

BPM Chapters 6 & 11

Advice Paper

NSCASE(25)05

Executive summary

1. This paper provides the UK response to chapters 6 and elements of chapter 11 of BPM7 and highlights changes made to these chapters. Overall, there are limited changes for these chapters since BPM6 and on the whole the ONS is happy with the chapters contents, but is concerned about feasibility of obtaining quality data on crypto related activities.
2. The link to Chapter 6 can be found [here](#)
3. The link to Chapter 11 can be found [here](#)

Introduction

4. At the July 2024 meeting, the Committee accepted the statistical principals underpinning the Balance of Payments Manual 7 and reviewed updates to Chapters 5, 7, 8 and 9 of the new manual. Consequently, six BPM 7 chapters, containing significant economic content (6,10, 11, 12, 13 and 19), still required review by the Committee.
5. Due to several of these chapters being developed in parallel with SNA chapters, which have already been reviewed by NSCASE, we have been able to reduce the Committee's review burden to BPM Chapters 6 and 11.
6. For these BPM7 chapters the ONS have decided to highlight only new paragraphs or changes to existing paragraphs as the ONS was largely working from the basis of BPM6. The paper is structured to provide a list of any completely new paragraphs for each of the chapters before providing a table that shows the changes of existing chapters with new text in green and removed text in red.

ONS Considerations

7. ONS is generally comfortable with the content of Chapters 6 and 11, although ONS would like to bring to the Committee's attention, its concern regarding the measurement of crypto related activities. ONS believes it will struggle to source appropriate data to meet these measurement requirements. Any advice that NSCASE can give about potential sources of data would be welcomed by ONS.

BPM7 Chapter 6 – Functional Categories in External Accounts

Chapter 6 New paragraphs

8. Below ONS provides for the Committee the new paragraphs added to Chapter 6 for BPM7

Coverage of debt between selected affiliated financial corporations

9. Table 6.2 Functional Category of Debt Between Affiliated Enterprises

Direct Investment Assets		Direct Investment liabilities			
		Deposit-taking corporations (S121/S122)	Investment funds (S123/S124)	Other financial intermediaries except insurance corporations and pension funds (S125)	Other sectors
	Deposit-taking corporations (S121/S122)	OI (or PI)	OI (or PI)	OI (or PI)	DI
	Investment funds (S123/S124)	OI (or PI)	OI (or PI)	OI (or PI)	DI
	Other financial intermediaries except insurance corporations and pension funds (S125)	OI (or PI)	OI (or PI)	OI (or PI)	DI
	Other sectors	DI	DI	DI	DI

Note: DI – direct investment; PI – portfolio investment; OI – other investment
Other sectors includes General Government (S13), Other financial institutions (S126/S127/S128/S129), Non-financial corporations (S11) and households and Non-profit institutions Serving Households (S14/S15).

Types of direct investment flows and positions

10.6.36 In the standard components, direct investment is classified according to the instruments (equity and debt instruments) and sectors (central bank; deposit-taking corporations except the central bank; general government; other financial corporations; nonfinancial corporations; and households and NPISHs).

11.6.37 The sectoral presentation of direct investment links with balance sheet and other sectoral data compiled in the system of national accounts (SNA),

monetary and financial statistics (MFS), and government finance statistics (GFS), thus facilitating comparison with these datasets. Also, this presentation provides a convenient way to analyze the net foreign lending or borrowing of each resident sector. It also supports the Balance Sheet Approach (BSA) by providing details on the external positions for the resident sectors (see paragraphs 19.63-19.72 for details on BSA).

- 12.6.38 The following items based on the relationship between the investor and the entity receiving the investment are included under memorandum items:
 - (a) investment by a direct investor in its direct investment enterprise (whether in an immediate relationship or not);
 - (b) reverse investment by a direct investment enterprise in its own immediate or indirect direct investor, as explained in paragraphs 6.41–6.42; and
 - (c) investment between resident and nonresident fellow enterprises, as explained in paragraph 6.17, combining equity and debt investment.

13. 6.39 These three memorandum items reflect different types of relationships and motivations. For example, the interpretation of a direct investor acquiring direct investment assets is different from a direct investment enterprise acquiring direct investment assets. While the first type of investment involves influence or control, this may not be the case for the other two types, because the investor is not a direct investor. It is important for compilers to monitor trends in the second and third types to identify if they are becoming significant. It is also important to identify reverse investment and investment between fellows to be able to determine the net investment by nonresident direct investors in the economy and by resident direct investors abroad. Moreover, these memorandum items are necessary to derive the data under directional principle (see paragraphs 6.43-6.44 and Box 6.4).

- 14.6.40 In addition, reinvestment of earnings should be reported as a memorandum item in the balance of payments' financial account, which should be consistent with the standard component, reinvested earnings, recorded in the earned income account (see Annex 14 for details on the presentation of these items and supplementary items in BOP and integrated IIP).

Further issues concerning direct investment

15. 6.54 In their present form, direct investment statistics do not separately identify investments that represent the creation of new business enterprises in the host economy and additional injection of funds to existing ones. Greenfield direct investment and extension of capacity is investment in direct investment enterprises established within the last three years and capital injections that are used to expand the capacity of direct investment enterprises that have

existed for three years or more. Annex 6 provides further guidance on the definition and collection of supplementary data on greenfield investment and extension of capacity

- 16.6.55 Cash pooling arrangements provided by banks allow corporations to externalize the intra-group cash management, and thus, manage their global liquidity more effectively and with lower costs. Annex 6 provides a description of the main types of cash pooling arrangements (single legal account, physical cash pool, and notional cash pool) and their different statistical treatments (i.e., to classify associated debt instruments as either direct investment or other investment).

Other Investment

17. 6.66 Other equity and equity in international organizations is included in other investment, when it is not direct investment or reserve assets. Other equity and equity in international organizations, as defined in paragraph 5.28, is not in the form of securities, so it is not included in portfolio investment. Participation in some international organizations (e.g., ownership of currency union central banks) is not in the form of securities tradable shares and so it is classified as other equity in this item. Although equity in some international organizations, such as the BIS, is in the form of unlisted shares, the equity is not tradable by member countries; therefore, it should also be classified in this item. In most cases, equity in quasi-corporations for branches and notional units for ownership of land of real estate and other natural resources is included in direct investment; however, it is included in other investment if the share of voting power is less than 10 percent. Shares in investment funds are included in other equity and equity in international organisations when they are not negotiable (see footnote 4, paragraph 6.11).

Central Bank swap arrangements

18. 6.107 Assets created under reciprocal facilities (swap arrangements) for the temporary exchange of deposits between the central banks of two economies warrant mention. These swap arrangements typically do not conform fully to a standard currency swap on financial market. These off-market central bank currency swap arrangements should be recorded as an exchange of deposits with maintenance of value once the arrangement is activated and the money is drawn by either party. Following this approach, each central bank acquires a foreign asset in foreign currency, and creates a foreign liability in domestic currency. Since the liability deposit account in domestic currency is fully indexed to a foreign currency (the currency of the partner economy), the liability in domestic currency should be treated as being denominated in that foreign currency (see paragraph 3.194). To accomplish this treatment, periodic revaluation adjustments to the liability should be carried out to reflect the total amount of domestic currency needed to buy the foreign currency to be delivered, including any interest payment.

19.6.108 Deposits (in foreign exchange) acquired by the central bank initiating the arrangement are treated as reserve assets if the exchange provides the central bank with assets that fully meet the reserve assets criteria. If the criteria are not met (for example, if the funds are not readily available because they are subject to authorization by the counterpart central bank), the funds would not conform to the definition of reserve assets and the deposit should be recorded as “other investment”. Reciprocal deposits acquired by the partner central bank also are considered as reserve assets, as long as they meet the general criteria for being reserve assets, if they are including being denominated and settled in a convertible currency.

20.6.109 If the swap arrangement has the characteristics of a standard (market priced) swap contract, it is recorded as a standard currency/foreign exchange swap. Namely, an exchange of deposits with the simultaneous creation of a forward contract.

Box 6.6 Net International Reserves

The concept of Net International Reserves (NIR) is widely used as an indicator of a country’s external vulnerability. This BOX presents a standard statistical definition of NIR based on the conceptual framework of this Manual and the Guidelines for the International Reserves and Foreign Currency Liquidity Template (IRFCL Template). This statistical definition provides a comprehensive approach aimed to inform reserve adequacy assessments and macroeconomic policy advice. However, country-specific considerations remain paramount in the design and monitoring of IMF supported programs. The introduction of this standardized statistical definition of NIR should not limit the flexibility to adjust the measurement of NIR considering country specific conditions and circumstances.

Net International Reserves = Reserve assets minus predetermined short-term net foreign currency drains

NIR are calculated as reserve assets (RA) minus predetermined short-term net foreign currency drains (FCD). FCD are predetermined contractual foreign currency obligations (foreign currency outflows net of inflows) scheduled to come due during the 12 months ahead recorded at cash-flow value when the flows take place, as defined in Section II, IRFCL Template. FCD include short-term on- and off-balance sheet (e.g., financial derivatives, guarantees are not included) foreign currency obligations to residents and nonresidents. This is because RA will be used regardless of whether the drain arises from residents or nonresidents. FCD also include short term on- and off-balance sheet foreign currency obligations of the central government, as payment of these obligations would usually involve the use of RA.

In cases where short-term foreign currency outflows/inflows vis-à-vis the domestic currency from forwards and futures are scheduled in FCD (IRFCL Template, Section II, 2), corresponding market values of the derivative contracts recorded in RA (Section I.A (5) of the IRFCL template) should be excluded in the calculation of NIR

to avoid double counting. Only market values of foreign exchange forwards/swaps, for which notional values are recorded in Section II.2, should be excluded; market values of other types of derivatives (e.g., options) should remain in RA in the calculation of NIR. In cases where notional values of non-deliverable forwards (NDFs) are included in FCD, they should be excluded in the calculation of NIR as the payment at maturity would only involve the market value of the contract (the market value is included in RA if the contract is settled in foreign currency).

These concepts and data are already covered in this Manual and the Guidelines for the IRFCL Template. The definition of RA on a gross basis is based on this Manual. Although the concept of FCD goes beyond the residence concept of this Manual, Section II of the IRFCL Template covers these data (3). At the time of drafting this Manual, the compilation of the IRFCL Template is a requirement to subscribe to the IMF's Special Data Dissemination Standard (SDDS) and to adhere to the SDDS Plus. Even if the country does not compile the IRFCL Template yet, the same information could be collected from the authorities based on the Guidelines for the IRFCL Template to calculate NIR.

1 The statistical definition of NIR goes beyond the general scope of this Manual (the balance of payments framework does not cover transactions and positions with residents). However, this Manual provides guidance on this issue considering that it is an essential concept widely used to assess external vulnerability of a country and that there are strong needs for a standardized definition as a benchmark to define country specific NIR. The IRFCL Template should play the central role in collecting data related to NIR. The Guidelines for the IRFCL Template provide a comprehensive framework to collect data related to reserve assets encompassing positions with residents and nonresidents, on- and off-balance sheet items, and those for the monetary authorities and the central government (including guarantees, credit lines, and options), as well as financial instruments denominated in foreign currency and settled in domestic currency.

2 This exclusion should only apply to the calculation of NIR. The recording of RA in the BOP, IIP, or the recording of items in the IRFCL Template should not change. The treatment of financial derivatives in reserve assets of balance of payments and IIP are described in paragraph 6.95.

3 Section II in the IRFCL template allows for total pre-determined short-term drains to be decomposed between those of the monetary authorities and the central government, although in practice in most cases this decomposition is not provided. In the very rare case, where the central government has sufficient short-term FX assets, held overseas, then the short-term liabilities of the central government would not be included in the predetermined short-term drains in the calculation of NIR (the liabilities still need to be recorded in the IRFCL Template).

Chapter 6 Changed Paragraphs

21. Below the ONS provides the committee with direct changes to paragraphs

Paragraph	Old Paragraph	New Paragraph
6.24	A direct investment enterprise is always a corporation, (which as a statistical term includes branches, notional resident units, trusts, other quasi-corporations, and investment funds , as well as incorporated entities). Because a direct investment enterprise is owned by another entity, households, NPISHs or governments can be direct investors, but they cannot be direct investment enterprises. A public corporation, as	6.24 A direct investment enterprise is always a corporation, (which as a statistical term includes branches, notional resident units, trusts, other quasi-corporations, as well as incorporated entities) with the following exceptions. While central banks and NPISHs can be direct investors, they cannot be direct investment enterprises as they are not created with the intention of repatriating earnings to their investors

	defined in paragraphs 4.108–4.112, in some instances also may be a direct investment enterprise.	(7). Likewise, investment funds (MMF and non-MMF) can be direct investors, but they cannot be direct investment enterprises as investments in investment funds shares/units are always considered to be portfolio investment (when the shares are negotiable) or other investment (when the shares are non-negotiable) or reserve assets, if they meet all reserve assets criteria. Because a direct investment enterprise is owned by another entity, households or governments can be direct investors, but they cannot be direct investment enterprises. A public corporation in some instances also may be a direct investment enterprise (see paragraph 4.109). <i>(7) Most central banks share their surpluses with respective governments, although their intention is not to generate profits, unlike other entities in the financial corporations sector, which are market producers.</i>
6.28	Debt between selected affiliated financial corporations is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship. The financial corporations covered by this case are: (a) deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); (b) investment funds; and (c) other financial intermediaries except insurance corporations and pension funds. In other words, the usual direct investment definitions apply for captive financial institutions and money lenders, insurance corporations, pension funds, and financial auxiliaries. (These subsectors are defined in Chapter 4, Section D; debt instruments are defined in paragraphs 5.31–5.33.) All debt positions between the selected types of affiliated financial corporations are excluded from direct	6.28 Debt between selected affiliated financial corporations is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship. The financial corporations covered by this case are: (a) deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); (b) investment funds; and (c) other financial intermediaries except insurance corporations and pension funds. In other words, the usual direct investment definitions apply for captive financial institutions and money lenders, insurance corporations, pension funds, and financial auxiliaries. (These subsectors are defined in Chapter 4, Section E; debt instruments are defined in paragraphs 5.34–5.36.) All debt positions between the selected types of affiliated financial corporations are excluded from direct

	investment and are included under portfolio or other investment. Both affiliated parties must be one of the selected types of financial corporations, but they need not be the same type.	investment and are included under portfolio (i.e., debt securities) or other investment (e.g., loans, deposits). Both affiliated parties must be one of the selected types of financial corporations, but they need not be the same type. Table 6.2 summarizes the functional category of debt between affiliated enterprises.
6.30	Investment funds may be direct investors or direct investment enterprises. A “fund of funds” is an investment fund that invests in other investment funds and thus may become a direct investor in one of the funds. In a master-feeder fund arrangement, one or more investment funds (feeder funds) pool their portfolio in another fund (the master fund). In this case, a feeder fund that has 10 percent or more of the voting power in the master fund would meet the FDIR definition of a direct investor. Similarly, retail funds that hold 10 percent or more of voting power in an enterprise are direct investors.	
6.34 (c)	(c) the inclusions of these data in direct investment promotes symmetry and consistency among economies. However, for the economies through which the funds pass, it is useful to identify inflows and outflows not intended for use by the entity concerned. At the time of writing, there are no standard definitions or methods to distinguish pass-through funds from other direct investment flows. Compilers in economies that have large values of pass-through funds should consider the compilation of supplementary data on funds in transit, based on national definitions.	6.33 (c) the inclusions of these data in direct investment promotes symmetry and consistency among economies. However, for the economies through which the funds pass, it is useful to identify inflows and outflows not intended for use by the entity concerned. This Manual recommends a supplemental framework for the statistics by ultimate investing economy (UIE), ultimate host economy (UHE), and pass-through funds. Primarily, the supplemental framework will be applied to the development of direct investment statistics by UIE and UHE that could be used in turn to derive aggregates on pass-through funds. Annex 6 and the OECD Benchmark Definition of Foreign Direct Investment provides detailed guidance on this supplemental framework.
6.41	Data on reverse investment and investment between fellow enterprises should be separately published, where significant, to assist users in	

	understanding the nature of direct investment. Issues associated with investment income on reverse investment and investment between fellow enterprises direct investment equity and debt instruments are covered in paragraphs 12.xx-xx 11.99–11.100.	
6.53	The foreign-controlled corporations subsector in the SNA overlaps with direct investment. The foreign-controlled corporations subsector includes all subsidiaries and branches resident in the economy, as well as any associates or other enterprises resident in the economy that are under de facto foreign control.	
6.54	Portfolio investment is defined as cross-border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets. Securities are defined in paragraph 5.15. The negotiability of securities is a way of facilitating trading, allowing them to be held by different parties during their lives. Negotiability allows investors to diversify their portfolios and to withdraw their investment readily. Investment fund shares or units (i.e., those issued by investment funds) that are evidenced by securities and that are not reserve assets or direct investment are included in portfolio investment. Although they are negotiable instruments, exchange-traded financial derivatives are not included in portfolio investment because they are included in their own separate category.	6.57 Portfolio investment is defined as cross-border transactions and positions involving debt or equity securities, other than those included in direct investment or reserve assets. Securities are defined in paragraph 5.18. The negotiability of securities is a way of facilitating trading, allowing them to be held by different parties during their lives. Negotiability allows investors to diversify their portfolios and to withdraw their investment readily. Investment fund shares or units (i.e., those issued by investment funds) that are evidenced by securities and that are not reserve assets or direct investment are included in portfolio investment. Further, investments in investment fund shares are always treated as portfolio investment irrespective of the ownership of voting power (i.e., 10 percent or higher) (see paragraph 6.24). Although they are negotiable instruments, exchange-traded financial derivatives are not included in portfolio investment because they are included in their own separate category.
6.56	Portfolio investment covers, but is not limited to, securities traded on organized or other financial markets. Portfolio investment usually involves financial infrastructure, such as a suitable legal, regulatory, and settlement framework, along with market-making dealers, and a	6.59 Portfolio investment covers, but is not limited to, securities traded on organized or other financial markets. Portfolio investment usually involves financial infrastructure, such as a suitable legal, regulatory, and settlement framework, along with market-making dealers, and a

	sufficient volume of buyers and sellers. However, acquisition of shares in hedge funds, private equity funds, and venture capital are examples of portfolio investment that occurs in less public and more lightly regulated markets. (However, shares in these funds are included in direct investment when the holdings reach the 10 percent threshold, and in other equity in other investment when investment is not in the form of a security and not included in direct investment or reserve assets.) Portfolio investment is distinctive because of the nature of the funds raised, the largely anonymous relationship between the issuers and holders, and the degree of trading liquidity in the instrument.	sufficient volume of buyers and sellers. However, acquisition of shares in hedge funds, private equity funds, and venture capital are examples of portfolio investment that occurs in less public and more lightly regulated markets. (However, shares in these funds are included in equity in other investment when investment is not in the form of a security and not included in reserve assets.) Portfolio investment is distinctive because of the nature of the funds raised, the largely anonymous relationship between the issuers and holders, and the degree of trading liquidity in the instruments.
6.60	Recording of financial derivatives separately for both assets and liabilities is encouraged for both positions and transactions. However, it is recognized that measuring transactions on a gross basis may not be feasible, in which case net reporting is acceptable.	6.63 Recording of financial derivatives separately for both assets and liabilities is encouraged for both positions and transactions. However, it is recognized that measuring transactions on a gross basis may not be feasible, in which case net reporting is acceptable. Further, this Manual recommends presenting financial derivatives by market risk categories, by instrument, and by trading venue and clearing status on a supplementary basis (see paragraph 5.109).
6.81	To minimize risks of default in gold lending transactions, monetary authorities can require adequate collateral instead of cash (such as securities) from the depository. Such securities collateral received should not be included in reserve assets thereby preventing double counting as the gold lent remains an asset of the monetary authorities.	6.86 To minimize risks of default in gold lending transactions (18), monetary authorities can require adequate collateral instead of cash (such as securities) from the depository. Such securities collateral received should not be included in reserve assets or portfolio investment, as the original owner maintains the economic ownership of the securities. This prevents double counting as the gold lent remains an asset of the monetary authorities (19). <i>(18) Sometimes known as gold deposits or gold loans</i> <i>(19) If the securities received as collateral are repoed out for cash, a repo transaction should be reported.</i>

6.82	Allocated and unallocated gold accounts with nonresidents out on swap by the monetary authorities for cash collateral are either (a) included as reserve assets of the original owner with the loan generated reported as a reserve-related liability (a memorandum item) if a liability is to a nonresident, or (b) excluded from reserve assets and either demonetized (gold bullion) or reclassified as other investment, currency and deposits, assets (unallocated gold accounts). In either case, any loan liability to a nonresident is recorded within “other investment,” with the foreign currency received (provided it is a claim on a nonresident), and recorded as an increase in currency and deposits within reserve assets. The value of allocated and unallocated gold accounts included in reserve assets and out on swap (see paragraphs 7.58–7.59) for cash collateral is identified in the IIP to facilitate an assessment of the level of reserves adjusted for the swap activities.	6.87 Allocated and unallocated gold accounts with nonresidents out on swap by the monetary authorities for cash collateral are excluded from reserve assets and either demonetized (gold bullion) or reclassified as other investment, currency and deposits, assets (unallocated gold accounts), if the gold accounts are not readily available for meeting balance of payments financing needs (20) (or available for meeting balance of payments financing needs only if a substitute reserve asset has to be provided as collateral). A loan liability to a nonresident (21) from a gold swap is recorded in “other investment,” with the foreign currency received (provided it is a financial claim on a nonresident and meets the criteria for reserve assets) being recorded as an increase in currency and deposits within reserve assets. Any unallocated gold account liabilities of resident units to nonresident monetary authorities are to be classified as other investment, currency and deposits. <i>(20) Same principle applies to gold lending.</i> <i>(21) If the liability is to a resident, the liability is not in the BOP or IIP, but it is reported under repo loans in other foreign currency liabilities (see Table IV in Annex 14).</i>
6.88	Securities that have been transferred under repurchase agreements, or similar agreements reverse transactions (e.g., repos) by the monetary authorities for cash collateral are assets of the original authorities and are either (a) included as reserve assets of the original owner with the loan generated reported as a reserve-related liability (a memorandum item) if a liability is to a nonresident, or (b) excluded from reserve assets and reclassified as portfolio investment assets. In either case, any loan liability to a nonresident is recorded within “other investment,” with the foreign currency received,	6.92 Securities that have been transferred under reverse transactions (e.g., repos) by the monetary authorities in exchange of cash collateral remain assets of the original authorities. However, they are generally not readily available for meeting balance of payments financing needs. Therefore, such securities should be excluded from reserve assets and reclassified as portfolio investment assets through the end of the transaction. In regard to foreign currency received, provided it meets the reserve assets criteria it should be recorded as an increase in currency and deposits within reserve

	provided it is a claim on a nonresident, and is recorded as an increase in currency and deposits within reserve assets. The value of securities included in reserve assets and out on repo (or similar arrangements, see paragraph 7.58) for cash collateral is identified in the IIP to facilitate an assessment of the level of reserves adjusted for the repo activities	assets, while a loan liability should be recorded under "other investment"(23). <i>(23) If the liability is to a resident, the liability is not in the BOP or IIP, but it is reported under repo loans in other foreign currency liabilities (see Table IV in Annex 14)</i>
6.103	Reciprocal currency arrangements between central banks may also take the form of a securities repurchase agreement. In this case, one central bank transfers securities (sometimes denominated in its domestic currency) to another central bank in exchange for foreign currency, with the transactions later reversed, typically three months in the future. Such transactions should be treated as collateralized loans, with the central bank that initiated the transaction paying corresponding interest on the foreign currency received. The cash-taking central bank can therefore include the foreign currency received in its reserve assets if the criteria for reserve assets are met. The cash-providing central bank should not include the securities received as collateral in its reserve assets as the securities are treated as not having changed economic ownership (see paragraph 5.54). See also paragraph 6.90 on securities lending or borrowing transactions in reserve assets.	6.110 Reciprocal currency arrangements between central banks may also take the form of a securities repurchase agreement. In this case, one central bank transfers securities (sometimes denominated in its domestic currency) to another central bank in exchange for foreign currency, with the transactions later reversed, typically three months in the future. Such transactions should be treated as collateralized loans, with the central bank that initiated the transaction paying corresponding interest on the foreign currency received. The cash-taking central bank can therefore include the foreign currency received in its reserve assets if the criteria for reserve assets are met. The cash-receiving central bank should reclassify the repoed out securities from reserve assets to portfolio investment, if they were included in reserve assets prior to the repo transaction but they are no longer readily available for meeting balance of payments financing needs (or available for meeting balance of payments financing needs only if a substitute reserve asset has to be provided as collateral). The cash-providing central bank should not include the securities received as collateral in its reserve assets as the securities are treated as not having changed economic ownership (see paragraph 5.61). See also paragraph 6.94 on securities lending or borrowing transactions in reserve assets.

BPM7 Chapter 11 – Services Account

Chapter 11 New paragraphs

Concepts and coverage

22. 11.1 *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.* The focus of the services account in the balance of payments is the point at which services are exchanged between a resident and a nonresident.
23. 11.2 *Services are not generally separate items over which ownership rights can be established and cannot generally be separated from their production.* However, as seen later in this chapter, some knowledge-capturing products, such as computer software and other intellectual property products, may be traded separately from their production, like goods. The cross-border transactions in those products (e.g. computer software, audiovisual products, research and development, and other intellectual property products and/or knowledge capturing products) are also recorded as services in balance of payments – excluding when provided on physical media with right to perpetual use (see paragraph 10.12(c)). In addition, cross-border transactions concerning the use of property rights related to marketing assets (such as franchises, trademarks, and brand names) are recorded as services. For discussion on the conceptual issues relating services in the context of national accounts, refer to paragraphs 7.16, 7.21, 2025 SNA.
24. 11.3 Knowledge-capturing products concern the provision, storage, communication and dissemination of information, advice and entertainment in such a way that the consuming unit can access the knowledge repeatedly. They have many of the characteristics of goods in that ownership rights over these products can be established and they can be used repeatedly. Whether recorded as goods or services, these products possess the essential common characteristics that they can be produced by one unit and supplied to another.

Table 11.1 Overview of the Services Account

	Exports (credit/revenue)	Imports (debit/expenditure)
Manufacturing services on physical inputs owned by others		
Maintenance and repair services n.i.e.		
Transport		
Travel		
Construction		
Insurance and pension services		
Financial services		

Charges for the use of intellectual property n.i.e.		
Telecommunications services		
Computer and information services		
Research and development services		
Professional and management consulting services		
Trade-related services		
Operating leasing services		
Technical and other business services		
Personal, cultural, and recreational services		
Government goods and services n.i.e		
Balance on international trade in services		
Note: this table is expository; for standard components, see Annex 14		

25. 11.13 The value of manufacturing services on physical inputs owned by others is not necessarily the same as the difference between the value of the goods after processing recorded in supplementary items discussed in paragraph 11.14. Possible causes for difference include holding gains, or losses, as well as the inclusion of the processor's overhead expenses (such as financing, marketing, and know-how) (*for further details refer to Boxes 10.1 and 10.2*), in the value of goods after processing, and other measurement errors associated with the valuation of goods movements where there is no sale.

26. 11.25 Rentals, charters, or operating leases of vessels, aircraft, freight cars, or other commercial vehicles with crews for the carriage of freight are included in freight services. Also included are towing and services related to the transport of oil platforms, floating cranes and dredges. Operating leases of vessels, aircraft, freight cars or other commercial vehicles without crews and financial leases of transport equipment are excluded from transport services (see paragraphs 11.118 for the former and 5.63-5.66 and 10.12(f) for the latter).

27. 11.28. The services of freight forwarders are also included in this category. Freight forwarders arrange the transportation of goods and related logistics on behalf of shippers (clients) to ensure that goods reach their destination efficiently. Their services output is measured in terms of the total revenue they generate, net of associated expenses.

Box 11.2 Recording of Package Tours

Tour operators (TOs) are businesses that combine two or more travel related services (for example, transport accommodation, meals, entertainment, sightseeing) and sell them through travel agencies or directly to final consumers as a single

product called a package tour for a single price. The components of a package tour might be pre-established or can result from an “a la carte” procedure where the visitor chooses a combination of services from a pre-established list.

This *Manual* recommends that a package tour should not be treated as a new product. The relevant economic interactions should be unbundled in order to record the transactions by different services providers that can be residents or non-residents, and that contribute to the package tour separately : a) the services themselves (for example, transport, accommodation); b) the services provided by the tour operator; and c) the margin of the travel agency (usually different from the tour operator) selling the tour. The services arranged by the tour operator (transportation, accommodation, etc) are not consumed by it when producing the tour package. These services are in fact consumed and recorded in the external accounts (17) by the traveller weeks or months after the tour was booked and payments were made to the tour operator. The margin of the travel agency is included under trade related services as is the case with the services of the tour operator (18). The margin of the travel agency is included under trade-related services as is the case with the services of the tour operator (19), whereas transportation is included under passenger transport and accommodation (e.g. hotels, guesthouses) under travel, provided the relevant transactions are between residents and non-residents.

To support the calculation of price statistics, countries may record travel packages as a separate supplementary item in *BPM7*.

(17) *BPM7* paragraph 3.47 states: “Transactions in services are recorded when the services are provided...”

(17) For more details see the World Tourism Organisations (WTO) paper of 2004 “*Clarifying the Treatment of Travel Agency, Tour Operator, Travel Agency Services and Package Tours in SNA, Balance of Payments and TSA and their Mutual Relationship*”.

(19) Services of TO are treated as trade-related as their output mainly comes from intermediation fee/commissions. They may also earn from advertising/sponsorships Ancillary services such as visa/passport services etc.

Other issues related to construction

28. 11.53 Construction can be disaggregated into construction and construction in the compiling economy. This disaggregation allows for the recording on a gross basis of both the construction work undertaken and the goods and services acquired from the economy in which the construction activity is being undertaken by the non-resident enterprise that undertakes the construction.

Construction Abroad

- 11.54 Construction (less than one year) consists of:
 - (a) construction work for non-residents by enterprises resident in the compiling economy (credits/revenues) and

(b) the goods and services acquired from the economy in which the construction activity is being undertaken by these enterprises (debits/expenditures)

Construction in the compiling economy

11.55 Construction in the compiling economy (less than one year) consists of;

(a) construction work for residents of the compiling economy by non-resident construction enterprises (debits/expenditures), and

(b) the goods and services acquired in the compiling economy from resident enterprises by these non-resident construction enterprises (credits/revenues)

Insurance and pension services

29. 11.69 Islamic insurance (Takaful) and re-insurance (Re-takaful) are discussed in Chapter 17, Islamic Finance. While these insurance schemes have some similarities with the conventional insurance presented in this section, there are notable differences in the business arrangements as explained in Chapter 17. Insurance services provided through fintech (commonly known as InsurTech) should be covered under respective insurance services categories.

Financial services

30. 11.75 Factoring is a transaction in which a financial company (factor, which can be a bank, a specialised factoring company, or other financial organisation) buys trade accounts receivables from a supplier at a discount (see paragraph 5.69 for additional details on factoring). The discount is equal to the difference between the nominal value of the accounts receivable and the actual payment by the factor to the supplier and may consist of three elements: (i) fees; (ii) interest; and (iii) compensation for possible credit defaults. From a conceptual perspective, the service provided by the factor (i.e. output of the factor) is represented by the first element only. For additional details on factoring refer to paragraph 7.195 2025 SNA

Margins on buying and selling transactions

31. 11.78 In practice, margins can be very difficult to accurately compile. This is usually due to the fact (a) not all instruments are traded in a way that generates margins (27), (b) not all transactions by dealers generate margins; (c) buy-sell spreads may be very different for each transaction; and (d) the geographical and sector allocation of this service is complex to accurately determine.

(22) Trading in equities often do not generate margins. Equities can be purchases either in primary or secondary markets. In both cases; margins are typically not generated, as only explicit fees are

charged during the transactions. There are, however, secondary market situations in which trading in equities can generate margins.

32. 11.81 Institutional units may be set up for holding and managing assets on behalf of others. They may have employees of their own, but more often engage the services of administrators, trustees and/or portfolio managers to manage the operations of the funds. This is generally the case for investment funds. Importantly, the funds themselves are treated as separate institutional units, distinct from the unit managing them. The investment funds pay fees to these service providers and make use of the required human resources to support the funds operations (buying and selling of securities, providing legal, accounting, and other services required to ensure that the fund is operating efficiently). The fund in turn charges a service fee to investors which is equivalent to the amount of operating expenses and is usually reported as an annual percentage of the assets in the fund. In addition, holders of investment fund share/units may be charged with fees on specific transactions such as redemption fees, exchange fees imposed for transferring shares/units within the same fund group or account fees. Both types of fees are treated as payments for services that are provided directly from the original professional providers to the shareholders (see paragraph 12.59 for additional details). Investment funds are thus not treated as providers or consumers of services, and their output and intermediate consumption is equal to zero

Implicit financial services on loans and deposits

33. 11.85 Implicit financial services on loans deposits payable by each of the depositors and borrowers are calculated by using the concept of a “reference” rate of interest. The reference rate to be used in the calculation of actual interest is a rate between bank interest rates on deposits and loans. However, because there is no necessary equality between the level of loans and deposits, it cannot be calculated as a simple average of the rates on loans and deposits. As liquidity transformation services are considered to be part of the implicit financial services on loans and deposits, it is recommended to use a single temporal reference rate, and not two reference rates, distinguishing short-term and long-term loans and deposits. The calculation of the single reference rate should be determined according to domestic circumstances, using any of the following approaches. The reference rate should contain no service element and reflect the risk and maturity structure of deposits and loans. The reference rate will change over time with market conditions;

A reference rate based on a single observable exogenous rate for a specific instrument, such as interbank lending rates;

A reference rate based on a weighted average of observable exogenous rates of maturities with different terms (weighted by the stock of loans and deposits in each maturity); or

A weighted average of the endogenous interest rates on loans and deposits

34. 11.86 As noted before, liquidity transformation is considered to be part of implicit financial services on loans and deposits. Less clarity exists around the inclusion or exclusion of credit default risk. While there is conceptual merit in excluding credit default risk from implicit financial services on loans and deposits, at present many countries are not in a position to do this in a way that ensures reasonable comparability across most countries. Having said that, a number of countries have demonstrated that it is feasible, in their cases, to produce meaningful results and these countries gave compiled estimates of implicit financial services on loans and deposits on this basis. Recognising that these improvements will take some time to materialise, it is recommended that in the interest of maintaining international comparability. Those countries that exclude credit default risk from their estimates of implicit financial services on loans and deposits should also provide supplementary estimates that include credit default risk.
35. 11.91 During periods of volatile movements in reference rates and when liquidity markets begin to malfunction, considerable care should be taken in determining estimates of implicit financial services on loans and deposits. These periods may be characterised by negative estimates of implicit financial services on loans and deposits, particularly for depositors, but also for borrowers. Negative implicit financial services on loans and deposits can also occur owing to measurement error. For example, some large international transactions between banks may be at or near the reference rate, so a small error in measuring the reference rate could cause negative implicit financial services on loans and deposits. This gives rise to interpretation problems, as it is not possible for output to be negative. Therefore, when such incidences occur, countries are encouraged to review the applicability of the underlying reference rate for that period to calculate the implicit financial services on loans and deposits. The first, and simplest approach, is that countries consider taking the simple weighted average of the interest rates on loans and deposits for those years with negative implicit service charges for either depositors or borrowers. The second, and slightly more complicated approach, takes the view that during periods when markets are dis-functional, banks may offer financial inducements to attract depositors, meaning that part of what is now typically recorded as bank interest may actually consist of a transfer element. In this approach, during periods of negative implicit financial services on loans and deposits calculated using the conventional approach, the implicit service charges should instead be calculated by assuming that the margin (implicit financial services as a per cent of deposits or loans) charged on deposits or loans is broadly stable over time.
36. 11.92 Negative interest rates may cast doubts on the right reference rates to be used in the calculation of implicit financial services on deposits and loans (see paragraph 12.71 for the discussion on negative interest rates). Further, negative interest rates raise the risk of negative implicit financial services on deposits and loans as banks may offer interest rates higher than reference rates, to retain depositors. Therefore, compilers should review the reference rate to be used with a view to avoid negative implicit financial services, in coordination with the national accounts compilers.

Charges for the use of intellectual property n.i.e

37. 11.95 Intellectual Property products are assets resulting from research, development, investigation, or innovation, leading to knowledge, or the creation of artificial intelligence systems that the developers can market or use to their own benefit in production because use of the knowledge or system is restricted by means of legal or other protection.

Other issues related to intellectual property

38. 11.100 In *BPM7*, no distinction is made in the treatment of licenses to use and licenses to reproduce based on whether they will be used in production for more than one year or less, and where the license assumes risks and rewards of ownership. The concept of the sale of part of the original also does not exist in *BPM7*. However, it is acknowledged that such a distinction helps in harmonising the cross-border IPP related transactions with distinction between fixed capital formation/intermediate consumption in national accounts. Therefore, the [updated MSITS] will include additional details through Extended Balance of Payments Services Classification (EBOPS) for aligning trade in IPP related services items with fixed capital formation/intermediate consumption categories in national accounts.

Computer and information services

39. 11.102. Additions to list of computer services from *BPM6*

(n) artificial intelligence (AI) (31) systems such as virtual assistants, chatbots (32), speech/image recognition, smart home devices;

(o) software applications facilitating online meetings and video conferencing;

(p) cloud computing services (i.e. computing, data storage, software and related ICT services accessed remotely over a network, supplied on demand and with measured resource usage). See paragraphs 16.12-16.19 for additional details;

(q) validation of transactions relating to crypto assets provided by miners/validators. See Box 11.5 for additional details.

(r) staking (33), Cloud (34) and pooled mining (35) of crypto assets

While the above categories are expected to be mutually exclusive, in practice, there could be overlaps between some of these categories.

(31) AI is classified as a special type of software even though AI systems frequently include data and hardware elements, because the system is controlled by software even when these elements are present. However, the equipment that contains an embedded AI system (or other embedded software) is still classified as goods (see Section B.3, Chapter 16 for additional details on AI).

(32) A software application designed to simulate human conversation and interact with users via text or voice, often powered by rules, artificial intelligence, and natural language processing to provide automated responses and perform tasks. Chatbots range from simplistic models that operate off scripts to provide quick responses to specific questions, to artificial intelligence (AI) models that can converse with users and complete more complex tasks.

(33) Crypto staking is a process where users allocate a certain amount of crypto assets in a designated wallet to actively participate in and support the operations of a blockchain network based on a proof-of-stake (PoS) mechanism.

(34) Cloud mining is an arrangement that allows for mining of crypto assets by renting computing power from large companies owning significant resources of computing power.

(35) Pool mining is a method of mining crypto assets where a group of miners combine their computing power to work together on solving a cryptographic puzzle. By pooling their computer power, they increase chances of finding the solution and earning reward in the form of a new crypto asset.

Box 11.5 Validation of Crypto Asset Transactions

Validation of crypto assets is a service. Crypto assets without a corresponding liability designed to act as a medium of exchange are considered as nonproduced nonfinancial assets and recorded within a separate category in the capital account *see paragraph 14.19). The miners solving cryptographic puzzles for validating the transactions in these assets on the blockchain are producers of validation services.

Most mineable crypto assets without a corresponding liability come into circulation via the work of miners that solve cryptographic puzzles (proof-of-work) and validate transactions on the blockchain. Non-mineable crypto assets without a corresponding liability and crypto assets with a corresponding liability (e.g. stable-coins) may be released via an explicit sale and/or as payment to validators that validate transactions in different ways than via proof-of-work (e.g. via proof of stake).

The services of miners/validators should be measured as the sum of both explicit validation fees and implicit fees. The explicit fee in crypto assets is paid by the party initiating the transaction.

The implicit fee (newly released crypto assets/staking rewards) is assumed to be collectively consumed by the existing holders of units of that crypto asset (these concern multiple institutional units that may be spread across a wide range of countries), while those reward by the explicit fee are consumed by the transactor paying the fee.

The following example explains the recording of transactions associated with validation services. For additional guidance and examples refer to *Compilation Guidance on Crypto Assets (forthcoming)*,

An entity in economy A is providing validation services of transactions in crypto assets without a corresponding liability for transactions originated in Economy B. The Economy B consumer pays a transaction fee of 10 in crypto assets. In addition, the

Economy A entity receives 15 in crypto assets as implicit fee. The following entries are recorded in the balance of payments of Economy A.

Services Account

Computer services (credits/revenues) – implicit fee (15) + explicit fee (10) = 25

Capital Account

Acquisition/disposal of nonproduced nonfinancial assets/Crypto assets without corresponding liabilities (debits/expenditures) = 25

Information Services

40. 11.106 Information services include news agency services, such as the provision of news, photographs, and feature articles to the media. Information services also include outright sale of data and related services such as – compilation of information content produced by accessing and observing phenomena, database conception, entering and maintaining data in databases, data storage, and the dissemination of data and databases (including directories and mailing list), both online and through magnetic, optical, or printed media; web search portals (search engine services that find information for clients who input keyword queries) and services of chatbots that provide summarised information or translation for the questions of clients on a wide range of topics. Also included are direct nonbulk 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 audio visual and related services) is included in information services.

Operating leasing services

41. 11.115 Operating leasing services cover leasing (rental) and charters of ships, aircraft, and transport equipment, such as railway cars, containers, and rigs, without crew. Also included are operating lease payments relating to other types of equipment without an operator, including computers and telecommunications equipment. License payments for the right to use intangible produced, 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. Also excluded from operating leasing services are leasing of telecommunications lines or capacity (included in telecommunications services) and rental of ships and aircraft with crew (included in transport services).
42. 11.117 In some instances, MNEs may establish special purpose entities (SPEs) for undertaking operating and financial leasing arrangements within the group companies. For example, SPEs may hold assets such as planes and lease them to the parent company under operating lease. In such cases SPEs remain separate institutional units from their nonresident parents and

responsible for the immediate risks and rewards of the assets they own/lease. Therefore, such captive arrangements should be treated as operating lease following the guidance provided in paragraphs 11.114. See IMF's Technical Notes and Manuals Special Purpose Entities: Guidelines for a Data Template and Section C.2 Chapter 15 for further information on the typology and description of SPEs including those engaged in captive financial and operating leasing.

43. 11.118-2 Two main types of leasing arrangements, largely prevalent in the aircraft industry, are elaborated further:

Wet leasing *covers provision of an aircraft, complete crew, maintenance, and insurance for which payment is by hours operated, which is normally used for short-term leasing (for balance of payments purposes recorded under transport services); and

Dry leasing (covers provision of aircraft without insurance, crew, ground staff, supporting equipment, maintenance, etc.), which is more usual for the longer-term leases and is recorded, for balance of payments purposes, under operating leasing services (42). The aircraft industry also uses combinations of wet and dry when, for example, the aircraft is wet leased to establish new services and then, as the airlines flight or cabin crews become trained, they are switched to a dry lease.

(42) Dry leasing could be considered as a special kind of operating lease, where the lessor remains the economic and legal owner, but the expenses on insurance, repair and maintenance are the responsibility of lessee. In practice, it may be difficult to know whether such lease is financial or operational. Invoices issued by the lessor is one of the useful sources for distinguishing between financial and operating leases. Typically, for an operating lease, an invoice includes an amount of a single payment whereas for financial lease, the invoice provides information about the amount of principal and interest separately. See Box 8 *Eurostat's Handbook on the compilation of statistics on sea and air transport in national accounts and balance of payments*, for additional guidance.

Technical, Environmental and other business services

44. 11.120-1 Technical and other business services include:

- (a) Architectural, engineering, scientific and other technical services (discussed further in paragraph 11.121);
- (b) Environmental, agricultural, and mining services (discussed further in paragraph 11.122); and
- (c) Other business services (discussed further in paragraph 11.123)

Architectural, engineering, scientific and other technical services

45. 11.121 Architectural services include transactions related to the design of buildings. Engineering services include the design, development and

utilisation of machine, 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 and included instead in environmental, agricultural and mining services (see paragraph 11.122). Scientific and other technical services include surveying, cartography, product testing and certification and technical inspection services.

Environmental, Agricultural, and Mining services

46. 11.122 Environmental services consist of waste treatment and depollution services including materials recovery (recycling) services, sewerage, sewerage treatment and septic tank cleaning services, waste collection and disposal, remediation, sanitation, and other environmental protection services. They also include treatment of air pollution, carbon capture and storage services that are not classified under any other specific category. Agricultural and mining services include services incidental to agriculture, forestry, fishing, mining and oil and gas extraction, as are veterinary services (see MSITS for additional details).

Chapter 11 Changed Paragraphs

Paragraph	Old Paragraph	New Paragraph
11.59	For example, when a company contacts another (specialist) company to provide services that were previously internal company functions. This arrangement may be called "outsourcing". Services that are "outsourced" that is where a company contracts another (specialist) company to provide services that were previously internal company functions, such as billing services or information "help" services service provider should be classified to the appropriate services item. Services supplied by "call centres" and similar types of operations should be classified according to the type of service provided. For example, call centres selling products are included in trade-related services, whereas call centres providing computer support are included in computing services.	11.6 Business and other services, such as transport, construction, and computing, may be subcontracted, that is, when a company contracts another (specialist) company to provide the services they have agreed to provide to a customer. When a company contracts another company to provide services that were previously internal company functions, this arrangement may be called "outsourcing". Services that are subcontracted or outsourced should be classified to the appropriate specific services item, such as transport, construction, computing, or technical, environmental, and other business services (see paragraph 11.21 for transport). The value of services exported and imported in the economy of the service arranger is recorded on a gross basis. (This treatment is applicable because the arranger buys and sells the services; i.e., the purchase of the services is treated as intermediate consumption by the arranger; conversely, if the arranger acted as an agent on a commission basis, then only the

		commission would be recorded as the service provided by the arranger – see paragraph 11.112). However, if the activity is significant for an economy, net data could be provided on a supplementary basis. Services supplied by “call centres” and similar types of operations should be classified according to the type of service provided. For example, call centres selling products are included in trade-related services, whereas call centres providing computer support are included in computing services.
11.62	<i>Manufacturing services on physical inputs owned by others cover processing, assembly, labelling, packing, and so forth undertaken by enterprises that do not own the goods concerned. The manufacturing undertaken by an entity that does not own the goods and that is paid a fee by the owner. In these cases, the ownership of the goods does not change, so no general merchandise transaction is recorded between the processor and the owner.</i>	<i>11.10 Manufacturing services on physical inputs owned by others cover processing, assembly, labelling, packing, and so forth undertaken by enterprises that do not own the goods concerned. The manufacturing undertaken by an entity that does not own the goods and that is paid a fee by the principal (processing arrangements, see paragraphs 10.57-10.64). In these cases, the ownership of the goods does not change, so no general merchandise transaction is recorded between the processor and the principal (see Figure 10.1). Manufacturing services on physical inputs owned by others is distinguished from factoryless goods production in which the processor acquires ownership of the goods. See Section D Chapter 10 for additional details.</i>
11.72	Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods that are owned by nonresidents. The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance of ships, aircraft, and other transport equipment are included in this item. Cleaning of transport equipment is included in transport services. Construction maintenance and repairs are excluded; they are included under construction. Maintenance and repair of computers are included under computer services.	<i>11.17 Maintenance and repair services n.i.e. cover maintenance and repair work by residents on goods that are owned by nonresidents (credit) and that by nonresidents on goods that are owned by residents (debit). Maintenance and repair services n.i.e. cover both minor repairs that maintain the good in working order and major repairs that extend the efficiency or capacity of the good or extend its life. No distinction is made between those repairs included by the customer in intermediate consumption and those in capital formation. The repairs may be performed at the site of the repairer or elsewhere. Repairs and maintenance of ships, aircraft, and</i>

		other transport equipment are included in this item. Cleaning of transport equipment is included in transport services (see paragraph 10.80). construction maintenance and repairs are excluded; they are included under construction. Maintenance and repair of computers are included under computer services.
11.86	11.86 <i>Travel credits cover goods and services for own use or to give away acquired from an economy by nonresidents 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 economies.</i> The goods and services may be purchased by the persons concerned or by another party on their behalf. For example, business travel may be paid or reimbursed by an employer, tuition and living costs of a student may be paid by a government, or health costs may be paid or reimbursed by a government or insurer. Goods and services supplied by the producer without charge are also included, such as tuition and board provided by a university.	11.34 <i>Travel credits/revenues cover goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy. Travel debits/expenditures cover goods and services for own use or to give away acquired from other economies by residents during visits to these economies.</i> The goods and services may be purchased by the persons concerned or by another party on their behalf. For example, business travel may be paid or reimbursed by an employer, tuition and living costs of a student may be paid by a government, or health costs may be paid or reimbursed by a government or insurer. Goods and services supplied by the producer without charge are also included, such as tuition and board provided by a university. <i>In addition, goods and services provided free to nonresidents by government and NPISHs of the economy they are visiting known as social transfers in kind (e.g. free health services received by a foreign tourist from a hospital within general government) should be imputed and recorded under travel.</i>
11.94a	health-related (e.g. medical services, other health care, food, accommodation, local transport, acquired by those travelling for medical reasons).	11.42 (a) health-related travel (e.g. medical services, other health care, food, accommodation, local transport, acquired by those travelling for medical reasons). <i>The scope of “medical reasons” for health-related travel is consistent with “health and medical care” from the <i>International Recommendations for Tourism Statistics 2008 (IRTS 2008)</i>. Health and medical care cover services received from hospitals, clinics, convalescent homes, health and social institutions, thalassotherapy, health and spa resorts, other</i>

		specialized places to receive medical treatments based on medical advice, as well as cosmetic surgeries using medical facilities and services (see paragraph 3.17 <i>IRTS 2008</i>)
11.94c	all other personal travel. This component includes health expenditure by those not traveling for health or educational purposes.	11.42 (c) all other personal travel. This component includes health expenditure by those not traveling for health or educational purposes. In addition, travel expenses of companions of patients, education-related travellers, and those traveling on short-term work or other business are included in this component, treating companions as normal travellers.
11.118	Financial services cover financial intermediary and auxiliary services, except insurance and pension fund services. These services include those usually provided by banks and other financial corporations. They include deposit taking and lending, 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.	11.70 Financial services cover services related to financial intermediation, financial risk management, liquidity transformation or auxiliary financial activities, except insurance and pension scheme services. These services include those usually provided by banks and other financial corporations. They include deposit taking and lending, 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, including crypto assets with a corresponding liability or bullion, financial asset management, monitoring services, liquidity provision services, risk assumption services other than insurance, services of foreign exchange bureaus and money transfer operators merger and acquisition services, credit rating services, stock exchange services and trust services. Financial services enabled by Fintech (22) including those facilitated by financial digital platforms such as payment services, peer to peer lending services, crowd funding platform services, services of platforms/exchanges intermediating (including lending/borrowing) in crypto assets with a corresponding liability, and other financial services such as capital raising/investment management are included under this

		category, without introducing new services categories. Nevertheless, if a country has a strong need to identify the financial services provided through fintech, introducing an “of which” category may be considered. See Section D Chapter 16 for the discussion on digitisation and financial system.
11.159	Other business services related to water, steam, gas and 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. Also included are forfeited payments not able to be specified to any other services.	11.123 Other business services related to water, steam, gas and 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. Also included under other business services are forfeited down payments not able to be specified to any other service.
11.163	Included are amounts receivable or payable for rentals of audiovisual and related products and charges for access to encrypted television channel (such as cable and satellite services). Fees to actors, directors, and producers involved with theatrical and musical productions, sporting events, circuses, and other similar events are included in this item (unless they are employees of the entity making payments, in which case the transactions are classified as remuneration of employees).	11.126 Included are amounts receivable or payable for rentals of audiovisual and related products and charges for access to audio and video streaming services , encrypted television channel (such as cable and satellite services). Fees to actors, directors, and producers involved with theatrical and musical productions, sporting events, circuses, and other similar events are included in this item (unless they are employees of the entity making payments, in which case the transactions are classified as remuneration of employees). The users of free online platforms (which are mostly organised as commercial enterprises) may create content such as videos, images, text, and audio, and make them available on the platforms. If the content creator receives remuneration from an advertiser or platform for use of their uploaded content, it should be recorded as supply of audio-visual related services to the platform (see paragraphs 16.52-16.53 for additional details on free online platforms)
11.179	Services supplied by and to government should be classified to specific services (business services	11.145 As far as possible, only items corresponding to CPC division 91 (public administration and other

	construction, health etc), if possible/ For instance. Acquisition of new and existing buildings for an embassy consulate, and so forth is classified as construction, rather than government goods and services n.i.e (see paragraph 11.108). However, some services are related to government functions that are not able to be classified to another specific service category, so are classified as government services n.i.e. For example, technical assistance on public administration is included in government services/ Also, payments for police type services (such as keeping order), such as those supplied with mutual agreement by foreign government or international organisation, are include in government services n.i.e. Additionally, government supply of licenses and permits that are classified as services (as discussed in paragraphs 11.180) are also government services n.i.e Box 11.6 covers issues associated with technical assistance.	services provided to the community as a whole; compulsory social security services) and CPC division 99 (services provided by extraterritorial organisations and bodies) need to be included within this category to ensure harmonisation with the System of national Accounts. Services supplied by and to governments (other than those related to government functions) should be classified to specific services (construction, health etc), if possible/ For instance. acquisition of new and existing buildings for an embassy consulate, and so forth is classified as construction, rather than government goods and services n.i.e (see paragraph 11.57). However, some services are related to government functions that are not able to be classified to another specific service category, so are classified as government services n.i.e. For example, technical assistance on public administration is included in government services/ Also, payments for police type services (such as keeping order), such as those supplied with mutual agreement by foreign government or international organisation, are include in government services n.i.e. Additionally, government supply of licenses and permits that are classified as services (as discussed in paragraphs 11.46) are also government services n.i.e Box 11.6 covers issues associated with technical assistance.
11.18	One of the regulatory functions of governments is to forbid the ownership or use of certain goods or the pursuit of certain activities, unless specific permission is granted by issuing a license or other certificate for a fee. If the issue of such licenses involves little or no work on the part of the government, the licenses being granted automatically on payment, it is likely that they are simply a device to raise taxes, even though the government may provide some kind of certificate, or authorisation in return.	11.146 One of the regulatory functions of governments is to forbid the ownership or use of certain goods or the pursuit of certain activities, unless specific permission is granted by issuing a license or other certificate for a fee. As indicated in paragraph 13.28, if a payment for a license is compulsory and the license is not transferable then the payment is generally considered a tax. However, under limited scenarios, such as when it can be demonstrated that the payment is required and a service

	However, if the government uses the issue of licenses to exercise some proper regulatory function, such as checking the competence or qualifications of the person concerned, checking the efficient and safe functioning of equipment, or carrying out some other form of control that it would otherwise not be obliged to do, the payments made should be treated as purchases of services from government rather than payments of taxes, unless the payments are clearly out of all proportion to the costs of providing the services.	commensurate to the payment is consumed by the individual, the payment should be recorded as a sale of service (44).
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