



Brussels, 17 February 2016  
(OR. en)

6000/16

---

**Interinstitutional File:  
2014/0194 (COD)**

---

**ECOFIN 85  
STATIS 4  
UEM 35  
COMER 10  
CODEC 149**

**"I" ITEM NOTE**

---

From: General Secretariat of the Council  
To: Permanent Representatives Committee (Part 2)

---

Subject: Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment as regards conferring of delegated and implementing powers upon the Commission for the adoption of certain measures  
(First reading) (Legislative deliberation)  
- Confirmation of the final compromise text with a view to agreement

---

I. INTRODUCTION

1. On 26 June 2014, the Commission presented a proposal, based on Article 338 (1) TFEU, for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 184/2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment as regards conferring of delegated and implementing powers upon the Commission for the adoption of certain measures<sup>1</sup>.

---

<sup>1</sup> 5520/14

2. On 5 December 2014, the European Central Bank delivered its opinion based on Articles 127(4) and 282(5) TFEU<sup>2</sup>.
3. On 27 May 2015, the Permanent Representatives Committee approved the Council's General Approach<sup>3</sup>.
4. On 25 June 2015, the European Parliament Committee on Economic and Monetary Affairs adopted its report on the proposal, and decided to open interinstitutional negotiations on the basis of that report.
5. In the second half of 2015, the Luxembourg Presidency met with the European Parliament during two Trilogue meetings. On 14 December 2015, the co-legislators reached a provisional agreement subject to technical adjustment of the final text.
6. On that basis<sup>4</sup>, the Presidency consulted Member States within a written procedure that ended on 11 January 2016. That consultation showed that Member States supported the provisional agreement subject to a number of linguistic revisions. After consultation of the European Parliament, the Presidency suggests that those modifications be introduced during the lawyer-linguists' revision of the text<sup>5</sup>.

## II. COMPROMISE TEXT

7. In the Presidency's opinion, the compromise reached with the European Parliament safeguards the main elements of the Council's general approach, in particular on the delimitation of the Commission's empowerment to adopt delegated acts on certain requirements listed in Annex I in data flows. Furthermore, the modalities, structure and periodicity of quality reports on data falling under the scope of the regulation will be decided by means of implementing acts.

---

<sup>2</sup> 16663/14 + ADD1

<sup>3</sup> 6638/15 + 9120/15

<sup>4</sup> 15528/1/15 REV1

<sup>5</sup> Subject to European Parliament agreement, the Commission quality assessment report will sent not only to the European Parliament but also to the Council (Article 4 paragraph 4).

8. On the possible extension of the scope to cover foreign direct data flows as suggested by the European Parliament, the text provides that the Union may provide financial assistance to pilot studies instituted to establish conditions and methodology for the introduction of such data flows. The possible introduction of foreign direct data flows in the scope of the regulation will follow the Ordinary Legislative Procedure.
9. On that basis, the Permanent Representatives Committee is invited to approve the text set out in the annex to the present document.

### III. CONCLUSION

10. Should the Committee approve the agreed text as set out in the Addendum, the formal procedure requires that a letter be sent by the Chair of the Permanent Representatives Committee to the European Parliament stating that an agreement at first reading can be reached should the European Parliament agree to adopt the text, resulting from the 14 December 2015 Trilogue.

Accordingly, with a view to preparing the way for the final adoption of the Regulation in accordance with Article 294 TFEU, the Committee is invited to:

- endorse the text of the draft Regulation in the Annex to this Note;
- mandate its Chair to send a letter the Chair of the European Parliament Committee on Economic and Monetary Affairs stating that should the European Parliament adopt its position at first reading in the form set out in the compromise contained in the Annex to the letter (subject to revision by the legal linguists of both institutions), the Council would approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.

PE-CONS No/YY - 2014/0194(COD)

*Compromise text*

*Proposal for a* **REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE  
COUNCIL**

**of**

**amending Regulation (EC) No 184/2005 on Community statistics concerning balance of  
payments, international trade in services and foreign direct investment** ■

**(Text with EEA relevance)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 338(1) thereof,

Having regard to the proposal from the European Commission,

***Having regard to the opinion of the European Central Bank;***

After transmission of the draft legislative act to the national Parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) As a consequence of the entry into force of the Treaty on the Functioning of the European Union (“the Treaty”), the powers conferred upon the Commission should be aligned to Articles 290 and 291 of the Treaty.

- *Balance of payments, international trade in services and foreign direct investment statistics of high quality and comparability are essential for those responsible for public policy in the Union, for researchers and all European citizens. The Commission (Eurostat) should take all necessary measures to allow easy and user-friendly online access to data series as well as to provide users with an intuitive presentation of the data.*
- *European statistics concerning the balance of payments, international trade in services and foreign direct investment are of vital importance for informed economic policy making and accurate economic forecasting.*

- (2) In view of the adoption of Regulation (EU) No 182/2011<sup>6</sup>, the Commission has committed itself<sup>7</sup> to reviewing, in the light of the criteria laid down in the Treaty, legislative acts which currently contain references to the regulatory procedure with scrutiny.
- (3) The Commission should have the power to adopt delegated acts under Article 290 of the TFEU to supplement or amend certain non-essential elements of particular legislative acts, notably to take account of economic ■ and technical developments. The Commission should ensure that these delegated acts do not impose a significant additional ■ burden on Member States or on the respondent units, *other than what is necessary for the purposes of this Regulation, nor change the applicable underlying conceptual framework.*

---

<sup>6</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

<sup>7</sup> OJ L 55, 28.2.2011, p. 19.

- (4) Regulation (EC) No 184/2005<sup>8</sup> concerning balance of payments (BOP), international trade in services (ITS) and foreign direct investment (FDI) contains references to the regulatory procedure with scrutiny and should therefore be reviewed in the light of the criteria laid down in the Treaty.
- (5) In the context of aligning Regulation (EC) No 184/2005 to the new rules of the Treaty, implementing powers currently conferred upon the Commission should be provided for by conferring powers on the Commission to adopt delegated and implementing acts.

---

<sup>8</sup> Regulation (EC) No 184/2005 of the European Parliament and of the Council of 12 January 2005 on Community statistics concerning balance of payments, international trade in services and foreign direct investment (OJ L 35, 8.2.2005, p. 23).

- (6) The power to adopt acts in accordance with Article 290 of the Treaty should be delegated to the Commission when, for reasons of economic and technical changes, ***geographical breakdown levels, institutional sectors breakdown levels and economic activity breakdown levels set out in Tables 6, 7 and 8 of Annex I need to be updated, provided that such updates neither affect the reporting burden nor change the underlying conceptual framework, as well as certain requirements of data flows in Annex I need to be eliminated or reduced, provided that such elimination or reduction does not reduce the quality of statistics produced in accordance with this Regulation.***
- ***The delegated acts should also cover the extension of deadline for the report on the findings of the studies on FDI by ultimate ownership concept and distinguishing greenfield FDI transactions from takeovers.***

- (7) It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and the Council.
- (8) ***In order to*** ensure uniform conditions for the implementation of Regulation (EC) No 184/2005, implementing powers should be conferred on the Commission with a view to harmonising the ***modalities, structure*** and periodicity of the quality reports. Those powers should be exercised in accordance with Regulation (EU) No 182/2011.
- (9) The Balance of Payments Committee (BOP Committee) referred to in Article 11 of Regulation (EC) No 184/2005 provide advice to and assist the Commission in exercising of its implementing powers.

- (10) Under the strategy for a new European Statistical System (ESS) structure intended to improve coordination and partnership in a clear pyramid structure within the ESS, the European Statistical System Committee (ESSC), established by Regulation (EC) No 223/2009<sup>9</sup>, should have an advisory role and assist the Commission in exercising its implementing powers.
- (11) To that effect, Regulation (EC) No 184/2005 should be amended with the references to the BOP Committee being replaced by a reference to the ESSC.

---

<sup>9</sup> Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics (OJ L 87, 31.3.2009, p. 164).

- (12) The existing good operative cooperation between the National Central Banks (NCBs) and the National Statistical Institutes (*NSIs*) and between Eurostat and the European Central Bank is an asset that should be continued and further developed in the light of improving the overall *consistency* and quality of *macroeconomic statistics, such as* balance of payments statistics, financial statistics, government finance ■ statistics and national accounts. The *NSIs and* NCBs would continue to be closely involved in the preparation of all the decisions related to BOP, ITS and FDI via their participation in the relevant ■ expert *groups* responsible for BOP, ITS and FDI. The ■ cooperation between the ESS and ESCB is coordinated *at strategic level* in the European Statistical Forum, established via a Memorandum of Understanding on the cooperation between the members of the European Statistical System and the members of the European System of Central Banks<sup>1</sup> signed on 24 April 2013.

- (13) *In order to further strengthen cooperation between the ESS and ESCB, the Commission should request the opinion of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) set up by Council Decision 2006/856/EC<sup>10</sup>, on all matters falling within its competences as referred to in Decision 2006/856/EC.*
- *Pursuant to Articles 127(4) and 282(5) of the Treaty, the European Central Bank (ECB) should be consulted on any proposed Union act in its fields of competence.*
- (14) *Member States should provide the necessary data to produce European statistics on time, in the appropriate form and of the requisite quality with regard to balance of payments, international trade in services and foreign direct investment.*
- (15) *Since the adoption of the Regulation, international capital flows have both intensified and gained in complexity. The increased use of special purpose vehicles and legal constructions for channelling capital flows have made it more difficult to monitor such flows in order to ensure their adequate traceability and to avoid double or multiple accounting.*

---

<sup>10</sup> *Council Decision 2006/856/EC of 13 November 2006 establishing a Committee on Monetary, Financial and Balance of Payments Statistics\*/EC*

**(16) *The provisions of Regulation (EC) No 184/2005 should therefore be updated so as to improve transparency and granularity concerning BOP, ITS and FDI.***

**• *In order to collect the appropriate information required pursuant to this Regulation, Member States should use all relevant and appropriate sources, including administrative data sources such as business registers or the EuroGroups Register (EGR).***

***Transparency could also be enhanced by taking advantage of recent innovations, such as the global legal entity identifier (GLEI), as well as the registries of ultimate ownership established in the framework of the Anti-Money Laundering Directive.***

**(17) *In order to develop foreign direct investment statistics according to the concept of ultimate ownership and distinguishing greenfield foreign direct investments from FDI resulting in takeovers, which for a given period mostly do not lead to an increase of the gross capital formation in the Member States, the appropriate methodology in these domains should be developed and enhanced, in collaboration with relevant stakeholders such as OECD, IMF and UNCTAD.***

- (18) *Pilot studies should establish the conditions including the methodological framework for introducing new data collections on annual FDI statistics, the cost of the related data collections, the quality of the statistics, as well as the cross-country comparability. The result of these studies should be subject of a Report of the Commission to the European Parliament and Council.*
- (19) *In order to ensure the quality of statistical data provided by Member States, the Commission should use the appropriate prerogatives and powers provided for in Article 12 of Regulation (EC) No 223/2009.*
- (20) Regulation (EC) No 184/2005 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

## *Article 1*

Regulation (EC) No 184/2005 is amended as follows:

- (1) In Article 2, the following paragraph is added:

‘3. The Commission shall be empowered to adopt delegated acts in accordance with Article 10, when, for reasons of economic and technical changes, ***geographical breakdown levels, institutional sectors breakdown levels and economic activity breakdown levels set out in Tables 6, 7 and 8 of Annex I need to be updated provided that such updates and specifications neither affect the reporting burden nor change the underlying conceptual framework.***

- ***The Commission shall be empowered to adopt delegated acts in accordance with Article 10 whenever certain requirements of data flows in Annex I need to be eliminated or reduced, provided that such elimination or reduction does not reduce the quality of statistics produced in accordance with this Regulation.***

- **I**

- (2) *Article 4 is replaced by the following:*

- *'Article 4*

*Quality criteria and reports*

1. *For the purpose of this Regulation, the quality criteria set out in Article 12(1) of Regulation (EC) No 223/2009(\*) shall apply to the data to be transmitted in accordance with Article 5 of this Regulation.*
2. *Member States shall provide the Commission (Eurostat) with a report on the quality of the data transmitted (hereinafter referred to as 'quality report').*
3. *In applying the quality criteria referred to in paragraph 1 to the data covered by this Regulation, the modalities, structure and periodicity of the quality reports shall be defined by the Commission by means of implementing acts.\* Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 11(2).*

---

*This part of the text will be reviewed at the JL level in order to avoid having inconsistencies or overlapping text.*

(\*)Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics (OJ L 87, 31.3.2009, p. 164).

4. *The Commission (Eurostat) shall assess the quality of the data transmitted, on the basis of appropriate analysis of the quality reports referred to in paragraph 2, and shall prepare and publish a report on the quality of European statistics covered by this Regulation.*
5. *Member States shall communicate to the Commission (Eurostat) major methodological or other changes that would influence the data transmitted, not later than three months after any such change becomes applicable. The Commission shall notify the European Parliament and the other Member States of any such communication.*
- \*Those **implementing** acts shall be adopted in accordance with the examination procedure referred to in Article 11(2).
  - On the **basis** of the quality reports, the quality of the data transmitted shall be assessed by the Commission with the assistance of the European Statistical System Committee referred to in Article 11(1).
  - This **assessment** of the Commission shall be sent to the European Parliament **and Council\*\*** for information.

---

\* *This part of the text will be reviewed at the JL level in order to avoid having inconsistencies or overlapping text.*

\*\* *Subject to EP agreement. ?*

- (3) *Article 5 is replaced by the following:*

- *‘Article 5*

*Data Flows*

1. *The statistics to be produced shall be grouped for transmission to the Commission (Eurostat) according to the following data flows:*
  - (a) *balance of payments monthly statistics;*
  - (b) *balance of payments quarterly statistics;*
  - (c) *international trade in services;*
  - (d) *foreign direct investment (FDI) flows;*
  - (e) *FDI positions.*
2. *The Commission (Eurostat) and Member States, in cooperation with the relevant international partners, shall develop the appropriate methodology for compiling FDI statistics on an ultimate ownership concept in addition to immediate counterpart principle and distinguishing greenfield FDI transactions from takeovers.*

3. *By 24 months after the entry into force of this Regulation, the Commission (Eurostat) shall institute pilot studies to be carried out by Member States related to annual FDI statistics on an ultimate ownership concept and distinguishing greenfield FDI transactions from takeovers. The purpose of such studies shall be to establish the conditions, including the methodological framework required for introducing these new data collections on annual FDI statistics, and assess the costs of the related data collections and the implied statistical quality as well as allowing assessing the cross country comparability.*
4. *In order to facilitate carrying out the studies referred to in paragraph 3 of this article, the Union may provide financial support to the Member States in the form of grants according to Regulation (EU, EURATOM) No 966/2012.*

5. *By 36 months after the entry into force of this Regulation, the Commission (Eurostat) shall prepare a report on the findings of the studies on FDI by ultimate ownership concept and distinguishing greenfield FDI transactions from takeovers referred to in paragraph 3. This report shall be forwarded to the European Parliament and to the Council and if appropriate shall identify the remaining conditions which need to be fulfilled in order to develop the methodology referred to in paragraph 2.*
- *The Commission shall be empowered to adopt delegated acts in accordance with article 10 in order to extend by 12 months the reporting deadline laid down in the preceding sub-paragraph, if the Commission's assessment of the pilot studies referred therein establishes that identification of remaining conditions, as referred to in the preceding sub-paragraph, is appropriate.*
6. *No later than 12 months from issuing of the reports specified in paragraph 5, the Commission shall, where appropriate, depending in particular on the assessment by the Commission of the result of the pilot studies referred to in paragraph 3, make a proposal for amendments to this Regulation for defining the methodological and data requirements for annual FDI statistics on an ultimate ownership concept and distinguishing greenfield FDI transactions from takeovers.' .*

- (4) Article 10 is replaced by the following:

- *Article 10*

*Exercise of delegated powers*

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.

2. When exercising the powers delegated in Article 2(3) **and Article 5(5)**, the Commission shall ensure that the delegated acts do not impose a significant additional ■ burden on **the** Member States and on the respondents.

- ***In addition, the Commission shall duly justify the actions provided for in those delegated acts, considering where appropriate cost-effectiveness, including the burden on respondents and the production costs in accordance with Article 14(3) of Regulation (EC) No 223/2009.***

- ***The Commission shall follow its usual practice and carry out consultations with experts, including Member States' experts, before adopting those delegated acts.***

3. The power to adopt *delegated* acts referred to in Article 2(3) *and Article 5(5)* shall be conferred on the Commission for *a* period of *5 years* from [Publication office: please insert the exact date of the entry into force of the amending Regulation].
- *The Commission shall draw up a report in respect of the delegation of power no later than nine months before the end of the five-year period. The delegation of power shall be tacitly extended for periods of an identical duration unless the European Parliament or the Council opposes such extension no later than three months before the end of each period.*
4. The delegation of power referred to in Article 2(3) *and Article 5 (5)*, may be revoked at any time by the European Parliament or by the Council.
- A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 2(3) *and Article 5(5)*, shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of *three* months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by *three* months at the initiative of the European Parliament or the Council.’.

- (5) Article 11 is replaced by the following:

- *‘Article 11*

- Committee*

1. The Commission shall be assisted by the European Statistical System Committee established by Regulation (EC) No 223/2009). That committee shall be a committee within the meaning of Regulation (EU) No 182/2011 (\*).
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.’.

(\*)Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member

States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

- (6) *Article 12 is replaced by the following:*
  - *‘Article 12*  
*Reports on implementation*
  - *By 28 February 2018 and every five years thereafter, the Commission shall submit a report to the European Parliament and the Council on the implementation of this Regulation.*
  - *In particular, the report shall:*
    - (a) *evaluate the quality of data on balance of payments, international trade in services and foreign direct investment.*
    - (b) *assess the benefits accruing to the Union, the Member States and the providers and users of statistical information of the statistics produced in relation to the costs;*
    - (c) *identify areas for potential improvement and amendments considered necessary in the light of the results obtained.’.*

- (7) *The following Article is added:*
  - *‘Article 12a*  
*Cooperation with other committees*
  - *On all matters falling within the competence of the Committee on Monetary, Financial and Balance of Payments Statistics established by Decision 2006/856/EC, the Commission shall request the opinion of that Committee in accordance with that Decision.’.*
- (8) *Article 9 of basic Regulation to be replaced by the following:*
  - *‘Article 9*  
*Dissemination*
  - 1. *The Commission (Eurostat) shall disseminate the European statistics produced pursuant to this Regulation, with a periodicity similar to that specified in Annex I. These statistics shall be made available on the Commission (Eurostat) website.*

2. *In accordance with Article 18 of Regulation (EC) No 223/2009, and without prejudice to protecting statistical confidentiality, Member States and the Commission (Eurostat) shall ensure dissemination of data and metadata required by this Regulation as well as the precise methodology used for their compilation.?*

*Article 3*

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*

*For the Council*

*The President*

# 1. ANNEX

## *Amendment\*\**

*(4d) In Annex I, Table 4.1 is amended as follows:*

Table 4

Foreign direct investments transactions (including income)

Table 4.1 Direct Investment Financial Transactions

Deadline T+9 months

Periodicity annual

First reference period 2013

	Net	Net acquisition of financial	Net incurrence of liabilities
ALL RESIDENT UNITS			
Direct investment abroad (DIA) - Transactions	Geo 6	<b>Geo 6*</b>	<b>Geo 6*</b>
DIA Equity other than reinvested earnings	Geo 5	Geo 5	Geo 5
DIA Equity other than reinvested earnings (excluding equity between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIA Equity other than reinvested earnings between fellow enterprises (UCP is resident in the reporting country)	Geo 5	Geo 5	Geo 5
DIA Reinvestment of earnings	Geo 5	Geo 5	
DIA Debt instruments	Geo 5	Geo 5	Geo 5

\***Geo 6**: Geo 6 in bold, mandatory from 2015 and onwards. \*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.").

.DIA Debt instruments (excluding debt between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIA Debt instruments between fellows (UCP is resident in the reporting country)	Geo 5	Geo 5	Geo 5
Direct investment in the reporting economy (DIRE) - Transactions	Geo 6	<b>Geo 6*</b>	<b>Geo 6*</b>
DIRE Equity other than reinvested earnings	Geo 5	Geo 5	Geo 5
DIRE Equity other than reinvested earnings (excluding equity between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIRE Equity other than reinvested earnings between fellow enterprises (UCP is not resident in the reporting country)	Geo 5	Geo 5	Geo 5
Of which: UCP is resident in other euro area country	Geo 5		
UCP is resident in the EU but outside euro area	Geo 5		
UCP is resident outside the EU	Geo 5		
DIRE Reinvestment of earnings	Geo 5		Geo 5
DIRE Debt instruments	Geo 5	Geo 5	Geo 5
DIRE Debt instruments (excluding debt between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIRE Debt instruments between fellows (UCP is not resident in the reporting country)	Geo 5	Geo 5	Geo 5
Of which: UCP is resident in other euro area country	Geo 5		
UCP is resident in the EU but outside euro area	Geo 5		
UCP is resident outside the EU	Geo 5		

\***Geo 6**: Geo 6 in bold, mandatory from 2015 and onwards. \*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II. (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.")

RESIDENT SPECIAL PURPOSE ENTITIES

Direct investment abroad (DIA) - Transactions <sup>(1)</sup>

Geo 5 Geo 5 Geo 5

Direct investment in the reporting economy (DIRE) - Transactions <sup>(1)</sup>

Geo 5 Geo 5 Geo 5

<sup>(1)</sup> Mandatory from reference year 2015 onwards

\***Geo 6**: Geo 6 in bold, mandatory from 2015 and onwards. \*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II. (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.")

*Amendment*

*(4e) In Annex I, Table 4.2 is amended as follows:6*

Table 4.2 Direct Investment Income

Deadline: T+9 months

Periodicity: annual

First reference period: 2013

	Balance	Credit	Debit
ALL RESIDENT UNITS			
Direct investment abroad (DIA) - Income	Geo 6	<b>Geo 6*</b>	<b>Geo 6*</b>
DIA Dividends	Geo 5	Geo 5	Geo 5
DIA Dividends (excluding dividends between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIA Dividends between fellow enterprises (UCP is resident in the reporting country)	Geo 5	Geo 5	Geo 5
DIA Reinvested earnings	Geo 5	Geo 5	
DIA Income on debt	Geo 5	Geo 5	Geo 5

\***Geo 6**: Geo 6 in bold, mandatory from 2015 and onwards. \*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.").

DIA Income on debt (excluding income on debt between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIA Income on debt between fellows (UCP is resident in the reporting country)	Geo 5	Geo 5	Geo 5
Direct investment in the reporting economy (DIRE) - Income	Geo 6	<b>Geo 6*</b>	<b>Geo 6*</b>
DIRE Dividends	Geo 5	Geo 5	Geo 5
DIRE Dividends (excluding dividends between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIRE Dividends between fellow enterprises (UCP is not resident in the reporting country)	Geo 5	Geo 5	Geo 5
Of which: UCP is resident in other euro area country	Geo 5		
UCP is resident in the EU but outside euro area	Geo 5		
UCP is resident outside the EU	Geo 5		

**\*Geo 6:** Geo 6 in bold, mandatory from 2015 and onwards. **\*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II.**

DIRE Reinvested earnings	Geo 5		Geo 5
DIRE Income on debt	Geo 5	Geo 5	Geo 5
DIRE Income on debt (excluding income on debt between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIRE Income on debt between fellows (UCP is not resident in the reporting country)	Geo 5	Geo 5	Geo 5
Of which: UCP is resident in other euro area country	Geo 5		
UCP is resident in the EU but outside euro area	Geo 5		
UCP is resident outside the EU	Geo 5		
<b>RESIDENT SPECIAL PURPOSE ENTITIES</b>			
Direct investment abroad (DIA) - Income <sup>(1)</sup>	Geo 5	Geo 5	Geo 5
Direct investment in the reporting economy (DIRE) - Income (1)	Geo 5	Geo 5	Geo 5

(1) Mandatory from reference year 2015 onwards.

**\*Geo 6:** Geo 6 in bold, mandatory from 2015 and onwards. **\*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II. (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.").**

## Amendment

(4f) In Annex I, Table 5.1 is amended as follows:

Table 5

Foreign direct investments positions

Table 5.1 - Direct Investment Positions

Deadline: T+9 months

Periodicity: annual First

reference period: 2013

	Net	Assets	Liabilities
ALL RESIDENT UNITS			
Direct investment abroad (DIA)	Geo 6	<b>Geo 6</b>	<b>Geo 6</b>
DIA Equity	Geo 5	Geo 5	Geo 5
DIA Equity (excluding equity between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIA Equity between fellow enterprises (UCP is resident in the reporting country)	Geo 5	Geo 5	Geo 5
DIA Debt instruments	Geo 5	Geo 5	Geo 5
DIA Debt instruments (excluding debt between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIA Debt instruments between fellows (UCP is resident in the reporting country)	Geo 5	Geo 5	Geo 5
Direct investment in the reporting economy (DIRE)	Geo 6	<b>Geo 6*</b>	<b>Geo 6*</b>
DIRE Equity	Geo 5	Geo 5	Geo 5

\***Geo 6**: Geo 6 in bold, mandatory from 2015 and onwards. \*\*The JL will introduce an article for the corresponding modifications of Annex I and Annex II . (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.")

\*

DIRE Equity (excluding equity between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIRE Equity between fellow enterprises (UCP is not resident in the reporting country)	Geo 5	Geo 5	Geo 5
Of which: UCP is resident in other euro area country	Geo 5		
UCP is resident in the EU but outside euro area	Geo 5		
UCP is resident outside the EU	Geo 5		
DIRE Debt instruments	Geo 5	Geo 5	Geo 5
DIRE Debt instruments (excluding debt between fellow enterprises)	Geo 5	Geo 5	Geo 5
DIRE Debt instruments between fellows (UCP is not resident in the reporting country)	Geo 5	Geo 5	Geo 5
Of which: UCP is resident in other euro area country	Geo 5		
UCP is resident in the EU but outside euro area	Geo 5		
UCP is resident outside the EU	Geo 5		
RESIDENT SPECIAL PURPOSE ENTITIES			
Direct investment abroad (DIA)	Geo 5	Geo 5	Geo 5
Direct investment in the reporting economy (DIRE)	Geo 5	Geo 5	Geo 5

**\*Geo 6:** Geo 6 in bold, mandatory from 2015 and onwards. **\*\***The JL will introduce an article for the corresponding modifications of Annex I and Annex II (along the lines: " Annex I and II to Regulation (EC) No 184/2005 is amended in accordance with the Annex to this Regulation.").

**Regulation (EC) No 184/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**of 12 January 2005**

**on Community statistics concerning balance of payments, international trade in services and foreign direct investment\*\*\***

Table 2							
Quarterly Balance of payments and International Investment Position							
<i>Periodicity: Quarterly</i>							
<i>First reference period: First Quarter 2014</i>							
<i>Deadline: T+85 from 2014 to 2016; T +82 from 2017 <del>to 2018</del> <sup>(2)</sup>; T+80 from 2019 <sup>(2)</sup></i>							
	Credit			Debit		Balance	
<b>A. Current Account</b>							
.....							
	Assets			Liabilities			Net
	Positions	Revaluations due to exchange rate changes	Revaluations due to other price changes	Positions	Revaluations due to exchange rate changes	Revaluations due to other price changes	Revaluations due to other price changes
<b>E. International Investment position</b>							
.....							
<b>Financial derivatives (other than reserves and employee stock options)</b>							
By resident sector (Sec 2)	Geo 2 <sup>(1)</sup>		Geo-2 <sup>(3)</sup>	Geo 2 <sup>(1)</sup>		Geo-2 <sup>(3)</sup>	Geo 2 <sup>(1)</sup>
.....							
<sup>(1)</sup> Not mandatory for Member States not participating in the Monetary Union.							
<sup>(2)</sup> The transmission to T+82 and T+80 shall not be mandatory for Member States not participating in the Monetary Union.							
<sup>(3)</sup> Geographical detail ....							
<sup>(4)</sup> Institutional Sector Breakdown .....							

\*\*\* The text parts in strike trough will be deleted at the JL level.

## ANNEX II

### DEFINITIONS

The following definitions are based on the IMF Balance of Payments and International Investment Positions Manual, Sixth Edition. (BPM6), the European System of Accounts, the Manual on Statistics on International Trade in Services 2010, the OECD Benchmark Definition of Foreign Direct Investment (BD4).

#### A. CURRENT ACCOUNT

The current account shows flows of goods, services, primary and secondary income between residents and non-residents.

##### 1. GOODS

This component covers moveable goods for which a change of ownership occurs between residents and non-residents.

##### 1.1. General merchandise on a balance of payments basis

General merchandise on a balance of payments (BOP) basis covers goods for which a change of economic ownership occurs between a resident and a non-resident and that are not included in other specific categories, such as goods under merchanting (see 1.2) and nonmonetary gold (see 1.3), or as part of a service. General merchandise should be measured at market value on a free on board (FOB) basis. In the countries' contribution to the compilation of Union aggregates, imports and exports of goods in quasi-transit trade have to be included and, for intra-Union trade, the partner country should be defined according to the consignment principle.

## 1.2. Net exports of goods under merchanting

Merchanting is defined as the purchase of goods by a resident (of the compiling economy) from a non-resident, combined with the subsequent resale of the same goods to another non-resident without the goods being present in the compiling economy. Net exports of goods under merchanting represent the difference between sales over purchases of goods for merchanting. This item includes merchants' margins, holding gains and losses, and changes in inventories of goods under merchanting.

1.2.1. The goods acquired under merchanting are shown as a negative export/credit of the economy of the merchant.

1.2.2. The sale of goods is shown under goods sold under merchanting as a positive export/credit of the economy of the merchant.

## 1.3. Nonmonetary gold

Nonmonetary gold covers all gold other than monetary gold. Monetary gold is owned by monetary authorities and held as a Reserve asset (see 6.5.1). Nonmonetary gold can be in the form of bullion (i.e. coins, ingots, or bars with a purity of at least 995 parts per 1 000, including such gold held in allocated gold accounts), gold powder, and gold in other unwrought or semi-manufactured forms.

#### 1.4. Branding - Quasi-transit trade adjustment

Quasi-transit trade is a term used to define goods imported into a Member State, cleared through customs for free circulation within the Union (and submitted to import duties) by an entity that is not considered as a resident institutional unit, and are then dispatched to another Member State. Branding must be recorded by the Member States affected by the 'quasi-transit trade' to report the gap between the value of General merchandise declared when the goods are initially imported from a third country and their value when dispatched to another Member State. The geographical breakdown should be compiled on the basis of the country of residence of the parent enterprise controlling the company that manages the customs procedure related to these goods in the reporting economy.

## 2. SERVICES

Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets. Services are not generally separate items over which ownership rights can be established and cannot generally be separated from their production.

### 2.1. Manufacturing services on physical inputs owned by others

Manufacturing services on physical inputs owned by others covers processing, assembly, labelling, packing, and so forth undertaken by enterprises that do not own the goods concerned. The manufacturing is undertaken by an entity that receives a fee from the owner. Since the ownership of the goods does not change, no general merchandise transaction is recorded between the processor and the owner. The value of fees charged for manufacturing on physical inputs owned by others is not necessarily the same as the difference between the value of goods sent for processing and the value of goods after processing. Excluded are the assembly of prefabricated construction (included in Construction) and labelling and packaging incidental to transport (included in Transport).

## 2.2. Maintenance and repair services not included elsewhere

Maintenance and repair services not included elsewhere cover maintenance and repair work by residents on goods that are owned by non-residents (and vice versa). The repairs may be performed at the site of the repairer or elsewhere. The value of maintenance and repairs includes any parts or materials supplied by the repairer and included in the charges. Parts and materials charged separately should be included in general merchandise. Repairs and maintenance on ships, aircraft, and other transport equipment are included in this item. Cleaning of transport equipment is excluded as it is included in Transport services. Construction maintenance and repairs are excluded as they are included under Construction. Maintenance and repairs of computers are excluded as they are included under Computer services.

## 2.3. Transport

Transport is the process of carriage of people and objects from one location to another as well as related supporting and auxiliary services. Transport also includes postal and courier services. Transport services are recorded in balance of payments when provided by residents of one economy for the benefit of those of another. Transport can be classified according to:

(a) mode of transport, namely sea, air, or other. 'Other' may be further broken down into rail, road, internal waterway, pipeline, and space transport, as well as electricity transmission;

(b) what is carried, namely passengers or freight or other (which covers supporting and auxiliary services like loading and unloading of containers, storage and warehousing, packing and repackaging, cleaning of transport equipment performed in ports and airports).

#### 2.3.1. Sea transport

Cover all transportation services by sea. A breakdown is required for Passenger sea transport, Freight sea transport and Other sea transport.

#### 2.3.2. Air transport

Cover all transportation services provided by air. A breakdown is required for Passenger air transport, Freight air transport and Other air transport.

#### 2.3.3. Other modes of transport

Cover all transportation services not provided by sea or air. A breakdown is required for Passenger, Freight and Other. An extended classification for Other transport is required as follows:

2.3.3.1. Space transport includes satellite launches undertaken by commercial enterprises for the owners of the satellites (such as telecommunication enterprises) and other operations performed by operators of space equipment, such as transport of goods and people for scientific experiments. Also included is space passenger transport and payments made by an economy in order to have its residents included on the space vehicles of another economy.

2.3.3.2. Rail transport covers transport by trains. A further sub-division between Passenger rail, Freight rail and Other is required.

2.3.3.3. Road transport covers transport by lorries, trucks, buses and coaches. A further sub-division between Passenger road transport, Freight road transport and Other road transport is required.

2.3.3.4. Inland waterway transport relates to international transportation on rivers, canals and lakes. Included are waterways that are internal to one country and those that are shared among two or more countries. A further sub-division between Passenger inland waterway Transport, Freight inland waterway transport and Other inland waterway transport is required.

2.3.3.5. Pipeline transport covers international transport of goods in pipelines, such as the transport of petroleum and related products, water and gas. Excluded are distribution services, typically from substations to the consumer (included in Other business services n.i.e.) and the value of the products transported (included in General merchandise).

2.3.3.6. Electricity transmission comprises services for transmission of electric energy at high voltage over an interconnected group of lines and associated equipment between points of supply and the points at which it is transformed to low voltage for delivery to consumers or delivery to other electric systems. Included are charges for the transmission of electricity when this is separate from the production and distribution process. The provision of electricity itself is excluded. Also excluded are distribution services of electricity (included in Other business services, Other business services n.i.e.).

2.3.3.7. Other supporting and auxiliary transport services cover all other transportation services that cannot be allocated to any of the components of transportation services described above.

#### 2.3.4. Postal and courier services

Postal and courier services cover the pick-up, transport, and delivery of letters, newspapers, periodicals, brochures, other printed matter, parcels, and packages, including post office counter and mailbox rental services.

### 2.4. Travel

Travel credits cover goods and services for own use or to give away, acquired from an economy by non-residents during visits to that economy. Travel debits cover goods and services for own use or to give away, acquired from other economies by residents during visits to these other economies. Travel includes local transport (i.e. transport within the economy being visited and provided by a resident of that economy), but excludes international transport (which is included in Passenger transport). Also excluded are goods purchased by a traveller for resale in the traveller's own economy or in any other economy. Travel is divided in two main sub-components: Business travel and Personal travel.

#### 2.4.1. Business travel

Business travel covers the acquisition of goods and services by business travellers. Also includes the acquisition of goods and services for personal use by seasonal, border and other workers who are not resident in the economy in which they are employed. Business travel is further disaggregated into Acquisition of goods and services by border and seasonal or other short-term workers and Other business travel.

2.4.1.1.Acquisition of goods and services by border, seasonal, and other short-term workers includes the acquisition of goods and services for personal use by seasonal, border and other workers, who are not resident in the economy in which they are employed and whose employer is resident in that economy.

2.4.1.2.Other business travel covers all Business travel expenditure not made by border workers and seasonal or other short-term workers.

#### 2.4.2. Personal travel

Personal travel covers goods and services acquired by travellers going abroad for purposes other than business, such as holidays, participation in recreational and cultural activities, visits with friends and relations, pilgrimage, and education- and health-related purposes. Personal travel is divided in three sub-components: Health-related expenditure, Education-related expenditure and Other personal travel).

2.4.2.1.Health-related expenditure is defined as the total expenditure by those travelling for medical reasons.

2.4.2.2.Education-related expenditure is defined as the total expenditure by students.

2.4.2.3.Other personal travel covers all Personal travel not included in Health-related expenditure or Education-related expenditure.

## 2.5. Construction

Construction covers the creation, renovation, repair, or extension of fixed assets in the form of buildings, land improvements of an engineering nature, and other engineering constructions (including roads, bridges, dams, etc). It includes related installation and assembly work, site preparation and general construction, specialised services such as painting, plumbing, and demolition, and management of construction projects. The construction contracts covered in international trade in services are generally of a short-term nature. A large-scale construction project contracted by a non-resident enterprise that takes a year or more to be completed will usually give rise to a resident branch.

Construction can be disaggregated into Construction abroad and Construction in the compiling economy.

### 2.5.1. Construction abroad

Construction abroad comprises the construction services provided to non-residents by enterprises resident in the compiling economy (credit/exports) and the goods and services purchased in the host economy by these enterprises (debit/imports).

### 2.5.2. Construction in the compiling economy

Construction in the compiling economy comprises construction services provided to residents of the compiling economy by non-resident construction enterprises (debit) and the goods and services purchased in the compiling economy by these non-resident enterprises (credit).

## 2.6. Insurance and pension services

Insurance and pension services comprises: Direct insurance, Reinsurance, Auxiliary insurance services, Pension and standardised guarantee services. Direct insurance is further broken down in Life, Freight and Other direct insurance. Pension and standardised guarantees are further broken down into pension services and standardised guarantee services. These services are estimated or valued by the charges included in total premiums rather than by the total value of the premiums.

### 2.6.1. Life insurance

Holders of life insurance policies make regular payments to an insurer (there may be just a single payment), in return for which the insurer guarantees to pay the policy holder an agreed minimum sum or an annuity, at a given date or at the death of the policy holder, if this occurs earlier. Term life insurance, where benefits are provided in the case of death but in no other circumstances, is excluded here and included in Other direct insurance.

### 2.6.2. Freight insurance

Freight insurance services relate to insurance provided on goods that are in the process of being exported or imported, on a basis that is consistent with the measurement of goods f.o.b. and freight transportation.

### 2.6.3. Other direct insurance

Other direct insurance covers all other forms of casualty insurance. Included are term life insurance; accident and health insurance (unless these are provided as part of government social security schemes); marine, aviation and other transport insurance; fire and other property damage; pecuniary loss insurance; general liability insurance; and other insurance, such as travel insurance and insurance related to loans and credit cards.

#### 2.6.4. Reinsurance

Reinsurance is the process of subcontracting parts of the insurance risk, often to specialised operators, in return for a proportionate share of the premium income. Reinsurance transactions may relate to packages that mix several types of risks.

#### 2.6.5. Auxiliary insurance services

Comprise transactions that are closely related to insurance and pension fund operations. Included are agents' commissions, insurance brokering and agency services, insurance and pension consultancy services, evaluation and adjustment services, actuarial services, salvage administration services, and regulatory and monitoring services on indemnities and recovery services.

#### 2.6.6. Pension services

Pension services cover the services provided by funds established to provide income on retirement and benefits for death or disability, for specific groups of employees by the government or by insurance corporations on behalf of employees.

### 2.6.7. Standardised guarantee services

Standardised guarantee services are services related to standardised guarantee schemes. They are arrangements where one party (the guarantor) undertakes to cover the losses of the lender in the event that the borrower defaults. Examples include export credit and student loan guarantees.

## 2.7. Financial services

Financial services cover intermediary and auxiliary services, except insurance and pension fund services, usually provided by banks or other financial corporations.

### 2.7.1. Explicitly charged and other financial services

Services are charged for by explicit charges in the case of many financial services and require no special calculation. They include fees for deposit-taking and lending, fees for one-off guarantees, early or late repayment fees or penalties, account charges, fees related to letters of credit, credit card services, commissions and charges related to financial leasing, factoring, underwriting, and clearing of payments. Also included are financial advisory services, custody of financial assets or bullion, financial asset management, monitoring services, liquidity provision services, risk assumption services other than insurance, merger and acquisition services, credit rating services, stock exchange services and trust services. Dealers in financial instruments may charge, in full or part, for their services by having a spread between their buying and selling prices. Margins on buying and selling transactions are included in explicitly charged and other financial services.

## 2.7.2. Financial intermediation services indirectly measured (FISIM)

Actual interest can be considered as including both an income element and a charge for a service. Lenders and deposit-takers operate by providing rates of interest to their depositors that are lower than the rates that they charge to their borrowers. The resulting interest margins are used by the financial corporations to defray their expenses and to provide an operating surplus. By convention, these indirect charges in respect of interest apply only to loans and deposits and only when those loans and deposits are provided by, or deposited with, financial corporations.

## 2.8. Charges for the use of intellectual property not included elsewhere

Charges for the use of intellectual property not included elsewhere include:

(a) Charges for the use of proprietary rights (such as patents, trademarks, copyrights, industrial processes and designs including trade secrets and franchises). These rights can arise from research and development, as well as from marketing; and

(b) Charges for licences to reproduce or distribute intellectual property embodied in produced originals or prototypes (such as copyrights on books and manuscripts, computer software, cinematographic works and sound recordings) and related rights (such as for live performances and television, cable, or satellite broadcast).

## 2.9. Telecommunication, computer and information services

Computer and telecommunication services are defined in terms of the nature of the service, not the method of delivery.

### 2.9.1. Telecommunications services

Telecommunications services encompass the transmission of sound, images or other information by telephone, telex, telegram, radio and television cable and broadcasting, satellite, electronic mail, facsimile services etc., including business network services, teleconferencing and support services. They do not include the value of the information transported. Also included are mobile telecommunication services, Internet backbone services and on-line access services, including provision of access to the Internet. Excluded are installation services for telephone network equipment as they are included in Construction and database services (included in Information services).

### 2.9.2. Computer services

Consist of hardware and/or software-related services and data-processing services. Also included are hardware and software consultancy and implementation services; maintenance and repair of computers and peripheral equipment; disaster recovery services, provision of advice and assistance on matters related to the management of computer resources; analysis, design and programming of systems ready to use (including web page development and design), and technical consultancy related to software; licences to use non-customised software; development, production, supply and documentation of customised software, including operating systems made on order for specific users; systems maintenance and other support services, such as training provided as part of consultancy; data-processing services, such as data entry, tabulation and processing on a time-sharing basis; web page hosting services (i.e., the provision of server space on the Internet to host clients' web pages); and computer facilities management. Excluded are charges for licences to reproduce and/or distribute software which are included in Charges for the use of intellectual property. Leasing of computers without an operator is included in Operating leasing.

### 2.9.3. Information services

Comprises: News agency services and Other information services.

2.9.3.1. News agency services include the provision of news, photographs, and feature articles to the media.

2.9.3.2. Other information services include database services (database conception, data storage and the dissemination of data and databases, including directories and mailing lists), both online and through magnetic, optical or printed media; and web search portals (search engine services that find internet addresses for clients who input keyword queries). Also included are direct, non-bulk subscriptions to newspapers and periodicals, whether by mail, electronic transmission or other means; other online content provision services; and library and archive services. Bulk newspapers and periodicals are included under general merchandise. Downloaded content that is not software (included in Computer services) or audio and video (included in Audiovisual and related services) is included in information services.

### 2.10. Other business services

This includes: Research and development services, Professional and management consulting services, Technical, trade-related, and Other business services.

## 2.10.1. Research and development services

Research and development services consist of services that are associated with basic research, applied research, and experimental development of new products and processes. In principle, such activities in the physical sciences, social sciences, and humanities are covered within this category, including the development of operating systems that represent technological advances. Also included is commercial research related to electronics, pharmaceuticals, and biotechnology.

This comprises: 1) Work undertaken on a systematic basis to increase the stock of knowledge and 2) Other research and development services.

2.10.1.1. Work undertaken on a systematic basis to increase the stock of knowledge comprise: a) Provision of customised and non-customised research & development services and b) Sale of proprietary rights arising from research & development.

2.10.1.1.a. Provision of customised and non-customised research and development services covers the provision of research and development services that are made-to order (customised) and development of non-customised research and development, excluding sales of proprietary rights (included in 2.10.1.1.b), and sales related to licences to reproduce or use (included in Charges for the use of intellectual property).

2.10.1.1.b. Sale of proprietary rights arising from research and development comprises Patents, Copyrights arising from research and development, Industrial processes and designs (including trade secrets).

2.10.1.2. Other research and development services include other product/process development activities.

## 2.10.2. Professional and management consulting services

Professional and management consulting services include: 1) Legal services, accounting, management consulting, managerial services, and public relations services; and 2) Advertising, market research, and public opinion polling services.

2.10.2.1. Legal, accounting, management consulting, and public relations comprises:

a) Legal services; b) Accounting, auditing, bookkeeping and tax consulting services; c) Business and management consulting and public relations services.

2.10.2.1.a. Legal services cover legal advisory and representation services in any legal, judicial and statutory procedures; drafting services of legal documentation and instruments; certification consultancy; and escrow and settlement services.

2.10.2.1.b. Accounting, auditing, bookkeeping and tax consultancy services covers the recording of commercial transactions for businesses and others; examination services of accounting records and financial statements; business tax planning and consulting; and preparation of tax documents.

2.10.2.1.c. Business and management consulting and public relations services covers advisory, guidance and operational assistance services provided to businesses for business policy and strategy and the overall planning, structuring and control of an organisation. Included are management fees, management auditing; market management, human resources, production management and project management consulting; and advisory, guidance and operational services related to improving the image of the clients and their relations with the general public and other institutions.

2.10.2.2. Advertising, market research and public opinion polling covers the design, creation and marketing of advertisements by advertising agencies; media placement, including the purchase and sale of advertising space; exhibition services provided by trade fairs; the promotion of products abroad; market research; telemarketing; and public opinion polling on various issues.

### 2.10.3. Technical, trade-related, and other business services

These comprise: 1) Architectural, engineering, scientific and other technical services, 2) Waste treatment and de-pollution, agricultural and mining services, 3) Operating leasing services, 4) Trade-related services and 5) Other business services n.i.e.

#### 2.10.3.1. Architectural, engineering, scientific and other technical services

Comprise: a) Architectural services, b) Engineering services, c) Scientific and other technical services.

2.10.3.1.a. Architectural services include transactions related to the design of buildings.

2.10.3.1.b. Engineering services include the design, development and utilisation of machines, materials, instruments, structures, processes and systems. Services of this type involve the provision of designs, plans and studies related to engineering projects. Mining engineering is excluded (included in Services incidental to mining, and oil and gas extraction).

2.10.3.1.c. Scientific and other technical services include surveying; cartography; product testing and certification; and technical inspection services.

### 2.10.3.2. Waste treatment and de-pollution, agricultural and mining services

Comprise: a) Waste treatment and de-pollution, b) Services incidental to agriculture, forestry and fishing, c) Services incidental to mining, and oil and gas extraction

2.10.3.2.a. Waste treatment and de-pollution include waste collection and disposal, remediation, sanitation, and other environmental protection services. They also include environmental services, such as production of carbon offsets or carbon sequestration that are not classified under any more specific category.

2.10.3.2.b. Services incidental to agriculture, forestry and fishing include agricultural services that are incidental to agriculture, such as the provision of agricultural machinery with crew, harvesting, treatment of crops, pest control, animal boarding, animal care, and breeding services. Services in hunting, trapping, forestry and logging, and fishing are also included here, as are veterinary services.

2.10.3.2.c. Services incidental to mining, and oil and gas extraction include mining services provided at oil and gas fields, including drilling, derrick building, repair and dismantling services, and oil and gas well casing cementing. Services incidental to mineral prospecting and exploration, as well as mining engineering and geological surveying, are also included here.

### 2.10.3.3. Operating leasing services

Operating leasing is the activity of renting out produced assets under arrangements that provide use of a tangible asset to the lessee, but do not involve the transfer of the bulk of risks and rewards of ownership to the lessee. Operating leasing may be called rental in case of items such as buildings or equipment. Operating leasing services cover leasing (rental) and charters, without crew, of ships, aircraft, and transport equipment. Also included are operating lease payments relating to other types of equipment without an operator, including computers and telecommunications equipment. Licence payments for the right to use intangible assets, such as software, intellectual property, and so forth are included under specific headings (Computer services, Charges for the use of intellectual property n.i.e. etc.) rather than operating leasing. Excluded from operating leasing services are leasing of telecommunications lines or capacity (included in Telecommunications services); rental of ships and aircraft with crew (included in Transport services); and rentals incidental to travel (included in Travel).

### 2.10.3.4. Trade-related services

Trade-related services cover commissions on goods and service transactions payable to merchants, commodity brokers, dealers, auctioneers, and commission agents. Excluded from trade-related services are franchising fees (included in Charges for the use of intellectual property n.i.e.); brokerage on financial instruments (included in Financial services); insurance brokerage (included in Auxiliary insurance services) and transport-related charges, such as agency commissions (included in Transport).

### 2.10.3.5. Other business services not included elsewhere

Other business services include distribution services related to water, steam, gas or other petroleum products, and air-conditioning supply, where these are identified separately from transmission services; placement of personnel, security, and investigative services; translation and interpretation; photographic services; publishing; building cleaning; and real estate services.

## 2.11. Personal, cultural and recreational services

These include Audiovisual and related services and Other personal, cultural and recreational service.

#### 2.11.1. Audiovisual and related services

Can be further broken down in Audiovisual services and Artistic related services. Comprise services and associated fees related to the production of motion pictures (on film or videotape), radio and television programmes (live or on tape) and musical recordings. Included are rentals of audiovisual and related products and access to encrypted television channels (such as cable or satellite services); mass-produced audio-visual products purchased or sold for perpetual use that are delivered electronically (downloaded); fees received by performing artists (actors, musicians, dancers), authors, composers etc. Excluded are charges or licences to reproduce and/or distribute audiovisual products (included in Charges for the use of intellectual property n.i.e.).

#### 2.11.2. Other personal, cultural and recreational services

Comprise: a) Education services, b) Health services, c) Heritage and recreational services and d) Other personal services.

2.11.2.a. Education services comprises services supplied between residents and non-residents relating to education, such as correspondence courses and education via television or the Internet, as well as by teachers etc. who supply services directly in host economies.

2.11.2.b. Health services comprises services provided by doctors, nurses and paramedical and similar personnel, as well as laboratory and similar services, whether rendered remotely or on-site. Excluded is all expenditure by travellers on education and health (included in Travel).

2.11.2.c. Heritage and recreational services includes services associated with museums and other cultural, sporting, gambling and recreational activities, except those involving persons outside their economy of residence (included in Travel).

2.11.2.d. Other personal services includes social services, domestic services etc.

## 2.12. Government goods and services not included elsewhere

This is a residual category covering government transactions (including those of international organisations) in goods and services that it is not possible to classify under other items. Included are all transactions (in both goods and services) by enclaves such as embassies, consulates, military bases and international organisations with residents of economies in which the enclaves are located. Excluded are transactions of the enclaves with residents of the home economies. Depending on the government unit undertaking the transaction, this item can be further broken down into goods and services transacted by Embassies and consulates, Military units and agencies and Other government goods and services not included elsewhere.

## 3. PRIMARY INCOME

Primary income represents the return that accrues to institutional units for their contribution to the production process, or for the provision of financial assets or from renting natural resources to other institutional units. It comprises Compensation of employees, Investment income and Other primary income.

### 3.1. Compensation of employees (D1)

Compensation of employees is recorded when the employer (the producing unit) and the employee are resident in different economies. For the economy where the producing units are resident, compensation of employees is the total remuneration (including contributions paid by employers to social security schemes or to private insurance or pension funds), in cash or in kind, payable by resident enterprises to non-resident employees in return for work done by the latter during the accounting period. For the economy where the individuals are resident, compensation is the total remuneration, in cash or in kind, receivable by them from non-resident enterprises in return for work done during the accounting period. It is important to establish whether an employer-employee relationship exists; if not, the payment constitutes a purchase of services.

### 3.2. Investment income

Investment income is derived from a resident's ownership of an external financial asset (credit) and symmetrically, income derived from a non-resident's ownership of a domestic financial asset (debit). Investment income includes income on equity (Dividends, Withdrawals from income of quasi-corporations, Reinvested earnings) and on debt (Interest), and investment income attributable to policyholders in insurance, pension schemes, and standardised guarantee schemes.

In balance of payments, investment income is also classified according to the function of the underlying investment, as Direct investment, Portfolio investment, Other investment and Reserve assets, and further detailed according to the type of investment. For the definitions of investment by function, see the financial account.

Where they are separately identifiable, gains and losses on (capital) holdings are not classified as income on investments, but as changes in the value of investments due to market price developments. Net flows associated with interest rate derivatives are recorded solely under financial derivatives in the financial account.

### 3.2.1. Interest (D41)

Interest is a form of investment income that is receivable by the owners of certain kinds of financial assets, namely deposits (AF2), debt securities (AF3), loans (AF4), and other accounts receivable (AF8), for putting the financial assets at the disposal of another institutional unit. Income on special drawing rights (SDR) holdings and SDR allocations is also included in interest. The primary income account records ‘pure interest’ by eliminating the FISIM component from ‘actual interest’. Interest income is recorded on an accrual basis.

### 3.2.2. Distributed income of corporations (D42)

#### 3.2.2.1. Dividends (D421)

Dividends are the distributed earnings allocated to the owners of equity shares (AF5) for placing funds at the disposal of corporations. Dividends are recorded at the moment the shares go ex-dividend.

#### 3.2.2.2. Withdrawals from income of quasi-corporations (D422)

Withdrawals from the income of quasi-corporations (unincorporated enterprises that behave as if they were corporations, e.g. branches, notional resident units for land and other natural resources owned by non-residents, joint ventures, trusts, etc.) are the amounts that owners of quasi-corporations withdraw for their own use from the profits earned by the quasi-corporations that belong to them. Withdrawals from the income of quasi-corporations are recorded as occurring when they actually took place.

### 3.2.3. Reinvested earnings on foreign direct investment (D43)

Reinvested earnings (RIE) represent the direct investors' proportion, in terms of equity held, of the earnings that foreign subsidiaries, associates and branches do not distribute as dividends. They are defined as the direct investor's share of the total consolidated profits earned by the direct investment enterprise in the reference period (after allowing for tax, interest and depreciation), less dividends due for payment in the reference period, even if these dividends relate to profits earned in previous periods.

Reinvested earnings are recorded in the period in which the retained earnings accrue.

### 3.2.4. Income of investment fund shares (D443)

Investment income attributable to collective investment fund shareholders, including mutual funds and unit trusts, is composed of two separate items: Dividends (D4431), and Reinvested earnings (D4432).

Earnings from investment funds can be viewed as being passed on to their shareholders (or unit holders) as they are earned in the form of investment income on their equity. Investment funds earn income by investing the money received from shareholders. Shareholders' income from investment funds is defined as the investment income earned on the fund's investment portfolio after deducting operating expenses. The net earnings of investment funds after deducting the operating expenses belong to shareholders. Where only a part of the net earnings is distributed to shareholders as dividends, the retained earnings should be treated as if they were distributed to the shareholders and then deemed reinvested.

### 3.2.5. Investment income attributable to policyholders in insurance, pension schemes and standardised guarantee schemes

To define this item, we look separately at its components, not part of the BoP data request.

#### 3.2.5.1.

Investment income attributable to insurance policy holders (D441) corresponds to the total primary incomes received from the investment of insurance technical reserves. The reserves are those for which the insurance corporation recognises a corresponding liability to the policyholders.

#### 3.2.5.2. Investment income payable on Pension entitlements (D442)

Pension entitlements arise from either defined contribution schemes or defined benefit schemes.

### 3.3. Other primary income

Classified according to the institutional sector of the compiling economy (General government or Other sectors) and include the following components: Taxes on production and imports, Subsidies and Rent.

### 3.3.1. Taxes on production and imports (D2)

Include the following components:

3.3.1.1. Taxes on products (D21) are payable per unit of some good or service produced or traded cross-border. Examples include value-added tax, import duties, excise duties and consumption taxes.

3.3.1.2. Other taxes on production (D29) consist of all taxes that enterprises incur as a result of engaging in production, and include taxes paid for business and professional licences.

### 3.3.2. Subsidies (D3)

Include the following components:

3.3.2.1. Subsidies on products (D31) are payable per unit of a good or service produced.

3.3.2.2. Other subsidies on production (D39) consist of subsidies except subsidies on products that resident producer units may receive as a consequence of engaging in production.

### 3.3.3. Rent (D45)

Rent covers income receivable for putting natural resources at the disposal of a non-resident institutional unit. Examples of rent include amounts payable for the use of land extracting mineral deposits and other subsoil assets, and for fishing, forestry, and grazing rights. The regular payments made by the lessees of natural resources, such as subsoil assets, are often described as royalties, but they are classified as rents.

## 4. SECONDARY INCOME

The secondary income account shows current transfers between residents and non-residents. A transfer is an entry that corresponds to the provision of a good, service, financial asset, or other non-produced asset by an institutional unit to another institutional unit where there is no corresponding return of an item of economic value. Current transfers consist of all transfers that are not capital transfers.

Current transfers are classified according to the institutional sector making or receiving the transfer in the compiling economy (General government or Other sectors).

General government current transfers comprise Current taxes on income, wealth etc, Social contributions, Social benefits, Current international cooperation, Miscellaneous current transfers, VAT and GNI-based Union own resources.

Other sectors current transfers comprise Current taxes on income, wealth etc, Social contributions, Social benefits, Miscellaneous current transfers, Net non-life insurance premiums, Non-life insurance claims and Adjustments for the changes in pension entitlements. Miscellaneous current transfers (D75) include Personal transfer between resident and non-resident households (Of which: Workers' remittances)

#### 4.1. Current taxes on income, wealth etc (D5)

Current taxes on income, wealth etc., in the international accounts consists mainly of taxes levied on the income earned by non-residents from the provision of their labour or financial assets. Taxes on capital gains arising from assets of non-residents are also included. Taxes on income and capital gains from financial assets are generally payable by Other sectors (individuals, corporations and non-profit institutions) and receivable by General government.

#### 4.2. Social contributions (D61)

Social contributions are the actual or imputed contributions made by households to social insurance schemes to make provision for social benefits to be paid.

#### 4.3. Social benefits (D62+D63)

Social benefits include benefits payable under social security and pension schemes. They include pensions and non pension benefits from events or circumstances such as sickness, unemployment, housing and education, and may be in cash or in kind.

#### 4.4. Net non-life insurance premiums (D71)

Non-life insurance premiums consist of both the gross premiums payable by policyholders to obtain insurance during the accounting period (premiums earned) and the premium supplements payable out of the investment income attributable to insurance policyholders, after deducting the service charges of insurance enterprises arranging the insurance. The service charges constitute purchases of services by the policyholders and are recorded as insurance services. Net premiums on standardised guarantees are included under this item.

#### 4.5. Non-life insurance claims (D72)

Non-life insurance claims are the amounts payable in settlement of claims that become due during the current accounting period. Claims become due at the moment when the eventuality occurs that gives rise to a valid claim. Claims payable under standardised guarantees are recorded under this item.

#### 4.6. Current international cooperation (D74)

Current international cooperation consists of current transfers in cash or in kind between the governments of different countries or between governments and international organisations. Part of current international cooperation is vis-à-vis the Union Institutions.

#### 4.7. Miscellaneous current transfers (D75)

Miscellaneous current transfers, in cash or in kind, include: Current transfers to Non profit institutions serving households (D751), Current transfers between households (D752), Other miscellaneous current transfers (D759) including fines and penalties, part of the payments for lottery tickets and gambling, payments of compensation and other.

#### 4.7.1. Personal transfers between resident and non-resident households

Personal transfers between resident and non-resident households consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers include as ‘of which’ Workers’ remittances

##### 4.7.1.1. Workers’ remittances

Workers’ remittances consist of personal transfers made by migrants resident and employed in new economies to non-resident households. Persons who work for and stay in new economies for less than a year are considered non-residents and their remuneration is recorded under compensation of employees.

#### 4.8. VAT and GNI-based Union own resources (D76)

The VAT and GNI-based third and fourth Union own resources are current transfers paid by the general government of each Member State to the Union Institutions.

#### 4.9. Adjustment for change in pension entitlements (D8)

The adjustment for the change in pension entitlements is necessary to reconcile the treatment of pensions as current transfers with the treatment of pension entitlements as financial assets. After the adjustment, the current account balance is the same as it would have been if social contributions and pension receipts were not recorded as current transfers.

## B. CAPITAL ACCOUNT

The capital account covers the Acquisition/disposal of non-produced non-financial assets and Capital transfers.

### 5.1. Gross acquisitions and disposals of non-produced non-financial assets

Non-produced, non-financial assets consist of: (a) natural resources, (b) contracts, leases, and licenses, and (c) marketing assets (brand names, trademarks) and goodwill. Acquisition and disposals of non-produced, non-financial assets are recorded separately on a gross basis, rather than netted. Only the purchase/sale of such assets, but not their use, is to be recorded in this item of the capital account.

### 5.2. Capital transfers (D9)

Capital transfers consist of (i) transfers of ownership of fixed assets, (ii) transfers of funds linked to, or conditional upon, the acquisition or disposal of fixed assets and (iii) the cancellation, without any consideration being received in return, of liabilities by creditors. Capital transfers may be in cash or in kind (such as debt forgiveness). The distinction between current and capital transfers, in practice, rests in the use of the transfer by the recipient country. Capital transfers are classified according to the institutional sector making or receiving the transfer in the compiling economy (General government or Other sectors).

Capital transfers include: Capital taxes, Investment grants and Other capital transfers.

### 5.2.1. Capital taxes (D91)

Capital taxes consist of taxes levied at irregular and infrequent intervals on the values of the assets or net worth owned by institutional units or on the values of assets transferred between institutional units. These include inheritance taxes and taxes on gifts between persons levied on the capital of the beneficiaries.

### 5.2.2. Investment grants (D92)

Investment grants consist of capital transfers, in cash or in kind, made to finance all or part of the costs of acquiring fixed assets. The recipients are obliged to use investment grants received in cash for purposes of gross fixed capital formation, and the grants are often tied to specific investment projects, such as large construction projects.

### 5.2.3. Other capital transfers (D99)

These include major non-recurrent payments in compensation for extensive damage or serious injuries not covered by insurance policies, large gifts, legacies and donations, including those to non-profit institutions. This category includes Debt forgiveness.

#### 5.2.3.1. Debt forgiveness

Debt forgiveness is the voluntary cancellation of all, or part, of a debt obligation within a contractual agreement between a creditor and a debtor.

## C. FINANCIAL ACCOUNT AND INTERNATIONAL INVESTMENT POSITION

In general, the Financial account records transactions that involve financial assets and liabilities that have taken place between residents and non-residents. The financial account shows transactions in net terms: net acquisitions of financial assets correspond to acquisitions of assets less reductions in assets.

The International investment position (IIP) shows, at the end of each quarter, the value of financial assets of residents of an economy that are claims on non-residents, and the liabilities of residents of an economy to non-residents, plus gold bullion held as reserve assets. The difference between the assets and liabilities is the net position in the IIP and represents either a net claim on or a net liability to the rest of the world.

The value of the IIP at the end of a period results from positions at the end of the previous period, transactions in the current period, and other changes that arise from reasons other than transactions between residents and non-residents, that may be attributed to other changes in volume and revaluations (due to changes in exchange rates or prices).

According to the functional subdivision cross-border financial transactions and positions are classified as Direct investment, Portfolio investment, Financial derivatives (other than reserves) and employee stock options, Other investment, and Reserve assets. Cross-border financial transactions and positions are further classified by type of instrument and institutional sector, as defined in Table 7.

Market prices are the basis for the valuation of transactions and positions. Nominal valuation is used for positions in nonnegotiable instruments, namely loans, deposits, and other accounts receivable/payable. However, any transactions in these instruments are valued at market prices. To account for the inconsistency between the market valuation of transactions and nominal valuation of positions, the seller records Revaluations due to other price changes during the period in which the sale occurs, equal to the difference between the nominal and the transaction value, whilst the buyer records an opposite amount as Revaluations due to other price changes.

The financial account of the balance of payments and the international investment position include offsetting entries for accrued income on the instruments classified in the respective functional categories.

### 6.1. Direct investment

Direct investment is associated with a resident in one economy (direct investor) having control or a significant degree of influence on the management of an enterprise that is resident in another economy (direct investment enterprise). Following the international standards, the direct or indirect ownership of 10 % or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. Based on this criterion, a direct investment relationship can exist between a number of related enterprises, regardless of whether the linkage involves a single or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment is established, all subsequent financial flows/holdings between the related entities are recorded as direct investment transactions/positions.

Equity capital comprises equity in branches as well as all shares in subsidiaries and associates. Reinvested earnings consist of the offsetting entry to the direct investor's share of earnings not distributed as dividends by subsidiaries or associates, and earnings of branches not remitted to the direct investor and which are recorded under Investment income (see 3.2.3).

Direct investment equity and Debt are further disaggregated according to the type of relationship between entities and according to the direction of the investment. Three types of direct investment relationships can be distinguished:

(a) Direct investors' investment in direct investment enterprises. This category includes investment flows (and stocks) from the direct investor to its direct investment enterprises (regardless of whether it is directly or indirectly controlled or influenced);

(b) Reverse investment. This type of relationship covers investment flows (and stocks) from the direct investment enterprises to the direct investor;

(c) Between fellow enterprises. This covers flows (and stocks) between enterprises that do not control or influence each other, but that are both under the control or influence of the same direct investor.

## 6.2. Portfolio investment

Portfolio investment includes transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets. Portfolio investment includes Equity securities, Investment fund shares and Debt securities, unless they are categorised either as direct investment or as reserve assets. Transactions as repurchase agreements and securities lending are excluded from portfolio investment.

### 6.2.1. Equity securities (F51/AF51)

Equity consists of all instruments representing claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met. In contrast to debt, equity does not generally provide the owner with a right to a predetermined amount or an amount determined according to a fixed formula. Equity securities consist of Listed and Unlisted shares.

Listed shares (F511/AF511) are equity securities listed on a recognised stock exchange or any other form of secondary market. Unlisted shares (F512/AF512) are equity securities not listed on an exchange.

### 6.2.2. Investment fund shares (F52/AF52)

Investment fund shares are issued by investment funds. They are known as ‘units’ if the fund is a trust. Investment funds are collective investment undertakings through which the investors pool funds for investment in financial and/or non-financial assets. Investment fund shares have a specialised role in financial intermediation as a kind of collective investment in other assets, so they are identified separately from other equity shares. Additionally, the treatment of their income differs, because reinvested earnings have to be imputed.

### 6.2.3. Debt securities (F3/AF3)

Debt securities are negotiable instruments serving as evidence of a debt. They include bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities, money market instruments, and similar instruments normally traded in the financial markets. Transactions and positions in debt securities are divided by original maturity into Short-term and Long-term.

#### 6.2.3.1. Short-term debt securities (F31/AF31)

Short-term debt securities are payable on demand or issued with an initial maturity of one year or less. They generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded, at a discount, in organised markets; the discount depends on the interest rate and the time remaining to maturity.

#### 6.2.3.2. Long-term debt securities (F32/AF32)

Long-term debt securities are issued with an initial maturity of more than one year or with no stated maturity (other than on demand, which is included in short-term). They generally give the holder (a) the unconditional right to a fixed monetary income or contractually-determined variable monetary income (payment of interest being independent from the earnings of the debtor) and (b) the unconditional right to a fixed sum in repayment of principal on a specified date or dates.

The recording of transactions in balance of payments takes place when the creditors or debtors enter the claim or liability in their books. Transactions are recorded at the effective price received or paid, less commission and expenses. Thus, in the case of securities with coupons, the interest accrued from the last payment of interest is included and, in the case of securities issued at discount, the interest accumulated since the issue is included. Inclusion of interest accrued is required for both the financial account of the balance of payments and for the international investment position; these recordings need to have offsetting entries in their respective income accounts.

### 6.3. Financial derivatives (other than reserves) and employee stock options (F7/AF7)

A financial derivative contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, and so on) can be traded in their own right in financial markets. This category is identified separately from other categories because it relates to risk transfer, rather than supply of funds or other resources. Unlike other functional categories, no primary income accrues on financial derivatives. Net flows associated with interest rate derivatives are recorded as financial derivatives, not as investment income. Transactions and positions in financial derivatives are treated separately from the values of any underlying items to which they are linked. In the case of options, the full premium (i.e. the purchase/sale price of the options and the implied service charge) is recorded. Repayable margin payments consist of cash or other collateral deposited to protect counterparty against default risk. They are classified as deposits under other investment (if the debtor's liabilities are included in broad money) or in other accounts receivable/payable. Non-repayable margin payments (also known as variation margin) reduce the financial liability created through a derivative; therefore they are classified as transactions in financial derivatives.

Employee stock options are options to buy the equity of a company offered to employees of the company as a form of remuneration. If a stock option granted to employees can be traded on financial markets without restriction, it is classified as a financial derivative.

### 6.4. Other investment

Other investment is a residual category that includes positions and transactions other than those included in direct investment, portfolio investment, financial derivatives and employee stock options or reserve assets. To the extent that the following classes of financial assets and liabilities are not included under direct investment or reserve assets, other investment includes: (a) Other equity; (b) Currency and deposits; (c) Loans (including use of IMF credit and loans from the IMF); (d) Insurance, pension and standardised guarantee schemes; (e) Trade credit and advances; (f) Other accounts receivable/payable; and (g) SDR allocations (SDR holdings are included in reserve assets).

For loans, deposits, and other accounts receivable/payable sold at a discount, the transaction values recorded in the financial account may differ from the nominal values recorded in the IIP. Such differences are recorded as Revaluations due to other price changes.

#### 6.4.1. Other equity (F519/AF519)

Other equity includes equity not in the form of securities, therefore not included in portfolio investment. Participation in the capital of some international organisations is not in the form of securities and thus is classified as Other equity.

#### 6.4.2. Currency and deposits (F2/AF2)

Currency and deposits include currency in circulation and deposits. Deposits are standardised, non-negotiable contracts generally offered by deposit-taking institutions, allowing the placement and the later withdrawal of a variable amount of money by the creditor. Deposits usually involve a guarantee by the debtor to return the principal amount to the investor.

The distinction between Loans and Currency and deposits depends on the nature of the borrower. This implies that, on the assets side, money granted by the resident money-holding sector to non-resident banks is to be classified as Deposits and money granted by the resident money-holding sector to non-resident non-banks (i.e. institutional units other than banks) is to be classified as Loans. On the liabilities side, money taken by resident non-banks, i.e. non-monetary financial institutions (non-MFIs) is always to be classified as Loans. Finally, this distinction implies that all transactions involving resident MFIs and non-resident banks are to be classified as Deposits.

### 6.4.3. Loans (F4/AF4)

Loans are financial assets that are (a) created when a creditor lends funds directly to a debtor, and (b) evidenced by documents that are not negotiable. This category includes all loans, including mortgages, financial leases and repo-type operations. All repo-type operations, i.e. repurchase agreements, sell/buy-back operations and securities lending (with exchange of cash as collateral), are treated as collateralised loans, not as outright purchases/sales of securities, and are recorded under Other investment, within the resident sector that carries out the operation. This treatment, which is also in line with the accounting practice of banks and other financial corporations, is intended to more accurately reflect the economic rationale behind these financial instruments.

### 6.4.4. Insurance, pension schemes, and standardised guarantee schemes (F6/AF6)

This includes the following: (a) Non-life insurance technical reserves (F61); (b) Life insurance and annuity entitlements (F62); (c) Pension entitlements, claims of pension funds on pension managers, and entitlements to non pension funds (F63+F64+F65); and (d) Provisions for calls under standardised guarantees (F66).

### 6.4.5. Trade credit and advances (F81/AF81)

Trade credit and advances are financial claims arising from the direct extension of credit by the suppliers of goods and services to their customers, and advances for work that is in progress or is yet to be undertaken, in the form of prepayment by customers for goods and services not yet provided. Trade credit and advances arise when payment for goods or services is not made at the same time as the change in ownership of a good or provision of a service.

#### 6.4.6. Other accounts receivable/payable (F89/AF89)

This category consists of accounts receivable or payable other than those included in trade credit and advances or other instruments. It comprises financial assets and liabilities created as counterparts to transactions where there is a timing difference between these transactions and the corresponding payments. It includes liabilities for taxes, purchase and sale of securities, securities lending fees, gold loan fees, wages and salaries, dividends, and social contributions that have accrued but have not yet been paid.

#### 6.4.7. Special drawing rights (SDR) allocations (F12/AF12)

The allocation of SDRs to IMF members is shown as a liability incurred by the recipient under SDRs in Other investment, with a corresponding entry under SDRs in Reserve assets.

#### 6.5. Reserve assets

Reserve assets are those external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to manage the currency exchange rate, and for other related purposes (such as maintaining confidence in the currency and the economy, or serving as a basis for foreign borrowing). Reserve assets must be foreign currency assets, claims vis-à-vis non-residents and assets that actually exist. Potential assets are excluded. Underlying the concept of reserve assets are the notions of ‘control’ and ‘availability for use’ by the monetary authorities.

### 6.5.1. Monetary gold (F11/AF11)

Monetary gold is gold to which the monetary authorities (or others who are subject to the effective control of the monetary authorities) have title and is held as reserve assets. It includes Gold bullion and Unallocated gold accounts with non-residents that give title to claim the delivery of gold.

6.5.1.1. Gold bullion takes the form of coins, ingots, or bars with a purity of at least 995 parts per 1 000, including such gold bullion held in allocated gold accounts.

6.5.1.2. Unallocated gold accounts represent a claim against the account operator to deliver gold. For these accounts, the account provider holds title to a reserve base of physical (allocated) gold and issues claims to account holders denominated in gold. Unallocated gold accounts not classified as monetary gold are included as Currency and deposits in Other investment.

### 6.5.2. Special drawing rights (F12/AF12)

Special drawing rights (SDR) are international reserve assets created by the IMF and allocated to members to supplement existing official reserves. SDRs are held only by the monetary authorities of IMF members and by a limited number of international financial institutions that are authorised holders.

### 6.5.3. Reserve position in the IMF

This is the sum of (a) the ‘reserve tranche,’ that is, the foreign currency (including SDRs) amounts that a member country may draw from the IMF at short notice; and (b) any indebtedness of the IMF (under a loan agreement) in the General Resources Account that is readily available to the member country.

### 6.5.4. Other reserve assets

These comprise: Currency and deposits, Securities, Financial derivatives and Other claims. Deposits refer to those available on demand. Securities include liquid and marketable equity and debt securities issued by non-residents, including investment funds shares or units. Financial derivatives are recorded in reserve assets only if the derivatives pertaining to the management of the reserve assets are integral to the valuation of such assets. Other claims include loans to non-resident non-banks, long-term loans to an IMF Trust account and other financial assets not included previously but that meet the reserve assets definition.

