

ACC SUBCOMMITTEE ON STATISTICAL ACTIVITIES
Twenty-ninth session
Geneva--15, 16 and 19 June 1995

SA/1995/4 (add.1)
2 June 1995

Item 2 of the provisional agenda

REPORTS OF TASK FORCES

Task Force on Finance Statistics

Report prepared by the IMF

I Introduction

This report provides an update to the report of the Task Force on Finance Statistics to the 28th session of the Statistical Commission, held in New York, February 27-March 3, 1995. At the last meeting of the Task Force, held in the IMF on November 29-30, 1994, it was agreed that, as the Task Force had largely dealt with the principal issues identified in its terms of reference, no further meetings would be scheduled for the time being. The following summarizes developments involving coordination of statistical activities that have taken place since the report to the Statistical Commission. A list of issues for discussion is attached.

By way of background, it is worth noting that the next two years will see a considerable amount of activity by the IMF, BIS, EU, and OECD in the area of finance statistics, driven by the need to update, revise and implement the various international methodologies and standards in this area to make them more consistent with the 1993 SNA, the need to respond to emerging regional requirements (such as those resulting from the Treaty of European Union regarding economic and monetary convergence), and the need to monitor more closely developments in financial markets and financial instruments (both in a regional and global context).

II. Balance of Payments Statistics

Further work on the design of a coordinated portfolio investment survey to improve data sources for balance of payments stock data took place in meetings of the IMF Committee on Balance of Payments Statistics and its Task Force on Portfolio Investment, held in the IMF on March, 30-31, and March 28-29, 1995, respectively. These meetings have brought together representatives of a number of national statistical offices likely to be involved in the conduct of the coordinated survey and interested international organizations (BIS, EUROSTAT, EMI, IMF and OECD). The Task Force aims to complete its recommendations to the Committee on the design of an outbound (assets) survey of cross-border portfolio investment positions, and, by October 1995, elaborate procedures that should be followed to facilitate the exchange of information. The IMF will be project manager for the survey, which is to be conducted as of December 31 1997, and will be aimed at major industrial countries, major offshore financial centers, and selected developing countries.

Issues currently being considered by the Committee include the treatment of repurchase agreements (repos) and stock lending, the assignment of tasks for the preparation of a reporting guide for the survey, whether data should be collected at the individual security level, as opposed to aggregated data, and classification issues, including the use of International Securities Identification numbers to denote the country of residence of the issuer (ISIN), and the adoption of a code for Classification of Financial Instruments (CFI).

The meeting of the Committee also considered a number of issues related to the implementation of the Fifth Edition of the Balance of Payments Manual (BOPM5) and the 1993 SNA including the treatment of financial derivatives, insurance services, service earnings of financial intermediaries, accrual accounting for interest flows, market valuation of direct investment positions, reinvested earnings, and establishment trade statistics. The Committee noted that, in the case of financial derivatives and establishment trade statistics, there will be a particular need to coordinate the data collection efforts of interested international organizations, as well as promote data sharing arrangements between them.

With regard to direct investment statistics, the Benchmark Definition of Foreign Direct Investment of the OECD has been revised to bring it into line with the BOPM5. The OECD is now preparing, jointly with EUROSTAT, a questionnaire on the collection of annual statistics on stocks of foreign direct investment consistent with its benchmark definition. An emerging area of interest in direct investment statistics has concerned ways of supplementing the approaches to measurement recommended by the BOPM5 and the 1993 SNA to focus on various aspects of globally integrated production networks. One example of alternative approaches being considered is the proposal by Statistics Canada for an "extended GDP" to include all of the production-related activity carried out by domestically owned firms, and not simply the income earned from those activities as is currently recorded. Such approaches raise a number of coordination issues concerning the need for linkages with the BOPM5 and 1993 SNA, and the data collection systems that result.

III External debt statistics

The Task Force notes the plans of OECD and the World Bank to schedule a meeting of the International Working Group on External Debt Statistics sometime this year to promote coordination between creditor and debtor sources of information. It is understood that the meeting would review steps that could be taken by the two organizations to promote a more integrated framework for reporting, including possible changes to the design of the World Bank's Debtor Reporting System.

IV. International Banking Statistics

The IMF Committee on Balance of Payments Statistics noted that the BIS will shortly be publishing a Guide to the BIS Statistics on International Banking, and suggested that the Fund, in collaboration with the BIS, prepare a discussion paper centering on what further refinements could be made to international banking statistics to further enhance their use in balance of payments compilation.

The Committee also noted that the BIS pilot project on the compilation of preliminary data on banks' international assets and liabilities excluding holdings and own issues of securities is almost complete. Using reported

and estimated information on securities positions. the BIS plans to compile estimates of exchange rate adjusted changes for banks' loans and deposits.

V. National money and banking statistics

The Fund is continuing work on the first draft of the Manual on Monetary and Financial Statistics (MMFS), which attempts to build on the 1993 SNA by following a building block approach that, (a) is consistent with the 1993 SNA concerning the classification of instruments, sectors and accounting standards, (b) is consistent with BOPM5 concerning foreign sector matters, (c) is consistent with government finance statistics accounting, (d) is consistent with BIS standards on capital adequacy concerning the links between monetary and credit analysis, and (e) avoids prescribing the use of particular measures of monetary stock and associated statistics. The first complete draft of the chapters will be completed by July 1995, and the appendices by the end of the year. An expert group meeting to discuss the draft is provisionally scheduled for early 1996.

In view of work by a number of international organizations and emerging issues in the area of financial derivatives, a particular feature of MMFS is an expanded discussion of the treatment of financial derivatives that is given in the section on financial accounts in the 1993 SNA. The expanded treatment includes a framework for categorizing transactions underlying new instruments and their significance for the identification of the financial asset boundary and off-balance sheet arrangements

A development of particular interest over the past year has been the work of the European Monetary Institute (EMI) in defining the statistics that should lie within the competence of the European System of Central Banks (ESCB), and the notion of shared competence as between the EMI and EUROSTAT. This work has significance in defining an area of regional central banking competence in responding to regional needs for money and banking and financial accounts statistics outside the national accounting framework. 1/ The EMI notes that practice in many European countries is for central banks to compile the data closest to their policy interest into a financial accounting (balance sheets and flows) framework for the purpose of intersectoral analysis of monetary and financial positions without incurring the costs and difficulties of compiling a complete set of financial accounts. Reasons for this development include the required ability to update quickly the design of statistical data in response to financial innovation and to evolving market conditions, the ready and timely identification of implausible reported data and undertaking of corrective action, the preferences of reporting institutions (especially regarding confidential data), and differing interpretations or priorities of statistical offices in this area of statistics

1/ The EMI defines money and banking statistics to comprise banks' and central banks balance sheet statistics, interest rate statistics (including yield statistics), capital issues statistics and investment fund statistics.

6/19

Particular areas of interest to the ENI at present include methodological work on interest rate statistics and the development of accounting rules in banking statistics concerning the treatment of off-balance sheet items valuation treatment of repos and stock lending, and netting procedures

VI. Government finance statistics

As reported to the U N Statistical Commission, in connection with its planned revised Manual on Government Finance Statistics (MGFS2), the IMF sent out a questionnaire to its member countries in January 1995 to obtain information about national accounting practices relating to government finance statistics, member countries' data requirements, current needs and future plans in this area. The replies are now being reviewed and may be followed by visits to international organizations and official statistical agencies. The preparation of an annotated outline of MGFS2 is planned by December 1995 which, following review within the Fund, will be sent to international organizations and official statistical agencies for comment.

VII Issues for discussion

The ACC Subcommittee may wish to review coordination issues arising from this report, especially as regards work on the coordinated portfolio investment survey, direct investment, and financial derivatives