
Frameworks for MSITS 2010

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Part I General Frameworks

Conceptual Framework

- Modes of supply
- Resident-nonresident transactions
- Foreign affiliates
- Valuation of services
- Time of recording

Legal Framework

- Legal acts governing **availability of data sources**
- Legal acts regulating **institutional arrangements**
- Legal acts protecting **confidentiality of data**

Institutional arrangements

- Purposes and need
- Characteristics
- Main types, governance and mechanism of cooperation
- Data quality

Conceptual Frameworks [Chapter 2 of MSITS 2010]

GATS framework

- Modes of supply

BPM6 /SNA

- Residency
- Valuation of services
- Time of recording

Benchmark Definition of FDI

- Foreign control

General Agreement on Trade in Services

Modes of Supply

- Cross-border supply (Mode 1), where both the supplier and the consumer remain in their respective territories
- Consumption abroad (Mode 2), where the consumer consumes the service outside his or her home territory
- Commercial presence (Mode 3), where service suppliers establish (or acquire) an affiliate, branch or representative office in another territory through which they provide their services
- Presence of natural persons (Mode 4), where an individual is present abroad in order to supply a service

Balance of Payments Manual, 6th edition

The MSITS 2010 statistical framework as it relates to resident/non-resident transactions is based on BPM6, which contains, among other things, recommendations on the definition, valuation, classification and recording of resident/non-resident trade in services.

BPM6 is a primary source of statistical guidance on international trade in services, international investment transactions and economic flows associated with the movement of workers

Balance of Payments Manual, 6th edition

Residency

The residence of an institutional unit is the economic territory with which it has the strongest connection, constituting its centre of predominant economic interest. Each institutional unit is a resident of one and only one economic territory.

Valuation of transactions

The market price is used as the basis for valuation of transactions in international trade in services. Market prices for transactions are defined as amounts of money that willing buyers pay to acquire something from willing sellers. The exchanges are made between independent parties and based on commercial considerations only.

Balance of Payments Manual, 6th edition

Time of recording

The appropriate time for recording transactions in services is when they are delivered or received (the “accruals basis”). Some services, such as certain transport or hotel services, are provided within a discrete period, in which case there is no problem in determining the time of recording. Other services are supplied or take place on a continuous basis, for example, construction, operating leasing and insurance services. The provision of services should be recorded on an accrual basis in each accounting period, that is to say, **it should be recorded when the service is rendered** and not when the payment occurs.

Benchmark Definition of Foreign Direct Investment

Foreign Controlled Enterprises

- An affiliated enterprise refers to an incorporated or unincorporated enterprise in which a direct investor who is resident in another economy owns 10 per cent or more of the voting power.
- Foreign affiliates statistics (FATS) describe the overall operations of foreign-controlled affiliates.
- “Control”, as referred to in the Framework for Direct Investment Relationships (FDIR), is deemed to exist if there is majority ownership (that is, control of more than 50 per cent) of the voting power at each stage of the chain of ownership

Legal Framework

- Legal acts governing **availability of data sources:**
 - **Statistics Act**
 - **Tax obligations**
- Legal acts regulating **institutional arrangements**
 - **Memorandum of Understanding**
 - **Service level agreement**
- Legal acts protecting **confidentiality of data**
 - **Protection of enterprises and individuals**

Institutional arrangements

- Purposes and need
 - Characteristics
 - Main types, governance and mechanism of cooperation
 - Data quality
- **National Committee on SITS**