STATISTICS

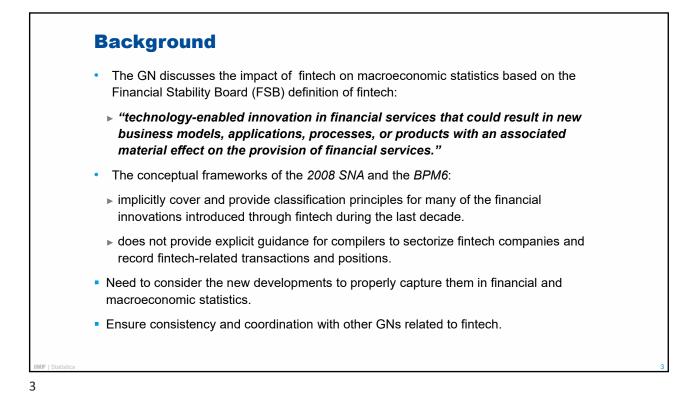# F.7 Impact of Fintech on Macroeconomic Statistics (BOPCOM VM1 22/03)

Joint (Virtual) Thirty-Eighth Meeting of the IMF Committee on Balance of Payments Statistics and Eighteenth Meeting of the Advisory Expert Group on National Accounts
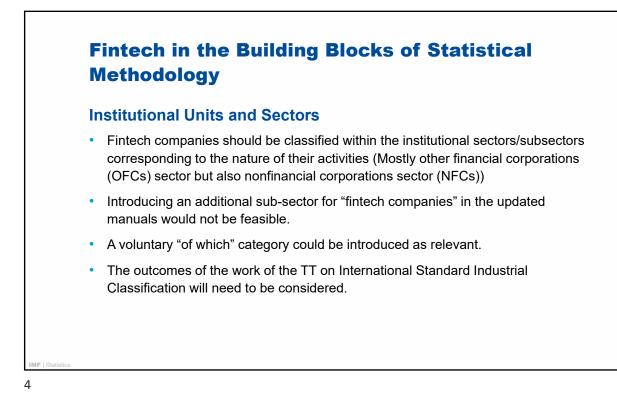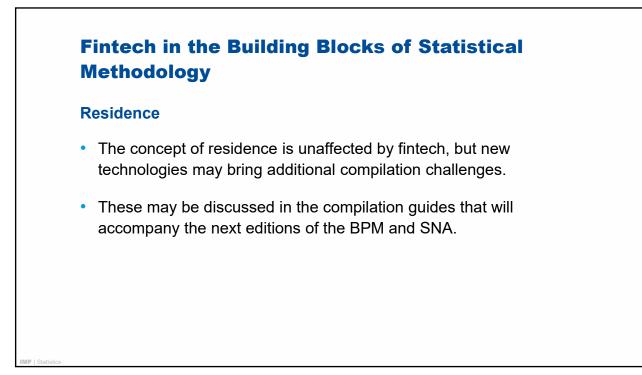
March 7–10, 2022

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Background

- The GN discusses the impact of fintech on macroeconomic statistics based on the Financial Stability Board (FSB) definition of fintech:

  - ▶ *"technology-enabled innovation in financial services that could result in new business models, applications, processes, or products with an associated material effect on the provision of financial services."*

- The conceptual frameworks of the *2008 SNA* and the *BPM6*:

  - ▶ implicitly cover and provide classification principles for many of the financial innovations introduced through fintech during the last decade.

  - ▶ does not provide explicit guidance for compilers to sectorize fintech companies and record fintech-related transactions and positions.

- Need to consider the new developments to properly capture them in financial and macroeconomic statistics.

- Ensure consistency and coordination with other GNs related to fintech.

Fintech in the Building Blocks of Statistical Methodology

Institutional Units and Sectors

- Fintech companies should be classified within the institutional sectors/subsectors corresponding to the nature of their activities (Mostly other financial corporations (OFCs) sector but also nonfinancial corporations sector (NFCs))

- Introducing an additional sub-sector for "fintech companies" in the updated manuals would not be feasible.

- A voluntary "of which" category could be introduced as relevant.

- The outcomes of the work of the TT on International Standard Industrial Classification will need to be considered.

Fintech in the Building Blocks of Statistical Methodology

Residence

- The concept of residence is unaffected by fintech, but new technologies may bring additional compilation challenges.

- These may be discussed in the compilation guides that will accompany the next editions of the BPM and SNA.

Fintech in the Building Blocks of Statistical Methodology

Examples of Fintech Services

- **Payment Services Enabled by Fintech**
- E-money, digital currencies and other crypto assets.
- Crypto assets are dealt in a separate GN.
- E-money is defined in the *MFSMCG* as **a payment instrument whereby monetary value is electronically stored on a physical device or remotely at a server and represents a claim on the issuer.**
- According to the *MFSMCG*, e-money, including when used for cross-border payments, is classified as "deposits" rather than currency. E-money that meets the definition of broad money should be included in broad money within transferable deposits.
- The GN recommends that the next edition of the SNA and BPM include explicit guidance on the treatment of "e-money" including "mobile money" consistent with the *MFSMCG*.

Fintech in the Building Blocks of Statistical Methodology

Examples of Fintech Services

- **Lending**
  - Within the *2008 SNA* and the *BPM6*, all sectors can be potential providers of loans, including households.
  - Platforms that facilitate P2P lending (e.g., DeFi), but do not take ownership, would, a priori, appear to be financial auxiliaries.
  - As with other fintech functions, an explicit reference to this activity in the updated SNA and BPM would be useful.

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Fintech in the Building Blocks of Statistical Methodology

Examples of Fintech Services

- **Insurance**
  - InsurTech activities are already implicitly covered by the existing conceptual statistical framework, but it could be useful to include a brief section on "insurance-related fintech activities" in the updated SNA and BPM.
  - InsurTech does not require a new sectoral classification beyond insurance companies which are currently classified under the other financial corporations' sector.

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Fintech in the Building Blocks of Statistical Methodology

Examples of Fintech Services

- **Other Financial Services**

- Other financial services that are being enabled by fintech (i.e., capital raising, investment management, and market provisioning) do not require amendments in the statistical methodology.

- Big tech companies may also be providing financial services enabled by technologies. In these cases, they are classified as NFCs, according to their main business characteristics.
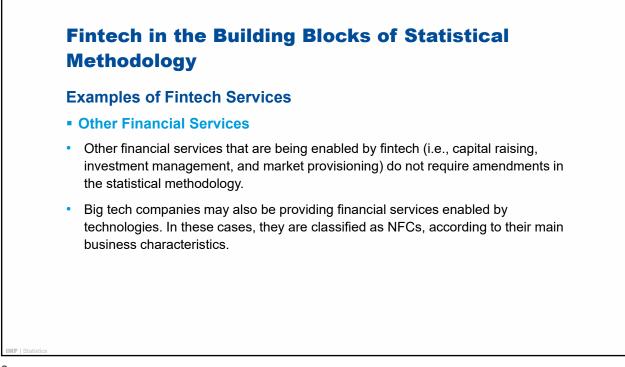
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Recommendations of the GN

- **Recommendation 1:**

- *Fintech companies should be classified within the existing institutional sectors/subsectors depending on the economic objectives, functions, and behavior (see* BPM6*, paragraph 4.57 and subsection 3 in Chapter 4 of the* 2008 SNA*) without introducing a new sector "Fintech". Depending on the results of the discussion by the TT-ISIC, institutional sector breakdowns for fintech companies in the BPM and SNA could be revisited.*

- **Recommendation 2:**

- *Depending on their statistical and analytical needs, countries with significant fintech activities could consider introducing an "of which" category from an institutional perspective (i.e., which institutions may be considered as fintech companies). "Of which" categories could be introduced at the sector level (e.g., other sectors in ESS) or the sub-sector level (e.g., other financial corporations) reflecting specific needs of the country. However, the compilers should be aware that such "of which" categories could become irrelevant in some years, given the fast developments in technologies (e.g., fintech today could become a traditional way to provide services tomorrow).*

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Recommendations of the GN

- **Recommendation 3:**

  - *Financial instruments and services provided by fintech should be classified in the existing categories of the macroeconomic statistics (e.g., deposits, financial services) without introducing new financial instruments or services categories. New manuals and guides should elaborate on the description and the statistical recording of items that require clarification (e.g., insurance-related fintech activities, peer-to-peer lending, other fintech enabled activities such as capital raising though crowdfunding).*

- **Recommendation 4:**

  - *The new edition of BPM and SNA should include explicit guidance on "e money" including "mobile money" consistent with the MFSMCG to indicate that e-money that can be used for direct payments to third parties, including when used for cross-border payments, is to be classified as transferable deposits.*

Recommendations of the GN

- **Recommendation 5:**

  - *Compilation guides for the next edition of BPM and SNA should address compilation issues related to fintech. Compilation guides can also use the recommendations of other GNs (e.g., the GNs by the DZTT on digital products/services) to provide guidance to compilers.*

Outcomes of Global Consultation

- There was wide support for
  - classifying Fintech companies within the existing institutional sectors/subsectors rather than introducing a new "Fintech" sector (91 percent). (Recommendation 1),
  - introducing a voluntary "of-which" category reflecting specific needs of the country (82 percent) (Recommendation 2),
  - classifying the financial instruments and services provided by fintech should be in the existing categories of the macroeconomic statistics (84 percent) (Recommendation 3),
  - the proposed classification of "e-money" including "mobile money" as transferable deposits consistent with the *MFSMCG* (80 percent) (Recommendation 4),
- There was almost unanimous support for
  - Addressing the compilation issues in the compilations guides that will accompany the next versions of the BPM and SNA. (Recommendation 5).

Questions for Discussion

1. *Do the Committee and AEG agree with the recommendations provided above?*

2. *Do the Committee and AEG aware of other fintech or financial innovations that may be relevant from the perspective of macroeconomic statistics including any other payment services by fintech?*

3. *Do the Committee and AEG have any other recommendations related to fintech?*