Compilation of Other Business Services in Korea

Balance of Payments Team
Economic Statistics Department

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Balance of Payments Statistics in Korea

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

(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
   10.1.1.4 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**

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

**FX Information Concentration Agency**

**Information Users**
- 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)

<table>
<thead>
<tr>
<th>INST_S_CD</th>
<th>BRN_CD</th>
<th>ASOF_YMD</th>
<th>CURR_CD</th>
<th>USD_AMT</th>
<th>SENDRSN_S_CD</th>
<th>SENDER_NM</th>
<th>RECEIVER_NM</th>
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<td>H Tech. corporation</td>
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<td>USD</td>
<td>4,044,626</td>
<td>687</td>
<td>I pharmacy</td>
<td>I Delivery</td>
</tr>
</tbody>
</table>

- 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

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

#### Matching Explanatory codes to the Components

- **Example of matching matrix**

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

Matching Explanatory codes to the Components

- Case

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<th>Description</th>
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</thead>
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<tr>
<td>10.2.1.3 Business and management consulting and public relations services</td>
<td>685</td>
<td>Consulting services</td>
</tr>
<tr>
<td></td>
<td>686</td>
<td>Public relations services</td>
</tr>
</tbody>
</table>

Residents

A ➞ Management consulting service ➞ B

$1,700

Non-Residents

C ➞ Public relations service ➞ D

$2,600

Bank’s reporting to the BOK

Code #685 Inward Remittance

Code #686 Outward Remittance

BOP recording

10.2.1.3 Business and management consulting and public relations services

<table>
<thead>
<tr>
<th>Balance</th>
<th>Credit</th>
<th>Debit</th>
</tr>
</thead>
<tbody>
<tr>
<td>-900</td>
<td>1,700</td>
<td>2,600</td>
</tr>
</tbody>
</table>
## IV. Compilation methods

### Other business services in Korea

<table>
<thead>
<tr>
<th></th>
<th>Current account</th>
<th>Goods</th>
<th>Services</th>
<th>Other business services</th>
<th>Primary income</th>
<th>Secondary income</th>
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<tbody>
<tr>
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<td>-11.5</td>
<td>11.4</td>
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<tr>
<td>2014Q1</td>
<td>15.1</td>
<td>17.7</td>
<td>-3.6</td>
<td>-2.3</td>
<td>1.9</td>
<td>-1.0</td>
</tr>
<tr>
<td>Q2</td>
<td>24.1</td>
<td>26.4</td>
<td>-2.0</td>
<td>-2.3</td>
<td>1.3</td>
<td>-1.7</td>
</tr>
<tr>
<td>Q3</td>
<td>22.7</td>
<td>21.9</td>
<td>-1.0</td>
<td>-2.8</td>
<td>3.1</td>
<td>-1.3</td>
</tr>
</tbody>
</table>

### Graphical Representation

- Technical, trade-related and other business services
- Professional and management consulting services
- R&D services

(Billion dollars)
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.
2. Other of other business services

10. Other business services

10.1 Research and development services

10.2 Professional and management consulting 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

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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
V. Challenges

2. Other of other business services

Credit

Debit

(billion dollars)

(billion dollars)

10. Other business services
10.3.5. Other business services

10. Other business services
10.3.5. Other business services
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!