Integrated IIP: Financial Derivatives, Other Investment, and Reserve Assets

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IMF Statistics Department – UNESCAP
SNA / BPM Joint Virtual Outreach Seminar
Themes of this presentation will be mainly covered in the following chapters of BPM7

- Chapter 5. Classifications of Financial Assets and Liabilities
- Chapter 6. Functional Categories
- Chapter 7. International Investment Position
- Chapter 8. Financial Account
- Chapter 9. Other Changes in Financial Assets and Liabilities Account
...and these Annexes

Annex 7. Selected Financial Issues

Annex 8. Insurance and Pensions
The Integrated IIP framework is an important new standard presentation integrating the IIP with the balance of payments. The integrated IIP shows how the IIP positions at the start of the period plus balance of payments transactions plus revaluations and other changes sum to the closing positions in the period.

All standard components (except the two “of which” classifications under other changes in volume)
Integrated IIP:
Financial Derivatives
Financial Derivatives: New Breakdowns

- New breakdowns of Financial Derivatives (supplementary) by
  - Instrument
  - Market risk category
  - Trading venue
  - Clearing status
Financial Derivatives: Further Guidance and Clarifications

- Recording of transactions on a net basis is acceptable where separate data on transactions in assets and liabilities are not available.

- All revaluation effects are due to other price changes (rather than exchange rate changes in BPM6) for those types of derivatives where it may not be practical to separate exchange rate changes from other revaluations.

- Methodological guidance for the recording of novation and portfolio compression as financial transactions, including the role of central counterparties

- Clarifications on classifying credit default swaps (CDS)
New Annex 7 on Selected Financial Issues

- **Financial derivatives** will be discussed comprehensively with new recommendations (e.g., classification by risk category).
  - Definitions and explanations on different types of derivative instruments
  - Recording of positions and transactions
  - Valuation
  - Specific Issues

- **Reverse transactions** (e.g., repos) will also be discussed comprehensively with clarifications.
  - More comprehensive discussion on *definitions, recording, income, valuation*
  - Specific Issues
Integrated IIP: Other Investment
Other Investment: Subscription Rights, Equity in International Organizations, and Factoring

- **Subscription rights**
  - Clarified to be recorded as *equity*.

- **Equity in international organizations**
  - Recorded in renamed “*Other equity and equity in international organizations*.”

- **Factoring**
  - Claims under factoring are recorded in loans (to be *reclassified* from *accounts payable/receivable*).
Other Investment: Insurance and Pension

- Hybrid insurance products
  - To be allocated to life or nonlife insurance depending on which features are predominant.

- Autonomous employer-independent pension schemes
  - Qualify as social insurance.
Other Investment: Valuation

- Valuation of nonnegotiable instruments
  - Nominal valuation principle for loans will be maintained.
    - Strengthen the existing framework to allow for value reset even beyond cases of bankruptcy and liquidation, when there is public evidence of loan deterioration.
    - Concessional loans—positions are to be valued at nominal value as any other loan based on the contractual interest rate.

- Other investment/equity in international organizations and other equity positions—may be valued using the methods for DI-unlisted equity.
Other Investment: Clarifications and additional guidance

- Remaining maturity
  - Treatment of debt instruments repaid in installments.
  - Concept of remaining maturity and its proxy for recording.
  - Currency composition information encouraged.
Reserve Assets: New Guidance

- Securities and gold collateral under repurchase agreements reclassify them from reserve assets (e.g., to portfolio investment).
- Off-market central bank currency swaps exchange of deposits with maintenance of value.
- Standard (market priced) currency swaps exchange of deposits with a financial derivative (forward) contract.
- IMF Resilience and Sustainability Trust (RST)—contributors’ loan and deposit claims other claims/other reserve assets (Annex 9 provides additional details).
- Frozen assets reclassify to the relevant functional category (e.g., portfolio investment).
- Unallocated gold accounts recorded only in the reserves if between Monetary Authorities (MA) or between MA and International Organizations.
Reserve Assets: Clarification and New Presentation of Net International Reserves

- Standard statistical definition of Net international reserves (NIR) based on the framework of the Reserves Data (IRFCL) Template.

NIR = Reserve assets – Net short-term foreign currency drains
THANK YOU FOR YOUR ATTENTION!