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Revision of Balance of Payments Manual (5th Edition) - LIST OF KEY ISSUES

Issue No.	Issue	Description
I. Theoretical framework (including changes to existing recommendations)		
BPM1	Integration of macro-economic statistics frameworks	Given the linkages between the national accounts and balance of payments frameworks, and also the links with the updated standards of the new Monetary and Financial Statistics Manual (MMFS) and the Government Finance Statistics Manual, include a more complete discussion of the linkages with these frameworks.
BPM2	Links between International Merchandise Trade Statistics: Concepts and Definitions and BPM5	Include a discussion of the relationship between the balance of payments framework and the merchandise trade statistics as recommended in the International Merchandise Trade Statistics: Concepts and Definitions.
BPM3	Goods component	<p>Re-exports of goods are included in goods and transit trade is excluded from goods. There is a need to consider whether this distinction is still appropriate and whether it is practical.</p> <p>Expand the discussion of the recommendations to use physical transfer rather than change of ownership, for example, for financial leases, goods for processing, merchanted goods, and goods shipped between a direct investment parent and its branches and affiliates.</p> <p>BPM5 paragraphs 119 and 120 suggest physical flows are preferable in these cases, but does not explain why.</p> <p>Include discussion on the valuation of trade in goods and in particular the calculations for allocation of freight costs to transportation and insurance services.</p>
BPM4	Financial derivatives	<p>The treatment of financial derivatives has now been clarified, and revisions to both BPM5 and 1993 SNA have been agreed and promulgated In the case of balance of payments statistics, in the publication Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual.</p> <p>Further clarifications, for the treatment of financial derivatives in direct investment, have been separately provided to balance of payments correspondents.</p> <p>These would be incorporated, if practicable, in the text of any reprinting of BPM5.</p> <p>Incorporate the direct investment clarifications.</p>
BPM5	Financial intermediation services indirectly measured (FISIM)	<p>The treatment of FISIM in the balance of payments, including in areas such as financial derivatives, might be reconsidered.</p> <p>A number of countries are moving towards the estimation of FISIM as part of the financial services component of the balance of payments classification.</p>
BPM6	Income	<p>Reconsider the treatment of dividends (as a disbursement of capital in the financial account).</p> <p>Review the current treatment of reinvested earnings of direct investment enterprises.</p> <p>Include a discussion on the definition of interest and what is being measured.</p> <p>Include clarifications for example of the treatment of retained earnings of collective investment schemes, and earnings of pension funds, insurance corporations, and mutual funds.</p>

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Issue No.	Issue	Description
BPM7	Trusts	Address issues of identification, classification, and residence.
BPM8	Valuation	<p>What is the appropriate valuation of financial assets and liabilities?</p> <p>In particular consider the debtor/creditor approaches. It may be appropriate to include more than one valuation (as in external debt statistics).</p> <p>Include discussion of the valuation of direct investment stocks; also effect of dividends declared on the valuation of shares (ex- and cum-dividend share pricing)</p>
BPM9	Purpose of external statistics	Add a discussion on the substance of the purpose of external statistics along the lines of the material for users that was discussed by the Committee in 2000 and clearly indicating links to other macro-economic statistics.
BPM10	Renaming of the system	'Balance of Payments' is quite narrow. Expand title to refer to international investment position.
BPM11	Volume and price measures	Include discussion on volume measures. Also add a discussion of export and import price indexes, unit value indexes, and terms of trade indexes (possibly as an annex).
BPM12	Classification	<p>Review the balance of payments and international investment position classifications for:</p> <ul style="list-style-type: none"> ▪ appropriateness, including the distinction between goods and services and that among financial instruments; ▪ possible further breakdown of other sectors; ▪ instrument split for direct investment.
BPM13	Non-produced, non-financial assets	Review treatment of such assets in the balance of payments and international investment position statements, and review the treatment of the income flow from the use of such assets.
BPM14	Migrants' transfers	Review the BPM5 recommended treatment. Are these really transactions?
BPM15	Instruments	Expand the discussion of financial instruments (in a separate chapter).
BPM16	Reconciliation of stocks and flows	Include a discussion on this.
BPM17	Statistical units	Provide definitions and discuss their importance in statistical measurement and data collection.
BPM18	Financial gold	Should this continue to be treated as a good, or should it be regarded as a financial instrument?

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Issue No.	Issue	Description
II. New and emerging issues		
BPM1A	External debt and the IIP (Issues raised in the development of External Debt Statistics: Guide for Compilers and Users (Debt Guide))	<p>Incorporate discussion on the relationship between external debt statistics and the IIP framework, in light of the Debt Guide, and consider whether supplementary data might be appropriately added to the IIP and/or the balance of payments statement, including:</p> <ul style="list-style-type: none"> ▪ Primacy of the sectoral classification in the Debt Guide ahead of the functional classification (which has primacy in BPM5). ▪ Distinction between debt denominated in foreign currencies and debt denominated in the domestic currency. ▪ Need for information on foreign currency based derivative instruments. ▪ Need for data on remaining maturity of debt as well as original maturity. ▪ Clarify a range of valuation issues such as the valuation of debt where repayment is determined in terms of quantities of goods rather than money or where an official debtor buys back nontraded debt at a reduced price. Also discuss market and nominal value. ▪ Expand the discussion of debt forgiveness to consider, inter alia, debt/equity swaps, debt buybacks, and the clarification of definitions and valuation related to debt forgiveness, revaluation of debt, and debt write-offs.
BPM2A	Sectoral classification	Review the BPM5 sectoral classification. For example, the IMF's MMFS more closely aligns its sectoral classification with that of the 1993 SNA, and downgrades the importance of the monetary authorities sector.
BPM3A	Reverse transactions	<p>The statistical treatment of repurchase transactions, securities lending, gold swaps, and gold loans/deposits is under discussion.</p> <p>Clarify the classification of fees associated with gold swaps and securities lending.</p>
BPM4A	Accrued interest	The issue of the appropriate treatment and valuation of accrued interest in both the balance of payments and the national accounts frameworks is currently under discussion.
BPM5A	Loans sold at a discount	Discussion and guidance on the most appropriate way to value loans on sold by the initial creditor at a discount.
BPM6A	Services transactions in BPM5 (issues arising from the development of the Services Manual)	<p>The negotiation of the General Agreement on Trade in Services has led to a greater focus on trade in services statistics.</p> <p>Outcomes of the work on developing the Manual on Statistics of International Trade in Services (Services Manual) for updating BPM5 include:</p> <ul style="list-style-type: none"> ▪ Clarifications of the definitions of the various services components. ▪ An update to Annex 3 of BPM5 (which shows a partial correspondence between the BPM5 services classification and the provisional Central Product Classification (CPC)) will be needed. ▪ Need to consider whether the classification in BPM5 remains appropriate; in particular, how much of the extended balance of payments services classification that is recommended in the Services Manual might be incorporated into an updated BPM. ▪ Consideration should be given to the question of whether the BPM5 classification of services might be even more closely aligned with a future version of the CPC, and that the transactor-based parts of the classification (in particular travel and government services n.i.e.) might become memorandum items to the BPM classification.
BPM7A	Employee stock options	Treatment of this form of compensation in macro-economic statistics should be resolved.
BPM8A	Pricing levels and distribution margins	With the emergence of e-commerce, it has become apparent that a discussion on pricing levels and distribution margins is needed in the BPM.

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Issue No.	Issue	Description
BPM9A	Revisions to international accounting standards	<p>Changes to international accounting standards may require changes to international statistical systems, or vice versa. It is important to keep abreast of these changes.</p> <p>In addition, changes to business accounting may require changes to data collection systems, and possibly changes to the Balance of Payments Compilation Guide.</p>
BPM10A	Provisioning for non-performing loans	<p>A creditor may write down or write off a non-performing loan; however, the debtor continues to have an obligation to repay the full amount of the loan.</p> <p>Thus the principle of market valuation leads to an asymmetry in the system where the creditor will value a non-performing loan at a lower value than the debtor.</p>
BPM11A	Data dissemination and data quality	Should these be addressed in an annex/appendix to the new manual?

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Issue No.	Issue	Description
III. Clarifications of BPM		
BPM1B	Reserve assets	<p>A data template on international reserves and official sector foreign currency liquidity has been developed by the IMF for use by countries in their reporting of both on- and off-balance sheet data, along with operational guidelines for the compilation of the template data.</p> <p>While the reserves template moves beyond the framework of BPM5, the operational guidelines provide clarifications of the guidelines included in BPM5 for distinguishing reserve assets from other assets.</p> <p>Clarify the treatment of reserve assets held by regional central banks.</p> <p>Discuss:</p> <ul style="list-style-type: none"> ▪ the circumstances under which commercial banks' foreign currency holdings might be considered reserves; and ▪ whether reserves can be held in a country's own currency. <p>Clarify the treatment of income earned on reserve asset holdings (including SDRs).</p> <p>Clarify the inclusion or otherwise in reserves of the working balances of governments held abroad</p>
BPM2B	Direct investment	<p>Issues for clarification: transactions with affiliated financial intermediaries and SPEs, payments associated with the acquisition of a right to undertake direct investment, and the shutdown of foreign direct investment enterprises that were set up to undertake exploration of natural resources.</p> <p>Individuals purchasing property in countries of which they are not resident constitutes a different type of direct investment to that carried out by enterprises. Should such investment be separately identified?</p> <p>There are some inconsistencies between BPM5, the Textbook, and the Compilation Guide with respect to direct investment. Examples include</p> <ul style="list-style-type: none"> ▪ the recommendations related to transactions with financial intermediaries, where the <i>Textbook</i> appears to contradict BPM5, while the Guide supports it, and ▪ the recommended treatment for investment in real estate in the Textbook and Compilation Guide is not in accordance with BPM5. <p>Review the appropriateness of the ten percent rule for distinguishing direct investment.</p> <p>Should 'greenfields' investment be identified separately from mergers and acquisitions?</p> <p>Discuss (extend classification?) transactions between direct investment 'cousins'.</p> <p>Review appropriateness of existing recommendations about the fully consolidated system.</p> <p>Consider whether alternative presentations (for example, through supplementary data) might be appropriate, such as for data on ultimate beneficial owner/ultimate exposure.</p> <p>Expand on treatment of financial institutions in direct investment.</p>
BPM3B	Goods	Treatment of barter trade, shuttle trade, and smuggling to be directly addressed.
BPM4B	Non-produced, non-financial assets	Address the treatment of non-produced, non-financial assets (both the assets and their associated payments), such as mobile telephone licenses, patents and other intellectual capital, franchises, purchase/sale of land leases, and the acquisition of rights to fish in territorial waters.
BPM5B	Capital subscriptions to international and regional organizations	Treatment to be directly addressed.

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BPM6B	Concessional loans	Should the grant element of a concessional loan be recorded as a transfer?
BPM7B	Residence/economic territory	<p>The criteria for residence need to be reviewed; in particular:</p> <ul style="list-style-type: none"> ▪ There are differences between BPM5 paragraph 78 and 1993 SNA paragraph 14.23. This affects, among other things, the coverage of offshore financial institutions, for which there are differences in interpretation between the Debt Guide, the CPIS Guide, and the MMFS. ▪ BPM5 paragraph 59 provides two different definitions of economic territory. ▪ how to classify holding companies? ▪ consider the relevance of residence concept to modern ('globalized') multinationals. ▪ discuss regional aggregates, and consider regional institutions. ▪ discuss individuals with multiple territories of residence. ▪ discuss treatment of binational enterprises. ▪ discuss changes to economic territory, for example the Panama Canal Zone, and the associated residence and ownership of assets and liabilities. ▪ discuss joint ownership of financial assets (for example deposits) by residents of different economic territories
BPM8B	Geographic attribution	Expand the discussion of the geographic attribution of both transactions and positions, given the increasing tendency towards to compilation of partner country data.
BPM9B	Financial leases	<p>Clarify definition and distinction from operating leases, and ensure the same definition is used in BPM and SNA.</p> <p>Discuss the treatment of the residual value of the lease, on which the lessee may have an option to buy.</p>
BPM10B	Sectoral classification of currency and deposits liabilities	BPM5 identifies two sectors (monetary authorities and banks) that can hold currency and deposit liabilities; however all four sectors are included in the reporting forms and some countries report all four.
BPM11B	Treatment of purchase/sale of software	Good or service or royalties and license fees transaction?
BPM12B	Treatment of purchase/sale of downloadable products	Good or service?
BPM13B	Goods for processing	<p>Clarification of the statistical treatment of goods for processing when the goods leave an economy in one period and are returned in a later period.</p> <p>BPM5 is silent on the classification of the financial asset and liability that are created.</p>
BPM14B	Capital gains and losses	Discussion of the distinction between capital gains/losses incurred as a result of holding some types of financial assets and income.
BPM15B	Spread earnings	Include guidance on the estimation of spread earnings.
BPM16B	'Short' sales	Include a discussion on the appropriate treatment of 'short' sales in general (that is, where an entity sells financial assets that it does not own).
BPM17B	Insurance services	<p>Review and elaborate on the recommendations for estimating insurance services and other insurance flows, noting the problems that arise under the present recommendations in the event of catastrophic claims.</p> <p>Reinsurance services to examine the principles underlining the treatment recommended in BPM5</p>

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Issue No.	Issue	Description
BPM18B	Exceptional financing transactions	Expand the discussion of the principles of exceptional financing. Include discussion of appropriate statistical treatment of short-term loans that are continuously rolled-over (under the existing format for exceptional financing, the rolling over of short-term loans overstates exceptional financing).
BPM19B	Technical assistance	Review the recommended treatment for short-term technical assistance personnel.
BPM20B	Guarantees and contingencies	Include a discussion on these to consider whether supplementary data or satellite accounts might be appropriate
BPM21B	Transactions and positions of countries with the IMF	The appropriate treatment in the accounts should be discussed more fully.
BPM22B	Penalty payment for non-fulfilment of a contract	Clarification of appropriate classification of such payments