



STATISTICS

**INTER SECRETARIAT
WORKING GROUP ON
NATIONAL ACCOUNTS**

Treatment of Special Purpose Entities and Residency (G.4)

International Workshop on the Update of the System of
National Accounts, 2008

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The views expressed are those of the Globalization Task Team and should not be attributed to the IMF, its management or its Executive Directors.

Outline

- **Background**
- **Options for Consideration**
- **Global Consultation Outcomes**
- **Outcome of the Joint Committee and AEG
March 2022 meeting – *2025 SNA and BPM7***

Background

- SPEs, as part of intra-MNE activities, present measurement challenges for both national accounts and balance of payments.
- Not a new phenomenon: described in both *BPM6* and *2008 SNA*



2008 SNA and BPM6

- Both paid attention to SPEs but pointed to no internationally agreed standard definition of SPEs.
- Acknowledged that SPEs are controlled by nonresidents. Although their autonomy of decision could be questioned, to the extent that they are legally independent, SPEs are separate institutional units from their nonresident parents.
- *BPM6* highlights separately identifying flows and positions of resident SPEs, **somewhat absent within the core framework of the SNA**

- The number, size and complexity of SPEs has substantially increased with:
 - ✓ Innovation, globalization
 - ✓ The regulatory and tax advantages (including confidentiality) offered by some jurisdictions
 - ✓ Evolving strategies of multinational enterprises (MNEs)

GN G4 ‘Treatment of SPEs and Residency’

- The GN analyzes existing materials and examines ways to identify SPEs’ economic and financial flows within macroeconomic statistics with a view to better understand their contribution from both national and international accounts’ perspective.
- Drawing on extensive research on SPEs, the GN has discussed three major options, of which two have been **recommended for consideration** in the next set of manuals:
 - ✓ Option 2: Separately Identify SPEs within the SNA Framework using ISAs: increased granularity
 - ✓ Option 3: Extend the Existing Framework, adopting the Nationality-based Presentation as Alternative Concept

Option 2

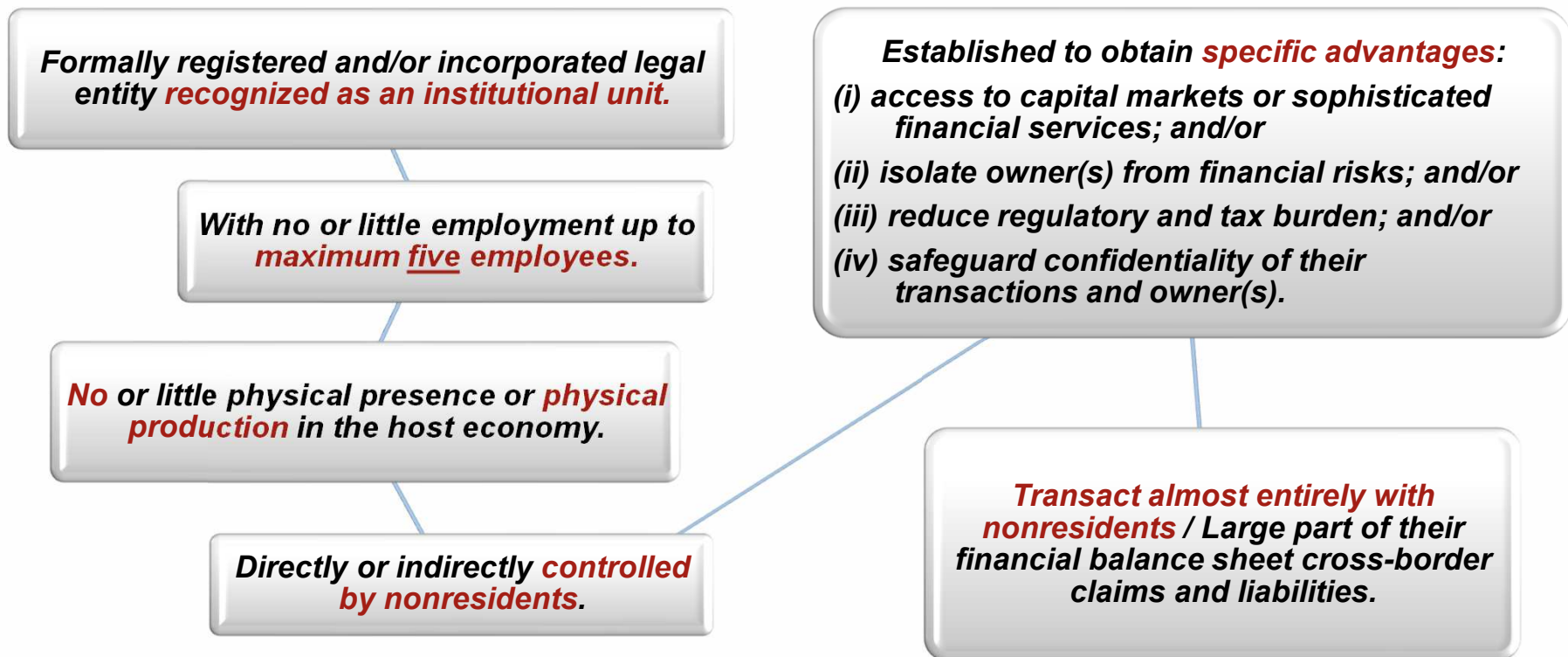
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Option 2: Proposal to separately identify SPEs by increasing the granularity and supplementary data provided within the SNA framework using the institutional sector accounts (ISAs).

- **Does not modify core concepts; slight changes are needed to the institutional sector breakdowns.**
 - **Strong preference for this option by the AEG.**
 - **Distinguish a separate “of which” category**
(within the non-financial and financial corporations’ sectors) for foreign-controlled SPEs, aligning the treatment of SPEs in the national accounts and international accounts.
 - Aligns with the IMF’s recently released new database on SPEs, which separately identifies resident SPEs in cross-border statistics.
- **To facilitate the implementation of Option 2, it was agreed to**
 - Define SPEs, aligned with ESS, based on direct or indirect foreign control in the SNA.
 - Adopt different terms to distinguish SPEs with foreign control from SPEs with resident parents.

GZTT
Options
Considered

SPE Internationally Agreed Definition



G20 (DGI-2) Institutional Sector Accounts (Financial and Nonfinancial Corporations)

Non-Financial Corporations							
Total	Domestically controlled non-financial corporations						Foreign-controlled non-financial corporations ⁱ
	Total	Public non-financial corporations	Of which:	National private non-financial corporations	Of which:	SPEs	
			Public non-financial corporations, which are part of domestic multinationals		National private non-financial corporations, which are part of domestic multinationals		
S11	S11DO	S11001	S110011	S11002	S110021	S11003	

Financial Corporations							
Total	Domestically controlled financial corporations						Foreign-controlled financial corporations ⁱⁱ
	Total	Public financial corporations	Of which:	National private financial corporations	Of which:	SPEs	
			Public financial corporations, which are part of domestic multinationals		National private financial corporations, which are part of domestic multinationals		
S12	S12DO	S12001	S120011	S12002	S120021	S12003	
				= Target			
				= Encouraged			

Option 3

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Option 3: Proposal to extend the existing framework, adopting the nationality-based presentation as alternative concept, without departing from the current statistical *SNA/BPM* framework.

- **This to be considered on a supplemental basis to complement residence-based statistics. A viable option only for countries for which SPEs were deemed important**
 - Resource intensive. To undertake this approach, data sharing agreements will become a priority.
 - Nonetheless, both approaches as complements will meet the practicalities and policy needs of countries for which these presentations would bring value addition to analysts or policymakers.
 - Nationality-based framework would complement the existing residence-based framework, which identifies where financial claims and liabilities are held.

GZTT
Options
Considered

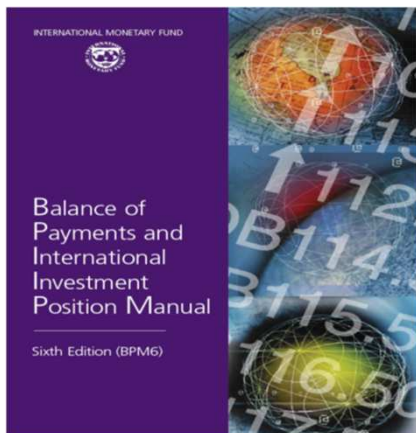
Global Consultation Outcomes: Conceptual Recommendations (1/2)

- 60 responses were submitted, of which 30 coordinated, 20 national accounts, and 10 balance of payments.
- **Large support (78 percent) for a no change in core framework but with supplemental information on SPEs** by way of an encouraged breakdown of foreign controlled SPEs within ISAs, in the national accounts, and the separate identification of SPEs within ESS, for countries for which SPEs are significant.
- **Strong support (88 percent) to align the SPE definition** in both the updated SNA and BPM manuals. The benefit of a common definition of SPE in the context of data comprehensiveness, quality, and comparability, to ensure consistency between BPM and SNA.
- **Large support (78 percent)** that entities carrying the attributes of an SPE except with no direct or indirect nonresident control **will not be referred to as SPEs**.
- **Less support (43 percent) to present SPEs statistics on a nationality basis** as a complement to the residency-based statistics.

Global Consultation Outcomes: Practical Considerations (2/2)

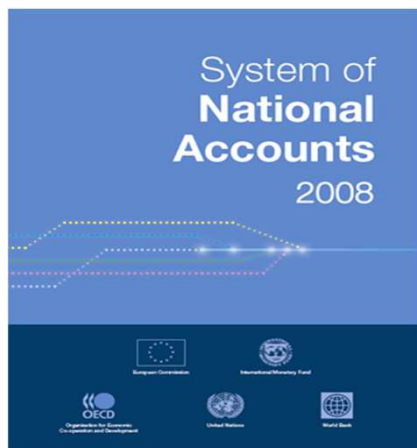
- **A majority (58 percent) viewed that the IMF's Operational Guidelines**, released in October 2020, as **comprehensive** enough to operationalize the SPEs definition for identification in the ISAs.
- From a practical perspective, several challenges were noted, of which:
 - Identifying the same units as SPEs between NAs and BOP and coordinating data collection (53 percent cannot).
 - Current data collection systems' limitations, for instance updating the business register (86 percent should invest), adopting a new collection instrument (60 percent must develop), non-access to available administrative data sources (60 percent do not have).
 - Absence of data sharing practices.

International Statistical Standards Updates: Coordination between *BPM6* and *2008 SNA* Joint March 2022 meeting



- The standards update acknowledge that the complexity of compiling macroeconomic statistics has increased!
- [IMF Committee on Balance of Payments Statistics](#) and Advisory Expert Group on National Accounts both endorsed in March 2022:

- **Common definition for SPEs.**
- No change in the conceptual framework.
- **An institution-based collection approach with separately identifiable statistics for resident SPEs** within both national and international statistics.
 - A part of the Institutional Sectoral Accounts, for economies for which SPEs are deemed important.
 - As part of balance of payments and IIP.



Background slides

Option 1: Change the Core Conceptual *2008 SNA* and *BPM6* Framework [Rejected Option]

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Option 1: Proposal to change the core conceptual *2008 SNA* and *BPM6* framework for SPEs.

- **No preference for this option. Not enough progress has been made on data exchange to warrant this.**
 - Confidentiality remains a challenge for most countries.
 - Significant practical impact on compiling the statistics, amid the complexity of international data, and high costs this entail for countries.
 - Any modification of the conceptual core might hinder progress made in producing/releasing data on SPEs within the foreseeable future.

GZTT
Options
Considered

SPEs Database, released on February 23, 2022

- The IMF released a new international database on resident SPEs. The [database](#):
 - is based on a [common methodology](#), including an internationally agreed definition of SPEs, endorsed by the [IMF Committee on Balance of Payments Statistics](#).
 - includes information that allows the separate identification of SPEs within the balance of payments and IIP statistics of 27 participating economies.
 - includes, in this release, annual data for 2020 for all, as well as historical data and/or quarterly data for 2021 for some economies.
- Going forward, the database will be disseminated on an annual basis, with increased country coverage

IMF DATA ACCESS TO MACROECONOMIC & FINANCIAL DATA

Balance of Payments and International Investment Position Statistics (BOP/IIP)

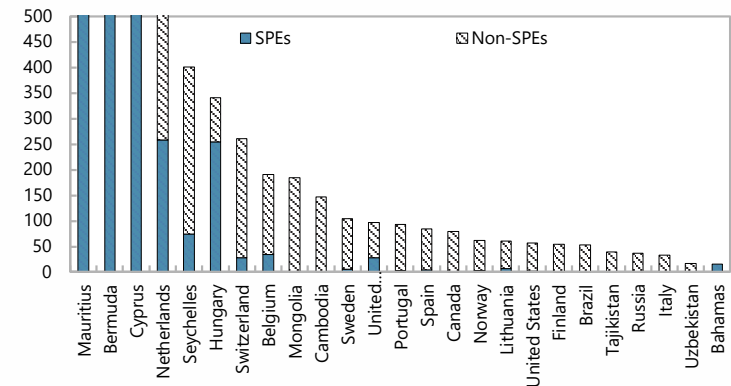
BOP/IIP Home By Economy **Data Tables** Charts Query Documents Archive About BOP/IIP

- 5. International Investment Position by Country
- 6. International Investment Position by Indicator
- 7. International Investment Position Currency Composition by Country
- 8. International Investment Position Currency Composition by Indicator

BPM6: SPE Data Reports by Economy, as of February 23, 2022, updated annually

- 1. SPE Flows and Positions Presentation by Country
- 2. SPE Flows and Positions Presentation by Indicator
- 3. Balance of Payments Standard Presentation with SPEs Flows by Country
- 4. International Investment Position with SPEs Position by Country

Foreign Direct Investment, end-2020 (percent of GDP)



Source: International Monetary Fund.