

Compilation of Other Business Services in Korea

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THE BANK OF KOREA

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I. Introduction

Balance of Payments Statistics in Korea

(a) Manual: Balance of Payments Manual, BPM (IMF)

- The BOK completed implementation of BPM6 (Mar. 2014)

* BPM6: Balance of Payments Manual Sixth Edition (2010)

(b) Periodicity: Monthly (since 1978)

(c) Timelines: Within the end of the following month

(d) Dissemination:

- Released in two stages: preliminary and final
- Release schedules for the next year are announced in December

I. Introduction

BPM6 and MSITS2010

- **BPM6** and **EBOPS** (Extended Balance of Payments Services Classification) in **MSITS2010** have **the same conceptual framework on trade in services:** definition, valuation, and classification
- **MSITS** provides a **further breakdown** of the classification of services transactions **by type of services** through the **EBOPS**

Other business services in MSITS

10 Other business services

10.1 Research and development services

10.1.1 Work undertaken on a systematic basis to increase the stock of knowledge

10.1.1.1 Provision of customized and non-customized research and development services

10.1.1.2 Sale of proprietary rights arising from research and development

10.1.1.2.1 Patents

10.1.1.2.2 Copyrights arising from research and development

10.1.1.2.3 Industrial processes and designs

10.1.1.2.4 Other

10.1.2 Other

10.2 Professional and management consulting services

10.2.1 Legal, accounting, management consulting, and public relations services

10.2.1.1 Legal services

10.2.1.2 Accounting, auditing, bookkeeping, and tax consulting services

10.2.1.3 Business and management consulting and public relations services

10.2.2 Advertising, market research, and public opinion polling services

Of which: 10.2.2.1 Convention, trade-fair and exhibition organization services

10.3 Technical, trade-related and other business services

10.3.1 Architectural, engineering, scientific, and other technical services

10.3.1.1 Architectural services

10.3.1.2 Engineering services

10.3.1.3 Scientific and other technical services

10.3.2 Waste treatment and de-pollution, agricultural and mining services

10.3.2.1 Waste treatment and de-pollution

10.3.2.2 Services incidental to agriculture, forestry and fishing

10.3.2.3 Services incidental to mining, and oil and gas extraction

10.3.3 Operating leasing services

10.3.4 Trade-related services

10.3.5 Other business services n.i.e.

Of which: 10.3.5.1 Employment services, i.e., search, placement and supply services of personnel

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II. Legal ground

1. Law and administrative arrangements

(a) The Bank of Korea Act

- Assigns responsibility and provides authority to the BOK for collecting and compiling macroeconomic statistics, among those BOP statistics

(b) The Foreign Exchange Transaction Act

- Provides authority to the BOK for collecting information from individuals, corporations or foreign exchange banks on international transactions for the purpose of compiling BOP statistics

II. Legal ground

1. Law and administrative arrangements

(c) The Statistics Law

- Designates the BOK as the compiling agency for the BOP statistics
- Requires to disseminate BOP statistics compiled, and the corresponding metadata

II. Legal ground

2. Law and Agreement about confidentiality

(a) The Bank of Korea Act

- BOK staff should not divulge confidential matters to unauthorized individuals

(b) The Foreign Exchange Transaction Act

- Strictly prohibits officials involved in foreign exchange transaction work from divulging information and using information for other purposes

II. Legal ground

2. Law and Agreement about confidentiality

(c) The Statistics Law

- Statistical agencies must carry a legal guarantee of protection of the confidentiality of individuals' and juristic persons or bodies' information
- The information collected will be used only for statistical purposes

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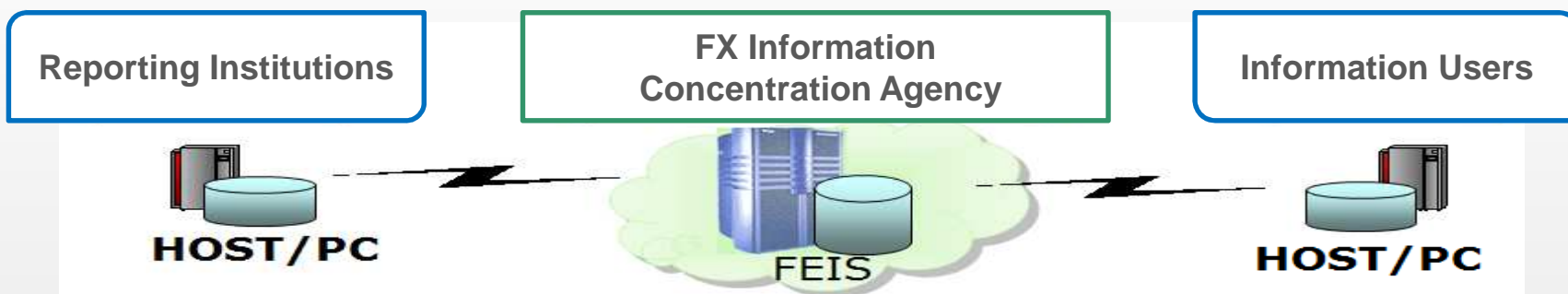
III. Data sources

Foreign Exchange Information System(FEIS): ITRS

- **Financial institutions have the obligation of reporting all foreign exchange businesses** going through them to the FEIS
 - The FEIS was set up in April 1999 in order to swiftly collect and analyze foreign exchange transactions and market information
 - The FEIS includes the explanatory codes and values, counterpart countries, HS code, delivery terms, remittees(usually exporters), and remitters(usually importers)

III. Data sources

Foreign Exchange Information System(FEIS): ITRS



Institutions to deal with foreign exchange affairs

- Domestic banks
- Foreign bank branches
- Securities companies, Futures companies
- Insurance companies
- Asset management companies
- Mutual credits, etc.



- The Bank of Korea
- Ministry of Strategy and Finance
- National Tax Service
- Korea Customs Service
- Financial Supervisory Service
- Korea Financial Intelligence Unit
- Korea Deposit Insurance Corporation
- Korea Center for International Finance
- Financial Services Commission

III. Data sources



Foreign Exchange Information System(FEIS): ITRS

- Output of Report #0012(Outward Remittance)

INST_S_CD	BRN_CD	ASOF_YMD	CURR_CD	USD_AMT	SENDRSN_S_CD	SENDER_NM	RECEIVER_NM
1181	0679	20140904	USD	120,000	687	A Research Institute	AA Inc.
1410	0489	20140908	USD	750,000	687	B Engineering	B National Lab.
1104	2644	20140914	EUR	1,313	687	C llc.	Mr. Kim
1104	1357	20140915	USD	21,000	687	D Korea Ltd.	D systems Co., Ltd.
1403	0514	20140922	USD	3,450	687	E Electronics	E Technology
1181	0433	20140924	USD	12,450	687	F furniture	F Serurities
1403	0596	20140927	USD	4,400	687	G computer systems	G Jr.
1403	0390	20140929	JPY	33,611	687	H Tech. corporation	H service
1120	4224	20140930	USD	4,044,626	687	I pharmacy	I Delivery

- Explanatory Code: SENDRSN_S_CD

- 687: Remittance caused by R&D services

=> Research and development services account in BOP

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IV. Compilation methods



Matching Explanatory codes to the Components

- Example of explanatory codes table

Explanatory Codes	Description
132	Travel mediation
376	Services incidental to agriculture, forestry and fishing
601	Sale of patents
604	Sale of industrial processes and designs
609	Other services
615	Leasing of machinery mechanics
617	Services incidental to mining, and oil and gas extraction
618	Other business services
680	Advertising services
682	Market research, and public opinion polling services
683	Legal services
684	Accounting, auditing, bookkeeping, and tax consulting services
685	Consulting services
686	Public relations services
689	Waste treatment and de-pollution

IV. Compilation methods



Matching Explanatory codes to the Components

- Example of matching matrix

BPM6, EBOPS Components		Codes	Description
10.1.1.2.1	Patents	601	Sale of patents
10.1.1.2.3	Industrial processes and designs	604	Sale of industrial processes and designs
10.2.1.1	Legal services	683	Legal services
10.2.1.2	Accounting, auditing, bookkeeping, and tax consulting services	684	Accounting, auditing, bookkeeping, and tax consulting services
10.2.1.3	Business and management consulting and public relations services	685	Consulting services
		686	Public relations services
10.2.2	Advertising, market research, and public opinion polling services	680	Advertising services
		682	Market research, and public opinion polling services
		etc.	etc.
10.3.2.1	Waste treatment and de-pollution	689	Waste treatment and de-pollution
10.3.2.2	Services incidental to agriculture, forestry and fishing	376	Services incidental to agriculture, forestry and fishing
10.3.2.3	Services incidental to mining, and oil and gas extraction	617	Services incidental to mining, and oil and gas extraction
10.3.3	Operating leasing services	615	Leasing of machinery mechanics
10.3.5	Other business services n.i.e	132	Travel mediation
		609	Other services
		618	Other business services
		etc.	etc.

IV. Compilation methods



Matching Explanatory codes to the Components

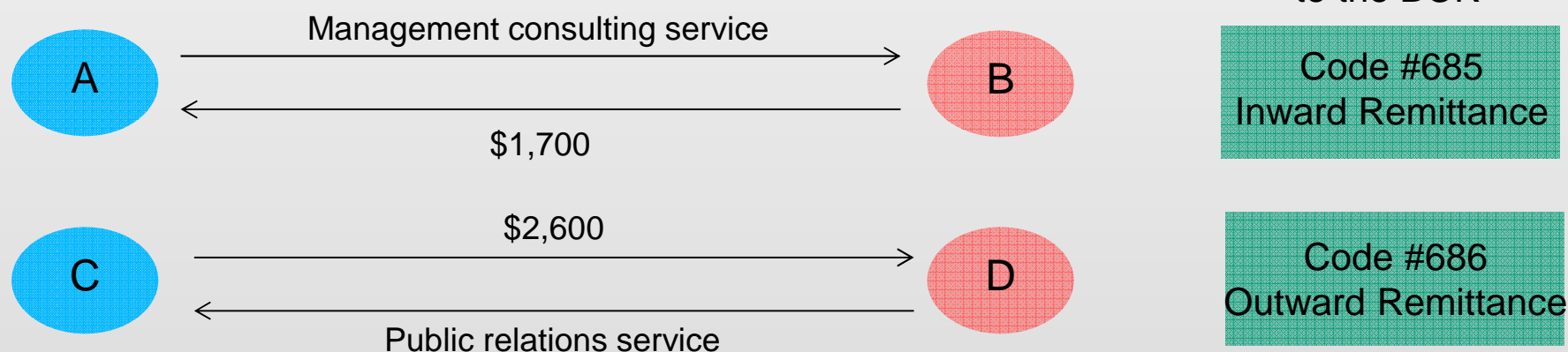
- Case

BPM6, EBOPS Components		Codes	Description
10.2.1.3	Business and management consulting and public relations services	685	Consulting services
		686	Public relations services

Residents

Non-Residents

Bank's reporting to the BOK



BOP recording

: 10.2.1.3 Business and management consulting and public relations services

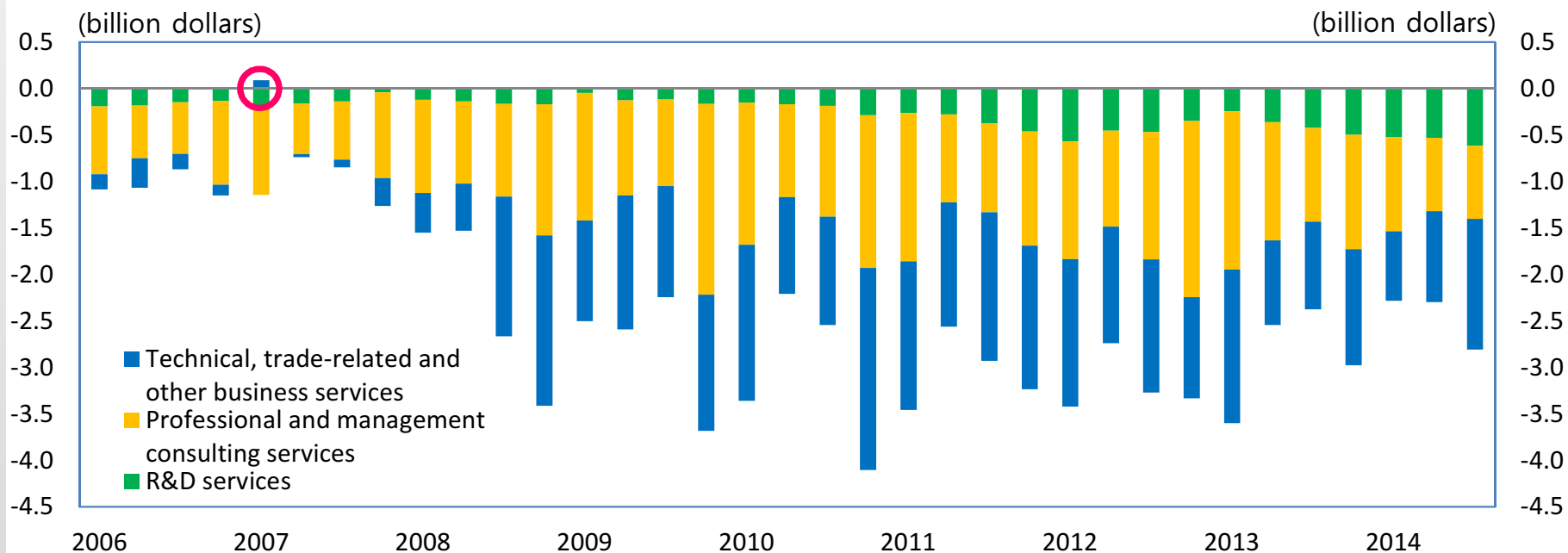
Balance	Credit	Debit
-900	1,700	2,600

IV. Compilation methods

Other business services in Korea

(Billion dollars)

	Current account	Goods	Services	Other business services	Primary income	Secondary income
2013	79.9	80.6	-7.9	-11.5	11.4	-4.2
2014Q1	15.1	17.7	-3.6	-2.3	1.9	-1.0
Q2	24.1	26.4	-2.0	-2.3	1.3	-1.7
Q3	22.7	21.9	-1.0	-2.8	3.1	-1.3



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V. Challenges



1. Difficulties in data collection

- **Reduction of reporting obligation by deregulation**
 - Private companies and individuals are arguing deregulation for their convenience
 - Government is promoting a reduction in foreign currency and investments abroad regulations that could make FX transactions more customer-friendly
 - Announced that regulations for FX transaction will be relaxed (July 31, 2014)

V. Challenges

1. Difficulties in data collection

Press Release



Embargo:

Release Date: July 31, 2014

Contact Information: Lim Jae-jeong (044-215-4751/ Foreign Exchange Policy Division)

FX Transaction Regulations Eased to Improve Customer Convenience

The government will make FX transactions more customer-friendly.

Individual FX Transactions

- Raise the ceiling of FX transactions that are not required to be verified by banks from US \$1,000 to US \$2,000, which will also benefit foreigners traveling in Korea
- Allow people to wire US \$30,000 annually via branches of National Agricultural Cooperative Federation, which will increase the convenience of customers living in rural areas

V. Challenges

1. Difficulties in data collection

- Trade-off between **the quality of stats** and **deregulation** for enhancing market efficiency

▪ Should find a balanced position

=> It's not a matter of technique,
but a matter of art.



V. Challenges



2. Other of other business services

10 Other business services

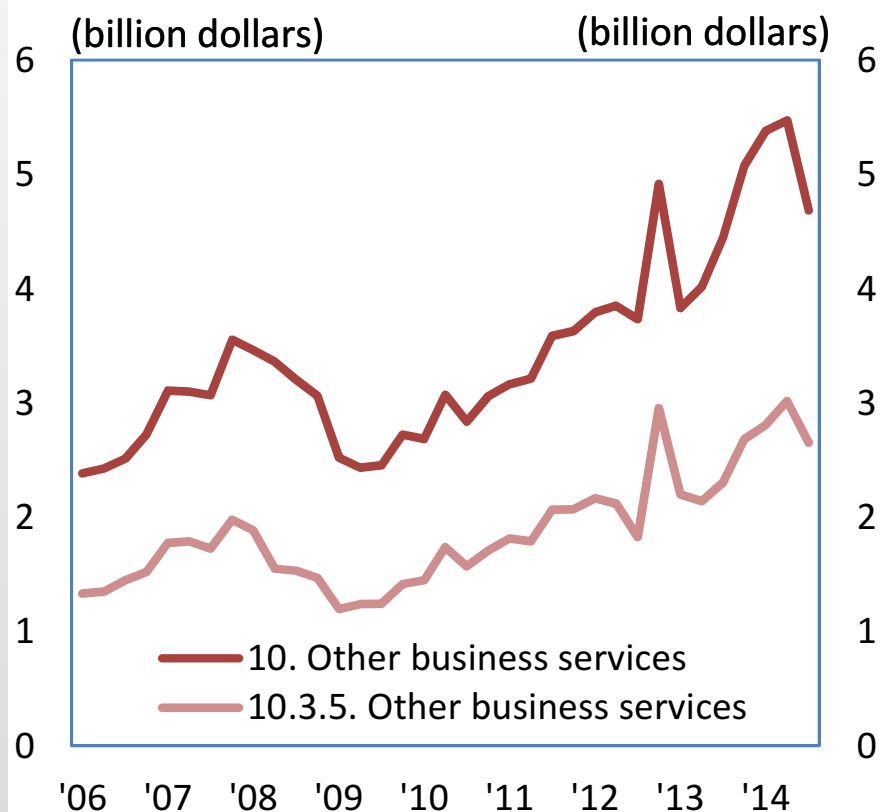
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V. Challenges

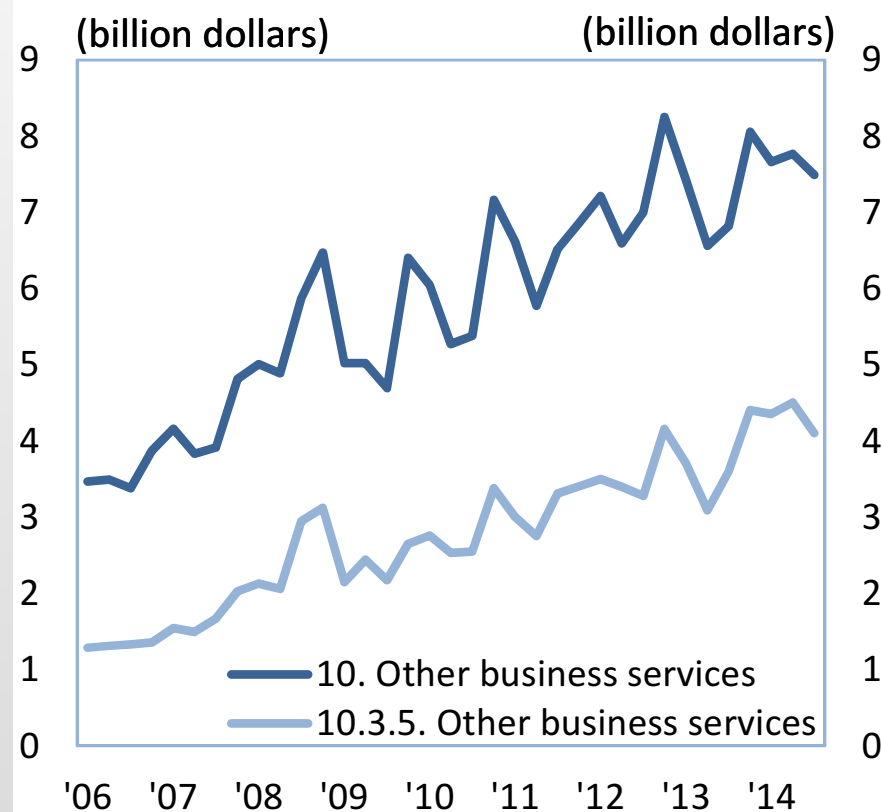


2. Other of other business services

Credit



Debit



V. Challenges



2. Other of other business services

- **The banks have difficulties to figure out exact explanatory code for the following reasons**
 - Companies usually don't want to give enough information about their transactions because some of them should be treated as confidential
 - Some transactions are too complex to fit into the current explanatory codes frame
- **In this case, the banks tend to report those transactions with “other” codes (code #609 or #618)**

V. Challenges



2. Other of other business services

- **What does the BOK do?**
 - The BOK has reorganized the explanatory code system to reconcile it with real transactions(Jan 2014)
 - Monitoring FX transactions reporting to follow new trends of trade in goods and services



Q&A

Thank you!



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