



Balance of Payments Statistics Workshop

Nassau, Bahamas

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Other Investment

Financial Account (functional categories)

- Direct Investment
- Portfolio Investment
- Financial Derivatives
- Other Investment
- Reserve Assets

Definitions

Other Investment: Residual category that comprises positions and transactions in cross-border financial assets and liabilities other than those that can be regarded as direct investment, portfolio investment, financial derivatives and reserve assets.

Definitions

- The instruments breakdown for Other Investment in BPM6 is as follows:
 - ✓ Other equity
 - ✓ Currency and deposits
 - ✓ Loans
 - ✓ Insurance and pensions
 - ✓ Trade credit and advances
 - ✓ Other accounts receivable/payable
 - ✓ Special Drawing Rights (SDR)

Other Equity

- They are included as “Other Investment” as long as they are not direct investment or portfolio investment.
- Normally they are not securities. Participations in international organizations are included here.
- Included are the shares that represent less than 10% of ownership in notional units (those artificially created for ownership of land for statistical purposes).

Currency and Deposits

- Currency consists of notes and coins with fixed nominal values that are issued or authorized by central banks or governments.
- Deposits include all claims on the central bank, deposit-taking corporations other than the central bank, and, in some cases, other institutional units and represented by evidence of deposit
- Three types of deposits can be distinguished: Transferable deposits (readily exchangeable for cash), interbank deposits (between banks) and all other deposits.

Loans

- Financial assets that are created when a creditor lends funds directly to a debtor, and are evidenced by documents that are not negotiable
- Loans are recorded when funds are effectively delivered and their reimbursement when obligations cease to exist, whether they are extinguished through amortizations or by debt condonation from the creditors.
- Undrawn credit lines are not recognized as a liability.

Loans

- **Financial Leasing**: Contract under which the lessor as legal owner of an asset conveys substantially all the risks and rewards of ownership of the asset to the lessee.
 - ✓ The legal owner (lessor) issues a loan to the lessee which allows him to buy the asset.
 - ✓ The physical asset is shown in the balance of the lessee not in the one of the lessor.
 - ✓ The corresponding loan is an asset of the lessor and a liability of the lessee.

Loans

- **Repurchase Agreements:** An agreement by means of which one part lends the other securities in exchange for cash with the commitment to repurchase those same securities or similar ones in a future date.
- **Gold Swaps:** Exchange of gold for foreign exchange deposits with an agreement that the transaction be reversed at an agreed future date at an agreed gold price.

Loans (repos)

| Repurchase Agreement | | | | | | | | | | | | |
|----------------------|------------------|--------|-------------|----------------|-------------------|-------------|----------------|------------------|------------------------------|-------------|----------------|-----|
| | Period 1 | | | | Period 2 | | | | | | | |
| | Initial Position | Assets | Liabilities | Final Position | The Repo was paid | | | | The Repo was not paid | | | |
| Initial Position | | | | | Assets | Liabilities | Final Position | Initial Position | Assets | Liabilities | Final Position | |
| Net IIP | 600 | | | 600 | 600 | | | 600 | 600 | | | 600 |
| Assets | 600 | | | 700 | 700 | | | 600 | 700 | | | 600 |
| Portfolio Investment | 100 | | | 100 | 100 | | | 100 | 100 | -100 | | 0 |
| Other Investment | | | | | | | | | | | | |
| Deposits | 500 | 100 | | 600 | 600 | -100 | | 500 | 600 | | | 600 |
| Loans | | | | | | | | | | | | |
| Repos | 0 | | | | | | | | | | | |
| Liabilities | 0 | | | 100 | 100 | | | 0 | 100 | | | 0 |
| Portfolio Investment | | | | | | | | | | | | |
| Other Investment | | | | | | | | | | | | |
| Deposits | | | | | | | | | | | | |
| Loans | | | | | | | | | | | | |
| Repos | 0 | | 100 | 100 | 100 | -100 | | 0 | 100 | -100 | | 0 |

Loans

- **Use of IMF credit:** Drawing of funds on the IMF by a member country.

Insurance and Pensions

Reserves, entitlements, and provisions represent liabilities of the insurer or pension fund and a corresponding asset of the policyholders or beneficiaries.

- Non-life insurance
 - ✓ Reserves for unearned insurance premiums are prepayment of premiums. Premiums are usually paid at the beginning of the period covered by the policy. On an accrual basis, the premiums are earned through the policy period, so that the initial payment involves a prepayment or advance.
 - ✓ Reserves against outstanding insurance claims, which are amounts identified by insurance corporations to cover what they expect to pay out arising from events that have occurred but for which the claims are not yet settled.

Insurance and Pensions

- Life insurance
 - ✓ Reserves of life insurance companies for prepaid premiums and accrued liabilities to life insurance policyholders. Life insurance is used to provide benefits to policyholders upon the expiration of the policy, or to compensate beneficiaries upon the death of policyholders.
 - ✓ These entitlements are regarded as liabilities of the insurance companies and assets of the policyholders and beneficiaries.

Insurance and Pensions

- Pensions: Financial claims that both, existing and future pensioners hold against either their employer or a fund designated by the employer to pay pensions earned as part of a compensation agreement between the employer and employee.

Trade Credit and Advances

- Credits granted by suppliers to their customers for them to buy goods and services.
- Advances for work still in progress and prepayment by customers for goods and services not yet provided

Other Accounts Receivable/Payable

- Accounts receivable or payable other than those included in trade credit and advances

Special Drawing Rights (SDR)

- SDRs are international reserve assets created by the IMF and allocated to members to supplement existing official reserves.
- The allocation of SDRs is recorded as the incurrence of a liability of the member receiving them (because of a requirement to repay the allocation in certain circumstances and also because interest accrues).

Classification (sectors)

- Central Bank
- General government
- Deposit-taking corporations, except the central bank
- Other sectors
 - ✓ Other financial corporations
 - ✓ Nonfinancial corporations, households and NPISHs

Maturity

- Maturity breakdown is based in the original maturity of each instrument.
- Those instruments with a maturity of up to one year are regarded as short term, whereas those with a maturity of more than one year are regarded as long term.
- On a supplementary basis, BPM6 recommends compilers to provide information based on residual maturity. Under this criterion short term is defined as the situation where an instrument will be due in a year or less and long term when it is due in more than a year.

Compilation (other equity)

- Regarding the government sector, information on participation in international organizations is generally available from government and central bank records.

Compilation (currency and deposits)

- Assets and liabilities (positions) for the central bank and the financial sector can normally be collected from the MFS.
- In the case of the general government the areas, whether in the ministries of finance, the central banks or in some cases even the official statistics agency, that are responsible for the production of the Government Finance Statistics (GFS), must become the main source of the data.

Compilation (currency and deposits)

- Transactions in deposits denominated in the currency used to report BOP/IIP can be derived from changes in positions; these transactions would cover both funds deposited and withdrawn, as well as any accrued interest that would have counterpart entries in the current account.
- Transactions denominated in a different currency (including domestic currency) are converted to their value in the currency of report at the rate prevailing when the transactions take place, and positions are converted at the rate prevailing on the balance sheet date.

Compilation (loans)

- Information on loans is generally available through the compilation system employed for external debt statistics (EDS).
- However, in some economies, the scope of the EDS may be limited to the general government (or public sector), and data compilers may need to undertake additional steps to include the debt of other sectors.
- The range of data sources available is likely to change with progressive liberalization of foreign exchange regulations from administrative and banking records towards survey collection methods.

Compilation (loans)

- For government and in general, public sector loans, central banks and/or ministries of finance have good administrative and financial records.
- Compiling comprehensive data for the private sector presents a greater degree of difficulty than for the public sector.
- The importance and relevance of the data need to be weighed against the likely costs of collection.

Compilation (loans)

- There are countries where external borrowing controls are in place and therefore, the agency responsible for that control (generally the central bank) has accurate records.
- As liberalization of financial transactions proceeds, and information becomes less readily available, there is a need to develop methods of collecting data on private sector debt through other means:
 - ✓ MFS for both, banks and other financial intermediaries.
 - ✓ ITRS, where they exist.
 - ✓ International organizations for data of the loans they provide.
 - ✓ BIS nonresident banks information on loans in relation to resident nonbanks.
 - ✓ Business surveys (mainly for the resident nonfinancial private sector).