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Proposed list of BPM5 issues considered important to U.K. economy

Issue No.	Issue	Description
I. Theoretical framework (including changes to existing recommendations)		
UKBPM1	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>
UKBPM2	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>
UKBPM3	Financial gold	Should this continue to be treated as a good, or should it be regarded as a financial instrument?
II. New and emerging issues		
UKBPM4	External debt and the IIP	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.
UKBPM5	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>
UKBPM6	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.
UKBPM7	Services transactions in BPM5	<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>
UKBPM8	Employee stock options	Treatment of this form of compensation in macro-economic statistics should be resolved.
UKBPM9	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>

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III. Clarifications of BPM5		
10.	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. 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>
11.	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.</p> <p>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.</p> <p>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>

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UKBPM12	Goods for processing	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. BPM5 is silent on the classification of the financial asset and liability that are created.
UKBPM13	Insurance services	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. Reinsurance services to examine the principles underlining the treatment recommended in BPM5