

CMFB meeting Luxembourg on 4-5 July 2019

Conclusions and list of action

29 July 2019

<i>Actions</i>	<i>Deadline</i>	<i>Responsible</i>
(1) Prepare a final proposal and cover letter to communicate the suggestions for the introduction of materiality thresholds in EDP statistics to the General Director of Eurostat and the Chair of the EFC Sub-Committee in statistics	September 2019	CMFB EB
(2) Call for expression of interest for participation in the CMFB TF on developments banks (including potential suggestion for its work plan)	26 August 2019	Chair, Secretariat
(3) Reflection on the possibility for a co-chair to the CMFB TF on development banks	September 2019	Chair, CMFB EB
(4) Prepare a draft version of the CMFB vision paper on globalisation	January 2020	Sponsors, CMFB EB
(5) Comments on the progress report and draft questionnaire of the CMFB Task Force on the Exchange of Confidential Data	26 August 2019	Secretariat
(6) Finalising the questionnaire on the exchange of confidential data	End 2019	Sponsors, CMFB Task Force on the Exchange of Confidential Data
(7) Comments on the draft questionnaire on the implementation of the HERP	26 August 2019	Secretariat
(8) Progress report of the CMFB Big Data Task Force	January 2020	Sponsors, CMFB Big Data Task Force

1. ADOPTION OF THE AGENDA (CHAIR)

- (9) The Chair welcomed participants and thanked Eurostat for hosting the meeting.
- (10) A suggestion was made to include more Member State contributions in the agenda as well as items where more substantive discussions would be expected. The Chair thanked for the suggestion and committed to follow-up. He invited NSIs and NCBs to propose such contributions actively.
- (11) Following the housekeeping announcements, the agenda was adopted.

2. ORGANISATIONAL MATTERS AND REPORTS

2.1. Report on recent CMFB activities and consultations (Chair)

- (12) The Chair presented an overview of recent CMFB activities including the consultations on the ESS Multi-annual programme and on the MGDD. He informed that the item “Bilateral asymmetries in large cross border transactions in services, the accumulation account and other changes” in the CMFB operational work programme will be discussed by the CMFB EB in its autumn meeting. He announced a workshop on ICW statistics to be organised in Italy back to back with the summer CMFB Plenary meeting of 2020.
- (13) No comments were made.

3. EXCESSIVE DEFICIT PROCEDURE

3.1. EDP Activities (Eurostat)

- (14) Eurostat (Luca Ascoli) presented the item.
- (15) Members thanked for the comprehensive update. One member suggested an inverse peer review of Eurostat by member states, helping Eurostat to overcome procedural problems. A question was raised as regards the exact scope of chapters to be included in the new MGDD and whether this includes chapters for which there was not a clear majority in the consultations. The implementation procedure and timetable regarding the updated chapters were also enquired about. It was suggested by a member and agreed by Eurostat to produce a table on which member state will implement what item when. The timeframe should in the future be consistent with benchmark revisions.
- (16) In the context of the CMFB Chair’s (so far unanswered) letter on Eurocoins and EPCs of 30 April 2019 to the Eurostat Director General, the need to advance in a cooperative spirit was underlined. A proposal was made to include a timeframe for Eurostat to publish its decisions on subjects for which a CMFB opinion was requested.
- (17) Eurostat responded that only in the case of one chapter (rearranged transactions), the majority in the DMES was small, but nevertheless absolute. Eurostat recalled that the ECOFIN Council Conclusions state that; “*the progress in the introduction of methodological changes in a structured and scheduled manner and on the new procedures regarding the new guidance.*” The proposed changes with a substantial impact on the headline figures (limited to very few MSs) would need to be implemented in the October 2019 EDP notification. The implementation of the other changes would be from the April 2020 EDP notification onwards. Eurostat would send the answer to the CMFB Chair’s letter of 30 April 2019 within a few days. The next version of the MGDD would be published in 2022 and the update cycle would be 5 years from then onwards, following a request of DMES.
- (18) The Chair concluded that the CMFB:

- thanked Eurostat for the work on the MGDD and for consulting the CMFB;
- expressed some concern on the implementation and timing of the new MGDD;
- welcomed the future timeline agreed in DMES (2022 application date and the better alignment with the 5 year benchmark revision cycle);
- invited Eurostat to consider concerns expressed by MSs on the MGDD update procedure;
- invited Eurostat to maintain the cooperative spirit by providing timely feedback on the matters where the CMFB expressed an opinion.

3.2. Materiality thresholds in EDP (Vice-Chair)

- (19) The Vice-Chair presented a proposal agreed by the majority of the CMFB Executive Body (EB).
- (20) Members thanked for the presentation and appreciated that there was discussion on this issue. Most interventions were in favour of materiality thresholds. Several interventions emphasised that different threshold may be necessary, distinguishing the absolute and relative terms in order to provide fit-for-purpose statistics in a cost-efficient manner. The principle of cost-effectiveness formed an integral part of the applicable Regulations. Prioritisation should play a more prominent role when drawing up actions lists. Thresholds were supported not only due to the potential difficulties in observing economic activity and measurement error, but also investigations into certain borderline cases required an effort that was not proportionate to the expected gains in terms of quality of statistics. An intervention suggested a risk-based assessment of pending issues, resulting in e.g. A, B and C action points.
- (21) Eurostat responded that on average, between 2014 and 2016, the number of actions point was between 23-26, which increased to 37 in the following year, to decrease again to 29 in 2018. The equal treatment of MS was important, but it did not imply the same number of action points for all MSs. Concerning the thresholds, the cumulated impact should be given attention as well. The 3% threshold remained important, but less problematic these days, while DG ECFIN equally takes into account the level of debt and its variations. On the issue of A, B and C actions points, Eurostat noted that the potential impact of certain issues was often unknown at the time of discovery and discussion. Nevertheless, Eurostat never issued a reservation on aspects where the impact was known to be negligible. Derogations were referring to the transmission programme, but not to the application of methodology set out by the ESA 2010 Regulation entailing that even small issues should be followed-up.
- (22) The Chair recalled the large support for proposing materiality thresholds from January 2019, pending questions of their specification and implementation. In addition, the EFC SCS expressed interest for this proposal in June 2019. Based on a majority of the contributions, the Chair concluded that the CMFB should follow-up on this issue, taking into account the complexity and having in mind the need to specify certain aspects (e.g. thresholds) carefully.
- (23) He therefore concluded that:
- the CMFB supported the EB’s proposal with all necessary improvements as regards its technicalities;
 - the CMFB EB will prepare a letter to communicate the proposal to the General Director of Eurostat and the Chair of the EFC Sub-Committee on statistics.

3.3. Classification of development banks (Chair)

- (24) The Chair summarised the mandate. The Committee welcomed the TF on this important issue and broadly agreed with the mandate.
- (25) A comment suggested that instead of the reconciliation of existing guidance on captives, or as an application of this point, an overview the current MGDD rules applicable to development banks should be produced. A plea was made for a co-chairmanship of the TF and a balanced participation of EDP, banking statistics and national accounts experts. The work ahead concerned not only the government accounts but the real and financial statistics as well.

Another intervention suggested that ECB DG-S and Eurostat co-chair the TF. A suggestion was made to produce final results by mid-2020.

- (26) A member inquired whether the TF would perform merely descriptive work or make actual proposals and some concerns were raised about the expected outcomes. The issue had been discussed over a number of years and while different classifications of apparently similar development banks existed across MSs, it should not be part of the mandate to analyse these cases.
- (27) ECB DG-S welcomed the establishment of the TF and recalled the good discussion at the corresponding workshop on 13 November 2018. A diverse set of skills and statistical backgrounds are required in view of the complexity and multi-faceted nature of the issues at stake. Hence, experts from government finance statistics and financial intermediary statistics should participate in this work.
- (28) Eurostat added that not all development banks were classified into the government sector and the classification should be updated when circumstances of the entity change.
- (29) A number of members expressed the interest of their institutions in participating in the work of the TF.
- (30) The Chair referred to the EDP rules of procedures as regards mandate, chairing and composition of the TF.
- (31) The Chair:
 - concluded that the Committee supported the establishment of the CMFB TF on development banks;
 - announced that a call for expression of interest would be launched, including for suggestions for the work plan of the task force within the mandate. The CMFB EB will again reflect on the possibility for a co-chair.

4. WP ITEM I – ENSURING THE QUALITY OF STATISTICS UNDERPINNING THE MACROECONOMIC IMBALANCE PROCEDURE SCOREBOARD (SPONSORED BY VILLE VERTANEN AND AGRIS CAUNE)

Update on all three levels of the ESS-ESCB quality assurance framework for statistics underlying the Macroeconomic Imbalance Procedure (quality reports, MIP visits) (Eurostat/ECB DG-S)

- (32) ECB DG-S (Caroline Willeke) and Eurostat (John Verrinder) presented the item.
- (33) The Chair thanked for the presentation and no comments were made.

5. WP ITEM II – LEGAL ENTITY IDENTIFIER (LEI) AND BUSINESS REGISTERS (SPONSORED BY ALFREDO CRISTOBAL AND AGRIS CAUNE)

5.1. State of play (Sponsors)

- (34) The sponsors presented the item. The Chair thanked for the update and the presentation, no comments were made.

5.2. Presentation by GLEIF (Stephan Wolf)

- (35) Stephan Wolf, Chief Executive Officer at Global Legal Entity Identifier Foundation (GLEIF), presented a state of play on the LEI implementation, also related to business registers.

- (36) The Chair thanked for the presentation. The need for common more integrated business registers was emphasised. The importance of the LEI for official statistics was underlined, especially for financial stability analysis. The costs of LEIs should be further decreased, either within the current or with a new business model. The direction towards a zero-cost model for enterprises was welcomed. However, adequate financing to ensure the implementation and maintenance of the LEI needs to be provided.
- (37) Eurostat expressed support for the use and further expansion of the LEI mainly into the non-financial sector. First of all, the LEI should be inserted into administrative business registers, followed by statistical registers and finally the EuroGroup Register (EGR). Eurostat inquired about the negotiations of GLEIF with DG JUST.
- (38) ECB DG-S recalled that for the integration of micro data and joint registers, the initiative under GLEIF is of high importance. In addition to voluntary measures, legal action will be required to ensure a high degree of usage of the LEI. The CMFB could play a useful role in supporting this process over the coming years, while ECB DG-S will continue to follow and support the process.
- (39) Stephan Wolf responded that the pricing situation would of course dramatically improve with the proliferation of the LEI. Discussions started to investigate the separation of the financing of level 1 and level 2 information. Regarding quality, GLEIF has established a stringent quality management system and working with the LOUs and national administrative business registers. The process has progressed with formal and integrity checks and focuses on accuracy. With regard to the issue of commercial banks as LEI issuer, banks will not necessarily be LOUs, but they would closely cooperate with the LOUs. Turning to DG JUST and FISMA, they have expressed support for the LEI. In addition, China recently issued legislation to require an LEI for import declarations for a number of countries.

5.3. Institutional co-operation on business registers in Italy (Istat, Banca d'Italia)

- (40) Banca d'Italia (Laura Graziani-Palmieri) presented the item.
- (41) The Chair thanked the three presenters and concluded that the CMFB acknowledged the importance of further implementing the LEI and of strengthening efforts to share business registers as shown in the Italian presentation. He underlined that progress in the implementation of the LEI could mainly be enhanced by legal measures.
- (42) The Chair invited Members to volunteer for similar contributions as the one from Italy.

6. WP ITEM III – GLOBALISATION (SPONSORED BY URSULA HAVEL AND ROBERT KIRCHNER)

6.1. Update on globalisation-related initiatives (Sponsors/Eurostat)

- (43) Eurostat (John Verrinder) presented the item focusing i.a. on the Early Warning System, European profiling of MNEs, the EGR and the GNI MNE pilot exercise.
- (44) The Chair thanked for the presentation, there were no comments.

6.2. CMFB vision paper – state of play (Sponsors)

- (45) The sponsors presented the item prepared by a subgroup of the CMFB EB. The Chair thanked for the presentation and Members appreciated the development of the draft vision.
- (46) All interventions agreed on the method (OGSM) used and the proposed next steps. A member recommended not to overlook the financial dimension of globalisation and to involve the appropriate actors. Some comments emphasized that the Vision could be more ambitious over the longer term instead of merely aiming at objectives that are achievable with a high degree of certainty. In some cases, a more precise formulation of SMART objectives seemed to be

necessary as well. In addition, the impact of globalisation on the environment should be emphasised.

- (47) The Chair thanked for the exchange of views and informed that the vision paper would be extensively discussed at the EB meeting in November 2019. A first draft should be available for the CMFB meeting in January 2020.

6.3. CMFB Task Force on the Exchange of Confidential Information (Robert Kirchner and Ville Vertanen)

- (48) One sponsor introduced this item, which was presented by the co-chairs of the Task Force.
- (49) Some comments emphasised that the main obstacle for data sharing are not legal hurdles anymore, but to a large part the statisticians' state of mind and largely unfounded fears concerning the respect of legal provisions. Other interventions underlined legal obstacles. In addition suggestions on the questionnaire were made (e.g. more concentration on the relationship between statistical offices and central banks, more focus on the demand side).
- (50) ECB DG-S expressed its full support for the survey and, more generally the work of the Task Force. At the same time, it called for an appropriate degree of ambition, with the survey results not to be seen as the end, but the start of further work. The questions could enquire about requirements to achieve an ideal state of data sharing. This suggestion was echoed by many interventions.
- (51) Eurostat referred to the enabling clauses in European Regulations (223/2009 and the upcoming FRIBS regulation) and recalled that private companies were being pushed to provide transparency as regards the use of personal data.
- (52) The Chair:
- concluded the CMFB would be invited to comment on the progress report and draft questionnaire before 26 August 2019;
 - invited the NSI Members to propose additional participants from their institution to join the TF.

6.4. UNECE Task Force on Exchange and Sharing of Economic Data (TF Chair Timo Koskimäki)

- (53) Timo Koskimäki presented the draft summary paper elaborated by this TF.
- (54) He underlined that the focus of the TF was not the sharing of data between NSIs and NCBs, the separation of statistical and non-statistical functions in an organisation would however deserve attention. Different interpretations of the same regulations seemed to be an issue globally.
- (55) The Chair thanked for the presentation and invited the Members to take due note of the final report of the TF which would be published soon.

7. WP ITEM IV – IMPLEMENTATION OF INTERNATIONAL STATISTICAL STANDARDS, SUCH AS ESA 2010 AND BPM6 (SPONSORED BY GERMAIN STAMMET AND GERARD EDING)

7.1. Developments relating to the update process of SNA and BPM (Eurostat)

- (56) Eurostat presented the item for which the Chair thanked. There were no comments.

7.2. Progress on the implementation of the Harmonised European Revision Policy (Eurostat/ECB DG-S)

- (57) The sponsors presented this item.

- (58) A member underlined that the MSs' commitment to apply the HERP should be further enhanced, even if it would not be entirely in line with national policies.
- (59) The Chair thanked the sponsors and concluded that CMFB would be invited to comment on the draft questionnaire by 26 August 2019.

7.3. ESCB Medium term strategy for financial accounts (ECB DG-S)

- (60) ECB DG-S (Olga Monteiro) presented the item.
- (61) Members appreciated the detailed presentation and the ambitious strategy. Substantial changes in data collection systems may be necessary. Therefore the timetable should be developed with care. Registers and foreign controlled NFCs will require cooperation both on national and European level, as well as on the exchange of confidential microdata. It is important to keep the CMFB informed on cross-cutting issues with non-financial/annual accounts. A discussion on data sources and collections system would also be warranted. Questions were raised on measuring the consistency with annual financial accounts and the need for quarterly frequency for distributional financial accounts, the relevance of the digital economy as well as on the cooperation with Eurostat/ESS.
- (62) ECB DG-S responded that the timeline will be carefully designed. An eventual 2nd consultation of the STC working groups might be included. A joint WG ES-FA subgroup (also including RIAD experts, Eurostat, OECD, etc.) will be established to develop a compilation study on foreign controlled NFCs. It was clarified that the concept of control of foreign NFCs will be addressed during the compilation study and that distributional financial accounts will be an annual satellite account.
- (63) The Chair thanked ECB DG-S for illustrating the FA strategy and concluded that the CMFB would keep monitoring its implementation taking into account its impact on both statistical systems.

7.4. Revision of NACE (Eurostat)

- (64) Eurostat (Marta Nagy-Rothengass) presented the item. The Chair thanked for the comprehensive presentation.
- (65) Members stressed that different stakeholder interests should be carefully balanced; the coherence with other international standards and classifications should be maintained. The implementation calendar should refer to the benchmark revision cycle of national accounts, planning should be done accordingly. Dual estimates should only be provided for the shortest period possible. Coordination should ideally be extended to other classifications used in business statistics (CPA, Prodcom). Changes have to be communicated in a transparent manner. Alternative aggregations (used as a tool ISIC) may be contemplated for NACE as well (e.g. leasing is currently split into financial and operational, for valid reasons; nevertheless, it would be interesting to combine them in an alternative aggregate; similarly, main industrial groupings could be candidates as well.) A request was made to circulate the corresponding ESSC document as background to the presentation.
- (66) ECB DG-S thanked for the consultation of the ESCB at an early stage, which was very much appreciated. Areas of special attention for central banks are, among others, fintech and financial services. The close link to ISIC remains important. Other comments supported covering the financial value chain in the new NACE in one sector. Concerning an intermediate solution as regards the digital economy, the OECD developed digital supply and use tables as a satellite account.
- (67) Eurostat thanked for the support for the NACE review process. Regarding lobbying and balance, the current stage of the process was not under this type of pressure. Attempts later would be mitigated with standard processes for this purpose. Coherence was a paramount priority for the review (as soon as there would be a reasonably stable draft of the new NACE, the legislative process would be launched and work commence on the alignment with product classifications later in the process). Regarding the precise timeline, it was impossible to target

the earliest benchmark revision date, Eurostat was working on detailed plans. An estimation of the scope of the revision would ideally be possible by the middle of 2020. Communication efforts will be taken very seriously. Eurostat continued to stand ready to support the implementation of ESCB requests.

- (68) The Chair thanked Eurostat for the NACE update and concluded that
- there was large support for the NACE review.
 - Members stressed a number of important points, such as coherence (in particular with ISIC), timeline and implementation, inclusion of fintech and financial services, alternative aggregations tools (including intermediate solutions).
 - there was a need to carefully balance different stakeholder needs. The CMFB will monitor the review process, with a focus on cooperation between the two systems producing European statistics.

8. WP ITEM V: BALANCE OF PAYMENTS STATISTICS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

8.1. Update on FRIBS legislative process (sponsored by Kirsten Wismer and François Mouriaux) (Eurostat)

- (69) Eurostat (August Götzfried) updated the Committee. The Chair thanked for the update.
- (70) A request was made to make the corresponding CPA breakdowns for the ITSS available. The exchange of microdata could prove difficult from a legal point of view, even with the enabling clause and because producing BoP is not explicitly mentioned as a purpose of data sharing in FRIBS. A Member suggested informing the CMFB on the progress with the FRIBS general implementing act on a regular basis.
- (71) Questions asked whether bop requirements would still be served by the draft ITSS breakdowns and why the article on the CMFB's role had been deleted.
- (72) Eurostat responded that the draft ITSS data requirements are currently discussed at technical level, while, on the role of the CMFB, the Committee would be updated regularly.
- (73) The CMFB thanked Eurostat for the update and noted that the CMFB will continue monitoring future developments and the implementation of FRIBS.

8.2. Annual report on the functioning of the FDI network and update on the Asymmetry Resolution Meetings (Eurostat/ECB DG-S)

- (74) Eurostat (Irene Madsen) and ECB DG-S (Tjeerd Jellema) presented the item. The Chair thanked for the presentation.
- (75) A Member noted that 44% of reconciliations failed and suggested to explain these failures in more detail in the report. The usage of the network has substantially improved, but results were not following suit. Lessons learnt from the FDI Network should feed back into the statistical processes. It was furthermore suggested that Eurostat and the ECB DG-S would take up a more decisive (referee) role in the reconciliation process.
- (76) A member noted that in principle the ARM should be used for large complex cases only because of the heavy resource implications. Less demanding issues should be resolved beforehand using the FDI network, and not need to enter into the ARM.
- (77) The presenters thanked for the questions and responded that failed reconciliation could indeed be analysed in more detail, both for positions and transactions. Asymmetry resolution work is resource intensive in both MSs and at the EU institutions; however the length of ARM meetings is expected to be reduced in the long run, in particular if MSs manage to resolve

asymmetries beforehand via the FDI network. The use of register data could further facilitate the reconciliation processes via the identification of the counterparty.

- (78) The CMFB took note of the work of the FDI and the first outcomes of the ARM. The CMFB reaffirmed its support for this exercise. It would be important to provide in the next report the reasons behind failed reconciliations, while the FDI Network should act first and ARM should ideally remain an ultimate tool for more complex cases.

8.3. Consistency issues in Balance of Payments and National Accounts – ROW (Eurostat)

- (79) Eurostat (Robert Obrzut) presented the item.
- (80) ECB DG-S thanked Members for responding to the questionnaire, praised the good cooperation and asked for continued commitment to address the remaining inconsistencies.
- (81) Interventions reminded on outstanding methodological issues regarding the consistency between SNA 2008 and BPM6.
- (82) Members work on reducing inconsistencies in the context of the benchmark revision, but full alignment may prove to be difficult.
- (83) The Chair thanked Eurostat for the update and concluded that the CMFB noted the progress and improvement in the consistency between bop and RoW as regards the non-financial accounts. The remaining inconsistencies should be addressed in the future.

9. WP ITEM VI – BIG DATA (SPONSORED BY GERARD EDING AND FRANÇOIS MOURIAUX)

CMFB Big Data Task Force (Sponsors)

- (84) Sponsors debriefed the Committee about the kick-off meeting and paper of the Task Force.
- (85) ECB DG-S appreciated the efforts of the TF and suggested a more pronounced scoping of the work to areas of interest for the CMFB, i.e. work streams 1 and 2. This would also reduce possible overlaps.
- (86) The CMFB Chair thanked for the update and the progress report would be discussed in January 2020.

10. ANY OTHER BUSINESS

- (87) The Bank of Portugal informed that ECB/DG-S (External Statistics & Sector Accounts Division) was co-organising with the Irving Fisher Committee and Banco de Portugal the conference “Bridging measurement challenges and analytical needs of external statistics: evolution or revolution?” (17 and 18 February 2020, Lisbon).
- (88) The next CMFB meeting will take place at the ECB in Frankfurt on 30-31 January 2020. A meeting of the CMFB EB on 29 January 2020 (afternoon) will precede it.