulness of providing statistics which are the direct result of the data provided by the producers.

E. STATISTICAL CONFIDENTIALITY

- In terms of statistical confidentiality, by law, most official statistics producers collect data from businesses and households for statistical purposes only and often under some legislation. Statistics based on these data cannot be disseminated, sold, or published in a way that permits the identification of data referring to a particular business or household. Thus, it is important to ensure appropriate data confidentiality policies, anonymization techniques and disclosure checking procedures are in place as part of the process before publication of any data.
- As much as statistical confidentiality is very important, it should not be used per se as a reason not to release information. On the other hand, the goal should be to maximize the dissemination of information as a public good for the wide range of users while still ensuring confidentiality obligations are met. This section will also refer briefly to approaches to achieve greater access (e.g., data labs, data access agreements for statistical purposes or research purposes) allowing researchers access to micro data.

F. TAXONOMIES AND METADATA

- Official statistics producers need to communicate effectively to users the information related to data quality, timeliness, frequency, and the reference period of the product (GN CM.3). They also must provide information about the substance of the release and sources of revisions, including whether it reflects changes in methods, coverage adjustments, source data changes, or presentational changes (GN CM.3).
- All statistical products should be accompanied with explicit reference to documentation on quality and methodology. More detail will be covered.

- Drawing from the forthcoming outcomes of GN CM.3 and related testing, this section will provide guidelines to a coherent taxonomy to communicate: (a) releases and vintages of data; (b) release calendars; (c) revision policies; and (d) quality and types of statistical products.[2]
- This section will also include references to the Statistical Data and Metadata Exchange (SDMX) standards.

G. A FRAMEWORK FOR MEASURING ALIGNMENT WITH THE ECONOMIC ACCOUNTING STATISTICAL STANDARDS

- One important feature of the economic accounting statistical standards is their ability to facilitate the comparison of estimates across countries. For users to be confident when making these cross-country comparisons, they need some assurance that the countries they are comparing are on the same basis and have implemented these standards consistently. However, when countries use an economic accounting statistical standard to compile macroeconomic statistics, a certain degree of choice, freedom and variation can be taken in implementing the recommendations for reasons ranging from limited resources and data availability to the needs to meet policy demands. This results in varying degrees of "alignment" to these standards across countries.
- This section covers an alignment framework (from GN CM.1) that countries can use to assess the alignment of their national macroeconomic statistics to the economic accounting statistical standards. The alignment framework provides a relatively simple tool that statistical producers can use to self-evaluate their statistics and share this with users in an easily digestible format.
- The framework is structured around the key building blocks of the statistical standards—concepts, accounting rules, methods, classifications, and the resulting accounts and/or tables that are produced and published. The framework will be presented in a concise way.
- This section will also cover the benefits of an alignment framework; describe the dashboard approach and reflect the results from the testing of GN CM.1; cover the broader ways to assess level of compliance and data quality; and include links to where the alignment frameworks for the respective accounts will be available online. It will also explain some of the limitations of the alignment framework, which is voluntary and based on self-assessment.
- This section will also acknowledge the existing frameworks and tools that can be used by statistical producers and users to assess the coverage, accessibility and quality of economic statistics, including the IMF Data Quality Assessment Framework.

[2] Note that satellite accounts (which are recommended in GN CM.3 to be referred to as "supplementary accounts" or "thematic accounts") are discussed briefly in *BPM6* in Annex 2.1; this Annex will be dropped in *BPM7* since the topic will be covered in this new chapter. In the *2025 SNA,* thematic accounts will be covered in detail in Chapter 38, Thematic Accounts.

H. PROMINENCE OF NET MEASURES COMPARED TO GROSS MEASURES (NOTE THIS SECTION IS PENDING FINAL CONCLUSIONS ON THE FORTHCOMING GN CM.4)[3]

- This section will describe: (a) the need to increase the prominence and use of net measures; (b) the need to reduce the use of the term "gross" to those areas laid out in the SNA; and (c) references made in full, for example, acquisitions less disposals, lending less borrowing, etc. rather than using the phrase "net".
- More importantly, in recent years, there has been a growing interest in the "net" aggregates. From a conceptual perspective, "net" aggregates are more appropriate than the "gross" counterparts. The "net" aggregates are preferred as they are more reflective of the actual costs borne in production. However, the measurement challenges mentioned earlier also make it difficult to arrive at comparable aggregates across countries.
- The SNA update has improved the articulation of the differences in the concepts of consumption of fixed capital (related to produced assets) and the treatment of depletion of natural resources (related to non-produced assets) recorded within the costs of production. Thereby the conceptual advantage of using "net" measures such as net domestic product and net national income become clear and should be encouraged to become the headline-based indicators, although users may still be interested in particular purposes in the "gross" counterparts.

I. EXAMPLES OF THE USE OF EASIER TO UNDERSTAND TERMINOLOGY FOR USERS *(NOTE THIS SECTION IS PENDING FINAL CONCLUSIONS ON GN CM.2)*[4]

- The economic accounting statistical standards has a vast array of specific technical descriptions of concepts and the underlying definitions with explicit inclusions and exclusions. Often the labels used help the producers and communication across the producers' community, however they are often not user friendly or understood by users.
- Without changing any of the technical definitions, this section proposes a limited number of examples of user-friendly terms that could be considered by producers when engaging with users, in particular, non-technical users. Examples will be based on those tested with a range of users as part of GN CM.2 and will be proposals producers could consider (allowing for translation differences).
- This section will also include a reference to the technical glossary.

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[3] This section will also cross-reference parts elsewhere in the SNA to avoid any duplication.

[4] Note that this chapter does not address other proposals from GN CM.2, relating to possible changes in standard terminology to introduce consistency across the domains (for example, the proposal to align all domains on the use of the terms "revenues" and "expenses" instead of "resource" and "use" or "credit" and "debit"). These proposals are being tested, and if adopted, would then be reflected throughout the manuals.

Schematic Overview

A.	Introduction
B.	Communications Policy and Dissemination Strategy
C.	Communication with Users - Principles and Standards
D.	Communication with Suppliers
E.	Statistical Confidentiality
F.	Taxonomies and Metadata
G.	A Framework for Measuring Alignment with the Economic Accounting Statistical Standards
H.	Prominence of Net Measures Compared to Gross Measures
I.	Examples of the Use of Easier to Understand Terminology for Users Box: Examples of User-Friendly Terminology

References

- GNs CM.1, CM.2, CM.3 and CM.4
- SNA
- BPM
- GFS
- UK Economic Statistics Centre of Excellence, “Public Understanding of Economics and Economic Statistics,” ESCoE Occasional Paper No. 03, November 2020
- UN *Fundamental Principles of Official Statistics (2013)*

Annex 1. Exceptional Financing Transactions

(Update to *BPM6* Appendix 1)

- As in *BPM6* Appendix 1, this annex will focus on the identification of exceptional financing transactions. The chapter will have separate sections on introduction (Section I), transfers (Section II), debt-for-equity swap (Section III), borrowing for balance of payments support (Section IV), debt rescheduling or refinancing (Section V), debt prepayment and debt buyback (Section VI), and accumulation and repayment of debt arrears (Section VII). See the Schematic Overview for details.

Schematic Overview

A	Introduction
B	Transfers Debt Forgiveness Other Intergovernmental Transfer
C	Debt-for-Equity Swap
D	Borrowing for Balance of Payments Support
E	Debt Rescheduling or Refinancing
F	Debt Prepayment and Debt Buyback
G	Accumulation and Repayment of Debt Arrears Accumulation of Arrears—Current Period Repayment of Arrears

References

- *BPM6*, Appendix 1: Exceptional Financing Transactions

Annex 2. Debt Reorganization and Related Transactions

(Update to *BPM6* Appendix 2)

- As in *BPM6* Appendix 2*,* this annex will discuss various forms of debt reorganization and related transactions, and how they are recorded in the balance of payments and the international investment position. The chapter will have separate sections on debt reorganization (Section I) and transactions indirectly related to debt reorganization (Section II). See the Schematic Overview for details.
- The Annex will include a cross-reference to the *Government Finance Statistics Manual 2014* (*GFSM 2014*) Appendix 3 on Debt and Related Operations, which also includes guidance on (i) debt arising from bailout operations, (ii) debt of special purpose entities, (iii) debt arising from securitization, and (iv) debt arising from off-market swaps.

Schematic Overview

A	Debt Reorganization Debt Forgiveness Debt Rescheduling and Refinancing Debt Conversion and Debt Prepayment Debt Assumption and Debt Payments on Behalf of Others Special Cases
B	Transactions Indirectly Related to Debt Reorganization New Money Facilities Defeasance Debt Write-Offs Debt Concessionality

References

- *BPM6*, Appendix 2: Debt Reorganization and Related Transactions.
- *GFSM 2014*, Appendix 3: Debt and Related Operations.
- GN F.15. This guidance note is posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) (imf.org).

Annex 3. Regional Arrangements: Currency Unions, Economic Unions, and Other Regional Statements

(Update to *BPM6* Appendix 3)

Changes from BPM6 *highlighted in yellow*

As in Balance of Payments and International Investment Position Manual, sixth edition (BPM6) *Appendix 3, this annex will cover the conceptual framework of regional arrangements* (customs unions, economic unions, and monetary and currency unions) *relevant for external sector statistics. The structure will be maintained from the* BPM6 *Appendix 3. The annex will have an introduction (Section I), followed by currency unions (Section II), economic unions (Section III), customs unions (Section IV), other regional statements (Section V), and a numerical example (Section VI). See the Schematic Overview for details.*

A. INTRODUCTION

- This section will be mostly maintained as in *BPM6* introducing the regional arrangements (customs unions, economic unions, and monetary and currency unions) and presenting the methodological issues associated with them from Table A3.1.

B. CURRENCY UNIONS

- As in *BPM6*, this section will cover three statistical issues mentioned in A3.7 in separate sub-sections.

A. Definitional Issues: As in *BPM6*, this sub-section will cover the definition of currency union (CU), currency union central bank (CUCB), regional organizations, definition of a domestic currency in a CU, and the distinction between centralized and decentralized CU. A table on main characteristics of different currency unions based on Annex I, GN B.3 will be added.

B. Application of Core Balance of Payments Concepts: This sub-section including Box A3.1 will be mostly maintained as in *BPM6* with updated references of relevant *BPM7* chapters.

C. Issues Related to the Operational Aspects of a Currency Union: Discussion on the treatment of national agencies and reserve assets in a decentralized currency union, transactions and positions in banknotes, and other intra-currency union claims and liabilities will be mostly maintained as in *BPM6* with the following minor updates:

- Initial Subscription of the CUCB's Capital (A3.44): Following GN B.12 and consistent with Section V, Chapter 6, "*other investment – other equity*" will be renamed as "*other investment – equity in international organizations and other equity*".

- Allocation of Seigniorage (A3.47): Following the *MFSMCG 2016* (footnote 12 to paragraph 6.50), seigniorage will be defined as the net revenue equal to the difference between the nominal value of the currency and the cost of acquisition, distribution, and maintenance of the currency.
- Discussion on the treatment of national agencies of the currency union central bank (CUCB) in a centralized currency union will have the following updates/clarifications following GN B.3. Title of this item will be modified as "Treatment of national agencies of CUCBs and reserve assets in a centralized union". As in the *BPM6*, national agencies (NAs) of CUCBs will be treated as institutional units separate from the headquarters of the CUCB. Further, transactions among resident units of the same member state settled through accounts at the CUCB are treated as domestic transactions.
  - It will be clarified that the NAs of CUCBs have close links with the member states and perform the functions of monetary authorities as in any other economy with an independent central bank. Further, complete set of accounts including the balance sheet are available for statistical purposes, as recommended in the macroeconomic statistics manuals. The nature of the transactions conducted by NAs of CUCBs is different from the usual transactions carried out by international organizations. Therefore, the above treatment permits an evenhanded treatment of member states of centralized CUs vis-à-vis economies with independent central banks (including in decentralized CUs), where transactions/positions of monetary authorities with resident units are always considered as domestic transactions.
  - In addition, since the (nonresident) CUCB carry out regular monetary authority transactions within each CU Member State, where no separate legal entity exists a resident notional unit—separate from the CUCB—shall be created in each Member State for statistical purposes. This unit is identified for statistical purposes because the operations have a strong connection to the location of operations in all ways other than incorporation. This principle is applicable to the residence attribution of transactions of NAs of the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO), the Banque des États de l'Afrique Centrale (BEAC), and the Eastern Caribbean Central Bank (ECCB).
- In general, all regional organizations (including regional development banks such as the Development Bank of Central African States and the West African Development Bank) are treated as nonresident of their member states and transactions with member states are treated as external. *BPM6* discourages treating branches/offices of regional organizations as residents of their location without strong connection to the domestic economy (i.e., production on a significant scale that is based in the economy and a balance sheet that makes sense economically).
- The scope of CUCB transactions and positions on "own account" will be clarified. CUCB own account transactions are those that cannot be attributed to NAs of CUCBs. In simple terms, for the most part, the balance sheet of the CUCB could be seen as the sum of the balance sheets of the NAs of CUCB. This implies that every transaction conducted by the CUCB is recorded in the imputed balance sheet of the NAs of the CUCB (i.e., they are resident-resident transactions). Own account transactions are recommended to be limited to

those beyond the regular operations of monetary authorities of an economy (i.e., those which cannot be attributed to NAs). For example, debt securities issued by the CUCB and subscribed by residents of an economy of CU are treated as own account transactions of the CUCB.

- Imputed reserve assets (RA) of member states and solidarity principle will be clarified. The RA of the member states of Central African Economic and Monetary Community (CEMAC), Eastern Caribbean Economic and Currency Union (ECCU), and West African Economic and Monetary Union (WAEMU) are pooled. In both the WAEMU and the CEMAC, member states pool their foreign assets in a common foreign exchange reserve fund and there is no national ownership of a share of the common pool. In the case of the ECCU, the member states own/hold a national share of the common pool of RA.

  - The solidarity principle in WAEMU and CEMAC implies that each member of the CU has full access to the common pool of RA to meet their needs, irrespective of their contributions to the pool. In CEMAC, RA attributed to member states are calculated as the sum of the components of the foreign exchange reserves that are directly recorded in the accounts of each member state and items that are subject to a breakdown between the member states and the head office. Solidarity principle in this case does not prevent attributing the pool of RA to the member states. Further, having a negative position does not prevent an economy from accessing the regional reserve pool for valid balance of payments transactions. However, in the case of WAEMU, imputed RA are not compiled for members states due to strong adherence to the solidarity principle. A box will be added to distinguish between the cases of CEMAC, ECCU, and WAEMU.

  - It will be clarified that the guidance on imputed RA following the principles outlined in *BPM6*, namely using net claims on the CUCB for deriving imputed RA will be maintained for cases where there are no direct information/accounting records to apportion reserves across member states (as is the case of ECCU at the time of writing the manual). For those CUs, where RA is recorded only in the balance sheet of the CUCB and imputed RA of Member States are not made available due to solidarity principle (as is the case of WAEMU at the time of writing the manual), deviation from the above recommendations should be explained in the meta data. As noted in Option 1.2 of GN B.3, net claims on the CUCB may be recorded as foreign assets in the balance sheet of NA of CUCB for Monetary and Financial Statistics purposes, and under other investment in the national balance of payments and IIP of member states.

  - A new sub-section on the statistical treatment of special drawing rights (SDR) allocations for member states of a currency union will be added. It will be clarified that the treatment of SDR allocation/holdings in the balance of payments of a member of a decentralized (euro area) or centralized currency union (e.g., CEMAC, ECCU, WAEMU) is no different from that of any other country. SDR holdings and allocations are assets and liabilities of the country member that participates in the IMF's SDR Department. Therefore, in the case of centralized CUs, the SDR allocation/holdings should be attributed to the member state and recorded in the BOP/IIP of the member state of a currency union. It will be further noted that the above guidance on imputed reserves in the case of centralized Cus is specific to the foreign exchange reserves component of the official reserves. SDRs, the reserve position in the IMF, and monetary gold should be recorded in the BOP/IIP of individual member states.

C. ECONOMIC UNIONS

- This section will be mostly maintained as in *BPM6* with updates to relevant references. Consistency with the discussion in Appendix 5, *GFSM 2014* will be ensured.

D. CUSTOMS UNIONS

- This section will be mostly maintained as in *BPM6* with updates to relevant references. Consistency with the discussion in Appendix 5, *GFSM 2014* will be ensured. Section title will be slightly changed from “Customs Arrangements” to “Customs Unions” to be consistent with the titles of other regional arrangements presented in this annex.

E. OTHER REGIONAL STATEMENTS

- This section will be mostly maintained as in *BPM6* with no significant changes.

F. NUMERICAL EXAMPLE: INTERNATIONAL TRANSACTIONS AND POSITIONS IN THE NATIONAL DATA FOR A MEMBER STATE OF A CENTRALIZED CURRENCY UNION

- This section will be updated based on Annex III, GN B.3.

Schematic Overview

A	Introduction
B	Currency Unions Table A3.1. Methodological Issues Relevant for Different Types of Regional Cooperation Definitional issues Table A3.2 Main characteristics of Currency Unions Application of core balance of payments concepts Box A3.1. Recording of Trade Transactions in Currency and Economic Unions Issues related to the operational aspects of a currency union (sub-section on centralized currency unions to be updated) Statistical treatment of SDR allocations
C	Economic Unions Definitional issues Recording issues
D	Customs Unions A designated agency levies, collects, and distributes the proceeds from the duties A designated agency levies duties but member states collect duties Member states have collective rights to levy and collect the duties Member states have collective rights to levy the duty, but only one member collects the duties
E	Other Regional Statements Recording principles Specific recording issues
F	Numerical Example: International Transactions and Positions in the National Data for a Member State of a Centralized Currency Union (to be updated)

References

- GN B.3 and B.12. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) (imf.org)
- *Government Finance Statistics Manual 2014*
- *Monetary and Financial Statistics Manual and Compilation Guide 2016*
- Guidance Note for Fund Staff on the Treatment and use of SDR Allocations
- How to Record the Allocations of Special Drawing Rights in Government Finance Statistics
- Statistical Treatment of SDR Allocation: Frequently Asked Questions

Annex 4. Remittances

(Update to *BPM6* Appendix 5)

Changes from BPM6 *highlighted in yellow*

- This annex will be mostly maintained as in *BPM6* Appendix 5 with minor updates and will discuss the concept of remittances,[1] their significance, and how they are recorded in the balance of payments. The annex will present the standard components in the balance of payments framework related to remittances, the supplementary items, and related data series. See the Schematic Overview for details of the sections of this annex.

- Although no significant changes will be introduced, some adjustments will be made to the text, particularly in the opening section, to reflect more prominently the new transmission channels of remittances in view of advances in fintech such as e-money/mobile money (GN F.7 “Impact of Fintech on Macroeconomic Statistics”).

[1] The term “Remittances” will be subject to the outcome of the work of the Communications Task Team—GN CM.2 “Terminology and Branding of the Economic Accounting Statistical Standards”.

Schematic Overview[2]

A	Economic Concept of Remittances and Why They Are Important
B	Concepts of Residence, Valuation and Time of Recording
C	Standard Components in the Balance of Payments Framework Related to Remittances
D	Supplementary Items Needed for Compilation of Remittances
E	Related Data Series

References

- *BPM6*, Appendix 5: Remittances
- International Transactions in Remittances - Guide for Compilers and Users.
- GN F.7 Impact of Fintech on Macroeconomic Statistics. This guidance note is posted at [Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org)].

[2] Data by Partner Economy (Section F of Appendix 4, *BPM6*) is not included in this Annex. It will be included with some additional guidance in Annex 11 "Data by Partner Economy".

Annex 5. Selected Issues on Cross-Border Trade

(New *BPM7* Annex)

A. INTRODUCTION

- This new annex will cover cross-cutting issues related to trade in goods and services that are outside the core balance of payments accounts but are relevant for compilers and users of the balance of payments. The topics covered will include classification (Section II), partner economy attribution (Section III), price and volume measures (Section IV), digital trade (Section V), and trade classified by currency (Section VI). See the Schematic Overview for details.

B. CLASSIFICATION

- This section will describe the different classification systems used for goods and services, and "products" more generally (e.g., by commodity or type of service, by industry, by broad economic category, by mode of transport, services by mode of supply, etc.) with appropriate references to the relevant manuals/standards, such as *International Merchandise Trade Statistics: Concepts and Definitions*, *Manual on Statistics of International Trade in Services*, the International Standard Industrial Classification of All Economic Activities (ISIC), etc.
- The information can also be summarized in a table. Bringing this information together into one place in the manual will help to inform how the BPM presentation of goods and services fits into the broader classification landscape. Compilers have competing priorities when it comes to presenting cross-border trade statistics by various characteristics, so it is useful to present the different possibilities and their potential uses. Compilers may consider which presentations to adopt based on resources and policy needs.

C. PRICE AND VOLUME MEASURES

- *BPM6* Chapter 10 has a single paragraph describing price and volume measures as "useful for analysis and data validation." This discussion will be moved into this annex (since it relates to both goods and services) and references to SNA Chapter 15 (paragraphs. 15.160–166) will be added.

D. DIGITAL TRADE

- This section will address the need to better reflect the importance of digital trade in the BPM. *BPM6* does not introduce the concept of digital trade, but instead contains only one paragraph, 10.10, that defines "e-commerce" as "a method or ordering or delivering products at least partly by electronic means…" and explains that "charges for electronically delivered products are usually included in services, whereas products supplied across the border are usually classified as goods." This section will expand that discussion to introduce the conceptual framework for digital trade from the *Handbook on Measuring Digital Trade* (currently being updated with an expected publication by the end of 2022). It will also include a reference to Digital Supply Use and Tables (to be described in the updated SNA), which use a consistent underlying framework centered around whether goods and services are digitally ordered and/or digitally delivered (GN DZ.5).

- Emerging issues for BPM goods and services, including digital intermediation platforms, cloud computing, and intellectual property products, including computer software and artificial intelligence will be discussed in Chapter 16, Digitalization.

E. INTERNATIONAL TRADE CLASSIFIED BY CURRENCY

- Following GN C.3, this section will introduce a supplementary presentation of international trade classified by currency. This information supports a variety of analytical and surveillance purposes, including external sector vulnerabilities, sustainability analysis, regional integration, exchange rate pass-through, foreign exchange market development, and reserves adequacy.

- The supplementary presentation, which will be presented in a table, will include a disaggregation of gross totals of imports and exports for both goods and services by the currency of denomination. The totals in the trade by currency composition table should equal the totals in the goods and services accounts, to ensure consistency. The currency breakdown will be first domestic and foreign currencies, with a further breakdown of the latter according to the SDR basket, and then other currencies (depending on the importance of non-SDR basket currencies to the international trade of each economy). An unallocated item can also be included to address currency allocation difficulties.

Schematic Overview

A.	Introduction
B.	Classification Table: Classifications for Trade Statistics
C.	Price and volume measures
D.	Digital trade Figure: Conceptual Framework for Digital Trade (from *Handbook on Measuring Digital Trade*, Figure 2.1)
E.	International trade classified by currency Table: Supplementary Presentation of International Trade by Currency

References

- GNs G.1, G.7, C.1–C.7, DZ.5, and DZ.7–DZ.9. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org).
- *International Merchandise Trade Statistics: Concepts and Definitions* (*IMTS 2010*)
- *Manual on Statistics of International Trade in Services 2010* (*MSITS 2010*)
- *Handbook on Measuring Digital Trade*
- *Export and Import Price Index Manual: Theory and Practice*
- UNECE *Guide to Measuring Global Production*

Annex 6. Selected Issues on Direct Investment

(Update to *BPM6* Appendix 6a)

Changes from BPM6 *highlighted in in yellow*

A. INTRODUCTION

- As in *BPM6* Appendix 6a*,* this annex will give an overview of direct investment by pulling together relevant information from the main part of the *Manual*, which is organized according to accounts rather than topics. As a new feature, this annex will also go more into depth on certain issues that are only briefly described in the main part of the *Manual*. The annex will have separate sections on overview of direct investment (Section I), ultimate ownership and pass-through funds (Section II), corporate inversions (Section III), public-private partnerships (Section IV), cash pooling (Section V), and greenfield investment and extension of capacity (Section VI). See the Schematic Overview for details.

B. OVERVIEW OF DIRECT INVESTMENT

- The references will be updated throughout this section.

C. ULTIMATE OWNERSHIP AND PASS-THROUGH FUNDS

- Per GN D.6, this section will present a supplementary framework for direct investment statistics by the ultimate investing economy (UIE) and the ultimate host economy (UHE) as well as identification of pass-through funds. To support cross-country comparability, the “winner takes all” approach will be recommended as the preferred approach for the UIE, and the reallocation of positions to the first operating unit(s) for the UHE. Per GN G.2, a reference to the concept of ultimate controlling parent will be made. In addition, this section will describe the proportional approach and the IFRS consolidation method to help illustrate the concepts of UIE and UHE as well as to help guide their use and interpretation. It will also include the indicator of pass-through funds based on the residency of the ultimate investor.

D. CORPORATE INVERSIONS

- Per GN D.4, this section will contain the official definition of corporate inversions as well as a taxonomy of the most usual cases of corporate actions that involve inversions or other forms of restructuring with similar economic effects. It will also include strengthened guidance on publishing details on corporate inversions. As in the *BPM6*, these presentations would remain supplementary and at the discretion of the reporting economy.

E. PUBLIC-PRIVATE PARTNERSHIPS

- Per GN D.8, this section will provide guidance on the concepts, definitions, scope, and statistical treatment of public-private partnerships (PPPs) under direct investment. In particular, it will provide detailed guidance on the application of the existing guidance on branches and notional units in the case of PPPs arrangements and clarify the role of economic and legal ownership of assets.

F. CASH POOLING

- Per GN D.18, this section will include a description of the main types of cash pooling arrangements (single legal account, physical cash pool, and notional cash pool) and their different statistical treatments.

G. GREENFIELD INVESTMENT AND EXTENSION OF CAPACITY

- Per GN D.1, this section will include guidance on the definition and collection of supplementary data on greenfield investment and extension of capacity. Data collection should cover both equity (other than reinvestment of earnings) and debt instruments, excluding the “pass-through” funds, if possible, and the recording should be on net inward direct investment.

Schematic Overview

A	Introduction
B	Overview of Direct Investment
C	Ultimate Ownership and Pass-Through Funds
D	Corporate Inversions
E	Public-Private Partnerships
F	Cash Pooling
G	Greenfield Investment and Extension of Capacity

References

- GNs D.1, D.4, D.6, D.8, D.18, and G.2. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org).
- *BPM6,* Appendix 6a.

Annex 7. Selected Financial Issues

(New *BPM7* Annex)

This annex on "Selected Financial Issues" will cover two topics: financial derivatives and reverse transactions in two separate sub-annexes. Annex 7.A will discuss financial derivatives, while maintaining the BPM6 *definition and concept. It will combine guidance on financial derivatives explained in Chapters 5, 6, 7, 8, 9, and Annex 14 of* BPM7 *and provide further clarifications. The recommendations agreed in Guidance Notes (GNs) F.4 and F.5 will also be included. Section I will provide an overview and Section II will deal with specific issues relating to financial derivatives.*[1] *Annex 7.B will discuss reverse transactions (RTs), while maintaining the* BPM6 *definition and concept. It will combine guidance on RTs explained in Chapters 5, 7, 8, and 12 of* BPM7 *and provide further clarifications. The recommendations agreed in GN F.3 will also be included. Section I will provide an overview and Section II will deal with specific issues relating to reverse transactions. See the Schematic Overview for details.*

ANNEX 7.A FINANCIAL DERIVATIVES

I. Overview

This section will provide the definition, concept, and recording of financial derivatives by bringing together the guidance described in different chapters of *BPM7*.

- Definition and explanation about options, forwards, swaps, credit derivatives, margins, and employee stock options (Chapter 5. Classifications of Financial Assets and Liabilities).
- Financial derivatives in functional categories (Chapter 6. Functional Categories)
- Valuation and recording (Chapter 7. International Investment Position)
- Recording derivatives transactions (i) at inception; and (ii) in secondary markets; (iii) on servicing and margins; and (iv) at settlement. Recording of employee stock options (Chapter 8. Financial Account and Chapter 12. Earned Income Account)
- Revaluations (Chapter 9. Other Changes in Financial Assets and Liabilities Account)
- Currency composition of notional values of foreign exchange derivatives, option/forward breakdowns (Annex 14)

II. Specific Issues Relating to Financial Derivatives

Following the recommendations of Guidance Notes (GNs) F.4 and F.5, guidance with references to relevant *BPM7* chapters will be provided on the following topics:

[1] Some specific issues (e.g., revaluations, gross and net recording) could be incorporated in the overview for better understanding. The same applies to specific issues on reverse transactions in Annex 7.B.II.

A. Additional Breakdowns (all these breakdowns are supplementary items)

- Breakdown by market risk category (i.e., foreign exchange, single-currency interest rate, equity, commodity, credit, and other)
- Breakdown by instrument (i.e., options, forwards and related instruments, futures, swaps, credit derivatives, and marketable employee stock options)
- Breakdown by trading venue and clearing status (exchange traded, over-the-counter (cleared), and over-the-counter (not cleared)).

B. Currency Composition of Notional Values of Foreign Exchange Derivatives

- To emphasize the importance of the compilation of the data as they often involve the delivery of the underlying items, which makes these derivatives similar to foreign currency debt.

C. Revaluation of Foreign Currency Derivatives

- To record other price changes, instead of foreign exchange changes, when these two cannot be separated.

D. Recording of Post Trading Activities

- To provide guidance on the recording of novation and portfolio compression.

E. Gross and Net Recording

- To provide guidance on the cases where net recording is allowed for transactions in assets and liabilities of financial derivatives.

ANNEX 7.B REVERSE TRANSACTIONS

I. Overview

This section will provide the definition, concept, and recording of reverse transactions (RTs) by bringing together the guidance described in different chapters of *BPM7*.

- Definition of a securities repurchase agreement, **securities lending,** and a gold swap under loans (Chapter 5. Classifications of Financial Assets and Liabilities)
- Valuation and recording (Chapter 7. International Investment Position)
- Recording in the financial account (e.g., loans) (Chapter 8. Financial Account)
- Recording of investment income (Chapter 12. Earned Income Account)

II. Specific Issues Relating to Reverse Transactions

Following the recommendations of GN F.3, guidance will be provided on the following topics and references to relevant *BPM7* chapters will be provided, as needed.

A. Clarification for Recording a Short Position as a Negative Asset

- Short positions generated by on-selling are recorded as negative assets for the short-seller (as if the short-seller holds a negative amount of the securities) to address the double-counting of the securities by both the economic (original) owner and the final owner as well as the implications for who-to-whom presentations by counterpart sector and geography.

B. Clarification of Income for Securities Lender, Borrower, and Short-Seller

- Manufactured interest/dividends are recorded as positive credit entries in interest/dividends for the security lender and negative credit entries in interest/dividends for the security borrower.

C. Identification of the Partner Economy and Sector for Manufactured Dividends and Interest

- The partner economy and sector for manufactured interest/dividends are identified by the security issuer, not the security borrower (actual payer) consistent with Item B above.

D. Clarification on Commodities Under RTs

- Commodities are also used for RTs in addition to securities and gold.

E. Supplementary Information on RTs

- To discuss usefulness of separate identification of RT-related transactions and positions and encourage economies to prepare supplementary information where RTs are significant.[2]

F. Reclassification of Securities and Monetary Gold Collateral from Reserve Assets

- In cases where securities or monetary gold provided as collateral under reverse transactions are not readily available for a balance of payments financing need, they are reclassified to portfolio investment or nonmonetary gold.

[2] *BPM7* will discuss the usefulness of separate identification of data on RTs, but it will not introduce a supplementary item for it.

Schematic Overview

Annex 7.A	
I	Overview
II	Specific Issues Relating to Financial Derivatives A. Additional Breakdowns B. Currency Composition of Notional Values of Foreign Exchange Derivatives C. Revaluation of Foreign Currency Derivatives D. Recording of Post Trading Activities E. Gross and Net Recording
Annex 7.B	
I	Overview
II	Specific Issues Relating to Reverse Transactions A. Clarification for Recording a Short Position as a Negative Asset B. Clarification of Income for Security Lender, Borrower, and Short-Seller C. Identification of the Partner Economy and Sector for Manufactured Dividends and Interest D. Clarification on Commodities Under RTs E. Supplementary Information on RTs F. Reclassification of Securities and Monetary Gold Collateral from Reserve Assets

References

- GNs F.3, F.4, and F.5. These guidance notes are posted at [Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org)]

Annex 8. Insurance and Pensions[1] [2]

(Update to *BPM6* Appendix 6C)

Changes from BPM6 *highlighted in yellow*

As in Balance of Payments and International Investment Position Manual, sixth edition (BPM6) *Appendix 6c, this annex will cover the conceptual framework of insurance and pensions relevant for external sector statistics. The structure will be maintained from the* BPM6 *Appendix 6c. The annex will have separate sections on introduction covering the general issues (Section I), nonlife insurance (Section II), life insurance and annuities (Section III), hybrid insurance products (Section IV), and pension schemes (Section V). See the Schematic Overview for details.*

A. INTRODUCTION

- This section will cover general issues as in *BPM6* paragraphs A6c.1–6c.6 (references to other chapters provided in A6c.5 will be updated accordingly).
- Further, it will distinguish between direct insurance (life and nonlife) and reinsurance following the *2008 SNA* paragraphs 17.6–11 and *BPM6* paragraphs A6c.8, A6c.9, and A6c.11.
- It will be mentioned that details on Takaful and Re-takaful arrangements are provided in *Chapter 17 Islamic Finance and Insurance.*
- Following GN F.12, this section will briefly introduce hybrid insurance products noting that further details are discussed in Section IV.
- Box A8.1: Numerical example of calculation for life insurance-no significant changes are expected.

B. NONLIFE INSURANCE

- As in *BPM6*, this section will present types of nonlife insurance and explain the concept of freight insurance (other topics discussed under this subsection will be moved to Section I). Further, this section will cover the role of insurance technical reserves, nonlife insurance service output, reinsurance service output, exports and imports of insurance services, Investment income attributable to insurance policy holders, net insurance premiums, and claims receivable or payable with the following changes.

[1] Given the overarching nature of this annex, this annotated outline (AO) presents an overview of the main changes known at this stage, and not a comprehensive view of all the changes to be included in the update of the annex.

[2] Impact of changes resulting from International Financial Reporting Standard 17 (Insurance Contracts) for the compilation of insurance related macroeconomic indicators will be examined further in consultation with the SNA editors and relevant updates will be included in this Annex and Chapter 24, *2025 SNA* at the drafting stage.

- Value of nonlife insurance service output: Inconsistency in use of the term "gross premiums earned" (*BPM6*) vs "actual premiums earned" (*2008 SNA*) in the nonlife insurance output formula will be addressed—both the updated manuals will include the same terminology. Further, both the updated manuals will present the same terms in the formula (*BPM6*: gross premiums earned + premium supplements – claims payable – adjustment for claims volatility, if necessary, vs *2008 SNA*: actual premiums earned + premium supplements – adjusted claims incurred).

- Value of reinsurance service output: Some additional details to be referenced from Section E, *Chapter 17, Part 1, 2008 SNA* (and its update).

- Investment income attributable to insurance policy holders (primary income account): possible changes in the treatment of holding gains and losses in the case of insurance transactions may have an impact on, in particular, output (and therefore the concept of net premiums) and investment income attributed to insurance policy holders. This may be relevant for life insurance and pensions as well. This will be updated to be consistent with *Chapter 12, Primary Income Account* (and updated SNA) and *Chapter 24 (Insurance and Pensions)*, *2025 SNA* when additional details are available.

- Claims receivable or payable (secondary income account or capital account): As in the *BPM6* (A6c.28) and consistent with *Chapter 14 (Capital Account)*, claims may be classified as capital transfers in exceptional cases (such as those related to a major catastrophe). Additional details from the *2008 SNA* (paragraphs 17.39–40) will be added. Following the recommendations of the 7th meeting of the AEG (2012) on the definition of catastrophes in the measurement of non-life insurance, it will be recommended to determine at the national level whether or not a catastrophe is an exceptional event (including the classification of claims arising from a catastrophe). It will also be noted that the above recommendation shouldn't lead to inconsistencies in the recording of international transfers and therefore, should be recorded in close coordination with national accountants where possible. Whether capital transfers should only be recognized for claims related to the loss of capital assets in the event of a catastrophe is pending a decision of the AEG/ISWGNA). Discussion on nonlife insurance claims in Chapter 14 will be referenced.

- The discussion of stability fees and their treatment (AEG 7/2012 and 8/2013)—in some cases, stability fee may qualify as a type of nonlife insurance. It may also have implications for balance of payments that still need to be investigated. Reference to *Chapter 13 (Secondary Income Account)* will be provided and consistency with *Chapter 24 (Insurance and Pensions)*, *2025 SNA* will be ensured.

C. LIFE INSURANCE

- This section will be mostly maintained as in *BPM6* with the following minor change.

- Inconsistency in use of the term "gross premiums earned" (*BPM6*) vs "actual premiums earned" (*2008 SNA*) in the life insurance output formula will be addressed—both SNA and BPM should include the same terminology.

D. HYBRID INSURANCE PRODUCTS

- Based on the recommendations of GN F.12, the concept of hybrid insurance products, their types and treatment will be explained.
- Hybrid insurance products are a mixture of the two primary types of insurance—life insurance (insurance whose financial claims arise regardless of an event occurrence—i.e., insurance with a saving component), and nonlife insurance (insurance whose financial claims arise only if an event occurs). Such insurance products are classified into life (financial account) or nonlife insurance (current transfers) depending on which features are predominant (i.e., the saving component (life insurance) or the component whereby claims are paid only if the insured event occurs (nonlife insurance)). It is clarified that the term life insurance will continue to be included in nonlife insurance (as in *BPM6*). Discussion on hybrid insurance products in *Chapter 11 (Services Account)* will be referenced and consistency with *Chapter 24 (Insurance and Pensions)* of *2025 SNA* will be ensured.

E. PENSION SCHEMES

- This section will be mostly maintained as in *BPM6* with the following minor change.
- Following GN F.12, it will be recommended to treat employer-independent autonomous pension funds as part of social insurance provided they meet the conditions laid down in the GN. Clarifications regarding autonomous pension funds and the delineation of social insurance still to be elaborated (during the editing process of the *2025 SNA*).
- Some clarifications on the treatment of pension schemes (*SNA News & Notes 39/40* and *AEG9/2014*) have come from the SNA since *2008 SNA* was published. These will be reviewed from *Chapter 24 (Insurance and Pensions)*, *2025 SNA* at the drafting stage to determine if any changes/clarifications are needed from BPM perspective to align with the SNA treatment.

Schematic Overview[3]

A	Introduction
B	Nonlife Insurance Types of Nonlife Insurance Role of Insurance Technical Reserves Value of Nonlife Insurance Service Output Value of Reinsurance Service Output Export and Import of Insurance Services Investment Income Attributable to Insurance Policyholders Net Insurance Premiums Claims Receivable or Payable
C	Life Insurance and Annuities
D	Hybrid Insurance Products
E	Pension Schemes

References

- GN F.12. This guidance notes is posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) (imf.org) or at List of Guidance Notes for the *2008 SNA* Update (unstats.un.org).
- SNA News & Notes 39/40 on recording of flows between defined benefit pension schemes and their sponsors and AEG 9/2014 meeting decisions on treatment of holding gains and losses for pensions.
- AEG 7/2012 meeting decisions on life insurance and major catastrophic events.
- AEG 7/2012 and 8/2013 discussion on stability fees.

[3] Standardized guarantees (paragraphs A6c.43–44) is not included in this annex. It will be discussed in *Chapters 5, 6, 7, 8, and other relevant chapters*.

Annex 9. Positions and Transactions with IMF

(Update to Annex 7.1, *BPM6*)

Changes from BPM6 *highlighted in yellow*

This Annex will be based on BPM6 *Annex 7.1 with inputs from other macroeconomic statistics manuals/guides. The structure of the annex will be maintained from* BPM6*, with relevant additions from other manuals. The annex will have an introduction covering the main channels of lending; Section I will describe concepts of fiscal agency and depository; and Section II will explain how to record positions and transactions with the IMF focusing on items relevant for external sector statistics.*

A. INTRODUCTION

- This section will provide a brief overview of IMF lending and borrowing operations mainly covering the following topics based on the *IMF Financial Operations*, *fourth edition*, and relevant inputs from *BPM6* Annex 7.1 and other macroeconomic statistics manuals. This will facilitate proper understanding of how to record these arrangements in external accounts (Section II).

- A core responsibility of the IMF is to make financing available to member countries experiencing actual, potential, or prospective balance of payments problems, including when the country cannot find sufficient financing on affordable terms to meet its net international payments (for example, for imports or external debt redemptions). The three channels of IMF lending are: General Resources Account (GRA) that provides non-concessional lending available to all Fund members; the Poverty Reduction and Growth Trust (PRGT), which provides concessional lending to low-income countries;[1] and the Resilience and Sustainability Trust (RST) that also provides lending to low-income and vulnerable middle-income countries, as well as small states.[2]

A. Non-Concessional (GRA) Lending

- The major non-concessional lending facilities are (i) the Stand-By Arrangement (SBA); (ii) the Extended Fund Facility (EFF); (iii) the Flexible Credit Line (FCL); (iv) the Precautionary and Liquidity Line (PLL); (v) the Short-term Liquidity Line (SLL); and (vi) the Rapid Financing Instrument (RFI). A brief description of these facilities will be added based on Table 2.5 of the *IMF Financial Operations, fourth edition*.

- Resources (borrowing by the IMF): Quota subscriptions are the primary source of financing. IMF can supplement its quota resources through borrowing if it believes that resources may fall short of members' needs. Borrowing can be conducted under its main standing borrowing

[1] While non-concessional lending offers loans at market-based interest rates, loans under concessional lending are at low or zero interest rates.

[2] A tiered interest structure differentiates financing terms across country groups, with low-income members benefitting from more concessional terms. Refer to RST Factsheet for additional details.

arrangements, namely the New Arrangements to Borrow (NAB) and bilateral borrowing agreements (BBAs).

B. Concessional (PRGT) Lending

- The IMF's financial assistance for low-income countries is composed of concessional loans and debt relief.
- The concessional lending facilities are the Extended Credit Facility (ECF), the Standby Credit Facility (SCF), and the Rapid Credit Facility (RCF). A brief description of these facilities will be added based on Table 3.2 of the *IMF Financial Operations, fourth edition*.
- Resources for the IMF's concessional operations are provided through contributions by a broad segment of the membership, as well as by the IMF. These resources are currently administered under the PRGT.

C. Debt Relief

- Resources for the debt relief are administered under the Trust for Special Poverty and Growth Operations for the Heavily Indebted Poor Countries and Interim ECF Subsidy Operations (PRG-HIPC) and the Catastrophe Containment and Relief Trust (CCR) for debt relief. The IMF acts as trustee for all these trusts, mobilizing and managing resources for all the concessional operations. The IMF's debt relief operations are based on trusts established by the Fund.

D. RST Lending

- The IMF has recently established a new trust in 2022 called RST to help low-income, small states, and vulnerable middle-income countries tackle long-term structural challenges including climate change and pandemics. RST resources are mobilized based on voluntary contributions from IMF members with strong external positions, including those wishing to channel Special Drawing Rights (SDRs) for the benefit of eligible members.

E. Fiscal Agency and Depository

- The IMF conducts its financial dealings with a member through the fiscal agency and the depository designated by the member. A brief explanation of these concepts will be provided.

B. RECORDING OF POSITIONS AND TRANSACTIONS WITH THE IMF

A. Quotas (paragraphs 7.75–76)—no significant changes

B. Reserve Position in the IMF (paragraphs 7.77–78)—no significant changes

C. Credit and Loans from the IMF

- This sub-section will have the following minor updates.
    - Paragraph 7.79 will be slightly updated to note that the scope of this sub-section will cover IMF credit through non-concessional lending arrangements discussed in Section I.A and concessional lending arrangements in Section I.B (i.e., concessional loans ECF/SCF/RCF funded through the PRGT).

- Following GN F.15, it will be clarified that the grant element in the case of concessional lending will be recorded as supplementary information only.
- Paragraph 7.81 will be moved to sub-section E (second bullet).

D. Debt Relief Through IMF Managed Trusts

- It will be noted that cash grants from the IMF trusts (e.g., CCR trust) to repay the debt are classified as other capital transfers under the relevant sector (central bank or general government depending on the specific country situation). Further, as the grant is provided for financing a balance of payments need, it should be recorded under memorandum items—exceptional financing (to the standard balance of payments presentation) under capital transfers.

- A short example based on Table 1 from the *Special Series on COVID-19 Note How to Record Debt Relief Under the Catastrophe Containment and Relief Trust in Macroeconomic Statistics* will be included to explain the recording in balance of payments.

E. Lending to the IMF and IMF Managed Trusts

- When a member lends funds to the IMF as a participant in the NAB, or through bilateral loans/note purchase agreements, and if those claims are eligible for immediate early repayment to meet a balance of payments financing need, the member obtains a claim on the IMF that qualifies as a reserve asset (and is included as part of the member's reserve position in the IMF).

- A member may also extend credit or make loans to the IMF that are not considered to be a part of the Reserve position in the IMF. Such a situation arises, for example, if a member's claim on the IMF is not immediately encashable at a time of balance of payments need (paragraph 7.81).

- Lending to IMF managed trust accounts, such as the PRGT and RST, if readily available to meet a balance of payments financing need, should be included in official reserve assets. These claims are to be recorded as other claims/other reserve assets and not to be included under reserve position in the IMF as claims on the IMF managed trusts are not claims on the IMF. Reference to relevant paragraph in Chapter 6 will be provided.

- Lending to the IMF managed trusts that is not readily available to meet a balance of payments financing need does not qualify as official reserve assets and should be recorded under the appropriate functional category (most frequently, other investment).

- Recording in the above instances will be elaborated further based on the *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (IRFCL Guidelines)* Appendix 8.

F. Remuneration (paragraphs 7.82)—no significant changes

G. IMF No.2 Account (paragraphs 7.83)—no significant changes

H. Special Drawing Rights

- This sub-section will be mostly maintained as in *BPM6* (paragraph 7.84) with the following updates.
    - Net International Reserves (NIR): The allocations of SDRs are recorded as debt liabilities and considered long-term reserve-related liabilities. Therefore, they are not included in short-term foreign currency drains, implying that NIR—if following the *BPM7* standard definition of NIR—would increase with the new SDR allocation. Reference to Section VI.B on NIR from Chapter 6 will be provided.
    - It will be noted that the statistical treatment of SDR allocations for countries that are members of a centralized currency union is provided in Annex 3.
    - The following documents will be reviewed further to incorporate any additional updates as appropriate from the perspective of external accounts: (i) “Guidance Note for Fund Staff on the Treatment and use of SDR Allocations”; (ii) “How to Record the Allocations of Special Drawing Rights in Government Finance Statistics”; and (iii) “Statistical Treatment of SDR Allocation: Frequently Asked Questions”.

I. Table A9.1 Summary of Recording of Positions/Transactions with the IMF (in the balance of payments/IIP)

- This table will provide a summary recording of different lending/borrowing arrangements and SDRs in the balance of payments/IIP of the member economy. It will be based on Table 8.1 of the *IRFCL Guidelines.*

Schematic Overview

I	Introduction A. Non-Concessional Lending B. Concessional Lending C. Debt Relief D. RST Lending E. Fiscal Agency and Depository
II	Recording of Positions and Transactions with the IMF A. Quotas B. Reserve Position in the IMF C. Credit and Loans from the IMF D. Debt Relief Through IMF Managed Trusts E. Lending to IMF and IMF Managed Trust Accounts F. Remuneration G. IMF No.2 Account H. Special Drawing Rights I. Table A9.1 Summary of Recording of Positions/Transactions with the IMF

References

- GNs B.2 and F.15. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* (imf.org)
- *Balance of Payments and International Investment Position Manual, sixth edition,* Annex 7.1
- *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template*
- *IMF Financial Operations, fourth edition*
- Guidance Note for Fund Staff on the Treatment and use of SDR Allocations
- How to Record the Allocations of Special Drawing Rights in Government Finance Statistics
- *Monetary and Financial Statistics Manual and Compilation Guide* (Annex 4.2)
- Statistical Treatment of SDR Allocation: Frequently Asked Questions
- Special Series on COVID-19 Note How to Record Debt Relief Under the Catastrophe Containment and Relief Trust in Macroeconomic Statistics

Annex 10. Sustainable Finance in External Sector Statistics

(New *BPM7* annex)

A. INTRODUCTION

This Annex is intended to support data compilers on the type of data they can provide to users in regard to climate change and does not intend to present a framework as one does not exist yet. It will present some items from the balance of payments/IIP framework and possible additional breakdowns that could be relevant for understanding the risks that climate change pose, financing related to addressing climate change and its impacts, and relevant exports and imports of goods and services. The introduction section will include a brief discussion on the importance of sustainable finance and the growing need for statistical information. This annex will focus on "climate change" rather than more broadly on sustainable finance.[1]

B. DEFINITIONS OF KEY CONCEPTS RELATED TO CLIMATE CHANGE

The Annex will begin with some definitions of key concepts related to climate change, such as climate change, adaptation, mitigation, transition risks and physical risks, using references from existing sources (e.g., Intergovernmental panel on Climate Change, OECD).

C. CAPTURING FINANCIAL RISKS RELATED TO CLIMATE CHANGE IN EXTERNAL SECTOR STATISTICS

Balance of payments statistics incorporating the items on the financial risks arising from climate change should be relevant at the national (or, at most, institutional sector) level and contain a clear resident-non-resident dimension. These statistics would allow the examination of the risks of (exposures to) a decrease in the value of financial assets due to physical risks related to climate change as well as those due to the transition risks arising from the transition to a low-carbon economy.

While a wide range of indicators may be useful to facilitate exploring financial risks from a cross border perspective, below are the information initially recommended as the most feasible in the

[1] Given the constantly evolving nature of the topic, this annex could be updated under the supervision of the IMF Balance of Payments Committee, to reflect advances in methodology and data availability as well as the development of a broader framework that would better enable us to identify the cross-border aspects of climate change related risks.

short term. The initial focus is on additional detail and breakdowns of existing Balance of Payments and IIP items.

a. Investments in specific sectors

Breaking down direct Investment by economic activity would be valuable to assess the industrial sector specific climate change related risks that nonfinancial corporations are directly exposed to through their direct investments in specific sectors, such as agriculture or real estate (for physical risks) or carbon-intensive sectors (for transition risks). Financial corporations are also subject to such risks, mainly indirectly through the lending portfolios of their subsidiaries abroad.

The classification of direct investment would cover deposit-taking corporations (except the Central Bank), other financial corporations and a more granular breakdown of non-financial corporations aligning with other statistics (e.g., with the International Standard Industrial Classification (ISIC) revision).[2]

b. Physical location of investments

Direct Investment by counterparty country:[3]

Direct investment in certain host economies may be more exposed to physical risks due to extreme weather events, hence the need for immediate counterparty country data, the ultimate goal being direct Investment by ultimate counterparty. Greater exposure to climate change related risks could also reduce the direct investment received by host economies. Even though more detailed data (city, postal level) would be most useful given the geolocational variation of climate change risks within countries, national data would also be useful as the macro-stability implications of climate change may still extend to the national level in the host country. In addition, national information could be useful in assessing transition risks since policies guiding the transition are often set at the national level.

c. Type or nature of investments

The type or the nature of investments would be useful to understand the extent to which financial institutions are contributing to financing the investments that would mitigate climate-related risks.

The Annex will introduce a supplementary "of which" category for transactions and positions in "green-labelled" bonds[4] as well as for interest in the returns earned on them.

[2] ISIC classification has some limitations for its use for climate change purposes (e.g., energy sector does not differentiate between electricity generated from renewable resources and from coal).

[3] While information on country/sector information of portfolio investment would be analytically useful, it is far more challenging to introduce into the BPM framework at this stage because it requires very granular data.

[4] While the expectation at this stage is that reporting countries would have better data and definitions available for green bonds, depending on country circumstances, they may also choose to identify a broader category called "ESG-labelled" or "sustainability-labelled" bonds. In such cases, it is important to clarify the coverage of this category in the metadata.

The name “green-labelled” bonds will be used to reflect that official international standards are still lacking in this area, and that the labels do not reflect the opinion of balance of payments statisticians but rather are typically determined by commercial organizations.

Green bonds are typically defined as those bonds for which the proceeds are exclusively allocated to green or climate-related expenditures and investments. However, there is no internationally agreed consistent taxonomy for green vs. other assets. Therefore, the recommendation will initially be to compile the data according to the national definition of the compiling country for both assets and liabilities. This could be updated as progress is made in international fora (e.g., G-20 Data Gaps Initiative) to bridge existing taxonomies to facilitate their use for statistical purposes or to develop a consistent taxonomy for green vs. other assets. Therefore, at this stage it is also paramount to provide users with in-depth metadata about the instruments classified as “green-labelled”.

d. International cooperation grants to low-income countries

Supplementary data on international cooperation grants to low-income countries to finance climate change mitigation and adaptation. These could be in the form of current or capital transfers between governments or between international organizations and governments used by recipient countries to mitigate and adapt to the adverse effects of climate change. Separately identifying these climate related grants is important in view of the magnitudes, macroeconomic implications for recipient economies and the feasibility of separately identifying them.

D. OTHER USEFUL INFORMATION FROM THE BALANCE OF PAYMENTS

Information on how complementary groupings of transactions that are recorded within the balance of payments, such as trade in low carbon goods and in environmental goods and services, could be presented. This would be linked to work to improve the trade classifications to better identify environmentally friendly goods, environmentally damaging goods, low-carbon technology goods, and minerals critical for the transition to a low carbon economy that are being considered for the update of the international trade manuals. In addition, waste treatment and depollution services and separate reporting of cross-border transactions in CO_2 emissions permits could be among other useful information that could support work on sustainable finance.

E. ANALYTICAL USEFULNESS AND LIMITATIONS OF THE INDICATORS (TBD)

F. FUTURE WORK

- Green lending, and equity: Green lending,[5] including intercompany debt, and equity.
- Source of funding (exposures of financing sources to climate change related risks)
- Climate related financial derivatives
- A supplementary item identifying exceptionally large insurance claims from natural catastrophes recorded as capital transfers to provide visibility to all cross-border insurance transactions to monitor an economy's ability to insure and reinsure across borders.

[5] Apart from private financing, cross-border climate financing in form of lending by international organizations is also growing steadily. Climate finance by the World Bank to developing countries, for instance amounted to US$21.4 billion in 2020 and is expected to be scaled up over the period 2021–2025. Climate Change Action Plan 2021–2025 Supporting Green, Resilient, and Inclusive Development. The IMF Resilience and Sustainability Trust is also designed to complement the IMF's existing lending toolkit by focusing on longer-term structural challenges—including climate change and pandemic preparedness.

Schematic Overview

A.	Introduction
B.	Definitions of key concepts related to climate change
C.	Capturing financial risks related to climate change in external sector statistics
D.	Other useful information from the balance of payments
E.	Analytical usefulness and limitations of the indicators (tbd)
F.	Future work

References

- GN B.6 on Sustainable Finance, available at [Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (BPM6) (imf.org)].
- SNA chapter on Well-being and Sustainability, *ISIC, Update of the HS Codes, International Merchandise Trade Statistics Manual*

Annex 11. Data by Partner Economy

(Update to Section F.2, Chapter 4, *BPM6*)

Changes from BPM6 *highlighted in yellow*

This Annex will be mainly based on Chapter 4, BPM6 *(Section F.2—Data by partner economy) with additional inputs from the* BPM6 Compilation Guide (BPM6CG) *and other relevant manuals/guides. The structure of the annex will be mostly maintained from* BPM6*, Section F.2, Chapter 4. The annex will have separate sections, namely an introduction covering the purpose and basic principles of data by partner economy (Section I), and another section covering the compilation of cross-border transactions/positions data by partner economy focusing on specific items (Section II).*

A. INTRODUCTION

- This section will cover the purpose of data by partner economy and the basic principles for compiling such data based on *BPM6* paragraphs 4.146–148, and 14.23–24; and *BPM6CG* A5.2–5.7.

- It will be noted that the basic principle for compiling balance of payments data by partner economy is based on the economy of residence of the counterparty to the transaction or financial position as this approach does not create bilateral asymmetries. It will be indicated that for current account transactions (except investment income) the partner economy attribution is based on the "transactor approach" (i.e., transactions are allocated to the economy of residence of the nonresident with whom the transaction is made). Further, it will also be mentioned that for balance of payments transactions in financial instruments (and investment income), while the basic principle for partner economy attribution should be based on the economy of residence of the counterparty to the transaction (transactor approach), the use of the alternative method (debtor/creditor) is possible but should be clearly specified when presenting the data to users. As in *BPM6* (paragraph 4.152), partner data attribution on asset/liability positions will follow the debtor-creditor approach. Although this will be mentioned under financial instruments sub-section (as in *BPM6* paragraphs 4.152 and 4.154), it will also be introduced in the basic principles for clarity.[1] Relevant examples will be included.

- The discussion on agents (paragraph 4.149), nominee accounts and custodians (4.160), and quasi-corporations (4.164) will be included in this section as they are relevant for discussion in the next section. A simple example on nominee accounts and custodians from the *Handbook on Securities Statistics 2015* (*HSS 2015*) paragraph 6.39 will be added—for example, if a resident of Country A holds securities issued by a resident of Country B and

[1] For the purpose of compiling regional aggregates, all countries should consistently apply the same principle.

uses a nominee account in Country C, and the securities are kept in custody in Country C, the custodian in Country C may not be aware that the ultimate owner is in Country A.

B. COMPILATION OF CROSS-BORDER TRANSACTIONS AND POSITIONS DATA BY PARTNER ECONOMY

- This section will cover the compilation of data by partner economy for specific balance of payments components (e.g., goods, services, direct investment) and financial instruments, and associated issues. It will be based on *BPM6* paragraphs 4.150–4.164, with the following updates (references to other BPM chapters in these paragraphs will also be updated).
- Goods: Paragraph 4.150 (second sentence) will be slightly updated to mention about other relevant criteria (e.g., economy of shipment and consumption). Footnotes will be added to define the criteria other than the economy of origin (which is already defined in footnote 8 to paragraph 4.150) based on the guidance from *International Merchandise Trade Statistics: Concepts and Definitions 2010* (*IMTS 2010*).
- Drawing from (and in some cases expanding on) what is included in the *BPM6CG*, as well as the UNECE *Guide to Measuring Global Production*, it will address challenging issues such as merchanting and goods for processing within factory-less global production arrangements (GN C.4 and G.7), noting where adjustments to bring source data that exhibits physical cross border flow of goods to a change of economic ownership basis may also require adjustments to the partner economy.[2] Relevant examples will be provided.
- Further explanation on merchanting of goods by partner economies based on *BPM6CG* paragraphs A5.31–32 will be added. In addition, *BPM6CG* Table A5.3 will be added to illustrate the related recording in IMTS and BPM (and will be expanded to provided additional elaboration as needed). Other examples from *BPM6CG* Appendix 5 will be examined for their inclusion in relevant sub-sections, if considered appropriate.
- In addition, the issue of “inverse merchanting” and adjustments required for correct partner economy attribution in such arrangements from *BPM7* Chapter 10 (Goods Account) will be referenced.
- Services: Freight and Insurance—no significant changes.
- Other Services: This sub-section will discuss partner economy attribution related to intellectual property (GN G.5), including the attribution when the intellectual property product is owned by a Special Purpose Entity (GN G.4); transport; and other service categories.
- Further, conceptual difficulties associated with the partner economy attribution of crypto assets without corresponding liability received by miners/validators will be mentioned (related compilation guidance to address this issue will be included the updated *BPM6CG*).

[2] This discussion and the sub-section on other services is currently included as Section III (Partner Economy Attribution), Annex 5, *BPM7* AO. It is moved to this Annex.

- In addition, it will elaborate on possible issues associated with partner economy attribution with relevant examples in cases where a resident of the compiling economy purchases goods/services through intermediaries. For example, the resident of a compiling economy (X) purchases hotel or transport services from a non-resident economy (Y) using a digital intermediation platforms (DIPs)/tour operator based in another non-resident economy (Z). In such case, for economy of tour operators/DIPs (Z) only the relevant service fee should be recorded and not the total amount (based on recommendations of GNs C.4 and C.7), and that the remaining amount should be recorded to the end service providing economy (Y) of hotel/transport.

  - Remittances: Remittances are often closely related to migration between two economies, and therefore, remittance flows by partner economies are analytically useful. Remittances data by partners do not need to include all partner economies. Instead, data by partner economies should focus on major remittance corridors—that is, pairs of economies with large flows. For most economies, a small number of corridors are likely to cover most remittance flows. As indicated in *BPM6* paragraph A5.30, remittance flows to and from major partner economies in balance of payments data may be provided on a supplementary basis, especially for major corridors. Relevant references from *BPM7* Annex 4 (*Remittances*) will be provided.

- All the issues relating to financial transactions/positions (other than direct investment) will be presented first followed by the discussion on direct investment (see the schematic overview).

- Financial instruments (*BPM6,* paragraphs 4.152–154)—no significant changes

- Securities, stripped securities, securities repurchase agreements, and depository receipts: Brief updates will be added based on the discussion in Chapter 3 of the *Coordinated Portfolio Investment Survey Guide, third edition* (*CPIS Guide*) covering:

  - the use of International Securities Identification Number (ISIN) in identifying the geographical attribution of securities

  - the residence attribution of securities issued/held by the international organizations and regional central banks

  - for depository receipts, a clarification example will be added at the of end of paragraph 4.161 noting that—for example, American depository receipts (ADR) are liabilities of the non-U.S. institutional units whose securities underlie the ADR, not of the U.S. financial institutions issuing the ADR.

- Gold bullion included in monetary gold (*BPM6,* paragraph 4.162)—no significant changes

- Special drawing rights (*BPM6,* paragraph 4.163)—no significant changes

- Direct Investment: As in *BPM6* (paragraph 4.156), it will be noted that the partner allocation is based on the economy of the immediate debtor/creditor rather than that of the counterpart transactor. A footnote will be added to indicate that *Benchmark Definition of Foreign Direct Investment, fourth edition* (*BD4* or its update) strongly recommends the use of debtor/creditor principle for compilation of direct investment transactions and positions by partner economy. Further, following updates will be made to this sub-section (paragraph 4.157). Regarding supplementary data on ultimate investing economy (UIE) and the ultimate host economy (UHE) as well as identification of pass-through funds, reference to *BPM7* Annex 6. "Selected Issues on Direct Investment" will be provided.

- Further, it will be noted that the *Coordination Direct Investment Survey Guide 2015* (*CDIS Guide 2015*) and the *BD4* provide recommendations for compiling FDI data on a directional basis by partner economies. Main reasons for bilateral asymmetries of CDIS data reported by an economy and its main counterpart economies from *CDIS Guide 2015* Box 6.5 and other relevant documents will be referenced, which are equally relevant for discussion in this section.

Schematic Overview

A	Introduction Agents Nominee Accounts and Custodians Quasi-Corporations
B	Compilation of Cross-Border Transactions and Positions Data by Partner Economy Goods Services Remittances Financial Instruments Securities Stripped Securities Securities Repurchase Agreements Depository Receipts Gold Bullion Included in Monetary Gold Special Drawing Rights Direct Investment

References

- GNs C.4, C.7, G.4, G.5, and G.7. These guidance notes are posted at Update of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) (imf.org)
- *Balance of Payments and International Investment Position Manual, sixth edition,* Chapter 4
- *BPM6 Compilation Guide*, Appendix 5
- *Benchmark Definition of Foreign Direct Investment, fourth edition*
- *Coordination Direct Investment Survey Guide 2015*
- *Coordinated Portfolio Investment Survey Guide, third edition*
- *Handbook on Securities Statistics 2015*
- *International Merchandise Trade Statistics: Concepts and Definitions 2010*
- *International Transactions in Remittances: Guide for Compilers and Users*
- IMF working paper WP/17/261 *Asymmetries in the Coordinated Direct Investment Survey: What lies Behind?*

Annex 12. Links Between International Standards for Macroeconomic Statistics

(Update to *BPM6* Appendix 7)

Changes from BPM6 *highlighted in in yellow*

A. INTRODUCTION

This annex is an update of *BPM6* Appendix 7 and is intended to provide users and compilers a broad framework of statistical linkages of external accounts not only with national accounts but other macroeconomic statistics as well. It will present the interconnections of the balance of payments and international investment position (IIP) with the national accounts, government finance statistics, monetary and financial statistics, and external debt statistics.

B. ACCOUNTING SYSTEM

This section will extend the discussion in paragraphs A7.2–3 in *BPM6*. It will outline the similarities and differences between accounting systems of balance of payments/IIP with other macroeconomic statistics.

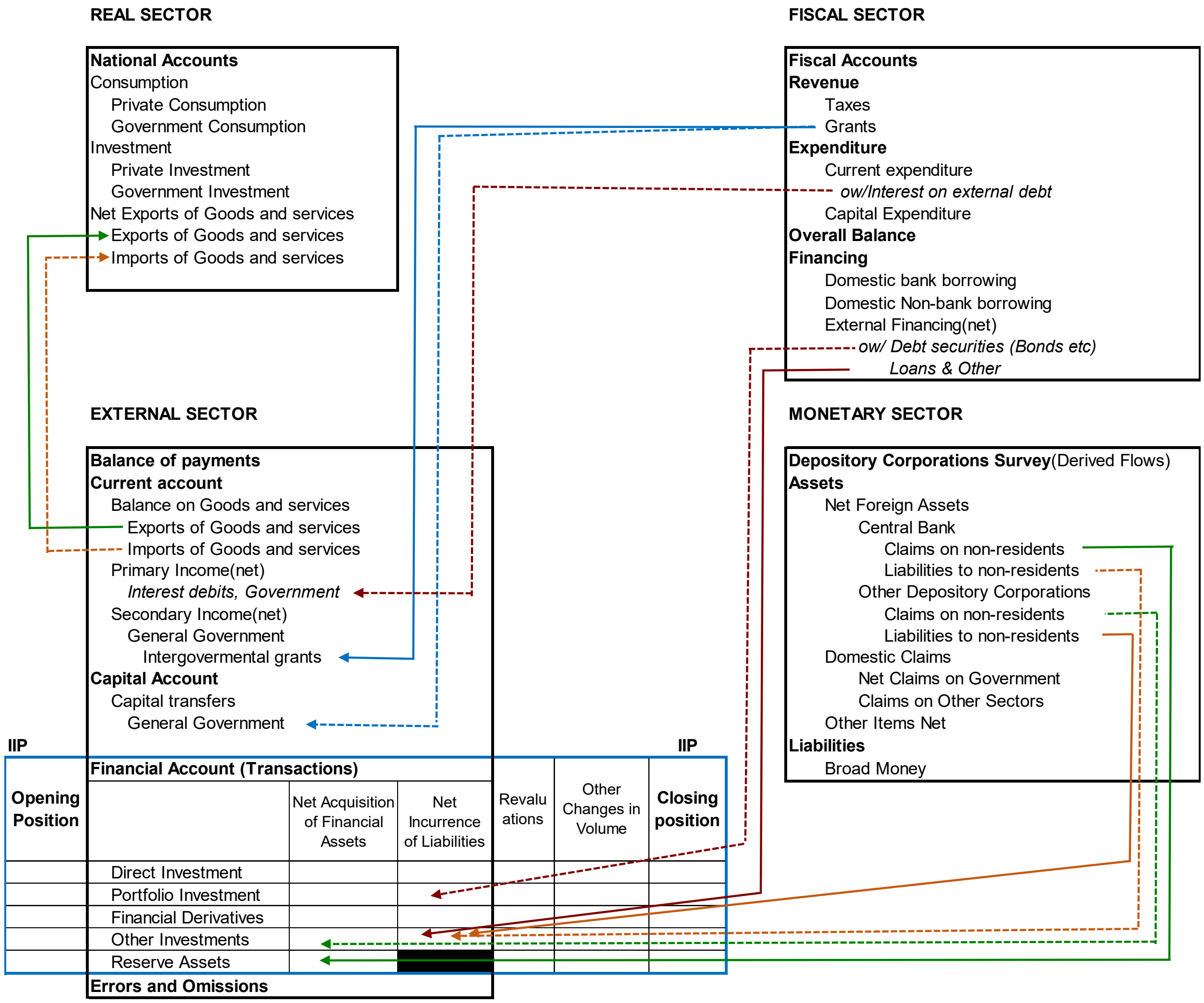
C. CLASSIFICATION

The discussion in paragraph A7.4 in *BPM6* will be expanded. It will provide the similarities and differences in classification between the balance of payments/IIP and other macroeconomic statistics.

D. LINKAGES OF BALANCE OF PAYMENTS/IIP WITH OTHER MACROECONOMIC STATISTICS

Using a schematic diagram, this section will present an overview of the broad linkages of the balance of payments/IIP with other macroeconomic statistics (Figure 1. “Linkages of Balance of Payments and International Investment Position with Other Macroeconomic Accounts”). This will be followed by the description of the main linkages of external accounts with each of the main macroeconomic datasets.

Figure 1. Linkages of Balance of Payments and International Investment Position with Other Macroeconomic Accounts



Source: Author

a) Linkages of Balance of Payments/IIP with the System of National Accounts

This section will highlight the specific components in the balance of payments that are integrated in the system of national accounts (SNA). It will also present the linkages of the IIP with the SNA *rest of the world* account.

The discussion in paragraphs A7.5–7.9 in *BPM6* will be maintained as well as Table A7.1 with possible updates. This section will provide references to relevant updates in Chapter 19 of *BPM7* (Chapter 14, *BPM6*) arising from GN B.4 “Reconciliation Between Flows and Stocks” on *Consistency between Balance of Payments/IIP and National Accounts*

b) Linkages of Balance of Payments/IIP with Government Finance Statistics

In this section, the linkages of the balance of payments/IIP with government finance statistics will be presented. The *BPM6 Compilation Guide* Appendix 6 "Linkages with Other Macroeconomic Datasets" (paragraphs A6.54–6.110), *Government Finance Statistics Manual 2014* (*GFSM 2014*) Appendix 7 "Linkages between GFS and Balance of Payments and the International Investment Position" (paragraphs A7.75–A7.98), and High-level overview of linkages provided in the online GFSx Course – Module 8: "Using GFS for Policy Purposes", will be the main documents to be used for this section.

c) Linkages of Balance of Payments/IIP with Monetary and Financial Statistics

This section will describe the interconnections of transactions and positions for the deposit-taking corporations, central bank, and other financial corporations in the external accounts with the corresponding sections in the monetary and financial statistics. The *BPM6 Compilation Guide*, Appendix 6 "Linkages with Other Macroeconomic Datasets" (paragraphs A6.31–6.53); and *Monetary and Financial Statistics Manual and Compilation Guide* (*MFSMCG 2016*), Appendix I, Section IV. "Linkages between Monetary Statistics and External Sector Statistics" (paragraphs A1.14–A1.24) will be used.

d) Linkages of the International Investment Position with External Debt Statistics

The writeup will highlight the components in the IIP which constitute external debt and the differences that exist. The linkages of various functional categories, instruments, and institutional units between the IIP and external debt statistics will be presented. The *External Debt Statistics Guide*, Appendix 4 "The Link between External Debt Statistics and the IIP", paragraphs 2–6, and Table A4.1 will be used in this section. This section will also provide relevant references to the *Public Sector Debt Statistics Guide* for compilers and users who may require further information on the alignment of External Debt Statistics with Public Sector Debt Statistics.

Schematic Overview

A	Introduction
B	Accounting System
C	Classification
D	Linkages of Balance of Payments and International Investment Position with other Macroeconomic Statistics
	a) Linkages of Balance of Payments and IIP with the System of National Accounts b) Linkages of Balance of Payments and IIP with Government Finance Statistics c) Linkages of Balance of Payments and IIP with Monetary and Financial Statistics d) Linkages of International Investment Position with External Debt Statistics

References

- *BPM6*, Appendix 7.
- *BPM6 Compilation Guide*, Appendix 6 (paragraphs A6.31–A6.110).
- *GFSM 2014*, Appendix 7: Linkages between GFS and Balance of Payments and the International Investment Position (paragraphs A7.75–A7.98)
- GFSx Online Course – Module 8: *Using GFS for Policy Purposes*
- *MFSMCG 2016*, Appendix I, Section IV. “Linkages between Monetary Statistics and External Sector Statistics” (paragraphs A1.14–A1.24)
- *External Debt Statistics Guide 2014*, Appendix 4 “The Link between External Debt Statistics and the IIP” (paragraphs 2–6, and Table A4.1).
- *Public Sector Debt Statistics, Guide for Compilers and Users, 2013,* Appendix I, Relationship of Public Sector Debt Statistics and External Debt Statistics

Annex 13. Changes from *BPM6*

No annotated outline has been produced for this annex.

Annex 14. Standard Components and Selected Other Items

No annotated outline has been produced for this annex.