

**26th MEETING OF THE COMMITTEE
ON MONETARY, FINANCIAL AND
BALANCE OF PAYMENTS STATISTICS**

Luxembourg, 26 - 27 June 2003

PART B - ITEMS FOR DISCUSSION

**ANNEX C:
Annexes to the Final Report of the Technical Group Direct Reporting**

TO

Item B.3.d of the agenda

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ANNEX 1**CONTENTS OF GENERAL BUSINESS REGISTERS**

This annex provides a description of the identity number and descriptive detail (compulsory and optional) that general business registers should contain. It is an extract from council regulation (EEC) No 2186/93 of 22 July 1993, on Community co-ordination in drawing up business registers for statistical purposes (Annex II).

ANNEX II**Identity number and descriptive details**

1. The register entry of a legal unit shall contain the following information:
 - (a) identity number;
 - (b) name, address (including postcode), and optionally: telephone, electronic mail and fax numbers and telex address;
 - (c) requirement for the legal unit to publish its annual accounts (Yes/No);
 - (d) date of incorporation for legal persons or date of official recognition as an economic operator for natural persons;
 - (e) date on which the legal unit ceases to be legally responsible for an enterprise;
 - (f) legal form of the unit;
 - (g) name and address of any non-resident legal unit, other than a natural person, which controls the legal unit (optional);
 - (h) identity number of the legal unit in the register which controls the legal unit (optional);
 - (i) character of 'public undertaking' of the legal unit within the meaning of Commission Directive 80/723/EEC (1) (Yes/No) (for legal persons only);
 - (j) reference to other associated files, including customs files, in which the legal unit is recorded and which contain information which can be used for statistical purposes;
 - (k) reference to the register of intra-Community operators drawn up in accordance with Council Regulation (EEC) No 3330/91 of 7 November 1991 on the statistical relating to the trading of goods between (2).

2. The record of a local unit shall contain the following information:
 - (a) identity number;
 - (b) name, address and other identifying information as set out in paragraph 1 (b) of this Annex;
 - (c) activity code at the four-digit (class) level of NACE Rev. 1;
 - (d) secondary activities, if any, at the four-digit level of NACE Rev. 1 (optional);
 - (e) size of labour force, as indicated in paragraph 3 (e) of this Annex;
 - (f) date of commencement of the activities the codes of which are given in (c);
 - (g) date of final cessation of activities;
 - (h) geographical location code (territorial units);
 - (i) reference to associated registers in which the local unit appears and which contain information which can be used for statistical purposes;
 - (j) identify number in the register of the enterprise on which the local unit is dependent;

- (k) activity carried out in the local unit constituting an ancillary activity of the enterprise on which it depends (Yes/No).
3. The record of an enterprise shall contain the following information:
- (a) identify number;
 - (b) identity number(s) of the legal unit(s) legally responsible for the enterprise;
 - (c) activity code of the enterprise at four-digit (class) level of NACE Rev. 1 in which the principal activity or all the activities of the enterprise is or are included;
 - (d) secondary activities, if any, at NACE Rev. 1 four-digit level, if they amount to 10 % of the total for all activities of the gross value added at factor cost for each or account for 5 % or more of national activity of this type; this point concerns only enterprises which are the subject of surveys ;
 - (e) size: measured by the number of persons occupied or, failing that, by allocation to one of the following classes according to the number of persons occupied: 0; 1; 2; 3 to 4; 5 to 9; 10 to 19; 20 to 49; 50 to 99; 100 to 149; 150 to 199; 200 to 249; 250 to 499; 500 to 999; 1 000; above 1 000, the number of thousands;
 - (f) date of commencement of activities of the enterprise;
 - (g) date of final cessation of activities of the enterprise;
 - (h) net turnover from sale of goods and services (except for financial intermediaries); failing that, allocation to a size class defined as follows (in millions of ecus): [0, 1]; [1, 2]; [2, 4]; [4, 5]; [5, 10]; [10, 20]; [20, 40]; [40, 50]; [50, 100]; [100, 200]; [200, 500]; [500, 1 000]; [1 000, 5 000]; 5 000 + (optional for turnover not exceeding ECU 2 million);
 - (i) net assets (assets after allowing for depreciation less liabilities financial intermediaries only (optional)).

Notes:

- (1) OJ No L 195, 29. 7. 1980, p. 35.
- (2) OJ No L 316, 16. 11. 1991, p. 1. Regulation as amended by Regulation (EEC) No 3046/92 (OJ No L 307, 23. 10. 1992, p. 27).

ANNEX 2

CONTENTS OF INTRASTAT REGISTERS

This annex is an extract from Commission Regulation (EC) No 1901/2000 of 7 September 2000 laying down certain provisions for the implementation of Council Regulation (EEC) No 3330/91 on the statistics relating to the trading of goods between Member States (hereafter referred to as the "Basic Regulation").

CHAPTER 2 INFORMATION PROVIDERS AND REGISTERS

Article 4

1. Any natural or legal person carrying out an intra-Community operation for the first time, whether the goods are arriving or being dispatched, shall become responsible for providing the required information within the meaning of Article 20(5) of the Basic Regulation.
2. The party referred to in paragraph 1 shall provide the data on his intra-Community operations via the periodic declarations referred to in Article 13 of the Basic Regulation as from the month during which the assimilation threshold is exceeded, in accordance with the provisions relating to the threshold which become applicable to him.
3. When the VAT registration number of a party responsible for providing the information is amended as a result of a change of ownership, name, address, legal status or similar change which does not affect his intra-Community operations to a significant extent, the rule defined in paragraph 1 need not be applied to the party in question at the time of the change. It shall remain subject to the statistical obligations to which it was subject before the change.

Article 5

1. The third party referred to in Article 9(1) of the Basic Regulation is hereinafter referred to as "the declaring third party".
2. The declaring third party shall provide the competent national departments with the following information:
 - (a) in accordance with Article 6(1), the information necessary:
 - to identify himself,
 - to identify each of the parties responsible for providing the information who have transferred this task to him;
 - (b) for each of the parties responsible for providing information, the data required by the Basic Regulation and in implementation thereof.

Article 6

1. The information necessary to identify an intra-Community operator within the meaning of Article 10 of the Basic Regulation shall be the following:
 - full name of the person or firm,
 - full address including post code,
 - under the circumstances laid down in Article 10(6) of the Basic Regulation, the VAT registration number.
 However, the statistical departments referred to in Article 10(1) of the Basic Regulation may dispense with one or more of the abovementioned items of information or, under circumstances to be determined by them, exempt the intra-Community operators from providing them. In the Member States referred to in Article 10(3) of the Basic Regulation, the information which serves to identify an intra-Community operator shall be supplied to the abovementioned statistical departments by the tax authorities referred to in the said Article as and when it becomes available to the latter, unless there is an agreement to the contrary between the departments concerned.
2. The minimum list of data to be recorded in the register of intra-Community operators, within the meaning of Article 10 of the Basic Regulation, shall contain, for each intra-Community operator, the following:
 - (a) the year and month of entry in the register;
 - (b) the information necessary to identify the operator as laid down in paragraph 1;

(c) where applicable, whether the operator is a party responsible for providing information or a declaring third party, upon either consignment or receipt;

(d) in the case of a party responsible for providing information, the total value of his intra-Community operations, by month and by flow, together with the value referred to in Article 11(3) of the Basic Regulation. However, this information need not be recorded if the checking of the information recorded as statistics using the information referred to in Article 11(3) of the Basic Regulation and the functioning of the statistical thresholds referred to in Article 28 of the said Regulation are organised separately from the management of the register of intra-Community operators.

The competent national departments may record other data in the register in accordance with their requirements.

Article 7

With a view to implementing Article 10(6) of the Basic Regulation, the case where responsibility for the information, for given operations, lies not with the operator as a legal entity per se but with a constituent part of this entity, such as a branch office, a kind of activity unit or local unit, may be considered a justified exception.

Article 8

1. In the lists referred to in Article 11(1) of the Basic Regulation, the tax authorities responsible shall mention intra-Community operators who, as a result of a scission, merger or cessation of activity during the period under review, will no longer appear on the said lists.

2. The provision of information of a fiscal nature referred to in Article 11(4) of the Basic Regulation by a Member State's administrative authorities responsible for the application of laws on value added tax to the departments in that Member State responsible for compiling statistics relating to the trading of goods between Member States is limited to information which those liable to account for VAT are required to provide in accordance with Article 22 of Directive 77/388/EEC.

Article 9

1. The party responsible for providing information shall transmit the data required under the Basic Regulation and in implementation thereof:

(a) in accordance with the Community provision in force;

(b) direct to the competent national departments or via the collection offices which the Member States have set up for this or for other statistical or administrative purposes;

(c) for a given reference period, at his discretion:

- either by means of a single declaration, within a time limit which the competent national departments shall lay down in their instructions to the parties responsible for providing information,
- or by means of several part-declarations. In this case, the competent national departments may require agreement to be reached with them on the frequency of transmission and deadlines, but the last part-declaration must be transmitted within the time limit laid down under the first indent above.

2. By way of derogation from paragraph 1, a party responsible for providing information who benefits from exemption by virtue of application of the assimilation threshold provided for in Article 28(4) of the Basic Regulation must, when transmitting the information, conform only to the regulations of the tax authorities responsible.

3. Pursuant to Article 34 of the Basic Regulation, the provisions of this Article relating to the periodicity of the declaration shall not prevent the conclusion of an agreement providing for the supply of data in real time, when the data are transmitted electronically.

4. By way of derogation to paragraph 1 above, in those Member States where the periodic statistical declaration is the same as the periodic tax declaration, the provisions relating to the transmission of the statistical declaration shall be drawn up in line with Community or national tax regulations.

ANNEX 3

REGISTERS

Replies from: DK, E, F, IRL, I, L, NL, P, FIN, S, UK

1. DANMARKS NATIONALBANK, 8 January 2002

In a mail dated 12 November Francois Renard listed three points for discussion at the next TG DR meeting. Some input is outlined in this note.

The current Danish BOP compilation system is - apart from foreign trade statistics - based on a settlement system with elements of direct reporting. Danmarks Nationalbank and Statistics Denmark are at present investigating the implications of changing to a direct reporting/survey system for BOP, i.e. scrapping the bank settlement system. The aim is to prepare for a decision by mid 2002.

Detailed plans will be made once a decision has been taken. After having made the decision the system will be finally designed, developed and implemented within around 4-5 years.

In the current system bank settlements are used as the main source for identifying new respondents for direct reporting, e.g. for accounts abroad and offsetting/netting accounts. Furthermore, bank settlements are also used for maintaining the population for the annual questionnaire survey concerning the Danish IIP.

An important part of the preparations for a future system is to get an overview of how existing (and planned) statistics, administrative sources and business registers most efficiently can be used (and combined) to create and maintain the population. However, Denmark should be facilitated by a fairly well developed basic business register. Although the settlement system is expected to be dismantled as the primary source of BOP data, it is the intention to investigate, whether information from the banking system (cross border payments) can be used as input to maintain a register of resident companies with transactions with non-residents.

2. BANCO DE ESPAÑA, 11 January 2002

The Banco de España has initiated the process of developing a completely new BOP/IIP data collection scheme to possibly leave behind the currently running closed settlements system. As the envisaged new system is foreseen to be operational by 2006, at the present time its main features may just be roughly outlined, whereas the discussion of details is not beyond its preliminary stages and no definitive conclusions have yet been reached on many of them.

Once the new system has been gradually implemented, a wide variety of sources will be used for obtaining the different BOP/IIP components. For the compilation of the services items (Travel excluded), for instance, the Banco de España has negotiated an agreement with the I.N.E. (Spain's National Statistics Institute), according to which data will be compiled by the I.N.E. by directly surveying enterprises. The Banco de España is due to be provided by the I.N.E. with BOP figures on other services (both for the debits and for the credits side) not later than by 2006.

How to specifically derive figures for the rest of BOP/IIP components is an issue which is being analysed in depth at the moment. The compilation work will eventually entail the use of sources as different as customs information for obtaining data on Trade in Goods or information from resident custodians for deriving Portfolio Investment figures. While for obtaining other BOP/IIP components it is not yet clear which sources will be made use of, the implementation of general DRCs has already been ruled out: On the one hand, managing a population of DRCs is not feasible for the Spanish BOP/IIP compiler (because of the huge number of DRCs that would be necessary for obtaining a reasonable coverage of the different BOP/IIP components, as was shown by quantitative analyses);

and, on the other, due to the fact that general DRCs do not fit into a compilation scheme that will make use of such an array of sources to derive figures independently for the different BOP/IIP items. Additionally, the Banco de España has not in mind to conduct any general surveys on its own.

It can be easily concluded from what has been said so far that most technical details of Spain's overall BOP/IIP new compilation system are to a great extent still unknown and should be progressively specified throughout 2002-2003. As a result, when focussing on the different issues to be discussed by the next DRC TG meeting it is rather difficult at these early stages to draw up a paper that may contain either a comprehensive or an innovative contribution for discussion by the group. The following comments on the three proposed issues should thus be considered as merely being a limited and unpretentious approach to each of them.

As said, the new Spanish compilation system will make use of different sources for obtaining each BOP/IIP item and there will be neither place for general DRCs nor for general surveys carried out by the compiler himself. Subsequently, the existence of a general BOP/IIP Business Register does not seem to make much sense and has not been foreseen within the Banco de España's plans. The new system will benefit instead from several already existing registers, which were originally set up for other purposes than meeting the BOP/IIP compiler's specific needs.

At the present stage of discussions, the use of most of the following registers has been tentatively envisaged:

a) Registers which are available in the Banco de España's Balance of Payments Department.

- Cross-border settlements register. The currently existing BOP/IIP settlements based data collection system is based on cross-border payments periodically reported to the Banco de España by credit entities (banks, savings banks and credit cooperatives) and other entities, both on their own behalf and on behalf of their customers. This enables the BOP/IIP compiler to maintain and periodically update a register which contains all economic units (individuals as well as legal entities) that make or receive cross-border payments. Since a register of this kind is indeed the best business register for a BOP compiler, the Banco de España is evaluating the possibility of maintaining at least some of its pieces even after the transitional period up to 2006 elapses and the different parts of the new reporting scheme have been assembled.
- Partial DRCs register. Payments settled through bank and non-bank accounts held abroad by Spanish residents are reported by them to the Banco de España. These resident account holders are partial DRCs in the present reporting scheme, and a record of them is kept by the BOP Department.
- Offsetting transactions register. Transactions that do not trigger cross-border payments (offsetting transactions) are specifically reported to the Banco de España, and a record of resident transactors is kept, too.
- Register of the reporting population on Portfolio Investment (P.I.). According to the new reporting scheme on P.I. (which was enacted as Banco de España's Circular no. 2/2001 and has come into effect on January 1, 2002), the Banco de España will obtain information on P.I. directly from resident custodians, as well as from resident investors whenever they deposit securities with non-resident custodians. Additionally to the three preceding registers, a new register, managed and updated by the Balance of Payments Department, will comprise both categories of reporters.

b) Registers which are available in the Banco de España outside the Balance of Payments Department.

- Register of resident legal entities and their institutional sector. The four BOP/IIP sectors (Monetary Authority, MFIs, Public Sector, Other Sectors) are broken down into 30 basic institutional sectors, with even more subdivisions among them. Each economic unit (natural person or legal entity) is allocated to one of the existing sectors. The register is managed by the Banco de España's Research Department.

- Central Balance Sheet Register. Managed by the Central Balance Sheet Department, it contains several data on non-financial resident enterprises reported by them on a voluntary basis.
- Banco de España's Official Register of credit institutions, which comprises all Spanish credit entities.

c) Registers which are available outside the Banco de España.

- Central Business Register (= "DIRCE"). Managed by the I.N.E. (Spain's National Statistics Institute), it comprises most Spanish enterprises, which are classified according to their activity branch. The register is regularly updated by means of information from the Tax Administration and from the Social Security Administration.
- Foreign Investment Register. Managed by the General Directorate for Trade and Investments (within the Spanish Ministry of Economy), it contains data on portfolio and direct investment, both for Spanish investment abroad and for foreign investment in Spain. It does not contain information on direct investment in the form of "other capital".
- Register of the Spanish Securities and Exchange Commission. It comprises resident Securities-Dealer Companies and Agencies, investment funds and their management companies.
- Official Business Register. This public register contains information on individual businessmen and companies, among others. The registration of any new company is compulsory in compliance with the Spanish law.
- Customs Register. Managed by the Customs Department, it comprises all individuals and companies that do foreign trade in goods.

Any of the preceding registers is based on the identification of each economic unit by its fiscal number (= NIF), which is compulsory in Spain, both for individuals and for legal entities. The comprehensive and widespread use of the NIF makes it possible to develop links between different registers.

3. **BANQUE DE FRANCE, 27 December 2001**

COMPANIES REGISTER IN THE FRENCH BALANCE OF PAYMENTS: WHY AND HOW ?

The setting up of an appropriate business register is a first priority in the perspective of a future collection system we wish to put into force in France in a five years horizon.

The collection system will evolve for the companies perspective from a dual system, associating on one side a general direct reporting from big enterprises and a partial direct reporting of the operations of the whole population of companies settled from foreign accounts and on the other side the report from the resident banks of the transactions which are made by small and medium enterprises (SME's), towards **a collection system where the companies will be responsible of the reporting of their own transactions. The new system will be built on:**

- **A monthly direct report by big companies**, whose population has to be selected with a stress to be put on enterprises exporting and/or importing services¹
- **A quarterly and annual survey** of a sample of companies which will not be direct reporters, but whose activity is important regarding one or several components of the services account.

The study of the structure of the population of companies making economic and financial transactions is today rather easy, as the inventory of these transactions is close from exhaustivity. But it will not be the case tomorrow, when an exemption threshold will be applied **for the reporting of settlements by the banks on the account of their clients, and all the more so when the bank report will not be anymore carried out.**

¹ *The population of general direct reporting companies has been chosen on the basis of the total amount of transactions of goods and services whose yearly amount has to be higher than EUR 150 millions.*

The usefulness of and updated business register, integrating informations coming from various sources, will then be more and more important. **This register will have not only to take into account of the data needed for the collection of the services transactions, but also those necessary for an accurate report of portfolio investments, direct investments and FATS statistics.**

This first draft document will deal, starting from the design of an ideal register specially devoted to BOP purpose, and comparing it with French existing sources, with the two following questions:

- The role of a BOP business register, with well-defined objectives

The definition of the statistical unit with responsibility for supplying data- knowing that we can distinguish several levels in relation to business activity-, and the research of relevant variables to describe the characteristics of companies belonging to the frame ; these variables will be necessary to select and contact the enterprises which will have to report.

A THE USEFULNESS OF THE BUSINESS REGISTER FOR THE FUTURE COLLECTION SYSTEM

We endow the business register with almost three objectives:

- Constitute the frame from which the population of direct reporting and surveyed companies will be selected,
- Measure the place and the role of FDI enterprises,
- Build a data base which could be used for various sectoral studies.

(a) The extent of direct reporting and surveyed companies

- The register will help to **identify the companies making foreign transactions which will be used as the frame for the selection**; the register will have to deal not only with the current account but also for specific items of the financial account for which the enterprises have a significant role (Foreign Direct Investments, portfolio investments, trade credit) and FATS statistics.
- We will select from this register a **stable population of companies which will have to report their whole BOP transactions on a monthly basis** ; they will be chosen from the importance of their foreign transactions, with the aim to obtain a good coverage on the main BOP items without creating a supplementary burden for the BOP compiler.
- **The selection of the sample of companies which will be surveyed, will have to be carefully studied, taking account of the amount of the foreign transactions made by individual enterprises**
 - One of the characteristics of the new collection system, when the report from the banks for the account of their clients will not be asked for anymore, will be that this amount will not be known before the results of the survey itself.
 - That is why we will have to base our study on indirect criterions measuring the importance of the activity of the companies, and relating to various data such as, the number of employees, the annual turnover, the purchases, the total of the balance sheet, the sector of the company, the belonging to a multinational group...
We will have also to take account of the nature of the transactions we want to ask for, data, as it could be a specific type of services insufficiently covered by the direct reporting, or a general questionnaire asking for various variables.
 - Significant variables will have to be found for the stratification of the sample population, to be able to gross-up the results of the sample to get an estimate of the whole transactions: these variables could relate to the sector of activity, together with the number of persons occupied, the turnover....

(b) The measure of the place and of the role of FDI companies

The globalization process and the measure of its influence on the economy, using foreign direct investments and FATS statistics (with direct or indirect control), needs:

- **The knowledge of the perimeter of the French multinational companies and of the links existing between the constituting units.**

- It implies to include in the data base a specific register on the financial links of French companies with non resident companies,
 - And to include the statistics on FDI (flows and stocks) and on FATS.
- **An accurate knowledge of these companies will not only be useful to update the FDI register, but also for the selection of companies making services transactions**, as it has been clearly demonstrated from French studies on FATS statistics that there is a close link between the activity of foreign subsidiaries within the country where it is located, and the cross-border transactions.

(c) BOP analysis and sectoral studies

We will mention lastly the usefulness of the business register for the realisation of studies about **the role of various economic sectors on foreign transactions**, with the need to make among the factors of development, the distinction between pure economic factors (such as the foreign demand and the competitiveness) and the demographic factors (creation or cessation of activity of a company, foreign direct investment or disinvestment...).

(d) Links to be created with the BOP database

The business register has to be physically distinct from the general BOP database containing all the BOP and IIP data because it will have to coordinate very heterogeneous sources, but it needs to have very close links with it, as these two sources enrich each other:

- For the checking of the data, as part of variables describing the identity of companies will be shared with the general BOP database,
- For the filling up of the business register by data which are the results of a calculation on aggregates made in the BOP register.

The privileged links between these two databases have to be taken into account in the choice of the data processing environment which will be used for the collection and the update of the register.

B DEFINITION OF THE STATISTICAL UNITS AND CHOICE OF THE RELEVANT VARIABLES FOR COMPANIES

The quality of a register built for BOP needs depends on a in depth knowledge of the economic actors making foreign transactions used as the frame for the selection of companies which will have to report in the future collection sytem. **If this population can be easily identified using the present collection system, it will not be the same tomorrow, when the report from the banks on the account of their clients will not be done anymore**, as the frame is not given once for all, and as it evolves for several reasons:

- **Access of companies to the statute of international transactor,**
- **Creation and disappearance of companies (outside FDI operations),**
- **FDI operations,**
- **Integration of a company in a multinational group (resident or non-resident).**

The update of the register, taking account of the changes in the demography of companies and the changes of their behaviour, will become a complex task requiring an improvement of the coherence of different sources to be put together.

(a) The definition of the statistical units

- The delineation of the statistical units is important to get the information from the right place ; four types of units have to be distinguished, characterising a company²:
 - **The collection unit** is the one with responsibility for supplying data,
 - **The legal entity** which represents the enterprise and can be compose of several establishments involved in particular activities,
 - **The statistical unit** represents the unit on which we wish to obtain informations about its foreign activity,
 - **The center of decision unit** represents the unit having the power to decide on the management of the company.
- **In most of the cases these units are represented by the same entity, but in some cases theses entities can be different:**
 - For instance we can find several statistical units in the same collection unit ; an example is the general direct reporting entity which generally relates to a group of companies and the report is made for the whole group belonging to the same economic sector.
 - The statistical unit can be a combination of several legal entities
 - The mother company of a multinational can control or take the decisions for entities belonging to all of these categories.
- We need to characterize these different kinds of units by a specific identification code to avoid overlaps or the omission of companies.

(b) The relevant variables

The relevant variables for the study of companies population and the selection of those of them which will have to report for BOP purpose are:

- Identification variables
- Behaviour variables

² *Implementation of Council Regulation on Community co-ordination in drawing up business registers for statistical purposes*

□ Identification variables

✓ **These variables, describing the companies status, belong to the general business register updated by the French NSI**

This database records the characteristics of the whole population of companies and of their establishments, whatever is their activity sector and their legal statute. This register includes:

- **Identity number** data (SIREN number for companies and SIRET number for establishments), the name of firms and their address, their legal form, the date of commencement and of cessation of activity...
- **It includes also data relating to economic classification** which could be used as indicators measuring the importance of the foreign activity of the companies (code for principal activity, number of employees ...).

Most of these data are identification variables which are already available in our BOP database. The updating is done using an extract of the INSEE database which is sent every week to the Companies Department of the Banque de France in charge of FIBEN database, for which a direct access to get supplementary informations is not excluded.

✓ **Other elements needed for identification**

Taking account of the multiplicity of the objectives of the register which has to be built and the different status of the companies regarding the collection system, it will be necessary to characterize the companies by supplementary data:

- **Variables needed to spot the companies regarding their role in the collection system:** direct reporting companies, surveyed companies for their foreign services transactions, companies still surveyed for FDI stocks or trade credit survey, multinational companies submitted to a common reporting. The creation of these variables does not pose any peculiar problem.
- **Variables regarding the inter-corporate ownership and the identification of the concept of control and the type of control, with the controlling rate,** with the record of all the investments and disinvestments. The variables will be extracted from the FDI database (for flows and stocks statistics), supplemented by data from the LIFI database managed by INSEE which describes precisely the perimeter of french multinational groups.
- **Supplementary variables needed for the update of the business register will be found in databases which are not currently used for this purpose.** For example:
 - The **Customs administration database** with the file of companies exporting and importing merchandises, as the goods trade is currently used by MS using surveys for BOP collection as a proxy for the selection of companies making trade in services.
 - The **VAT database** could be an other source, as a link could be found with BOP data, but the services transactions look not to be well covered at a first glance and the distinction between goods and services is not totally clear.
 - The **database on balance sheet of a large sample of companies**, managed by the Enterprises Department of the Banque de France could help to make the selection of enterprises.
 - Data from professional organisations,
 - Press...

□ Companies behaviour variables

The variables from general business registers are insufficient to get an accurate view on the foreign activity of companies, and the experience of countries collecting BOP data on a survey basis has shown how it is difficult to have an appropriate approach of the enterprises to be selected in a sample, using auxiliary variables.

The collection system which is in use to-day in France, built on a settlement basis, gives an almost exhaustive view of the companies making foreign transactions in the field of current account like in the field of the financial account. The removal of this system in a medium term perspective, will make the enterprises selection much more difficult.

✓ **Direct reporting data from companies and settlements reports from banks on the account of their clients**

- **The settlements database covers almost all the foreign transactions of the companies.** We intend to take advantage of this situation, before the implementation of the exemption threshold which will reduce the total report of services transactions up to 10% (much more for some items).
- **The organisation of the BOP database permits at the present time to know the structure of the French foreign services transactions in the greater details.** We are able to know for instance every transaction on an individual basis, for the exports side and the imports side, with the economic codification, the counterpart country and the settlement currency. **The present situation gives all the facilities to build a sample, taking account of the geographical breakdown.** Thus it is possible to know the market share of each of the companies for every items of the BOP, and its market share in the transactions with intra-EU MS and with the rest of the world.
- **The situation will significantly deteriorate from 2002** with the implementation of the EUR 12 500 exemption threshold, and will become unsustainable if the threshold is raised up to EUR 50 000 in 2006, and we will have to rely on auxiliary variables, used as a « proxy » of the importance of the foreign transactions of the concerned companies.
- **It is however out of question to totally abandon the use of informations coming from banks settlements and we envisage to ask for a minimal information on their client transactions,** information whose content has to be defined without being a burden for the banks, and which will be asked for once a year to get an exhaustive vision of the companies which could be potentially surveyed and to adapt the direct reporting.

✓ **The auxiliary variables**

- **The variables which have to be used as a proxy of the foreign activity of companies have to be studied very carefully with a preliminary statistical study allowing the selection of the variables with which the BOP results have the higher correlation.** These variables relate to the turnover, the purchases, the total of employees, the amount of the capital from the balance sheet, the foreign trade. The data relating to these variables will have to be classified by amounts brackets to allow the selection of companies using the appropriate stratification of the sample.
- **We cannot exclude the use of administrative registers for informations which are not included in the registers managed by the Banque de France or to which this institution has a direct access.** For instance, we could use if needed, data coming from fiscal administration registers about profit and losses of industrial or trade companies or about companies paying or receiving dividends from a foreign country. Ad hoc contracts could be signed with these institutions, referring to the 1951 statistical law and permitting the use of administrative for statistic purpose.

□ **Stratification and grossing-up**

The search of the companies trading in services and the selection of those of them which will have to report for the balance of payments pose specific problems relating to the structure of the transactions.

- **Services exports of an individual company,** with a breakdown by products or with a breakdown following the BPM5 classification, are concentrated in the economic sectors to which belong the companies. For those sectors, the export turnover variable can be considered as a meaningful stratification variable, and the companies could be spotted with accuracy.
- **On the other hand the search of companies importing services will pose much more difficulties and the sectoral breakdown is not sufficient for that purpose.** It appeared from the results of studies on exports and imports of services that more than 50% of imports are done by the industry sector, and moreover the range of imported services can be very large, from computer

services to cleaning services through legal and accountancy services. **There is no direct solution to catch these companies to constitute the sample.**

- **Another challenge we will have to face is the choice of the sample taking account of the need of a minimum geographical breakdown**, as this component looks very difficult to include if we refer to the experience of MS already using BOP surveys.

TO CONCLUDE BRIEFLY

- The business register which will be implemented will have **two main goals**:
 - Get a structure of the companies population to be used as a frame to make a selection of those of them which will report for the balance of payments, on the basis of a direct reporting or on the basis of a survey,
 - Build a database which will be used for various studies and all kinds of analysis relating to the BOP, taking account of the evolution of the demography of French companies.
- The quality of the BOP which will be built with the future collection system will depend of the exhaustivity of the coverage of the business register and of the choice of the variables used as a proxy of the foreign activity of companies and allowing a correct stratification of the sample.
- **A share of experience on the methods to be used, especially with the countries already making the collection of their data from surveys and which have had to build registers for that purpose, is more than elsewhere necessary.**

Addendum 26 August 2002

Trade registers

-Informations on companies realizing transactions on merchandise foreign trade could be used could be used as intermediate variables for the updating of BOP business register and for grossing up. Among other kinds of testing, former researches tended to show a relationship between merchandise trade and transportation.

-We presently manage a database updated on a monthly basis by the Customs administration, and containing merchandises exports and imports on an individual and sectoral basis. These data are used to gross-up the results of the trade credit survey.

VAT registers

Monthly VAT register looks to be the largest and the more complete source on companies.

-It contains for each enterprise: the turnover from transactions within EU (purchases and sales) and the turnover of goods and services exports outside EU. It means that the split between EU and non EU is only available on the exports side.

-The distinction which is made between the different kinds of services (restricted list of services) is built on the different VAT rates which are applied to transactions.

-According to the large scale of the VAT register, and in spite of its shortcomings, we envisage to systematically bring together on an individual company basis, the VAT source and the exports and imports of services, from settlements reporting.

4. CENTRAL STATISTICS OFFICE, IRELAND, January 2003

THE USE OF BUSINESS REGISTERS IN THE COMPILATION OF BALANCE OF PAYMENTS RESULTS: THE IRISH EXPERIENCE

(1) INTRODUCTION

The Central Statistics Office (CSO) is officially responsible for the collection, compilation and dissemination of balance of payments (BOP) and international investment position (IIP) statistics for the Republic of Ireland.

Thirty six people are employed in two BOP divisions: BOP& Financial Sector and BOP Analysis and Dissemination. Twenty nine out of thirty six staff are employed in BOP&FS Division and are involved in survey management, data collection, data entry and data editing. The remainder are involved in data analysis, results generation and data dissemination in the BOPA&D division.

The relevant legal framework is provided by the Statistics Act 1993 and the Statistics (balance of Payments Order, 2001 (S.I. No. 542 of 2001)) made under this act. In addition, the European Communities Collection of Statistics) Regulations 1999 and Council regulation (EC) No. 2533/98 of 23rd November 1998 concerning the collection of statistical information by the European Central Bank are also invoked regarding the requirement to supply data to the European Central Bank.

The collection system is a survey based one. We also use some administrative data provided by other sections of the CSO and other government departments. Therefore the use of business registers is an integral and important component of the compilation process. Without an adequate register the production of high quality BOP and IIP statistics would be fatally compromised. Given the dominance of the Irish economy by a small group of multinational companies, if even a single big enterprise is not included on the register and does not make returns it can have a significant impact on the accuracy and reliability of the figures produced.

The register or survey management system (SMS) in operation has evolved over time, with the latest phase dating from our adoption of a new information technology system in 2001. The current paper will describe the current system rather than its historic predecessors. It should be noted that certain components of the system (such as the recently introduced BOP Inquiry Form (See Annex 2, pdf document) are still in the process of being developed). Formerly, potentially relevant companies identified by the CSO's Central Business Register (CBR) system were simply included in the BOP survey process and then either retained or removed depending on the size of their non-resident activity.

(2) DESCRIPTION

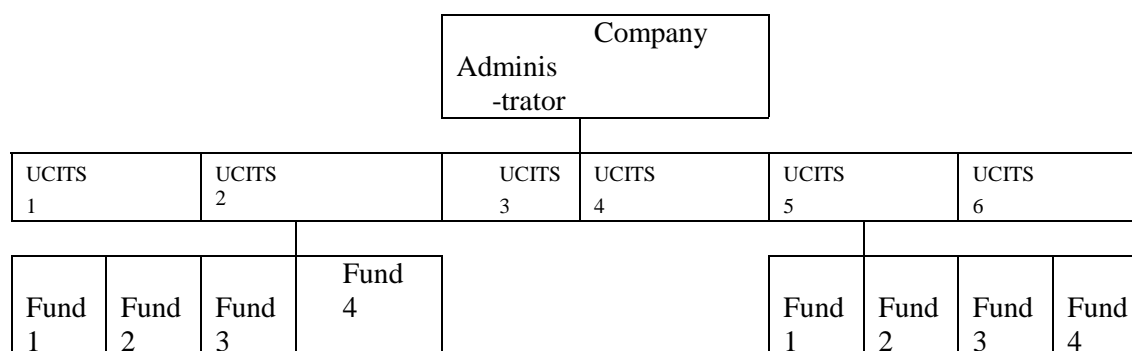
The balance of payments divisions of the CSO maintain a separate register distinct from but related to the office wide CBR. The BOP register contains data on approximately 5,000 "live" statistical entities which can be classified into two main types of enterprises.

First of all, there are approximately 4,500 BOP relevant financial service enterprises (mostly based in the International Financial Services Centre (IFSC) in Dublin). IFSC companies cover a range of financial service activities such as fund management, banking, insurance/reinsurance (life and non-life), asset financing and leasing, treasury and risk management as well as broking. Many of the activities involve non-physical (i.e. "shelf") companies. Management or administration companies operating in the IFSC report to the CSO both for their own account activity and on behalf of their "shelf" companies.

Second there are over 500 manufacturing and non-financial service enterprises, some of which make separate returns for different parts of their group structure in Ireland.

While many company structures are relatively straightforward and can be easily accommodated on the register for statistical reporting purposes, some IFSC operations are more complex to handle. One company covered by our BOP41 survey of Collective Investment Schemes (CIS's) and Special Purpose Investment Companies (SPIC's) has 175 sub entities and sub-sub-entities.

An example of a number of an IFSC Collective Investment Scheme is shown below.



This consists of six registered companies all of which are units for collective investment in transferable securities (UCITS). Each is non-physical and consists of a number of funds. All six UCITS are administered by a physical administrator company which reports to the CSO. The Bop register must provide for a range of reporting possibilities. For example, the data from all the funds in UCITS1 may be reported in a single return, whereas UCITS2 funds may be reported individually. The register must therefore list all the funds (and sub-funds) and indicate the reporting arrangement. Entities can be transferred from one administrator to another and the register must record this event as well. Similar reporting arrangements exist for captive treasury and insurance operations.

The register contains information on the nature of the company and its contact details. It is linked to a 'registry' that records the issue and receipt of survey forms each quarter to these enterprises. The combination of the register and registry forms the survey management system (SMS). If a company is not registered on our SMS it cannot be included in the compilation of BOP and IIP statistics using our BOPFACTS processing system. Both the SMS and BOPFACTS are sybase relational databases and operate in tandem together.

(3) SOURCES

Keeping the register up-to-date is an important and time-consuming task. We use information from a wide variety of sources in order to maintain it. While some information on financial service companies is readily available (from the Central Bank of Ireland and government departments) identification of new non-financial companies or changes in their structure is more difficult.

Updating the register for international financial service companies setting up in Ireland has recently become more difficult due to the possibility that they may operate outside the IFSC without incurring a financial disadvantage or going through the former certification process. The main source of information for these companies has been the Central Bank of Ireland. Much of the source data will be in future be obtained from a new regulatory authority recently established to cover the financial sector. This will be supplemented by information from other sources including the Companies Registration Office (CRO). Keeping the register updated for financial service companies, who report on behalf of numerous sub-entities which may change from quarter to quarter, is a major task and the SMS system has been designed to facilitate this.

For manufacturing and non-financial service companies the main source of information used are listings provided by the Central Business Register. The CBR inquiry form is sent to all new companies each year and contains questions on the international ownership and activities of these enterprises(See Annex1). Listings of those responding positively to these questions are provided to the BOP & Financial Services Division. It will use related information on turnover and employment to select a sample of companies which will receive a more detailed new BOP inquiry form (See Annex 2). This will act as a filter, identifying companies with significant BOP relevant transactions which will then be added to our register.

Information from other internal CSO sources is used to supplement that derived from the CBR. These sources include listings of the top merchandise trade players; listings of companies covered by the annual CSO service inquiry and listings from the CSO census of industrial production. In addition, the

Industrial promotion authority Forfás and enterprise associations have been approached for their co-operation in identifying companies in particularly salient sectors of the economy. Stock exchange listings are examined for coverage of the Irish Public Limited Companies. And extensive use is made of the print and electronic media as well to keep track of start-ups, mergers, acquisitions and shut-downs.

Our aspiration is that using the above basic sources companies will be identified in as systematic and methodical a way as possible and then followed up using our new BOP inquiry form (See Annex 2) to assess their significance and relevance. We monitor company returns and media sources for information on the restructuring of enterprises. Company visits are essential for clarifying the resultant legal and trading structures as well as the accounting practices of the companies involved. Company structures can be quite complex and enterprises may prefer to make more than one separate return for their group operating in Ireland. We are also willing to take companies off the register if they close or are not relevant any more. These companies are identified by virtue of the information provided by their returns, by contact with our officers and by media reports.

Responsibility for maintaining the SMS has been assigned as one of the principal duties of one of our statisticians. However, colleagues from both BOP divisions in the CSO advise the SMS staff on any relevant information.

(4) SAMPLING

The structure of the Irish republic's economy reflects the dual importance of about one hundred foreign non-financial multinational companies operating in the state as well as financial service companies mostly operating inside the IFSC in Dublin. Together these account for most of the BOP relevant transactions in the economy and influence the methodology used to select the firms surveyed by our BOP inquiries.

There is complete coverage of financial service companies over a full year. Larger companies are surveyed quarterly and smaller companies on an annual basis. The relatively low level of non-response is catered for by scaling using control totals provided by the Central Bank of Ireland.

Only a selection of manufacturing and non-financial service companies identified as having international transactions or foreign ownership are surveyed. Again there is full coverage of the more important multinational companies (identified by the Consistency Unit of the National Accounts Division as requiring special attention). The remainder of the selection receive quarterly or annual forms. Those enterprises with larger turnover, balance sheet, employment or profits data are surveyed quarterly. Companies are categorised according to a 'key firm' indicator variable which distinguishes between four categories: essential, large, medium and small enterprises. This variable enables particular attention to be devoted to ensuring survey responses from large companies and thereby improves the efficiency of resource allocation. Pure stratified sampling in the strict statistical sense does not occur at present but it is being considered for the future. Reports can be generated by the SMS to monitor return status by the key firm indicator variable.

(5) PRACTICAL ORGANISATION

The survey management system is a relational database in sybase which is linked to our BOPFACTS data processing system. It is a flexible and user-friendly menu-driven system. An example of the type of menu offered to the user is provided below. The SMS incorporates both a statistical register and registry function: that is, it contains basic information on the identification and contact details of companies and information used to issue and receipt forms each quarter. No data can be entered on BOPFACTS if it is not receipted first on the SMS.

Different screens allow staff to add and delete companies, sub-entities and contact details; to print labels and acknowledgement letters for companies; to search for information on individual companies and to print reports monitoring returns. Multiple returns from companies with more than one sub-entity can be managed as can returns which change from quarter to quarter. The relevance of a

company for a particular survey forms can be changed as can the survey's frequency (whether annual or quarterly).

There is also a search function in the SMS which allows staff to search for information on individual companies. A report function allows the relevant

To see the system in operation we will track a new company receiving a BOP41 survey from its inclusion on the registry, to the issue of the surveys, to the receipt of the return, to the running of report monitoring returns.

The first step is the addition of a new company ABC Ltd. on the Bop41 survey of collective investment schemes and special purpose investment companies based on information provided by the Department of Finance. Information on the following variables is entered under the new entity option of the Registry on the main toolbar:

- Name;
- Alternative Company Registrations Office (CRO) name
- Address;
- Telephone number;
- Fax Number;
- Email address;
- Activity (e.g CIS, SPIC, UCITS etc.);
- Entity Type (i.e. survey type: manufacturing entity , Irish registered SPIC etc.);
- Institutional sector (monetary authority, general government. MFI, Other sectors);
- Nace Rev 1 Code
- Accounting year end;
- Source of information;
- Legal status (whether enforcement action for non-response is being taken against the company) ;

- Start date ;
- Accounting year end;
- Key firm (status indicator);
- Company Registration Office (CRO) number ;
- Central Business Register (CBR) number;
- Value Added Tax (VAT) number;
 - And any comments.

Screen1: The Register Screen

Contact and survey details are added on the relevant tabs. Information on sub-entities XYZ ltd and DEF ltd can be entered on the sub-entities screen of the register shown below

Reporting Entity: Contacts | Surveys | Sub Entities | Related Entities

Company Details

Admin No. 123456 Active

Name: ABC Ltd

Alternative CRO Name:

Address: 123, Dublin 1

Telephone: 1234567

Fax:

Email:

Activity: Captive Treasury

Entity Type: PSC non life insurance/revenue

Institutional Sector: Other monetary financial institutions

Bef Sector: BFI - Monetary financial institutions excl. Central Ba

A/C Year End: December

System: Finance

Legal Status:

Start Date: 01-Jan-2003 End Date:

Key Firm: Large CBR No.:

CRO No.:

VAT No.:

Home Code: 1,0000

Comments:

Concerns about this entity

Start Features Helpdesk - W... Microsoft Word Microsoft Excel Bef Survey Manage... NUM 15:59

Screen2: The Sub-Entities Screen

The next step is the issue of forms to ABC Limited. This is a function of the registry and can be done individually or as part of a bulk issue of surveys/questionnaires each quarter using the survey issue registry screen below.

Screen3: The Issue Screen

The returns from ABC limited are then receipted using the receipting registry screen. Forms cannot be receipted if they have not been first recorded as issued.

Screen4: The Receipting Screen

Once receipted the information on the return can be entered on the BOPFACTS data processing system. Together the issue and receipt of surveys comprises the registry function and details are accessible on the registry screen which records information on the following variables:

- Sub entity number(e.g.uniquely identifies sub-entity such as a fund in a CIS/SPIC)
- Return number (uniquely identifies returns by an administrator of a SPIC or CISO for example. Allows for collective returns by more than one sub-entity to be processed and tracked)
- Year
- Quarter
- Survey
- Date issued
- Date reminder issued
- Date returned
- Date keyedOfficer and;
- Date acknowledgement issued.

Screen5: The Registry Screen

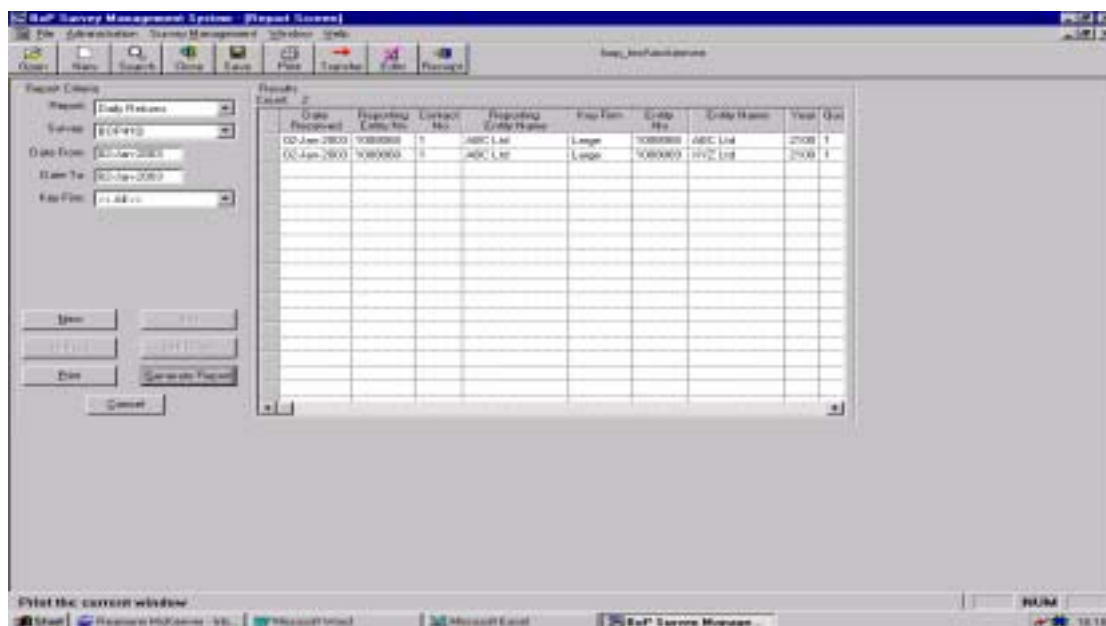


The final step in the cycle is the generation of various reports to monitor the response rate of surveys each quarter. Staff can monitor the following information:

- the absolute and percentage of returns in a given survey; the number of returns per each officer and the number of companies who have not responded;
- the number of returns in each key firm status category;
- the number of returns since a particular date and;
- the number of returns from new companies.

Overall the SMS provides a rich array of information to monitor progress and to prioritise work in ensuring a high response rate from companies. An example of this is the screenshot below which shows the daily returns for the BOP41 on the day ABC Limited return came in.

Screen6: Daily Returns Report Screen



Screen 7 below shows another example. This time the report shows all the returns made for a particular survey (BOP41) for a particular quarter. Please note that some of the names of the respondents have been blanked out for confidentiality reasons.

Screen 7: Reporting Entity Details Screen

Year	Quarter	Survey	Reporting Entity No	Reporting Entity Name	Officer	No of Entities Covered	No of Returns Returned	% Entities Returned
2002	3	BOP41Q	100705		Data D'Veally	1	0	0%
2002	3	BOP41Q	100704		Data D'Veally	127	0	0%
2002	3	BOP41Q	100704		Data D'Veally	70	0	0%
2002	3	BOP41Q	100701		Data D'Veally	86	0	0%
2002	3	BOP41Q	100702		Data D'Veally	26	0	0%
2002	3	BOP41Q	100704		Data D'Veally	1	0	0%
2002	3	BOP41Q	100700		Data D'Veally	47	0	0%
2002	3	BOP41Q	100741		Data D'Veally	8	0	0%
2002	3	BOP41Q	100700		Data D'Veally	278	0	0%
2002	3	BOP41Q	100417		Data D'Veally	39	0	0%
2002	3	BOP41Q	100000		Data D'Veally	80	0	0%
2002	3	BOP41Q	100707	XXXXXXXXXX	Data D'Veally	1	0	0%
2002	3	BOP41Q	100790	Supplies club inc	Data D'Veally	2	0	0%
2002	3	BOP41Q	100706	Singh Toys Ltd/Maruga	Data D'Veally	2	0	0%
2002	3	BOP41Q	100704	Right Data Inc Pte	Data D'Veally	2	0	0%
2002	3	BOP41Q	100708	Kingston Festival	Patrick Sathu	1	0	0%
2002	3	BOP41Q	100800	ABC Ltd	Rosemary-McK	0	0	0%

(6) CONCLUSIONS

Our experience with the compilation of balance of payments and IIP statistics confirms the importance of the effective and efficient use of business registers.. Results may be inaccurate and unreliable for many reasons including non-response and inaccurate returns. But a fundamental cause may also be non-coverage due to poor upkeep of the register. Thus maintaining and updating our register is an essential part of our work and well repay the effort spent on the task. This requires a flexible user –friendly IT system; dedicated, well-trained and diligent staff; regular company visits; and the co-operation of respondents.

We have found that consultation with and the co-operation of data respondents was vital in establishing our survey-based system. Our SMS system now is quite flexible and user friendly and staff find it much better than our old IT system. It can cope with changes in the reporting structure of respondents from quarter to quarter and generates a wide variety of reports to monitor progress and target effort to ensure the maximum response from companies. However, there is still considerable work required in the issuing of survey forms. Also considerable care is needed in performing such simple tasks such as assigning the right names to companies or putting the correct labels on the appropriate survey forms and diskettes and then ensuring that they are placed in the right envelopes.

Overall then, the successful use and maintenance of business registers is a vital part of our compilation system. The accuracy and reliability of the data which we publish is ultimately dependent on them.

Annexe 2



Please
amend
label if
incorrect

Balance of Payments Section
Central Statistics Office
Ardee Road, Dublin 6.
Tel: LoCall 1890 313 414
353-1-4984049 or 4984062
Fax: 353-1-4984020
Website: <http://www.cso.ie>

BALANCE OF PAYMENTS REGISTER ENQUIRY FORM

**Notice is served under Section 26 of the Statistics Act, 1993.
You are obliged by law to complete and return this form to the Central Statistics Office**

Date of Return: This form was issued on **11 December 2002** and must be completed and returned by **17 January 2003**.

Purpose of the Survey: To obtain information relevant to the compilation of Balance of Payments Statistics.

Statutory Basis: This statutory inquiry is conducted under the provision of the Statistics (Balance of Payments) Order, 2001(S.I. No. 542 of 2001) made under the Statistics Act, 1993; the European Communities (Collection of Statistics) Regulations, 1999; and Council Regulation (EC) No. 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank.

Confidentiality: The information you provide will be treated as **strictly confidential** in accordance with Section 33 of the Statistics Act, 1993 and with EU law. It will be used for statistical purposes only and will not be disclosed to any other Government Department or body.

Donal Garvey
Director General

CHECKLIST: Please ensure that you have: (1) completed all sections of the form; (2) kept a copy for your own records; (3) corrected any errors in the name and address label.

DECLARATION

I hereby declare that to the best of my knowledge and belief the information provided in this return is complete and correct.

Name _____ Signature _____ Date _____

Position in company _____ Phone _____ Fax _____ Email _____

Person to be contacted (if other than above) if queries arise:

Name _____ Position in company _____

Phone _____ Fax _____ Email _____

P.T.O.

Section 1**STATISTICAL REGISTER INFORMATION**

Trading name of company _____

Principal activity of company _____

CRO number _____

VAT number _____

Name of Company Secretary _____

Phone No _____

Fax No _____

email address _____

Section 2**FINANCIAL INFORMATION****Please complete the table below for your most recent accounting period.**

Period covered: 12 months ended

	TOTAL €000	Non Resident Element *
Turnover		%
Profit		%
Assets		%
Liabilities		%
Shareholders Funds		%
Purchases of Services		%
Sales of Services		%
Purchases of Goods		%
Sales of Goods		%
Off Balance Sheet items		%

* *balances or transactions with any party located outside Ireland.*Does the company have any affiliated companies in Ireland? Yes No

If you require any assistance with the completion of this form, please contact Éanna O'Connor at 01 4984293

Thank you for your co-operation in completing this form

5. UFFICIO ITALIANO DEI CAMBI, 14 January 2002

The future of the data collection systems for the compilation of the Balance of Payments leans towards the use of surveys and Direct Reporters. As a consequence, the establishment and the management of a business register becomes more and more relevant for two reasons:

- **having a complete list of the enterprises operating in a country,**
- **implementing a system of selection of the enterprises to be interviewed in a BoP data collection system based on Direct Reporters or surveys.**

Ideally, the optimal business register should be based on homogeneity of criteria of compilation and data sources at European level. It should be cost-effective and the variables to be included in the register should take into account the actual available information contained in the enterprises' ledgers. The balance sheet of enterprises should be the unique source of information. For every relevant variable contained in the balance sheet of companies, the breakdown between the amount "of which domestic" and the amount "of which abroad" should be available.

In order to implement such a register, common accounting and IT standards should be defined and adopted among the Member States.

At present, this type of register could not be implemented because most of the assumptions are not verified. As a second best, a business register, which can be used not only in the BoP data collection, should be organised in various sections as follows:

- **a core shared by every institution producing official statistics that involve enterprises (NSI, NCB, etc.) and**
- **several ad hoc sections with specific information necessary for the selection of the enterprises to be surveyed for different statistical purposes.**

The core, which can be in common share not only with the National Statistical Institute but also with any other institute involved in surveys on enterprises, should contain classification information such as:

- **identification number** (Chamber of Commerce number, VAT number, etc.)
The join of the country code with the chosen identification number, if the same in the different Member States, could be also used as an international unique codification for the European enterprises.
- **name of the enterprise**
- **address**
- **institutional sector**
- **sector of economic activity**
- **date of birth**
It should be also indicated if the company is a greenfield, the result of a process of merger & acquisition, etc. Each information should be dated and the reference to the predecessors should be indicated.

The main source of this section could be the National Statistical Institute, which has the institutional task of carrying out the enterprise census.

The ad hoc sections for the compilation of the Balance of Payments should be mainly two:

- **one referred to the Current Account and the item Other investment of the Financial Account (flows and position);**
- **one referred to the Direct Investment (flows and position).**

There is a general consensus on the necessity to move towards a Direct Reporting and/or a survey data collection system for most of the items of the Current Account and for Direct and Other investment in the Financial Account (flows and position).

As regards Portfolio Investment, different methods are still under discussion. Indirect reporting methods, based on custodians, would require an exhaustive list of custodians to be surveyed in a census way. Direct reporting ones would require a register including information on the type of respondents and, for enterprises, information on the financial assets included in the balance sheets or gathered from the bank settlements.

As regards the collection of Current Account and Other Investment data, the variables to be included in the ad hoc section of the register should regard:

- **total turnover**³
- **number of employees**¹
- **import/export**¹ (preferably divided into general merchandise and type of services)
- **total assets**
- **balance sheet items related to loans and trade credits**⁴, etc.

This information could be gathered from different sources, but mainly from enterprises balance sheets, results of enterprises surveys and, as long as this system survives, bank settlements.

The section of the register referred to Direct Investment data collection should contain information regarding enterprises links, both with national and international companies. It is strictly necessary for the selection of enterprises to be interviewed for the FDI data collection to know the participation of each enterprise not only in foreign enterprises but, in order to apply the Fully Consolidated System, also in resident ones. It should be possible to know:

- **the participation of each resident enterprise in foreign or resident companies,**
- **the participation of foreign enterprise in resident companies,**
- **the composition of the enterprise groups, taking into account both resident and foreign enterprises.**

This information could be gathered from existing public databases that collect data on this matter, from the results of enterprises surveys related to the collection of Direct Investment flows and position data, and from, as long as they survive, bank settlements.

Information contained in the press and private databases could be also used as a hint for further investigation among the public available sources.

Once a business register has been established, the data source and the date of the last update should be indicated for each included variable. In some cases, there could be an overlap of information. This problem could be solved establishing an appropriate hierarchy of the data sources.

In order to select the enterprises to be interviewed in the survey or the enterprises that should become Direct Reporters, it is necessary to study the correlation of the different variables included in the register with the phenomenon that have to be studied.

As regards the present Italian BoP data collection system, since the Ufficio Italiano dei Cambi is prevented from the use of nominative data in the BoP flows data collection because of legal constraints, the use of business registers is not strictly required.

Nevertheless, for the implementation of the annual survey on Direct and Portfolio Investment position data, a prototype of a register has been implemented merging the information contained in different business registers not specifically created for BoP purposes. This prototype of register contains, at the moment, classification information (names, addresses, sector of economic activity) and some dimensional information (turnover, asset, capital stock, equity participation, total equity). The information is updated through the results of the survey itself.

The recorded variables are not available for all enterprises included in the “register”. The method adopted in the selection of the enterprises to be included in the sample surveyed has changed as time goes by. For the 2000 survey, the correlation between the results of the 1999 survey and each variable or a combination of variables has been calculated. The chosen criterion has taken into account the assets and the geographical zone.

³ *These variables are also relevant with reference to FATS statistics.*

⁴ *This information requires a further analysis of the accounting standards and the contents of the different balance sheet items.*

6. STATEC, 21 December 2001

THE REGISTER NEEDED TO RUN A SURVEY

INTRODUCTION

This short paper is limited to the register requests for data compilation of international trade in services (ITS). Two reasons predominate in this limitation. First of all, the perception that – looking at the current account – this item seems to have first priority. Furthermore the presently available resources do not allow an analysis of other bop key items in the context of the register issue.

The paper distinguishes three parts. Section 1 shortly describes the “ideal register”. The following one deals with organisational matters of a survey in relation with the register. Finally, section 3 raises questions to be discussed and issues to be further analysed.

It should be noted that items where households are the main actor (travel - debit) are not covered by this paper.

1. PATTERN OF AN « IDEAL REGISTER »

1.1 Objective

In the context of this paper, the “ideal register” is - by its content and its characteristics - a core element in the organisation of a survey on companies in order to establish ITS statistics, mainly in the context of the balance of payments (bop). In order to serve as a reference to run an optimal survey, at least two conditions should be fulfilled:

- regarding the *population* and identification of the actors, the register should be complete (exhaustive) and updated;
- regarding the *variables*, the register should be precise and flexible.

In reference to these two prerequisites, at least two difficulties arise:

- a) A first major difficulty is to determine the **overall population** of resident companies involved in ITS. On the basis of this information, the statistically **representative** population should be **selected** in order to conduct an *optimal survey*.
- b) Furthermore it is difficult to implement a register which contains specific variables on companies AND has certain functions allowing a flexible handling of data. This second condition is important to use the register as an *efficient selection tool*.

1.2 Variables and functions

Referring to the second prerequisite, the following elements should be available:

1.21 Variables

- Identification number of the company⁵,
- Main economic activity of the company,
- Total net turnover,
- Turnover resulting from service-related activities,
- Turnover in services which is exported,
- Total operating expenses,
- Operating expenses resulting from service-related activities,
- Operating expenses in services which are imported (with a breakdown of imports in services by categories that can be easily allocated to bop items).

⁵ The register contains either a precise address or a link to another business register comprising this “logistical” information.

These variables should be made available and updated on an **ANNUAL** basis without any geographical breakdown.

A (relatively small) survey should be conducted in order to collect *monthly and quarterly* data (at a relatively high aggregated level for the geographical breakdown **AND** an *annual* (larger) survey with a lower geographical breakdown.

1.22 Functions

- implementation of requests (aggregation of certain variables by branch of activity);
- launch of specific filters (selection of companies by one or several criteria based on the register's variables).

2. Use of the register in the frame of a survey

2.1 Selection

The efficiency of the selection depends mainly on:

- the quality of information contained in the register's database;
- the choice of variables taken as selection criteria (which must necessarily be in direct connection with the company's exporting respectively importing activities).

Credit side Given the hypothesis that there is a "natural" correlation between a company's exports and the type of services it is offering, most branches of activity can, in principle, be linked to a specific standard components.

Debit side It is quite conceivable that companies with important exports may also have importing activities. These companies would be automatically kept in the survey (as direct reporters) for their declarations of imports in services. Nevertheless, a large number of other companies may also realise imports in services. The establishment of a representative sample is very difficult to realise (contrary to the credit side), because there is *no direct link* between the type of service imported and the activity of the company. This problem can be solved if detailed information on imported operating expenses is available. In fact, many companies are potential importers of a *large scale* of types of services without any obvious connection to their main activity.

2.2 Two-tier approach

The approach consists in defining two types of thresholds:

- **Absolute threshold**
Selection of the most important companies in terms of exports and/or imports in services, all economic activities included. These companies will be considered as direct reporters of their exporting **and** importing activities.
- **Relative threshold**
This threshold is set in such a way that the *major and representative* players of each sector of activity (i.e. bop item) are selected – by differentiating (eventually) exports and imports. The setting of a relative threshold for imports is not plausible without having an *economic activity breakdown* (mainly for the reasons mentioned in point 2.1 debit side).

2.3 The respondents

Two categories of populations can be distinguished within the responding population:

- The Big Players [absolute threshold], which are all **Direct Reporters**.

The direct reporting population is a relatively stable one and is mainly composed of major resident exporting and/or importing companies.

- Other companies to investigate [relative threshold].

This population can be composed of:

- a) one unique sample of important companies (exports or imports are above the absolute threshold) selected on a sector basis, if the population is rather homogeneous;
- b) different samples if companies are different from each other in
 - size (multinationals versus local companies);
 - activity (different sub-branches within one specific bop item).

2.4 Extrapolation

Credit side The link existing between the main activity and the type of services exported allows to realise benchmarking controls for each bop item by a simple comparison between the aggregated variables X_{ITEM} (bop) and X_{SECTOR} (REG). With the cover rate of the selected sample for a given bop item and the ratio export/(total turnover of the correspondent branch of activity), it should be possible to extrapolate the total amount of exports in services for each bop item.

Debit side A similar control cannot be implemented on the debit side without knowing the exact sector-based breakdown for imports in services of all resident companies. In that case, even the Big Players' imports breakdown is not sufficient enough to determine the exact cover rate for each bop item, which makes it very difficult to select a representative sample.

3. Problems and questions

3.1 Current situation

At present, the ideal register comprising all necessary variables to conduct "the optimal survey" on ITS of resident companies does not exist. The VAT register, which is currently the only company database available, contains (among others) the variables turnover, employment, main activity, total exports and total imports. Unfortunately, the last two variables cannot be taken into account as an accurate selection criteria for the ITS survey – at least for two reasons:

- not all service transactions are covered (due to specific VAT "rules");
- goods and services are normally matched up at the level of exports and imports.

The present situation is not appropriate to the organisation of a bop survey because of the following **problems**:

Credit side: Even if the exported turnover is not known, a selection of companies by main activity can still be done, but nothing guarantees the representativeness of the sample.

Debit side: No accurate variable is available to select a sample of companies for imports in services.

Solutions to these problems have to be explored?

3.2 Feasibility

- Availability of information

What should be the maximal delay before the data becomes accessible in the register (since its transmission by the company)? This matter is of high importance because the availability will determine the accuracy of information on which the bop survey will be based on.

- Data collection to update the register

Some variables are available via administrative sources. Other essential data (see point 3.1) are not yet available at that level. How to collect them? A direct collection is considered as a supplementary administration burden and problems of non-response must be handled.

7. DE NEDERLANDSCHE BANK, 15 January 2002

The TG DR chairman has requested in his e-mail of November 12, 2001, homework to be done for the Madrid meeting on three points he raised. For the Netherlands (relating to reporting of foreign financial assets and liabilities), the following can be mentioned:

LIST OF VARIABLES NEEDED TO BUILD BOP REGISTER

As far as the collection of source data on foreign financial assets and liabilities is concerned, the variables for the BOP register for the new system in the Netherlands (to be implemented April 1, 2003), will be as follows:

- Name of respondent;
- Role of respondent (is the respondent the corporate entity itself or is the respondent representing the enterprise concerned whose cross-border operations are being reported, the latter case can be relevant in case of SPEs);
- Address to mail to;
- Address to visit;
- Information regarding the contact person of the respondent (several fields of information);
- Id number Chamber of Commerce;
- Code branch of industry;
- Code economic sector;
- Link of respondent (in role of holding company) with possible domestic daughter company(ies) (and vice versa link of a domestic daughter with the holding company in the same economy);
- Category of respondent;
- Last month of financial year as used by the respondent involved (of importance for the annual reporting to be done);
- Code of industry of UBO;
- Country of domicile of UBO;
- Language to be used in contacts with respondent (options Dutch of English);

Part of the information (name/address and Id number Chamber of Commerce e.g.) is to be acquired from various sources such as the general register of enterprises of Statistics Netherlands, data bases with name/address information of supervisory authorities where applicable, the press, annual reports, and other possible sources. The more specific information (such as information of contact person, specific address information, country UBO etc) is acquired from the respondent itself through a specific register form to be completed by the respondent upon registration.

The BOP register for financial transactions/positions thus contains solely pure register information and quantitative information relating to BOP turnover of specific BOP items is thus not there. For analysis of the population of respondents, e.g. to check whether a selected group of companies is still covering 95 % of a BOP item, a link of selected respondents can be made with the database in which reported information by respondent is stored.

On the basis of settlements information of a recent period, a start register has been made for non-financial enterprises on behalf of the new system to be adopted. A top group for monthly reporting has been selected for the launch of the new system (with the purpose to reach a coverage of 95 % per BOP item). The database for smaller non-financial enterprises may be used for a benchmark survey in the near future for register maintenance of the group of larger respondents and to gross up BOP estimates obtained via monthly reporting to '100 %'.

For more details, see the questionnaire completed in the beginning of January 2002 for Eurostat on the national action plans for a new system for the Netherlands (chapter 10 on the use of registers; there is a separate reply relating to foreign financial flows and stocks by the Nederlandsche Bank and one for the collection on data for foreign trade in services by Statistics Netherlands). An extract of this questionnaire is copied hereunder

Questionnaire on National Action plans filled by the Netherlands:

The following sub-registers form together the BOP register for the new system:

- Database of MFIs (information to be acquired from supervisor concerned).
- Database of insurance companies and of pension funds (information to be acquired from supervisor concerned); in case of pension funds, a register survey will be held from time to time in order to select the relevant respondents with regard to contribution to BOP coverage.
- Database of investment funds (information to be acquired from supervisor concerned); a register survey has been held (and will possibly be repeated from time to time) in order to select the most relevant respondents.
- Database of special purpose entities (information to be acquired from supervisor concerned).
- Start register for monthly respondents formed with regard to non-financial corporate entities on the basis of settlements information obtained through the old BOP data collection system in the recent past. The start register of monthly respondents is formed by selecting the largest companies, which together account for 90 to 95 % coverage per BOP item within this category.
- The database with remaining smaller non-financial and financial enterprises (formed on the basis of information acquired through the old BOP data collection system) may be used for benchmark surveys in future as explained elsewhere in the questionnaire on National action plans.

Maintenance of the above-mentioned BOP sub-registers:

- Continuous maintenance of sub-registers is in principle guaranteed in the case that the latter registers are based on databases of supervisors. This is the case for the above-mentioned categories of supervised respondents.
- For the non-financial corporate entities, the following sources of information can be mentioned for maintenance of the BOP sub-register:
 - (i) Partial information to be acquired from the general register of enterprises of Statistics Netherlands; this information regards the larger corporations (around 3,000 in number) with direct investment relationships.
 - (ii) Information will be acquired from data vendors regarding especially both the concern structure of domestic daughter companies and the ditto structure of foreign daughter companies.
 - (iii) Information from the press and other published sources (such as annual corporate reports); this source is of special importance for the component of direct investment.

- (iv) Information on cross-border settlements to be obtained frequently from banks (without nature of transaction) regarding a group of customers, selected for each reporting period on the basis of a threshold value of settlement turnover.
- (v) Other possible sources, if of relevance, which come up through investigative activity.

Information in the register regards name and address information, name of contact persons, identity number for BOP, registration number Chamber of Commerce, list of domestic daughter companies included in the report of the respondent etc.

A legal basis to exchange individual information between Statistics Netherlands and the Nederlandsche Bank on behalf of compilation of statistics is in preparation.

The register for the trade in services will in first instance be based on information from the settlement system maintained by De Nederlandsche Bank (DNB) to produce the current statistics on international trade in services. This system will be available until 1 April 2003. The name and address information occurring in the DNB-system was linked to the Dutch Business Register maintained by Statistics Netherlands for the reference years 1996-2001. From the 1996-2001 data 128 groups of enterprises were selected that are crucial for the international trade in services. These groups of enterprises will receive special attention in the survey system that will be implemented from 2003 on. For the smaller and medium sized enterprises the sample for 2003 will be based on the DNB-data for 1999-2001. From 2004 on Statistics Netherlands intends to use information on cross-border payments supplied by commercial banks.

Investigation is underway to see whether this information on cross-border payments, to be disclosed from databases with payments information of the larger banks, can be used for maintenance of the register. It will not contain information on the nature of the transaction. It was already established from pilot data received from the largest bank in the Netherlands that there is a close correlation between on the one hand cross-border money inflows and on the other hand export of goods plus services, for the very large group of small and medium sized enterprises. In consequence, using this prior information on cross-border payments (even if the nature of the transaction is not known) will enable us to use much smaller samples from the Dutch Business Register.

However, the use of settlement data has its limitations. The main limitation is that the information relates to previous periods, and therefore does not include any new entities in the population. This indeed is a problem, since the population turns out to be quite dynamic. An additional problem is that not all transactions actually lead to cross-border payments, especially since many transactions take place within multinational enterprises that have accounts abroad, or only clear the balance of debits and credits periodically. Finally, our new, simplified, settlements system does not include all banks. For these reasons, there will always be a number of enterprises that are engaged in international transactions but do not appear in the tapes that we get from the banks. In order to adjust for this systematic reporting gap, random sampling will be undertaken among the enterprises that do not occur on the 'settlement tapes'. The possibility to detect enterprises involved in the international trade in services using information on international activities from structural business surveys will also be studied.

8. BANCO DE PORTUGAL, 19 December 2001

The BoP/IIP register maintained by the BoP division contains data on the:

- Unit identification, namely the designation of the enterprise, bank, insurance company, etc., the respective identification code and address;
- Institutional sector classification;
- Activity sector classification;
- Foreign ownership (with identification of the designation of the headquarters, decision centre, and respective country);
- Beginning of the direct investment relation;
- Origin of the respective register (Settlements, Press articles, Administrative sources,...)
- Contact person.

Ideally the register should contain also the identification and date of all the ownerships (residents and non residents) and respective shares in order to allow a better economic group control and monitoring.

It should also contain a quantitative indicator of the importance of each economic agent for the BoP, for example, the importance of each economic agent external turnover (debit+credit) in a reference period. This would help to rank the entities.

In general terms, these variables are essential to maintain a register for BoP purposes, especially if a direct reporting approach and/or a survey system is envisaged.

In the current situation the Portuguese Bop/IIP register is constructed upon the registers of the file of juridical persons held by the Ministry of Justice and updated mainly with information based on Bank settlements. Additionally, information from other data bases in the Banco de Portugal namely, the Balance Sheet Division, the Money and Bank Statistics and the Accounting Division, Administrative sources, Press articles and information from the Portuguese Stock Exchange are also taken into account to update the register.

Although the future of the Portuguese BoP collection system is under reflection, one of the hypotheses is the maintenance of the settlements system in order to feed the file of economic agents with external transactions.

Addendum 9 September 02

VAT Register: The Portuguese VAT register contains data both on total imports and exports of goods and services but without desegregation of these latter.

As long as the current VAT declaration is not adapted to allow the distinction between goods and services within the imports/exports figures (which is not foreseen in a near future) its database won't be very helpful to update the BoP register notably to design the sampling frame for surveys on services.

Banco de Portugal has no access to the VAT register and thus it was never performed a comparison between VAT population and the BoP population.

Trade Register: The Trade Register is maintained by INE and it includes information gathered through the Intrastat system (intra-EU trade in goods) and the customs Unique Declaration (extra-EU trade in goods). The INE has a limited access to the VAT Register in order to update its register.

The register for extra trade in goods contains the basic information for each operator, as in Intrastat database, like, identification of the operator, identification of the transaction and its nature, country of origin/destination and currency.

9. BANK OF FINLAND, 1 August 2002

The official registers are of vital importance in surveying for the BoP statistics even if they did not contain any BoP specific information. The registers contain the so-called frame data: enterprise identification, activity classification, institutional sector classification, foreign ownership (BoP specific) and the contact information.

The other BoP specific information than foreign ownership to build the frames for BoP survey must be collected from various sources like industrial organisations, customs registers, various historical data and from commercial sources. For Services, the official Business register and its various subsets in Structural Business statistics are employed. Turnover and number of employees serves as auxiliary variables. For the financial account, variables from enterprise balance sheets serve well as auxiliary variables because of high correlation between general balance sheet items and foreign assets and liabilities. Balance sheet data are available from commercial sources. Suitable auxiliary information are available but the collection and checking the consistency is labour intensive. Auxiliary variable techniques are a cost-effective way to substitute the lacking BoP-variables for other relevant information in registers.

The compilers are be more occupied with frame lists and take the registers as given. In high frequency surveys the frame monitoring and its updates are a continuous process by side of the month to month running of the survey. Usually the survey (respondents and the form) must be updated annually. In

large annual surveys employing stratification and sampling, the construction of the frame is a part of the design process to be carried out properly once a year.

10. STATISTICS SWEDEN, 2 September 2002

Sweden will replace the current settlement and direct reporting system with a survey-based system from 2003.

1.2 Sources

Existing sources in Sweden

A business register especially designed to serve the survey based statistics on services could mainly be built up of data available in the following existing sources:

- Business register
- Value Added Tax register (VAT)
- Foreign trade statistics
- Swedish Financial Supervisory Authority (financial enterprises)
- Structural business statistics
- Standard taxation reports
- Foreign owned enterprise register
- Enterprises with affiliates abroad
- Licenses issued by the Swedish National Post and Telecom Agency,
- Settlement and direct reported data for a late twelfth month period.

The sources above could easily be combined since the same identification code is used for them all. The register that will be used as sampling frame for the new system should be delimited to enterprises that are assumed to be involved in foreign transactions of services. Data required for sample design, for the estimation process and for survey administration are also required for each enterprise.

The register should also include enterprises involved in foreign transactions of compensation or transfers but will not be treated in this part of the report.

Business register

The general business register (BR) contains data required for the sample design like institutional sector, economic activity (NACE) and number of employees and for the survey administration like name and address. No data in the general business register indicate involvement in foreign transactions of services.

VAT-register

The VAT-register is based on data that enterprises liable for VAT have to submit to the tax authorities. The reports to the tax authorities differ between member states but include normally trade of goods between member states, which could be used as a source for delimiting the survey population.

Besides data on trade of goods inside EU the Swedish VAT-system provides data on turnover of services outside Sweden (exports of services) and output VAT of imports of services. These data will serve as efficient indicators of foreign trade in services. However The VAT-system does not cover all kind of services as financial services, insurance services and some personal services.

The VAT-register at Statistics Sweden is updated monthly except for the very smallest enterprises, which report VAT-data in the annual taxation report.

Monetary financial institutes

As mentioned above financial services and insurance services are not covered in the VAT register but they are recorded by the Swedish Financial Supervisory Authority. Data will be available for continuously updating of the survey population.

Foreign trade of goods

Comparisons between foreign trade of goods statistics and settlement data on trade in services indicate that many enterprises involved in foreign transactions of goods also are involved in foreign transactions of services but at the same time that many small enterprises involved in trade of goods are not involved in trade of services. Further analyses are needed to find characteristics of enterprises involved in trade of goods that qualify for selection to the new business register of trade in services.

The statistics of foreign trade in goods could be a powerful tool for defining the survey population. As auxiliary information data on total exports and imports of goods as well as imports and exports of some specific goods could be used.

The trade of goods statistics comprises trade inside as well as outside EU and has a considerable better coverage of settlement data on services than the data on trade of goods inside EU recorded in the VAT-register.

The register of foreign trade statistics is updated monthly within two months after the end of the reference month.

Structural business statistics (SBS)

The structural business statistics (SBS) could provide data both for selection of the survey population and for the sample design and estimation process.

In the Swedish survey data on turnover broken down by resident and non-resident clients are collected for enterprises with more than 50 employees. At least enterprises in the service sector with non-resident clients should be included in the survey population.

In SBS-statistics various economic data are available like number of employees, turnover, value added, purchased goods and services, investments, assets and liabilities. These data that will contribute to an efficient sample design and estimation process are available for all enterprises since administrative data and not sample surveys are used for enterprises with less than 50 employees.

The survey of SBS is completed at earliest nine months after the end of the reference year.

Standard taxation reports

The standard taxation reports are available for all enterprises and contain data on currency profits and losses and on community of interest in other countries. Many of the enterprises involved in foreign transactions are also included in the trade of goods statistics. Since the standard taxation reports are updated once a year they will probably only contribute marginally to the survey population compared with the trade in goods statistics.

Foreign owned enterprise register

On behalf of the Swedish Institute for Growth Policy Studies, ITPS, an annual register of foreign owned enterprises is set up every year within six months after the end of the reference year. The enterprises recorded cover a substantial part of the services in the settlement data system. The register of foreign owned enterprises includes however no further information of interest for sample design or estimation process.

Enterprises with affiliates abroad

On behalf of ITPS a register of enterprises with affiliates abroad are set up annually. A comparison with the settlement data system points out that the involvement in trade of services is of limited extent for most of the different kind of services. Together with the fact that a new version of the register will not be available until rather late the year after the reference year the conclusion is that this source could only contribute very marginally to survey population.

Licenses issued by the Swedish National Post and Telecom Agency

Licenses issued by the Swedish National Post and Telecom Agency (PTS) will be used to secure the coverage of post and telecommunication services. Information of new licenses will be available in principle continuously.

In the table below the different sources are put together with regard to area of use and updating frequency.

Source	Variables for		Frequency of updating
	definition of the survey population	sample design and estimation, survey administration	
Business Register	-	NACE Number of employees Institutional sector Name, address	Continuously
VAT-register	Exports of services Output VAT of imports of services	Exports of services Output VAT of imports of services	Monthly
Trade in goods statistics	Import and exports of goods	Total import Total export	Monthly
Swedish Financial Supervisory Authority (financial enterprises)	Existence in the register		Continuously
Structural business statistics	Sales abroad (enterprises > 50 employees)	Turnover, Production Value added Investment Purchases (input) Assets, liabilities Number of employees Etc.	Annually
Standard taxation reports	Currency profits and losses, Community of interest		Annually
Foreign owned enterprise register	Existence in the register		Annually
Enterprises with affiliates abroad	Existence in the register		Annually
Licenses issued by the Swedish National Post and Telecom Agency	Issued licences		Continuously
Settlement and direct reported data for 2001 and 2002	Transactions and settlement of services	Type of services	No further updating

1.3 Practical implementation

- Legal aspects

The sources that will be used to construct the business register for foreign transaction of services are either already available at Statistics Sweden or are considered as official information as for instance the licenses issued by the Swedish National Post and Telecom Agency. There are no problem to get access to use the data for statistical purposes but the register data of individual enterprises are considered as confidential.

- Creation of the register

The objective is to get a business register (survey population) that so far as as possible comprise all enterprises involved in foreign transactions of services in the following sectors:

Non-financial enterprises

Financial enterprises

Government sector

Non-profit institutions serving households

Enterprises in the household sector (e.g. sole proprietorships)

The register will in the first place be built up by a combination of the following existing sources: VAT-register, foreign trade of goods statistics, foreign owned enterprises, financial enterprises supervised by Swedish Financial Supervisory Authority. A common identification code is used for statistical registers as well as administrative data.

In the table below the share of services in the settlement system 2000 that are covered by individual sources as well as by the combination of VAT-register 2000, trade in goods statistics 2000 and the register of foreign owned enterprises 1999. The coverage of insurance services are lower than for other services since the register of insurance companies was not included.

Further analyses of the different sources will be undertaken before the final combination and inclusion rules can be decided.

- Updating

The survey samples are planned to be updated at least twice a year due to the dynamic population. Many enterprises especially the small ones are entering and leaving the population every year. The updating procedures are facilitated of the fact that most important sources for selection of the survey population as the general business register, the VAT-register and foreign trade of goods are updated every month or continuously. No data on settlements are expected to be available in Sweden in the future.

The share of settlement data on transportation and other services for different sources the year 2000

Per cent

	VAT 2000	Foreign owned enterprises 1999	SBS-statistics 1999	Standard taxation reports 1999	Trade in goods 20001	Combination of sources
	1	2	3	4	5	1+2+5
Number of enterprises	25 094	6 229	3 903	25 338	21 565	43 577
Exports						
per cent of service settlements						
Transportations	87	59	21	36	74	97
Other services	86	32	52	61	71	92
Communication services	97	15	55	77	87	99
Construction services	75	23	48	59	73	86
Insurance services	62	6	21	53	23	65
Financial services	85	11	2	44	15	86
Computer and information services	94	29	75	67	85	97
Royalties and licence fees	92	56	76	82	85	98
Other business services	85	34	46	56	69	93
Personal, cultural and recreation	86	32	49	54	58	83
Government services	79	6	13	32	1	1
Total exports	86	37	46	57	72	93
Imports						
per cent of service settlements						
Transportations	73	56	37	63	57	97
Other services	87	31	67	75	86	96
Communication services	96	15	56	81	94	99
Construction services	74	27	64	65	80	90
Insurance services	81	8	12	80	53	83
Financial services	78	23	23	72	29	82
Computer and information services	86	32	56	63	87	98
Royalties and licence fees	91	57	73	78	91	99
Other business services	88	30	73	78	87	97
Personal, cultural and recreation	90	29	74	79	65	90
Government services	80	16	24	40	100	100
Total imports	85	34	63	74	82	96

1) Trade in goods includes enterprises with Intra or Extra trade above the Intrastat threshold and enterprises with trade outside EC below the threshold but with trade of goods classified as services in National accounts.

11. ONS-UNITED KINGDOM, 14 January 2002

Introduction

1. The concept of an 'ideal' business register for the purpose of compiling Balance of Payments statistics is an interesting one. In practice the UK uses a system of business surveys to underpin its' BoP statistics. The UK has not found it possible to build a single business register that will support these specific surveys as the information on which firms form the population to be measured is in practice available from a variety of sources. These include information gleaned from other business surveys such as surveys designed to meet the needs of the Structural Business Statistics Regulation, administrative sources such as the Inland Revenue dealing with taxation issues, and London Stock Exchange records of listings.

2. This response covers the principles of using business registers and surveys for BoP compilation (drawing on paper BP/01/16: DR TG Business Registers and Surveys Progress Report (March 2001), with additional detail added on the identification of the population and conduct of the surveys carried out within the UK for the measurement of portfolio investment, foreign direct investment and international trade in services. The most detail is provided for the FDI inquiries, although other papers are available covering IT IS methodology etc.

Establishing and maintaining a register of the population

3. This is crucial to any successful survey. Any sample (even a 100% sample) is selected from a list (or business register) of the target population of enterprises. Ideally the register should have the following characteristics:

- i) complete
- ii) up to date
- iii) include all and only the target population
- iv) include information on each enterprise closely related to (or associated with) the main data collected on the survey: this is called the auxiliary information

4. (i) and (ii) are necessary to ensure that there will be no bias in the results (ie some enterprises could not be included in the survey because they were not included on the register). (iii) is needed to avoid wasted effort and resource in selecting and approaching enterprises which turn out to be invalid for the survey. (iv) can also help to target the survey, but essentially this information is necessary to stratify the sample properly (including the identification of enterprises in the top stratum) and to calculate valid grossed-up estimates within each stratum. In practice no register meets all the characteristics in full all the time. Judgement and experts' opinions are needed to decide if a register is fit for purpose and to assess the effects of any inadequacies.

5. Most countries have a single register of businesses for the purposes of conducting a range of official surveys (particularly for the national accounts). The use of a common reporting unit and estimate of the population across inquiries ensures consistency between estimates produced from different inquiries. This single business register is usually maintained by the NSI. It is updated regularly from a range of administrative sources (eg VAT and tax records), from inquiry results themselves and from commercial sources. It often includes some information useful to BoP data collection (eg foreign ownership, trade in goods "yes/no").

6. Characteristics (i) to (iv) are met reasonably well for national accounts surveys (the information for (iv) is usually turnover or employment). (iii) and (iv) are not adequate for direct use in BoP surveys, which need information such as value of trade in services, value of portfolio investment assets held, value of foreign direct investment. However the data on the main business register can be compared to available BoP-specific information at the enterprise level to check if there is a reasonable association (eg a "yes" on trade in goods might mean that the enterprise is likely to trade in services as well). These data could then be used to target a BoP survey without using the whole register as a base. If relevant information from different registers can be merged on a regular basis, the potential for maintaining BoP-specific registers in this way should be investigated. The scope for merging information is often limited due to problems in matching enterprises.

7. Foreign Direct Investment surveys are often based on a separate register maintained to hold the information (levels of inward and outward direct investment) necessary for sampling and grossing. These registers are often compiled from commercial sources (eg Dun and Bradstreet) supplemented by information gleaned from the press and other media. It is helpful if the FDI register is maintained consistent with the main register to allow for efficiencies in maintenance of the registers and linking data across inquiries.

8. Registers for specific types of enterprises may be available from trade organisations, regulatory authorities, other administrative sources, etc which may also include some BoP-relevant information useful to the survey. Insurance companies, trusts, securities dealers and other financial corporations are common examples. Again the press and other media can provide information to supplement and update these registers, although this can be a resource-intensive, continual exercise.

9. Targeting can also be achieved by including a relevant filter question on a large-scale, general survey. The register for the large survey would need to include all the target population. For example a large, multi-purpose business survey based on the single register could include a filter question on the total values of trade in services credits and debits.

10. The practical advice is that if a complete register of a subset of the whole population with relevant auxiliary information is accessible (e.g. banks, trusts), then use it. Separate surveys can be devised to cover the remaining population.

11. All the above points (and all those below) apply to surveys under either of the models outlined at the start of the paper. With a DRC system the compiler would simply exclude all the DRC's from each register used as the basis for each survey of the SME's.

ANNEX 4

QUANTITATIVE ANALYSIS

Replies from: B, DK, E, F, I, NL, P, FIN, UK

1. BANQUE NATIONALE DE BELGIQUE, 14 November 2002

1. BACKGROUND

The future system of collecting balance of payments data (BB2006) will be organised differently from the current system in which, in addition to 2,500 direct declarants (DRs), the banks report both on their own account and as intermediaries for 45,000 businesses (KIs).

In order to construct a new system it is necessary to have a clear idea of the parties involved in transactions with the rest of the world. We can start with an analysis of the current population of declarants, which should enable us to formulate certain findings which can provide a sound basis for the future system.

That analysis is necessary in order to answer the following questions:

- Can we introduce a single reporting system for different declarants, or multiple reporting systems for different declarants?
- Should we aim at exhaustiveness within a reporting system, or can we work with a fixed group of declarants supplemented by sample or random surveys?
- Are some groups of players much more difficult to capture than others?
- Are some headings so specialised that they require a totally separate approach?

2. SUMMARY OF THE WORK

2.1 BASIC DATA

The data used are **the basic files** with monthly data supplied by **DRs** (direct reporters) and **KIs** (credit institutions), made available to us in the Infocenter environment for the years 1995 to 2000⁶.

To simplify the analyses, we use annual data only⁷.

These are BLEI (Belgian Luxembourg Exchange Institute) values which are used as a proxy for BOP values in order to be able to work per type of business. This means that gross amounts⁸ are sometimes used and that some headings⁹ are not broken down into various types of transaction.

⁶ Via the function AE in BBI in CICS15 it is possible to call up the job BBP15810 which transfers the production data in globalised form to the infocenter environment in DB2 tables. However, the empty table structures in the infocenter environment must first be supplied by IC.

The DB2 tables are accessible in Access via: File - Get External Data - Link Tables - Files of type: ODBC Databases() - Machine Data Source - Data Source Name: D241.

The files IC_BBDRyyyy contain 314,645 records on 2,143 reporters in 1995 to 412,043 records on 2519 reporters in 2000. The files IC_BBKIyyyy contain 856,119 records on 37,056 residents in 1995 to 1,006,431 records on 45,811 residents in 2000.

⁷ The fields used are:

C_RES_ID: declarant identifier, VAT number or other identification number

D_REPORT: reporting date (yyyy-mm-dd) (only for DR)

S_MONTH: reporting month (1 to 12) and S_YEAR: reporting year (yyyy) (only for KI)

C_RUB_BB: heading (3 digits)

C_DC: C: credit or D: debit

A_AMOUNT: amount (in EUR)

⁸ In BOP, triangular trade and the financial account, excluding direct investment, are taken as a balance.

⁹ In BOP, insurance premiums, for example, are broken down into a capital element and a transfer element.

To get as close as possible to the balance of payments, a few less relevant headings are omitted (see annexes 7 and 8)¹⁰, along with headings 620, 621, 625, 626¹¹ since these inflate the figures unnecessarily.

Apart from the K1 and DR files, we also use a '**Residents**' file containing all residents with their resident's number (usually the VAT number, or occasionally another identification number) and name.

2.2 PRESENTATION OF THE DATA

The BLEI codes were grouped in our own classification system comprising related headings with varying levels of aggregation¹². The lowest level of detail corresponds to the individual BLEI codes. In order to determine the importance of some of the headings, we use not only debit (D) and credit (C) but also the sum of the debit and credit (T) instead of the balance.

Table 1 shows the three highest aggregation levels for the amounts (T) for all companies (in EUR thousands) which should provide some idea of the order of magnitude of the various aggregation levels.

Table 1: values (in thousands EUR, total debit + credit) for all firms: aggregates for 1995-2000

Description	1995	1996	1997	1998	1999	2000
general total	5,119,030,554	7,421,863,302	9,499,320,779	13,094,046,508	13,974,778,925	16,066,530,030
current account	507,664,194	541,594,729	646,392,343	783,987,445	793,194,676	939,115,459
goods	217,501,606	231,742,686	257,835,270	271,418,345	277,490,037	334,387,735
services	38,712,777	40,268,885	48,558,356	51,155,584	58,756,383	69,916,614
income	246,871,345	264,777,037	334,704,363	455,525,440	451,319,750	528,530,684
current transfers	4,578,466	4,806,120	5,294,353	5,888,075	5,628,507	6,280,426
capital transfers	646,139	734,812	967,154	556,564	813,954	885,222
financial account	4,588,340,230	6,856,664,256	8,827,543,973	12,284,562,174	13,153,933,891	15,096,842,740
direct investment	691,066,123	800,400,851	833,280,025	1,305,747,267	1,723,709,924	1,265,303,755
portfolio	2,727,366,559	5,008,513,766	6,726,127,015	9,368,285,765	9,698,499,687	11,688,537,355
derivatives	34,658,488	37,038,944	56,480,029	149,606,607	150,947,052	204,055,831
other investment	1,129,839,316	1,010,378,519	1,211,067,601	1,460,226,369	1,580,659,946	1,938,859,057
other	5,409,744	332,176	589,303	696,166	117,283	86,743
not specified	22,379,991	22,869,505	24,417,310	24,940,325	26,836,402	29,686,609

The table is reproduced in 'Annex 1a: values (in EUR thousands) for all firms: aggregates for 1995-2000' including the values for debit and credit.

The most striking points here are the importance, the order of magnitude and the growth of the financial account.¹³ Nevertheless, the current account, where the amounts are of a lower order of magnitude, is just as important as the financial account because of the specific character of each account.

Annex 1a was added in order to gain an idea of the number of firms.

¹⁰ This mainly concerns equilibrium and validation headings, banknotes, stocks, etc.

¹¹ heading 620: loans at ≤ 1 year granted and deposits at ≤ 1 year formed by resident credit institutions; heading 621: loans at ≤ 1 year received and deposits at ≤ 1 year formed by resident credit institutions; heading 625: loans at > 1 year granted and deposits at > 1 year formed by resident credit institutions; heading 626: loans at > 1 year received and deposits at > 1 year formed by resident credit institutions.

¹² For some headings (mainly the financial account) up to 5 aggregation levels are provided; other headings, such as capital transfers and the 'not specified' heading, have only one aggregation level.

¹³ NB: we use gross figures in our analysis.

2.3 CONCENTRATION CALCULATIONS

One of the first steps in the analysis consisted in determining the concentration per heading for all declarants together. A **concentration index (Gini coefficient¹⁴)** was used for this purpose.

For our analysis of the population of declarants, the coefficient must make it possible to measure whether the declarations per code (heading) of the balance of payments are highly concentrated (max. = 1) or not very concentrated (min. = 0), in other words a high concentration for the headings means that a relatively small number of firms account for considerable coverage of the amounts declared.

We found that the concentration for the major headings is fairly high, and stable over the years.

Table 2: concentrations (aggregates, debit + credit) for 1995-2000

Description	1995	1996	1997	1998	1999	2000
0: general total	99,51%	99,62%	99,67%	99,74%	99,74%	99,75%
1000000: current account	96,51%	96,55%	96,85%	97,32%	97,36%	97,48%
1100000: goods	93,83%	93,90%	94,06%	94,20%	94,31%	94,69%
1200000: services	92,31%	92,29%	93,08%	93,21%	94,01%	94,23%
1300000: income	99,50%	99,50%	99,53%	99,60%	99,68%	99,71%
1400000: current transfers	94,35%	94,49%	94,26%	94,32%	94,40%	94,08%
2000000: capital transfers	94,37%	94,69%	95,87%	94,48%	96,38%	95,36%
3000000: financial account	99,58%	99,61%	99,65%	99,70%	99,68%	99,71%
3100000: direct investment	99,08%	99,00%	98,91%	99,15%	99,15%	98,60%
3200000: portfolio	99,50%	99,41%	99,51%	99,55%	99,41%	99,55%
3300000: derivatives	96,82%	97,01%	97,51%	97,46%	95,23%	96,54%
3400000: other investment	99,14%	98,84%	98,86%	99,04%	99,15%	99,26%
3500000: other	95,38%	95,84%	94,53%	93,90%	90,18%	92,20%
4000000: not specified	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

The high concentrations indicate that high data coverage is possible with only a small number of firms. It comes down to arriving at a realistic balance between the number of companies to be asked for information and the target coverage.

2.4 SECTORAL BREAKDOWN

The companies which occur in our balance of payments files DR and KI are very diverse. For example, businesses which are active in the import and/or export of goods and/or services will submit declarations for different headings from businesses more involved in, say, financial transactions. In order to streamline this diversity, we divided the population of declarants into a number of main groups, namely:

- F: financial institutions

¹⁴ *The Gini coefficient is a measure of dispersion which gives an idea of the unevenness of a distribution. If the distribution is totally even, the Gini coefficient is equal to 0; if it is totally uneven, the value is 1, because in the event of total unevenness a single element covers the entire heading, i.e. 100%, and all the others offer 0% coverage.*

The concentration index formula used is: $C = \sum_{R=1}^N C_R$ in which

$$C_R = \frac{2}{N} \cdot \left[\left(CW_R - \frac{W_R}{2} \right) - \frac{1}{N} \left(R - \frac{1}{2} \right) \right] \text{ and}$$

W_R : weight, i.e. contribution (ratio) of an individual firm in relation to all firms in terms of amounts declared per heading

CW_R : cumulative weight in which $CW_R = \sum_{R=1}^N W_R$

R : rank, classification by weight, ranging from 1 to N ; e.g., rank 1 means the firm with the highest weight (most important) for a particular heading

N : number of firms per heading

- G: generic declarants (reduced to 3)
- NF: non-financial companies + coordination centres (current account only)
- O: general government declarants

The breakdown into sub-populations was intended to define separate populations each with their own collection system.

Even when the firms had been divided into various sectors, we still found high concentrations in both debit and credit.

Table 3 shows the concentrations for debit + credit per sector for the general total and for the two main blocks of the balance of payments, namely the current account and the financial account.

Table 3: concentrations as % per sector for 1995-2000

		1995	1996	1997	1998	1999	2000
Current Acc	F	97.64%	97.69%	97.68%	98.31%	98.51%	98.59%
	G	63.92%	64.24%	64.52%	64.68%	64.81%	65.20%
	NF	92.85%	92.92%	93.17%	93.34%	93.45%	93.93%
	O	94.53%	92.96%	92.40%	96.59%	98.46%	98.38%
Financial Acc	F	97.13%	97.43%	97.54%	97.83%	97.38%	97.66%
	G	58.95%	62.99%	63.92%	62.95%	59.58%	64.76%
	NF	97.41%	96.76%	97.00%	95.77%	96.38%	96.62%
General	O	92.24%	92.05%	96.75%	96.52%	97.29%	98.13%
	F	97.62%	97.92%	98.01%	98.24%	97.90%	98.09%
	G	59.65%	63.28%	64.07%	63.29%	60.46%	64.84%
	NF	95.43%	95.24%	95.54%	95.06%	95.53%	95.96%
	O	94.97%	92.73%	98.94%	99.31%	99.33%	99.40%

Overall, there is no major difference in concentration between the companies as a whole and the non-financial companies, except for a few minor headings.

In the case of financial companies, the concentration is higher than for non-financial companies.

The high concentrations per sector also indicate that high data coverage per sector can be achieved with just a small number of firms. For the financial sector, which has a small number of companies, we can aim at exhaustiveness of the declarants. That is not possible in the case of non-financial companies, in view of the high number of companies.

Table 4 shows the number of firms per sector. The generic sector was reduced to 3 types of player: professional individuals with no VAT number, individuals acting in a personal capacity, and unidentified other companies.

Table 4: number of companies per sector for 1995-2000

Year	F	G	NF	O	All
1995	911	3	36,378	126	37,177
1996	1,000	3	37,646	138	38,540
1997	1,008	3	39,227	141	40,142
1998	1,066	3	41,092	169	42,098
1999	1,016	3	42,269	159	43,221
2000	978	3	44,952	181	45,897

Over the years, we can see a clear increase in the number of companies in our population of declarants. That increase is largely attributable to the non-financial companies¹⁵.

The sum of the numbers per sector does not correspond exactly with the total of all companies because of the coordination centres¹⁶ which are counted as non-financial firms for their current

¹⁵ An indication of the increase in the number of undertakings may also be found in the core data of the Central Balance Sheet Office concerning the lodging of annual accounts. The number of firms concerned increased from 194,250 in 1995, 204,346 (1996), 206,842 (1997), 219,431 (1998), 225,097 (1999), to 242,413 in 2000.

¹⁶ Coordination centres are headquarters of both Belgian and foreign multinationals, the purpose of which is to develop administrative, specialist and financial activities for the benefit of group members.

account and as financial institutions for their financial account¹⁷, which is why adding together the various sector totals would lead to double counting.

The coordination centre transactions are primarily financial; nevertheless, their transactions for the current account represent 10% of those of the non-financial companies.

Various sources were used for the purpose of this sectoral breakdown, such as:

the Classification of Institutional Sectors (CIS), Nominative content per (sub)sector; NAD – the business database of the National Accounts and lists of coordination centres.

- For the financial sector the following sectors were taken from the CIS¹⁸: banks, insurance companies, pension funds and other financial intermediaries.
The coordination centres were added on the basis of information available from the balance of payments service.
As these lists do not contain any historical record, it was necessary to consult other sources. We therefore took a selection for the above sectors from 1995-2000 from the business database (NAD) and combined them into a single file¹⁹. To reduce the numbers, we took only those which were also present in the residents file.
- The business database (NAD) was also used as a source for the general government declarants from 1995 to 2000 for sector 13 (general government). Out of the over 15,000 selected, there were only a few hundred which also appeared in the residents file.
- The generic declarants include professional individuals with no VAT number (1111), individuals acting in a personal capacity (2221), and unidentified other companies (10001)²⁰. Table 7 shows a breakdown of the generic declarants.

¹⁷ *In the case of the current account, the coordination centres account for intra-group payments, in other words they act as the paying or receiving party (payments agent or factoring) for third parties. When we finally determine the population we shall probably replace the coordination centres for the current account with the Belgian firms whose payments they take charge of settling. For the financial account, they were regarded from the start as a specific sector because there they act as a genuine counterpart and do not act on behalf of third parties.*

It is possible that the coordination centres may later be dealt with totally separately. However, in view of the criticism by the European authorities, the status of the coordination centres is uncertain.

¹⁸ *For the financial institutions, the following sectors were used in accordance with the classification of institutional sectors:*

S121 - Central bank

S122 – Other monetary financial institutions

S123 – Other financial intermediaries except insurance institutions and pension funds

S125 – Insurance institutions and pension funds

The sector S124 – Financial auxiliaries, was left with the non-financial companies.

The coordination centres were not included as such in the classification system; for the purpose of our analyses, we used available lists to add them to the financial institutions in the sectoral breakdown, but only for the financial account; for the current account they are included with the non-financial companies.

¹⁹ *In the case of the coordination centres, the NACEBEL code '74152 coordination centres' from the NAD business database was not a good indication since the number of companies found (600) was too high in comparison with the official list of coordination centres (roughly 200). The split between the NACEBEL code '74151 holding companies' and NACEBEL code '74152 coordination centres' is not entirely correct.*

²⁰ *This group includes Belgian residents waiting for a VAT number and firms with amounts below the threshold value, so that they need not be identified by the banks as intermediaries.*

Table 5 offers an indication of the importance of the various sectors.

Table 5: sectoral breakdown by value (in thousands EUR) debit + credit: partial aggregates

		1995	1996	1997	1998	1999	2000
Current account	F	150,119,223	165,099,018	214,003,801	311,806,371	292,675,997	314,046,790
	G	125,839,336	130,091,874	154,113,821	174,653,557	192,234,103	251,075,340
	NF	230,388,953	245,009,643	276,300,356	293,061,853	298,977,978	364,514,301
	O	1,316,682	1,394,194	1,974,364	4,465,664	9,306,599	9,479,027
Capital transfers	F	94,752	38,348	16,949	61,294	63,926	45,130
	G	455,809	550,402	421,839	381,625	639,635	405,204
	NF	42,980	56,578	144,233	93,833	109,626	422,989
	O	52,598	89,484	384,132	19,813	767	11,899
Financial account	F	3,688,995,941	6,063,385,651	7,773,629,836	11,034,046,136	11,584,604,846	12,873,441,623
	G	716,830,283	608,515,876	784,447,697	928,991,390	1,106,548,890	1,606,623,503
	NF	182,067,776	184,459,036	223,799,311	182,202,843	243,833,586	329,108,821
	O	446,230	303,693	45,667,129	139,321,805	218,946,569	287,668,793
Not specified	F	0	0	0	0	0	0
	G	22,379,991	22,869,505	24,417,310	24,940,325	26,836,402	29,686,609
	NF	0	0	0	0	0	0
	O	0	0	0	0	0	0

Annex 2 offers a more detailed sectoral breakdown for the year 2000.

Table 6 shows the sectoral breakdown in percent of the debit + credit values for all companies. For our analysis, the calculations were, of course, also carried out separately for debit and credit down to detailed heading level.

Table 6: sectoral breakdown in % of debit + credit value for all companies

		1995	1996	1997	1998	1999	2000
Current Acc	F	30.00%	30.48%	33.11%	39.77%	36.90%	33.44%
	G	24.79%	24.02%	23.84%	22.28%	24.24%	26.74%
	NF	45.38%	45.24%	42.74%	37.38%	37.69%	38.81%
	O	0.26%	0.26%	0.31%	0.57%	1.17%	1.01%
Financial Acc	F	80.00%	88.43%	88.06%	89.82%	88.07%	85.27%
	G	15.62%	8.87%	8.89%	7.56%	8.41%	10.64%
	NF	3.97%	2.69%	2.54%	1.48%	1.85%	2.18%
	O	0.01%	0.00%	0.52%	1.13%	1.66%	1.91%
General	F	75.00%	83.92%	84.09%	86.65%	84.99%	82.08%
	G	16.91%	10.27%	10.14%	8.62%	9.49%	11.75%
	NF	8.06%	5.79%	5.27%	3.63%	3.89%	4.32%
	O	0.04%	0.02%	0.51%	1.10%	1.63%	1.85%

The sectoral breakdown reveals the predominance of the financial sector. Financial companies represent most of the financial account. In the case of financial transactions, the assumption is that the banks provide exhaustive information on their own transactions.

Financial companies and general government declarants, for which a special collection system seems obvious, form a group of roughly 1200 declarants. **They need to be asked for information on their own, separately from non-financial companies.**

In the case of financial companies, which represent a fairly substantial weight and are ultimately only few in number, we can either conduct an exhaustive survey or select the main companies and supplement the data with estimates. In a separate reporting system we can decide later whether to make some separate provision per sub-sector for the banks, insurers, pension funds and coordination centres.

Another striking feature is the relatively high percentage of generic declarants. These attain high percentages for some headings, such as 'financial services', 'income' (credit), 'portfolio' (credit) and 'other financial transactions'. The division of the generic sector into 3 large groups allows us to state that the generic sector consists mainly of companies and to a lesser extent private individuals. This is clear from table 7.

Table 7: breakdown of the generic sector in percentages according to sub-components

Code	Description	1995	1996	1997	1998	1999	2000
1111	Professional individuals	5.1%	0.8%	0.9%	0.6%	0.8%	0.5%
2221	individuals acting in a personal capacity	2.7%	3.5%	2.1%	3.9%	7.8%	1.8%
10001	unidentified other companies	92.2%	95.7%	97.0%	95.5%	91.5%	97.7%

The predominance of unidentified other companies in the overall total of the generic declarants is clear from the summary table. Annexes 3a and 3b show the breakdown for the main aggregates.

How to incorporate the generic sector in the new system is a big question at the moment, and requires further investigation.

2.5 COMMERCIAL SERVICES DECLARANTS (CS)

The sectoral breakdown revealed that non-financial companies, which are the most numerous, are mainly important in the case of goods and transfers, followed by services (other than financial services). In the service category, it is mainly commercial services (with very high concentrations) that are handled principally by non-financial firms.

As for the goods in the current account the figures on foreign trade can be used as a source, and as financial institutions account for most of the income on the debit side, while generic declarants do so on the credit side, that leaves services as the third large block in which the non-financial firms play a major role²¹. The table below shows the percentage breakdown of the various elements of the current account.

Table 8: breakdown of the current account, 1995-2000

Current account	DC	1995	1996	1997	1998	1999	2000
1100000: goods	C	41.21%	41.43%	38.52%	33.24%	33.77%	34.67%
1100000: goods	D	44.45%	44.13%	41.24%	36.00%	36.20%	36.53%
1100000: goods	T	42.84%	42.79%	39.89%	34.62%	34.98%	35.61%
1200000: services	C	7.53%	7.54%	8.03%	6.78%	7.59%	7.47%
1200000: services	D	7.72%	7.33%	7.00%	6.27%	7.23%	7.42%
1200000: services	T	7.63%	7.44%	7.51%	6.53%	7.41%	7.44%
1300000: income	C	50.20%	50.10%	52.62%	59.22%	57.83%	57.08%
1300000: income	D	47.08%	47.70%	50.95%	56.99%	55.97%	55.49%
1300000: income	T	48.63%	48.89%	51.78%	58.10%	56.90%	56.28%
1400000: current transfers	C	1.06%	0.93%	0.83%	0.76%	0.82%	0.78%
1400000: current transfers	D	0.74%	0.84%	0.81%	0.74%	0.60%	0.56%
1400000: current transfers	T	0.90%	0.89%	0.82%	0.75%	0.71%	0.67%

Table 9 gives the breakdown of the various components of services. The main blocks are: commercial services and transport, followed by tourism and insurance. Each of these blocks needs to be examined separately.

²¹ NF: +-60%; F: +- 20%; G + O: +-20% of all undertakings together.

Table 9: breakdown of services in percentages of total services for 1995-2000

Services	DC	1995	1996	1997	1998	1999	2000
1210000: commercial services	C	38.34%	35.51%	32.91%	36.43%	31.96%	33.35%
1210000: commercial services	D	39.98%	40.98%	41.47%	43.71%	38.80%	40.03%
1210000: commercial services	T	39.18%	38.23%	36.91%	39.93%	35.31%	36.70%
1220000: financial services	C	3.89%	3.05%	3.10%	4.15%	2.81%	2.62%
1220000: financial services	D	5.30%	5.01%	5.67%	6.37%	5.04%	4.91%
1220000: financial services	T	4.61%	4.03%	4.30%	5.22%	3.90%	3.77%
1230000: tourism	C	11.60%	12.94%	10.51%	11.52%	15.76%	14.95%
1230000: tourism	D	4.66%	5.26%	4.25%	5.82%	10.86%	10.47%
1230000: tourism	T	8.06%	9.12%	7.59%	8.79%	13.36%	12.70%
1240000: transport	C	26.69%	25.13%	23.01%	22.30%	19.99%	22.85%
1240000: transport	D	32.39%	31.77%	32.56%	31.10%	27.62%	27.61%
1240000: transport	T	29.60%	28.43%	27.48%	26.53%	23.73%	25.24%
1250000: insurance and reinsurance	C	11.25%	10.47%	11.54%	12.17%	11.49%	9.26%
1250000: insurance and reinsurance	D	8.66%	8.28%	8.20%	8.31%	8.53%	8.56%
1250000: insurance and reinsurance	T	9.93%	9.38%	9.98%	10.32%	10.04%	8.91%
1260000: Belgian representation abroad	C	7.29%	12.10%	18.12%	11.64%	0.50%	0.81%
1260000: Belgian representation abroad	D	8.09%	8.08%	7.40%	3.39%	0.28%	0.09%
1260000: Belgian representation abroad	T	7.70%	10.10%	13.11%	7.68%	0.39%	0.45%
1270000: other public services	C	0.93%	0.79%	0.81%	1.79%	17.48%	16.16%
1270000: other public services	D	0.93%	0.61%	0.44%	1.29%	8.87%	8.34%
1270000: other public services	T	0.93%	0.70%	0.64%	1.55%	13.27%	12.23%

The first services block to be examined is commercial services, since these represent the highest weight. Of all companies which submit declarations for commercial services headings, **only those from non-financial companies were retained**, because they represent roughly 90% of all commercial services declarants.

The table below shows the number of firms per sector submitting declarations for commercial services. Out of the non-financial companies, roughly 1200 firms were selected (nCS85%) covering 85% of commercial services in the non-financial companies group. However, we would point out that this percentage is lower if we consider coverage in relation to all companies. This is shown in table 11 (CS85%/All instead of CS85%/NF).

Table 10: number of commercial services declarants per sector for 1995-2000 and number of firms out of selection of 85% of non-financial services declarants.

Year	DC	nTOT	nF	nG	nNF	nO	nCS85%	nCS85%C	nCS85%F
1995	T	8,722	218	3	8,477	24	1,242	906	336
1996	T	8,947	243	3	8,658	43	1,334	958	376
1997	T	9,364	246	3	9,071	44	1,270	871	399
1998	T	9,675	270	3	9,341	61	1,204	770	434
1999	T	9,675	274	3	9,346	52	1,143	794	349
2000	T	10,695	285	3	10,345	62	1,048	792	256

Originally, we only took a selection of non-financial firms submitting declarations for commercial services and covering 85% of commercial services (nCS85%C) among non-financial firms²². Table 11 shows the ratio of commercial services declarants per sector.

Table 11: ratios per sector in relation to all commercial services companies for 1995-2000

Year	DC	ValueAll	F/All	G/All	NF/All	O/All	CS85%/All	CS85%/NF
1995	C	7,273,193,639	2.82%	10.31%	86.74%	0.13%	75.71%	87.29%
1995	D	7,892,598,224	2.86%	10.76%	86.09%	0.29%	73.46%	85.34%
1995	T	15,165,791,863	2.84%	10.54%	86.40%	0.22%	74.54%	86.28%
1996	C	7,190,387,386	2.74%	10.01%	87.04%	0.22%	76.05%	87.38%
1996	D	8,205,444,931	2.57%	9.30%	87.63%	0.50%	75.07%	85.67%
1996	T	15,395,832,317	2.65%	9.63%	87.35%	0.37%	75.53%	86.46%
1997	C	8,509,147,179	2.29%	8.95%	88.48%	0.28%	77.61%	87.71%
1997	D	9,414,467,404	1.77%	8.38%	89.13%	0.71%	76.06%	85.33%
1997	T	17,923,614,583	2.02%	8.65%	88.82%	0.51%	76.79%	86.46%
1998	C	9,689,010,652	2.53%	8.35%	88.74%	0.38%	78.30%	88.24%
1998	D	10,734,975,722	1.96%	7.69%	89.70%	0.65%	76.29%	85.04%
1998	T	20,423,986,374	2.23%	8.00%	89.25%	0.52%	77.24%	86.55%
1999	C	9,593,690,140	3.41%	11.42%	84.91%	0.26%	73.81%	86.93%
1999	D	11,151,816,874	1.77%	7.82%	89.99%	0.42%	77.13%	85.71%
1999	T	20,745,507,014	2.53%	9.49%	87.64%	0.35%	75.60%	86.26%
2000	C	11,610,934,059	3.03%	9.22%	87.14%	0.61%	74.83%	85.88%
2000	D	14,049,587,518	1.53%	6.73%	91.30%	0.45%	78.35%	85.82%
2000	T	25,660,521,577	2.21%	7.85%	89.41%	0.52%	76.76%	85.85%

The firms selected also provide good coverage for the detailed commercial services headings, as may be seen from Annex 4.

Since these firms offered barely 50% coverage for the financial account, an additional selection (nCS85%F) was made from among the total non-financial commercial services declarants, but concentrating on the most important ones for the financial account, in order to ensure 85% coverage there, too (see Annex 5).

Since there are sometimes major shifts in this selection, the numbers can fluctuate widely²³. Annex 6 reveals a significant drop in coverage if the firms selected nCS85% for 2000 are used to determine coverage in preceding years. The dynamic character of the firms plays a major role here, so that an annual update of the list of declarants seems unavoidable.

The selection of approximately 1200 commercial services declarants (nCS85%) which provide roughly 85% coverage within the non-financial companies offers coverage of approximately 75% in relation to all companies (CS85%All). The share of generic declarants is the main remaining problem here. It is noticeable that, in the future, the coverage for the financial account of non-financial commercial services declarants is not so obvious and is even difficult to detect without additional external sources. Specific surveys (direct investment, portfolio investment, etc.) could provide supplementary data here.

²² First we examined how many firms were needed to provide coverage of commercial services ranging from 5% to 100%. The table below shows the number of firms needed to provide coverage of 75% to 100% for commercial services for the year 2000.

coverage CSx%C	75%	80%	85%	90%	95%	100%
number	365	522	792	1,292	2,394	10,345

For the additional coverage of the financial account within commercial services declarants (nCSx%F) it is necessary to add a number of undertakings to the initial selection. For an 85% selection for the year 2000, the initial selection of 792 firms (nCS85%C) was therefore supplemented by 256 firms (nCS85%F) to arrive at a selection of 1,048 undertakings. To achieve a higher coverage would entail too sharp an increase in the number of firms asked to supply information, hence our (provisional) decision in favour of 85% coverage.

²³ The additional selection for the financial account in non-financial commercial services declarants shows a marked fall for the years 1998-2000 (indicated in bold in table 8). This is due mainly to a few companies which suddenly record a massive increase for the financial account headings, so that a smaller number of undertakings is necessary to achieve 85% coverage for the financial account in commercial services declarants.

2.6 LINK WITH THE MAIN FOREIGN TRADE DECLARANTS (EX)

The foreign trade figures can also be used for the balance of payments in the case of the main transactions in goods. We also assumed that there is a link between goods transactions and the financial account.

To investigate this, we used the foreign trade files with data on EI (export intra), EX (export extra), II (import intra) and IX (import extra) for 40,000 firms. We took a selection from these by adding up the figures for EI, EX, II and IX and arranging them in descending order of importance. In order to select only the residents, we established a link with the 'Residents' records.

Out of the foreign trade companies arranged in order of importance and entered as residents in the balance of payments, we included the 1000 most important in a 'Top1000EX'. For these 1000 firms we traced the amounts in the balance of payments.

This analysis of the 1000 most important foreign trade companies (EX) reveals that there is indeed a connection between companies which are active in foreign trade and the transactions for the financial account in the balance of payments.

Table 12: top 1000 foreign trade firms and their coverage in the balance of payments

Description code	DC	EX1995	EX1996	EX1997	EX1998	EX1999	EX2000
0: general total	C	67.5	65.3	67.0	56.7	53.3	54.7
0: general total	D	69.2	66.9	68.2	58.9	54.0	54.6
0: general total	T	68.4	66.1	67.6	57.8	53.7	54.6
1000000: current account	C	55.1	55.9	56.4	53.5	55.9	55.8
1000000: current account	D	59.4	59.0	60.2	57.8	56.2	56.8
1000000: current account	T	57.4	57.5	58.4	55.7	56.0	56.3
1210000: commercial services	C	45.5	47.6	47.2	43.0	39.1	34.6
1210000: commercial services	D	22.1	23.8	22.2	21.2	20.5	22.9
1210000: commercial services	T	33.4	34.9	34.0	31.5	28.9	28.1
3000000: financial account	C	82.8	77.4	79.7	61.6	50.4	53.5
3000000: financial account	D	81.9	77.7	78.4	60.7	51.2	52.0
3000000: financial account	T	82.3	77.5	79.1	61.1	50.8	52.7

In regard to Table 12, we should mention the distortion caused by some particular transactions for the years 1995-1997, but subsequently reverted to normal proportions. If we eliminate this distortion, then the Top 1000 foreign trade firms provide coverage of around 50% for the financial account of non-financial firms. This may be useful for grossing up the declarants records.

2.7 LINK WITH BUSINESS DATABASE (NAD) VIA NACE AND TURNOVER

By arranging the companies in the business database according to their NACE code (**5 digits**²⁴), attributing a ranking (R) according to their importance on the basis of 'Turnover', and linking these data with the balance of payments data (selection of nCS85%) we found that the firms which we had selected from among the commercial services declarants rank fairly highly within their NACE code (see table 13). This fact may be of use if it is necessary to gross up our declarants records. However, the problem is that NAD contains over 500 000 companies, only some of which effect transactions with foreign countries. In order to make this distinction, we need additional information from other sources²⁵.

²⁴ According to Council Regulation (EEC) No 3037/90 concerning UNIT B6 Eurostat Classifications, NACE Rev. 1 of 30/06/93, there are 1087 different 5-digit NACE codes. Although there are minor differences between NACE and NACEBEL (the classification used in Belgium), this number of codes gives a good indication.

²⁵ The statistical annex to the annual accounts of undertakings provided from financial year 2002 onwards, and the VAT records may offer a partial solution.

Table 13: number of companies ranking 1 to 10 according to NACE from NAD linked to our 85% selection of commercial services declarants

R	1995	1996	1997	1998	1999	2000
1	191	192	199	196	168	173
2	100	115	120	120	106	96
3	81	94	93	99	89	69
4	59	68	66	67	57	50
5	46	56	56	61	39	38
6	43	43	43	46	47	33
7	36	41	37	33	34	24
8	29	28	32	34	30	21
9	25	30	27	20	18	21
10	28	25	28	22	21	22
sum	638	692	701	698	609	547

The table shows that a large proportion (half) of the 85% selection from commercial services declarants ranks between 1 and 10. Admittedly, some sectors are represented by far more than 10 companies in our 85% selection, as is evident from table 14.

The table shows the NACE codes covering most of the firms in our 85% selection. Altogether, over the 6 years, roughly 405 NACE codes²⁶ are represented in our selection, 200 of which are present in all years.

²⁶ *The number of different NACE codes from our 85% selection per year: 297 (1995), 315 (1996), 321 (1997), 317 (1998) 286 (1999), 267 (2000).*

Table 14: selection of the NACE codes with number of companies from our 85% selection

NACE	Description	Gem	1995	1996	1997	1998	1999	2000
74152	Coordination centres	98	115	121	98	78	84	93
74131	Market research agencies	40	47	46	37	40	38	36
	Not identified	39	49	59	51	26	48	2
74203	Technical design and engineering activities	31	29	34	38	29	28	29
51460	Wholesale of pharmaceutical goods	30	35	37	31	31	28	19
51550	Wholesale of chemical products	29	35	27	35	30	25	27
72100	Hardware consultancy	24	19	20	25	26	25	32
51640	Wholesale of office machinery and equipment	23	26	22	27	25	21	22
72200	Software consultancy and supply	22	19	19	20	22	24	28
74401	Advertising	21	24	24	19	18	22	21
74142	Other management consultancy	21	16	19	18	22	26	30
74151	Management activities of holding companies	17	12	13	17	15	19	29
51651	Wholesale of electrical and electronic equipment	15	15	16	20	15	15	12
51430	Wholesale of electrical household appliances	15	18	18	13	13	17	14
64200	Telecommunications	15	9	12	14	15	17	27
24421	Manufacture of pharmaceutical preparations	14	16	17	15	13	13	14
51652	Wholesale of other machinery and equipment	14	16	19	17	11	12	10
51510	Wholesale of solid, liquid and gaseous fuels	13	14	16	12	14	13	10
50101	Sale of motor vehicles	12	11	13	13	14	14	9
24160	Manufacture of plastics in primary forms	12	14	15	12	12	11	8
73100	Research and experimental development	12	12	14	13	10	13	11
24140	Manufacture of other organic basic chemicals	10	12	14	12	10	10	5
34300	Manufacture of parts and accessories for motor vehic.	10	10	10	6	13	13	9
50301	Sale of motor vehicle parts and accessories	10	10	14	12	11	9	9
28110	Manufacture of metal structures and parts	9	8	9	7	10	12	8
25240	Manufacture of other plastic products	9	9	8	9	12	10	7
74124	Tax consultancy	8	7	7	10	9	7	12
51520	Wholesale of metals and metal ores	8	13	11	12	8	4	2
74111	Legal activities	8	5	5	4	9	11	14

The selection of NACE codes is influenced by the ones selected on the basis of importance in the financial account. There is greater variability here than in the selection based on importance in the commercial services heading.

It is still difficult to provide a supplementary estimate for the financial account because it was not possible to select on the basis of turnover certain companies such as holding companies and coordination centres which sometimes have no turnover in NAD. Other sources (surveys) are necessary to detect this type of firm. Firms incorporated under foreign law are also a problem.

3. REMAINING PROBLEMS

The initial analyses already reveal some pressing problems which demand a specific solution. We note that the generic declarants form a significant percentage of the coverage for certain headings. If we work with a small group of firms providing 85% coverage for the commercial services headings, we still need to find a method of estimating the remaining 15% not covered for the non-financial firms.

The headings where coverage is still inadequate (transport, tourism, etc.) and the other sectors still need to be examined.

4. CONCLUSIONS

As DDG (direct reporters) it is best if we work on a monthly basis for the new system with a small number of reporters, based on 80% to 85% coverage for commercial services, if possible supplemented by 75% to 80% coverage for the financial account in commercial services declarants, based on the latest available data. Our current analyses run from 1995 to 2000; we therefore still have to make a selection for the year 2001 (and subsequent years). In view of the highly dynamic nature of the population of companies, our DDG records need to be grossed up every year. Apart from commercial services, the transport sector and tourism also require special treatment. Specifically targeted quarterly surveys could supplement the information obtained.

Annex 1a: values (in thousands EUR) for all firms: aggregates for 1995-2000

Description	DC	1995	1996	1997	1998	1999	2000
0: general total	C	2,560,119,976	3,713,704,480	4,755,472,635	6,560,454,493	7,013,160,264	8,034,874,391
0: general total	D	2,558,910,578	3,708,158,822	4,743,848,144	6,533,592,014	6,961,618,661	8,031,655,639
0: general total	T	5,119,030,554	7,421,863,302	9,499,320,779	13,094,046,508	13,974,778,925	16,066,530,030
1000000: current account	C	252,057,035	268,402,541	321,881,310	392,220,572	395,528,431	466,153,763
1000000: current account	D	255,607,158	273,192,188	324,511,032	391,766,873	397,666,246	472,961,697
1000000: current account	T	507,664,194	541,594,729	646,392,343	783,987,445	793,194,676	939,115,459
1100000: goods	C	103,875,627	111,190,941	123,991,692	130,372,614	133,551,801	161,618,661
1100000: goods	D	113,625,979	120,551,745	133,843,578	141,045,731	143,938,236	172,769,074
1100000: goods	T	217,501,606	231,742,686	257,835,270	271,418,345	277,490,037	334,387,735
1200000: services	C	18,969,638	20,246,583	25,857,949	26,598,337	30,016,493	34,820,533
1200000: services	D	19,743,139	20,022,303	22,700,407	24,557,246	28,739,890	35,096,081
1200000: services	T	38,712,777	40,268,885	48,558,356	51,155,584	58,756,383	69,916,614
1300000: income	C	126,533,563	134,465,678	169,358,358	232,270,653	228,733,230	266,066,079
1300000: income	D	120,337,782	130,311,359	165,346,005	223,254,787	222,586,520	262,464,605
1300000: income	T	246,871,345	264,777,037	334,704,363	455,525,440	451,319,750	528,530,684
1400000: current transfers	C	2,678,208	2,499,338	2,673,312	2,978,967	3,226,907	3,648,489
1400000: current transfers	D	1,900,258	2,306,781	2,621,042	2,909,108	2,401,599	2,631,937
1400000: current transfers	T	4,578,466	4,806,120	5,294,353	5,888,075	5,628,507	6,280,426
2000000: capital transfers	C	312,349	306,274	302,058	322,701	445,968	655,457
2000000: capital transfers	D	333,791	428,538	665,096	233,863	367,986	229,765
2000000: capital transfers	T	646,139	734,812	967,154	556,564	813,954	885,222
3000000: financial account	C	2,296,157,016	3,433,138,433	4,420,828,919	6,154,575,045	6,602,777,229	7,551,694,732
3000000: financial account	D	2,292,183,214	3,423,525,823	4,406,715,054	6,129,987,130	6,551,156,662	7,545,148,008
3000000: financial account	T	4,588,340,230	6,856,664,256	8,827,543,973	12,284,562,174	13,153,933,891	15,096,842,740
3100000: direct investment	C	345,609,110	397,112,260	413,141,489	651,743,923	857,457,533	640,373,863
3100000: direct investment	D	345,457,013	403,288,591	420,138,536	654,003,344	866,252,390	624,929,891
3100000: direct investment	T	691,066,123	800,400,851	833,280,025	1,305,747,267	1,723,709,924	1,265,303,755
3200000: portfolio	C	1,361,857,051	2,507,085,875	3,373,812,990	4,697,911,642	4,878,399,948	5,838,719,698
3200000: portfolio	D	1,365,509,509	2,501,427,891	3,352,314,025	4,670,374,123	4,820,099,739	5,849,817,657
3200000: portfolio	T	2,727,366,559	5,008,513,766	6,726,127,015	9,368,285,765	9,698,499,687	11,688,537,355
3300000: derivatives	C	17,214,528	18,681,924	28,374,298	74,917,631	75,564,562	101,935,651
3300000: derivatives	D	17,443,960	18,357,020	28,105,731	74,688,976	75,382,490	102,120,180
3300000: derivatives	T	34,658,488	37,038,944	56,480,029	149,606,607	150,947,052	204,055,831
3400000: other investment	C	568,057,893	510,134,985	605,272,290	729,972,409	791,304,528	970,614,132
3400000: other investment	D	561,781,422	500,243,534	605,795,311	730,253,960	789,355,418	968,244,925
3400000: other investment	T	1,129,839,316	1,010,378,519	1,211,067,601	1,460,226,369	1,580,659,946	1,938,859,057
3500000: other	C	3,418,434	123,389	227,852	29,439	50,658	51,387
3500000: other	D	1,991,310	208,787	361,451	666,726	66,625	35,355
3500000: other	T	5,409,744	332,176	589,303	696,166	117,283	86,743
4000000: not specified	C	11,593,575	11,857,233	12,460,348	13,336,176	14,408,636	16,370,439
4000000: not specified	D	10,786,416	11,012,273	11,956,962	11,604,149	12,427,766	13,316,170
4000000: not specified	T	22,379,991	22,869,505	24,417,310	24,940,325	26,836,402	29,686,609

Annex 1b: number of firms: aggregates for 1995-2000

Description	DC	1995	1996	1997	1998	1999	2000
0: general total	C	27814	28625	29401	30714	31045	32579
0: general total	D	25186	26557	28033	29345	30463	32856
0: general total	T	37177	38540	40142	42098	43221	45897
1000000: current account	C	26253	27051	27655	28700	28741	30175
1000000: current account	D	23663	24861	26186	27093	27998	30123
1000000: current account	T	35099	36352	37805	39253	40000	42464
1100000: goods	C	23355	24049	24698	25557	25725	26904
1100000: goods	D	19483	20617	21781	22733	23712	25436
1100000: goods	T	30598	31718	33130	34486	35387	37412
1200000: services	C	7277	7462	7636	7815	7910	8587
1200000: services	D	7985	8120	8434	8685	8455	9388
1200000: services	T	11587	11857	12227	12586	12506	13787
1300000: income	C	2648	2752	2706	2788	2653	2624
1300000: income	D	2078	2003	2063	2100	2143	2210
1300000: income	T	3732	3795	3754	3798	3736	3729
1400000: current transfers	C	1290	1283	1373	1563	1680	1865
1400000: current transfers	D	1335	1407	1565	1547	1558	1689
1400000: current transfers	T	2200	2275	2463	2624	2778	3078
2000000: capital transfers	C	105	125	96	106	148	202
2000000: capital transfers	D	101	102	71	75	51	124
2000000: capital transfers	T	180	192	148	159	184	306
3000000: financial account	C	6113	6341	6763	7271	7931	8298
3000000: financial account	D	6196	6574	6998	7734	8153	9012
3000000: financial account	T	8874	9305	9846	10863	11771	12650
3100000: direct investment	C	2700	2899	3152	3261	3818	4054
3100000: direct investment	D	2686	2847	2829	2946	3127	3674
3100000: direct investment	T	4277	4572	4735	4885	5423	5990
3110000: actif	C	1884	1889	2006	2127	2392	2425
3110000: active	D	1220	1147	1220	1211	1309	1543
3110000: active	T	2511	2487	2643	2744	3039	3261
3200000: portfolio	C	973	931	1126	1314	1189	1321
3200000: portfolio	D	725	919	1192	1301	1293	1405
3200000: portfolio	T	1311	1394	1740	1979	1917	2054
3300000: derivatives	C	136	139	174	205	213	226
3300000: derivatives	D	126	130	147	180	176	219
3300000: derivatives	T	168	175	219	261	261	300
3400000: other investment	C	3830	3964	4041	4385	4726	4861
3400000: other investment	D	4039	4078	4274	4745	5137	5552
3400000: other investment	T	5471	5563	5723	6387	7023	7500
3500000: other	C	42	26	35	33	34	19
3500000: other	D	36	26	54	296	104	74
3500000: other	T	62	40	74	317	120	84
4000000: not specified	C	1	1	1	1	1	1
4000000: not specified	D	1	1	1	1	1	1
4000000: not specified	T	1	1	1	1	1	1

Annex 2: headings in % of level +1 and sectoral breakdown: values (in thousands EUR) and percentages for the year 2000

Code&Description		%	Amounts in billions EUR					%			
			Rub/Agg	All	F	G	NF	O	RatioF	RatioG	RatioNF
0: general total	C	100.0%	8,034.9	5,776.5	1,762.0	345.4	150.9	71.9%	21.9%	4.3%	1.9%
0: general total	D	100.0%	8,031.7	7,411.0	125.8	348.6	146.3	92.3%	1.6%	4.3%	1.8%
0: general total	T	100.0%	16,066.5	13,187.5	1,887.8	694.0	297.2	82.1%	11.7%	4.3%	1.8%
1000000: current account	C	5.8%	466.2	63.2	220.5	176.2	6.2	13.6%	47.3%	37.8%	1.3%
1000000: current account	D	5.9%	473.0	250.8	30.6	188.3	3.3	53.0%	6.5%	39.8%	0.7%
1000000: current account	T	5.8%	939.1	314.0	251.1	364.5	9.5	33.4%	26.7%	38.8%	1.0%
1100000: goods	C	34.7%	161.6	2.4	10.7	148.4	0.2	1.5%	6.6%	91.8%	0.1%
1100000: goods	D	36.5%	172.8	1.6	11.6	159.5	0.0	0.9%	6.7%	92.3%	0.0%
1100000: goods	T	35.6%	334.4	4.0	22.4	307.9	0.2	1.2%	6.7%	92.1%	0.1%
1200000: services	C	7.5%	34.8	6.6	2.7	20.2	5.3	19.0%	7.8%	57.9%	15.3%
1200000: services	D	7.4%	35.1	5.4	3.2	23.6	2.9	15.4%	9.2%	67.2%	8.2%
1200000: services	T	7.4%	69.9	12.0	6.0	43.7	8.2	17.2%	8.5%	62.5%	11.8%
1300000: income	C	57.1%	266.1	54.1	206.2	5.7	0.1	20.3%	77.5%	2.1%	0.0%
1300000: income	D	55.5%	262.5	243.7	14.9	3.7	0.2	92.8%	5.7%	1.4%	0.1%
1300000: income	T	56.3%	528.5	297.8	221.1	9.4	0.3	56.3%	41.8%	1.8%	0.0%
1400000: current transfers	C	0.8%	3.6	0.1	0.8	2.1	0.6	3.8%	23.2%	56.2%	16.7%
1400000: current transfers	D	0.6%	2.6	0.1	0.8	1.5	0.2	4.1%	31.9%	56.0%	8.0%
1400000: current transfers	T	0.7%	6.3	0.2	1.7	3.5	0.8	3.9%	26.9%	56.1%	13.0%
2000000: capital transfers	C	0.0%	0.7	0.0	0.2	0.4	0.0	2.4%	34.9%	61.0%	1.8%
2000000: capital transfers	D	0.0%	0.2	0.0	0.2	0.0	0.0	12.9%	76.9%	10.2%	0.0%
2000000: capital transfers	T	0.0%	0.9	0.0	0.4	0.4	0.0	5.1%	45.8%	47.8%	1.3%
3000000: financial account	C	94.0%	7,551.7	5,713.3	1,524.9	168.8	144.7	75.7%	20.2%	2.2%	1.9%
3000000: financial account	D	93.9%	7,545.1	7,160.1	81.7	160.3	143.0	94.9%	1.1%	2.1%	1.9%
3000000: financial account	T	94.0%	15,096.8	12,873.4	1,606.6	329.1	287.7	85.3%	10.6%	2.2%	1.9%
3100000: direct investment	C	8.5%	640.4	543.8	2.9	93.6	0.0	84.9%	0.5%	14.6%	0.0%
3100000: direct investment	D	8.3%	624.9	536.8	3.7	84.5	0.0	85.9%	0.6%	13.5%	0.0%
3100000: direct investment	T	8.4%	1,265.3	1,080.6	6.7	178.0	0.0	85.4%	0.5%	14.1%	0.0%
3200000: portfolio	C	77.3%	5,838.7	4,313.0	1,517.1	8.2	0.4	73.9%	26.0%	0.1%	0.0%
3200000: portfolio	D	77.5%	5,849.8	5,768.1	74.5	7.2	0.1	98.6%	1.3%	0.1%	0.0%
3200000: portfolio	T	77.4%	11,688.5	10,081.1	1,591.6	15.4	0.5	86.2%	13.6%	0.1%	0.0%
3300000: derivatives	C	1.3%	101.9	92.3	1.2	5.1	3.3	90.5%	1.2%	5.0%	3.3%
3300000: derivatives	D	1.4%	102.1	92.7	0.6	5.3	3.5	90.8%	0.6%	5.2%	3.4%
3300000: derivatives	T	1.4%	204.1	185.0	1.8	10.4	6.9	90.7%	0.9%	5.1%	3.4%
3400000: other investment	C	12.9%	970.6	764.2	3.5	61.9	141.0	78.7%	0.4%	6.4%	14.5%
3400000: other investment	D	12.8%	968.2	762.6	2.9	63.3	139.4	78.8%	0.3%	6.5%	14.4%
3400000: other investment	T	12.8%	1,938.9	1,526.8	6.4	125.3	280.3	78.7%	0.3%	6.5%	14.5%
3500000: other	C	0.0%	0.1	0.0	0.0	0.0	0.0	2.1%	95.1%	2.7%	0.0%
3500000: other	D	0.0%	0.0	0.0	0.0	0.0	0.0	6.1%	71.3%	22.6%	0.0%
3500000: other	T	0.0%	0.1	0.0	0.1	0.0	0.0	3.8%	85.4%	10.8%	0.0%
4000000: not specified	C	0.2%	16.4	0.0	16.4	0.0	0.0	0.0%	100.0%	0.0%	0.0%
4000000: not specified	D	0.2%	13.3	0.0	13.3	0.0	0.0	0.0%	100.0%	0.0%	0.0%
4000000: not specified	T	0.2%	29.7	0.0	29.7	0.0	0.0	0.0%	100.0%	0.0%	0.0%

Annex 3a: breakdown of the generic sector in percentage according to sub-components 1995-1997

Heading	DC	1995	1995	1995	1996	1996	1996	1997	1997	1997
		1111	2221	10001	1111	2221	10001	1111	2221	10001
0: general total	C	3.2%	1.8%	95.1%	0.3%	2.0%	97.7%	0.4%	1.2%	98.4%
0: general total	D	12.5%	6.4%	81.1%	4.6%	16.1%	79.3%	7.5%	13.7%	78.8%
0: general total	T	5.1%	2.7%	92.2%	0.8%	3.5%	95.7%	0.9%	2.1%	97.0%
1000000: current account	C	0.3%	1.5%	98.2%	0.4%	1.0%	98.7%	0.2%	0.9%	98.8%
1000000: current account	D	2.4%	9.1%	88.6%	2.7%	8.6%	88.7%	2.3%	9.1%	88.6%
1000000: current account	T	0.7%	2.8%	96.6%	0.7%	2.2%	97.1%	0.5%	2.1%	97.3%
1100000: goods	C	0.6%	5.2%	94.2%	0.9%	2.2%	96.9%	1.0%	1.9%	97.2%
1100000: goods	D	1.6%	4.8%	93.6%	0.9%	1.8%	97.3%	1.1%	2.5%	96.4%
1100000: goods	T	1.1%	5.0%	93.9%	0.9%	2.0%	97.1%	1.1%	2.2%	96.8%
1200000: services	C	2.2%	17.0%	80.7%	2.5%	15.0%	82.5%	3.6%	20.4%	76.1%
1200000: services	D	3.0%	22.8%	74.2%	7.3%	23.5%	69.2%	3.7%	29.3%	67.1%
1200000: services	T	2.6%	19.8%	77.6%	5.2%	19.7%	75.1%	3.6%	25.5%	70.9%
1300000: income	C	0.1%	0.2%	99.7%	0.1%	0.2%	99.7%	0.0%	0.2%	99.7%
1300000: income	D	1.4%	4.2%	94.4%	1.0%	5.5%	93.6%	1.1%	4.7%	94.2%
1300000: income	T	0.2%	0.5%	99.3%	0.2%	0.5%	99.3%	0.1%	0.5%	99.4%
1400000: current transfers	C	21.4%	25.2%	53.4%	17.6%	27.2%	55.2%	11.5%	34.4%	54.2%
1400000: current transfers	D	17.0%	38.0%	45.0%	12.7%	38.5%	48.7%	18.8%	37.0%	44.2%
1400000: current transfers	T	19.1%	32.1%	48.9%	14.8%	33.7%	51.5%	15.9%	35.9%	48.2%
2000000: capital transfers	C	16.7%	29.2%	54.2%	4.1%	46.7%	49.2%	4.2%	72.0%	23.8%
2000000: capital transfers	D	4.3%	49.9%	45.9%	19.5%	45.2%	35.3%	2.9%	66.2%	30.9%
2000000: capital transfers	T	11.0%	38.6%	50.4%	12.7%	45.9%	41.4%	3.5%	69.1%	27.4%
3000000: financial account	C	3.8%	1.8%	94.4%	0.3%	2.2%	97.5%	0.4%	1.3%	98.3%
3000000: financial account	D	14.9%	6.4%	78.7%	6.3%	22.5%	71.2%	13.7%	21.5%	64.9%
3000000: financial account	T	6.0%	2.8%	91.2%	0.8%	3.9%	95.3%	1.0%	2.1%	96.9%
3100000: direct investment	C	7.5%	47.5%	45.0%	20.1%	42.5%	37.4%	13.2%	46.1%	40.7%
3100000: direct investment	D	14.9%	43.3%	41.8%	24.6%	33.2%	42.2%	12.3%	53.1%	34.7%
3100000: direct investment	T	11.6%	45.2%	43.2%	22.7%	37.3%	40.1%	12.7%	50.1%	37.2%
3200000: portfolio	C	3.6%	1.7%	94.7%	0.2%	1.9%	97.9%	0.4%	1.0%	98.6%
3200000: portfolio	D	17.4%	6.8%	75.8%	6.1%	20.6%	73.3%	13.8%	19.9%	66.3%
3200000: portfolio	T	6.0%	2.6%	91.4%	0.6%	3.2%	96.1%	0.8%	1.7%	97.5%
3300000: derivatives	C	4.8%	3.6%	91.7%	0.4%	6.7%	92.9%	2.5%	19.3%	78.2%
3300000: derivatives	D	4.6%	14.3%	81.1%	0.6%	8.1%	91.3%	2.3%	16.1%	81.5%
3300000: derivatives	T	4.7%	9.4%	85.9%	0.5%	7.4%	92.1%	2.4%	17.7%	79.9%
3400000: other investment	C	1.9%	2.4%	95.7%	3.9%	28.9%	67.2%	6.9%	22.5%	70.5%
3400000: other investment	D	2.5%	3.1%	94.5%	3.5%	34.1%	62.4%	12.6%	19.0%	68.4%
3400000: other investment	T	2.2%	2.7%	95.2%	3.7%	31.6%	64.8%	9.9%	20.7%	69.4%
3500000: other	C	94.6%	1.4%	3.9%		62.3%	37.7%	54.9%	28.2%	16.9%
3500000: other	D	89.1%	1.8%	9.1%	0.9%	66.1%	33.0%	76.1%	15.4%	8.5%
3500000: other	T	91.9%	1.6%	6.6%	0.5%	64.3%	35.3%	68.1%	20.2%	11.7%
4000000: not specified	C			100%			100%			100%
4000000: not specified	D			100%			100%			100%
4000000: not specified	T			100%			100%			100%

Annex 3a: breakdown of the generic sector in percentage according to sub-components 1998-2000

Heading	DC	1998	1998	1998	1999	1999	1999	2000	2000	2000
		1111	2221	10001	1111	2221	10001	1111	2221	10001
0: general total	C	0.3%	2.2%	97.5%	0.4%	4.4%	95.2%	0.3%	1.0%	98.8%
0: general total	D	3.4%	21.1%	75.5%	3.8%	36.8%	59.4%	3.1%	13.7%	83.2%
0: general total	T	0.6%	3.9%	95.5%	0.8%	7.8%	91.5%	0.5%	1.8%	97.7%
1000000: current account	C	0.2%	0.8%	99.0%	0.3%	0.8%	99.0%	0.2%	0.6%	99.2%
1000000: current account	D	1.4%	10.3%	88.3%	1.8%	8.7%	89.5%	1.5%	8.0%	90.5%
1000000: current account	T	0.4%	2.2%	97.4%	0.5%	1.8%	97.7%	0.4%	1.5%	98.2%
1100000: goods	C	1.5%	1.9%	96.7%	2.5%	2.8%	94.7%	1.5%	4.0%	94.5%
1100000: goods	D	1.2%	3.0%	95.9%	2.1%	3.0%	94.9%	1.6%	4.4%	94.0%
1100000: goods	T	1.3%	2.4%	96.3%	2.3%	2.9%	94.8%	1.6%	4.2%	94.2%
1200000: services	C	3.1%	18.9%	78.0%	2.2%	23.8%	74.0%	5.2%	15.1%	79.7%
1200000: services	D	2.7%	25.5%	71.8%	3.7%	16.2%	80.1%	2.7%	14.5%	82.9%
1200000: services	T	2.9%	22.6%	74.6%	3.0%	19.9%	77.1%	3.8%	14.7%	81.5%
1300000: income	C	0.0%	0.2%	99.8%	0.0%	0.1%	99.9%	0.0%	0.1%	99.9%
1300000: income	D	0.7%	9.8%	89.5%	0.7%	9.3%	90.1%	0.6%	7.5%	91.9%
1300000: income	T	0.1%	0.8%	99.1%	0.1%	0.7%	99.2%	0.1%	0.6%	99.4%
1400000: current transfers	C	8.1%	42.4%	49.4%	8.8%	42.5%	48.7%	10.4%	42.5%	47.2%
1400000: current transfers	D	7.5%	51.1%	41.4%	9.3%	50.3%	40.4%	10.0%	41.3%	48.7%
1400000: current transfers	T	7.8%	47.0%	45.2%	9.1%	46.4%	44.5%	10.2%	41.9%	47.9%
2000000: capital transfers	C	0.6%	77.3%	22.1%	1.1%	87.3%	11.7%	1.7%	80.8%	17.5%
2000000: capital transfers	D	3.3%	68.4%	28.3%	0.2%	83.0%	16.8%	1.4%	84.0%	14.7%
2000000: capital transfers	T	1.8%	73.4%	24.8%	0.7%	85.6%	13.7%	1.6%	82.2%	16.3%
3000000: financial account	C	0.4%	2.5%	97.2%	0.5%	5.0%	94.6%	0.3%	1.0%	98.7%
3000000: financial account	D	4.9%	29.4%	65.7%	4.8%	48.4%	46.8%	4.3%	17.9%	77.9%
3000000: financial account	T	0.7%	4.3%	95.1%	0.9%	8.9%	90.2%	0.5%	1.9%	97.6%
3100000: direct investment	C	17.0%	38.8%	44.2%	11.0%	30.5%	58.5%	19.1%	25.1%	55.8%
3100000: direct investment	D	15.2%	35.0%	49.8%	28.1%	29.4%	42.6%	30.4%	28.8%	40.8%
3100000: direct investment	T	16.0%	36.8%	47.2%	20.4%	29.9%	49.7%	25.4%	27.1%	47.5%
3200000: portfolio	C	0.3%	2.3%	97.4%	0.4%	4.5%	95.1%	0.2%	0.8%	98.9%
3200000: portfolio	D	4.1%	28.6%	67.4%	3.1%	50.4%	46.5%	2.8%	15.9%	81.4%
3200000: portfolio	T	0.5%	3.9%	95.6%	0.6%	8.3%	91.1%	0.4%	1.5%	98.1%
3300000: derivatives	C	1.5%	31.1%	67.4%	2.3%	23.7%	74.0%	0.1%	36.7%	63.2%
3300000: derivatives	D	1.1%	13.4%	85.6%	5.4%	16.5%	78.1%	4.3%	43.6%	52.1%
3300000: derivatives	T	1.3%	23.1%	75.6%	3.4%	21.2%	75.4%	1.5%	38.9%	59.7%
3400000: other investment	C	7.8%	46.9%	45.2%	3.1%	55.4%	41.5%	7.5%	53.0%	39.5%
3400000: other investment	D	15.3%	34.5%	50.2%	16.4%	33.6%	50.0%	9.3%	49.5%	41.3%
3400000: other investment	T	11.8%	40.4%	47.9%	9.7%	44.6%	45.7%	8.3%	51.4%	40.3%
3500000: other	C	4.5%	66.1%	29.4%	18.7%	30.2%	51.2%	2.0%	19.7%	78.3%
3500000: other	D	0.0%	91.9%	8.1%	18.6%	19.8%	61.6%	11.1%	42.6%	46.3%
3500000: other	T	0.2%	90.8%	9.0%	18.6%	24.1%	57.3%	5.1%	27.5%	67.4%
4000000: not specified	C			100%			100%			100%
4000000: not specified	D			100%			100%			100%
4000000: not specified	T			100%			100%			100%

Annex 4: coverage of nCS85% selection of commercial services declarants: details CS

Code&Description	DC	1995	1996	1997	1998	1999	2000
121000: commercial services	C	87.29%	87.38%	87.71%	88.24%	86.93%	85.88%
121000: commercial services	D	85.34%	85.67%	85.33%	85.04%	85.71%	85.82%
121000: commercial services	T	86.28%	86.46%	86.46%	86.55%	86.26%	85.85%
1210131: other residential counterparts	C	84.41%	79.11%	77.39%	81.17%	83.76%	79.07%
1210131: other residential counterparts	D	74.61%	87.85%	87.91%	70.42%	80.90%	79.42%
1210131: other residential counterparts	T	80.37%	83.51%	83.15%	77.40%	82.77%	79.20%
1210142: postal services	C	97.01%	90.63%	93.07%	85.45%	87.02%	90.83%
1210142: postal services	D	61.00%	3.60%	78.84%	91.24%	53.69%	10.72%
1210142: postal services	T	94.98%	86.88%	88.67%	87.77%	84.08%	87.05%
1210143: courier services	C	98.07%	98.39%	98.35%	96.61%	96.21%	86.17%
1210143: courier services	D	97.59%	97.96%	98.16%	95.73%	95.83%	95.67%
1210143: courier services	T	97.70%	98.05%	98.21%	95.95%	95.89%	94.15%
1210144: telecommunication	C	98.43%	98.12%	97.15%	97.30%	97.77%	97.70%
1210144: telecommunication	D	98.47%	97.52%	97.35%	96.42%	95.99%	97.31%
1210144: telecommunication	T	98.45%	97.77%	97.27%	96.79%	96.71%	97.49%
1210156: civil engineering and construction	C	85.47%	86.31%	91.24%	89.17%	84.16%	81.12%
1210156: civil engineering and construction	D	74.34%	82.43%	84.80%	83.22%	84.94%	82.36%
1210156: civil engineering and construction	T	79.95%	84.20%	87.81%	85.92%	84.67%	81.93%
1210162: informatics services and maintenance	C	87.32%	86.31%	85.20%	89.08%	90.45%	91.87%
1210162: informatics services and maintenance	D	90.54%	89.74%	88.46%	88.30%	90.42%	91.63%
1210162: informatics services and maintenance	T	89.50%	88.62%	87.25%	88.60%	90.43%	91.72%
1210163: coverage services	C	90.30%	90.56%	87.46%	91.36%	86.33%	64.08%
1210163: coverage services	D	49.77%	76.36%	69.87%	59.29%	61.22%	9.07%
1210163: coverage services	T	86.00%	87.54%	82.70%	82.82%	81.04%	56.75%
1210170: trade services	C	77.18%	82.39%	79.90%	80.20%	75.58%	78.87%
1210170: trade services	D	77.30%	74.02%	78.98%	79.07%	85.85%	84.33%
1210170: trade services	T	77.23%	79.39%	79.52%	79.69%	81.13%	81.48%
1210190: research & development expenses	C	92.54%	93.42%	96.92%	95.14%	95.96%	92.66%
1210190: research & development expenses	D	93.05%	93.80%	91.54%	91.26%	92.64%	93.63%
1210190: research & development expenses	T	92.86%	93.66%	94.22%	92.90%	93.95%	93.28%
1210191: legal, accountancy and audit services	C	82.09%	86.05%	85.16%	90.46%	88.63%	88.07%
1210191: legal, accountancy and audit services	D	68.89%	69.77%	73.27%	76.55%	79.82%	77.24%
1210191: legal, accountancy and audit services	T	74.36%	76.72%	77.82%	82.59%	83.06%	81.41%
1210192: general management and operation expenses	C	87.24%	86.84%	86.50%	87.49%	86.68%	83.48%
1210192: general management and operation expenses	D	86.80%	86.59%	85.35%	86.97%	84.36%	84.68%
1210192: general management and operation expenses	T	86.99%	86.69%	85.83%	87.19%	85.38%	84.20%
1210193: architectural and engineering services	C	88.52%	87.04%	88.06%	87.88%	85.92%	84.02%
1210193: architectural and engineering services	D	76.82%	79.33%	81.61%	77.58%	78.46%	78.82%
1210193: architectural and engineering services	T	82.87%	83.10%	85.00%	82.87%	82.17%	81.23%
1210194: advertising, market research and surveys	C	86.94%	86.76%	86.97%	85.38%	79.37%	88.15%
1210194: advertising, market research and surveys	D	80.49%	80.30%	80.90%	78.42%	76.14%	82.66%
1210194: advertising, market research and surveys	T	83.52%	83.42%	83.71%	81.72%	77.58%	85.23%
1210195: agricultural and mining services	C	83.21%	47.85%	67.60%	62.66%	72.25%	43.26%
1210195: agricultural and mining services	D	53.89%	57.98%	53.91%	57.79%	38.23%	28.04%
1210195: agricultural and mining services	T	73.73%	52.93%	58.81%	59.26%	50.81%	32.23%
1210196: waste disposal and decontamination exp.	C	94.64%	71.61%	91.40%	80.29%	60.08%	78.33%
1210196: waste disposal and decontamination exp.	D	93.01%	71.83%	66.38%	66.72%	48.16%	68.14%
1210196: waste disposal and decontamination exp.	T	93.98%	71.74%	76.90%	71.45%	51.84%	72.70%
1210199: other services	C	91.58%	84.59%	82.34%	81.16%	75.53%	71.89%
1210199: other services	D	86.96%	79.04%	75.34%	70.78%	68.64%	75.36%
1210199: other services	T	89.49%	81.91%	79.39%	77.07%	73.01%	73.12%

Annex 4: coverage of nCS85% selection of commercial services declarants: (sequel)

Code&Description	DC	1995	1996	1997	1998	1999	2000
1210220: royalties and others	C	90.99%	91.57%	89.35%	90.65%	88.96%	86.96%
1210220: royalties and others	D	90.55%	92.98%	93.71%	93.39%	93.53%	94.19%
1210220: royalties and others	T	90.87%	92.02%	90.83%	91.56%	90.66%	90.09%
1210231: audio-visual services	C	91.54%	91.43%	91.22%	87.31%	86.03%	86.52%
1210231: audio-visual services	D	73.27%	72.79%	70.86%	65.62%	66.26%	70.28%
1210231: audio-visual services	T	86.79%	86.10%	84.00%	79.61%	79.06%	80.41%
1210239: scientific or educational services	C	73.26%	72.94%	31.41%	25.67%	19.99%	15.12%
1210239: scientific or educational services	D	13.23%	33.39%	14.89%	7.33%	6.91%	8.09%
1210239: scientific or educational services	T	59.74%	60.00%	22.54%	14.47%	12.67%	10.70%
1210270: leasing and letting of personal property	C	85.10%	85.30%	91.01%	92.43%	91.03%	94.65%
1210270: leasing and letting of personal property	D	91.25%	85.78%	84.36%	86.03%	77.57%	65.76%
1210270: leasing and letting of personal property	T	88.29%	85.50%	88.48%	90.06%	87.18%	87.36%

Annex 5: coverage of nCS85% selection of commercial services declarants: aggregates

Code&Description	DC	1995	1996	1997	1998	1999	2000
0: general total	C	74.06%	72.51%	73.10%	65.69%	64.78%	68.54%
0: general total	D	75.47%	74.31%	74.69%	67.03%	66.52%	68.76%
0: general total	T	74.78%	73.43%	73.91%	66.36%	65.66%	68.65%
1000000: current account	C	58.52%	59.09%	59.33%	58.05%	57.20%	56.65%
1000000: current account	D	62.53%	63.05%	62.99%	61.68%	60.33%	58.73%
1000000: current account	T	60.59%	61.14%	61.22%	59.92%	58.83%	57.72%
1100000: goods	C	56.80%	58.14%	58.02%	56.53%	55.11%	54.96%
1100000: goods	D	62.34%	63.01%	62.80%	61.40%	59.19%	57.71%
1100000: goods	T	59.70%	60.67%	60.50%	59.06%	57.24%	56.39%
1200000: services	C	66.99%	64.09%	65.65%	66.17%	68.99%	63.04%
1200000: services	D	63.36%	63.04%	63.96%	63.66%	67.64%	62.67%
1200000: services	T	65.09%	63.54%	64.76%	64.84%	68.26%	62.84%
1300000: income	C	69.65%	65.81%	69.15%	66.79%	68.34%	72.89%
1300000: income	D	69.60%	66.92%	68.59%	64.56%	63.64%	79.42%
1300000: income	T	69.63%	66.23%	68.94%	65.96%	66.66%	75.47%
1400000: current transfers	C	70.24%	65.00%	64.95%	61.65%	66.00%	70.60%
1400000: current transfers	D	50.23%	57.49%	53.75%	55.14%	63.16%	54.05%
1400000: current transfers	T	61.23%	61.60%	59.88%	58.54%	64.69%	63.68%
2000000: capital transfers	C	62.23%	64.17%	85.38%	74.13%	17.32%	86.83%
2000000: capital transfers	D	25.65%	25.98%	78.23%	70.77%	67.89%	15.72%
2000000: capital transfers	T	45.19%	54.00%	82.26%	72.92%	50.14%	82.90%
3000000: financial account	C	93.20%	89.87%	89.67%	77.29%	73.67%	80.91%
3000000: financial account	D	92.31%	89.65%	89.50%	76.13%	74.45%	80.55%
3000000: financial account	T	92.75%	89.76%	89.58%	76.72%	74.06%	80.74%
3100000: direct investment	C	95.53%	90.01%	92.77%	80.94%	84.35%	80.67%
3100000: direct investment	D	94.24%	88.74%	88.87%	70.28%	77.02%	78.35%
3100000: direct investment	T	94.87%	89.36%	90.79%	75.50%	80.19%	79.57%
3200000: portfolio	C	76.77%	64.08%	35.61%	14.96%	49.11%	53.63%
3200000: portfolio	D	70.68%	69.04%	66.70%	21.00%	41.83%	53.46%
3200000: portfolio	T	73.74%	66.57%	49.72%	17.18%	47.71%	53.55%
3300000: derivatives	C	96.25%	42.37%	47.52%	94.41%	92.23%	98.15%
3300000: derivatives	D	97.53%	47.70%	89.53%	88.31%	92.00%	98.21%
3300000: derivatives	T	96.97%	44.58%	62.15%	91.24%	92.14%	98.18%
3400000: other investment	C	90.19%	91.55%	92.00%	87.63%	72.90%	83.46%
3400000: other investment	D	89.92%	92.00%	91.88%	88.11%	74.13%	85.11%
3400000: other investment	T	90.06%	91.77%	91.94%	87.87%	73.51%	84.29%
3500000: other	C	96.19%	99.07%	98.29%	79.72%	97.20%	92.32%
3500000: other	D	96.47%	99.42%	98.85%	30.32%	25.32%	12.97%
3500000: other	T	96.35%	99.30%	98.66%	33.16%	58.29%	24.83%

Annex 6: coverage of nCS85% year 2000 selection and the corresponding coverage of the remaining selection in the previous years

Description	DC	Percentages						Number of firms					
		2000	1999	1998	1997	1996	1995	2000	1999	1998	1997	1996	1995
0: general total	C	69%	62%	57%	47%	43%	42%	1036	995	939	890	843	796
0: general total	D	69%	64%	58%	48%	45%	43%	1039	1001	954	909	859	812
0: general total	T	69%	63%	57%	47%	44%	43%	1048	1022	973	926	883	838
1000000: current account	C	57%	52%	50%	47%	45%	43%	1023	976	926	872	830	784
1000000: current account	D	59%	55%	52%	49%	47%	46%	1028	986	944	900	851	800
1000000: current account	T	58%	54%	51%	48%	46%	45%	1048	1014	969	919	878	835
1100000: goods	C	55%	50%	48%	45%	44%	42%	859	840	777	747	709	666
1100000: goods	D	58%	54%	52%	48%	47%	46%	807	751	735	699	676	658
1100000: goods	T	56%	52%	50%	47%	45%	44%	915	888	844	814	777	737
1200000: services	C	63%	62%	59%	53%	48%	44%	962	884	830	781	719	686
1200000: services	D	63%	60%	57%	52%	49%	45%	900	842	794	762	717	664
1200000: services	T	63%	61%	58%	52%	48%	44%	1048	974	913	862	822	776
1210000: commercial services	C	86%	82%	76%	72%	64%	57%	955	875	811	766	698	662
1210000: commercial services	D	86%	80%	74%	69%	63%	56%	881	806	758	735	683	635
1210000: commercial services	T	86%	81%	75%	70%	63%	57%	1048	966	901	852	803	759
1300000: income	C	73%	63%	62%	62%	55%	55%	468	462	456	435	422	405
1300000: income	D	79%	67%	54%	59%	51%	43%	374	355	352	320	297	291
1300000: income	T	75%	64%	59%	61%	53%	50%	542	527	533	505	489	466
1400000: current transfers	C	71%	67%	59%	61%	60%	56%	310	290	264	246	232	221
1400000: current transfers	D	54%	58%	47%	41%	51%	45%	232	212	205	223	202	181
1400000: current transfers	T	64%	63%	53%	52%	56%	51%	414	380	347	337	318	290
2000000: capital transfers	C	87%	15%	73%	73%	37%	60%	15	17	14	9	12	15
2000000: capital transfers	D	16%	68%	53%	9%	11%	34%	9	6	12	4	7	8
2000000: capital transfers	T	83%	49%	66%	45%	30%	48%	24	23	22	13	15	20
3000000: financial account	C	81%	75%	68%	47%	41%	41%	707	647	602	576	516	476
3000000: financial account	D	81%	74%	67%	47%	42%	40%	720	635	583	558	506	480
3000000: financial account	T	81%	74%	68%	47%	42%	40%	777	707	656	627	574	546
3100000: direct investment	C	81%	75%	69%	37%	28%	21%	513	449	408	365	316	283
3100000: direct investment	D	78%	69%	59%	35%	29%	21%	519	425	351	315	295	267
3100000: direct investment	T	80%	72%	64%	36%	28%	21%	618	550	470	429	404	361
3200000: portfolio	C	54%	57%	26%	19%	41%	61%	108	101	111	93	68	67
3200000: portfolio	D	53%	64%	40%	45%	47%	49%	86	65	90	80	65	56
3200000: portfolio	T	54%	58%	31%	31%	44%	55%	142	121	144	123	96	87
3300000: derivatives	C	98%	80%	87%	41%	34%	58%	44	37	32	28	18	18
3300000: derivatives	D	98%	92%	85%	71%	33%	71%	48	35	31	22	13	12
3300000: derivatives	T	98%	85%	86%	51%	33%	65%	62	45	45	35	21	22
3400000: other investment	C	83%	81%	77%	59%	55%	70%	554	518	486	458	426	389
3400000: other investment	D	85%	82%	77%	59%	55%	69%	547	505	454	437	396	389
3400000: other investment	T	84%	81%	77%	59%	55%	69%	610	559	516	498	462	447
3500000: other	C	92%	10%	20%	2%	0%	1%	5	5	3	5	5	7
3500000: other	D	13%	16%	42%	8%	1%	4%	3	5	38	7	6	7
3500000: other	T	25%	13%	41%	6%	1%	3%	7	10	39	10	8	11
4000000: not specified	C												
4000000: not specified	D												
4000000: not specified	T												

Annex 7: less relevant headings omitted in our analysis: overview

BLEI	BOP	Description
010	010	Spot foreign exchange transactions
011	011	Swap transactions and foreign exchange transactions
019	019	Foreign exchange transactions
020	020	Transfers between resident credit institutions
029	029	Transfers between two residents on accounts with non-residents
059	059	Transfers between accounts in the same currency held by the same resident with non-residents
071	071	Provisional entries
072	072	Writing-back of provisional entries (code 071)
073	073	Entries for lack of information
075	075	Debiting or crediting of an advance account or a deposit account at up to one year
079	079	Rounding of decimals
080	080	Entries made at the express request of the National Bank of Belgium
315	315	Foreign payments by order or in favour of residents having the status of general direct declarant
316	316	Foreign payments by order or in favour of a resident monetary financial institution other than a resident credit institution
335	335	- Interest paid or received by Luxembourg general government bodies on money market instruments or other debt securities at up to one year, excluding interest payments due to the settlement of transactions involving the exchange of interest rates or linked to the movement of interest rates (code 711); - Income from debt securities at up to one year issued by a Luxembourg general government body.
336	336	- Interest paid or received by Luxembourg general government bodies on bonds and other debt securities at over one year; - Income from debt securities at over one year issued by a Luxembourg general government body.
337	337	Interest paid or received by Luxembourg general government bodies on other financial transactions, excluding interest payments due to the settlement of transactions involving the exchange of interest rates or linked to the movement of interest rates (code 711).
451	451	idem 441
459	459	idem 449
482	482	# heading without transactions
490	490	CEDEL
500	500	Belgium and the Grand Duchy of Luxembourg
501	501	United States of America
502	502	France
503	503	United Kingdom
504	504	Netherlands
505	505	Switzerland
506	506	Germany
507	507	Italy
510	510	Denmark
512	512	Portugal
513	513	Austria
514	514	Spain
515	515	Greece
516	516	Ireland
519	519	Other countries
580	580	Participating interests
660	660	Payments between residents
750	750	Payments between a resident of Belgium and a resident of the Grand Duchy of Luxembourg in respect of transactions which do not fall within the scope of: - the list of current transactions (section 1 of this list); - the list of transactions in banknotes (section 3 of this list); - transaction codes 310, 314, 315, 316, 390, 399, 418, 651 and 799 of this list; - the additional list for the exclusive use of resident credit institutions.
950	950	Opening balance of the reference period.
951	951	Closing balance of the reference period.
952	952	Total of the amounts receivable or payable and of the balance paid or received.
953	953	Total of the amounts receivable or payable and of the balance paid or received.
954	954	Total of the amounts receivable or payable, and of the balance paid or received, by the resident participant.
955	955	Total of the amounts receivable or payable, and of the balance paid or received, by the netting centre established in Belgium.
960	960	Validation heading
961	961	Validation heading
970	970	Validation heading
971	971	Validation heading

Annex 8: less relevant headings and special headings omitted in our analysis: values (in thousands EUR)

	1995	1996	1997	1998	1999	2000
Less relevant headings (Rub < 1000)						
C	295.394.627	438.035.209	751.532.054	864.715.552	929.535.415	876.278.808
D	323.519.419	481.846.034	785.497.387	893.634.776	938.451.522	916.124.077
T	618.914.046	919.881.243	1.537.029.441	1.758.350.329	1.867.986.936	1.792.402.885
Special headings: 620, 621, 625, 626						
C	8.408.503.022	10.172.905.963	13.703.543.833	14.630.442.712	13.031.248.013	14.295.905.593
D	8.420.625.217	10.222.093.741	13.708.095.902	14.702.331.854	13.280.041.662	14.291.443.451
T	16.829.128.239	20.394.999.704	27.411.639.735	29.332.774.566	26.311.289.675	28.587.349.044
Total of DR+KI						
C	11.264.017.625	14.324.645.652	19.210.548.523	22.055.612.758	20.973.943.691	23.207.058.792
D	11.303.055.214	14.412.098.597	19.237.441.434	22.129.558.645	21.180.111.845	23.239.223.167
T	22.567.072.839	28.736.744.249	38.447.989.956	44.185.171.403	42.154.055.536	46.446.281.960
Total of DR+KI w ithout less relevant headings and w ithout special headings						
C	2.560.119.976	3.713.704.480	4.755.472.635	6.560.454.493	7.013.160.264	8.034.874.391
D	2.558.910.578	3.708.158.822	4.743.848.144	6.533.592.014	6.961.618.661	8.031.655.639
T	5.119.030.554	7.421.863.302	9.499.320.779	13.094.046.508	13.974.778.925	16.066.530.030

2. DANMARKS NATIONALBANK, 8 January 2002

Quantitative analysis on the different BOP items for the preparation of a new system will soon be planned. Hence, methodologies used and results from other countries are of the utmost interest.

As a first step and for decision-making, it is the intention to get an overall idea of the size and steadiness of the relevant population. Actual selection criteria, methodology for grossing-up etc. will be decided upon subsequently following more in depth analysis.

3. BANCO DE ESPAÑA, January 2003

QUANTITATIVE ANALYSIS OF THE SPANISH POPULATION ON BOP "OTHER SERVICES" ITEMS: DRAFT SUMMARY OF NEW RESULTS

After the first results of the QA, that were presented to the TG members during the meeting held in Amsterdam (April 2002), the Banco de España focused the study on the analysis of the relevant population (for a 90% coverage) on a quarterly basis, taking in mind the following aims:

1. To improve the analysis with the introduction of new observations for the years 1999 and 2000, in order to carry out a dynamic study of the population for the period 1999-2001²⁷.
2. To assess the significance of the individuals in the “other services” item.
3. To measure the loss of information that the introduction of the €12.500 threshold in year 2001 implied for the “other services population”.

²⁷ *The relevant population of year 2001 does not completely coincide with the one presented in the previous QA analysis due to: a) the information has been updated with new data coming from revisions in year 2002; b) for the “commercial services” item, which is calculated as credits minus debits in the BOP, it has been considered more appropriate to recalculate credits and debits separately (only for the QA purpose).*

The new results are summarised as follows:

Table 1

RELEVANT POPULATION (90% COVERAGE) ON BOP OTHER SERVICES

	THRESHOLD: €3.000		THRESHOLD: €12.500		
	1999	2000	1999	2000	2001
CREDIT	8.827	8.210	5.282	5.132	5.541
DEBIT	5.431	4.962	3.943	3.616	3.964
TOTAL 1	11.903	10.907	7.556	7.152	7.762
TOTAL 2	10.963	10.174	7.202	6.859	7.472

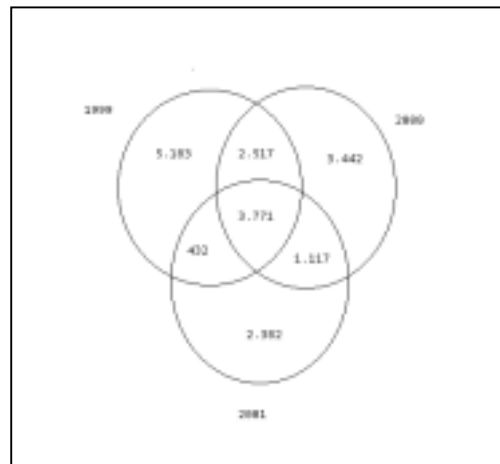
TOTAL 1: rel. population, individuals included

TOTAL 2: rel. population, individuals excluded

1. For every year of the period considered in the analysis, the number of exporters is larger than the number of importers. This result varies between services and is specially influenced by the behaviour of the business service population.
2. The inclusion of years 1999 and 2000 in the analysis makes it feasible to study the effect of the introduction of the simplification threshold in year 2001. As shown in Table 1, the reduction of the number of units in the relevant population is rather considerable when considering the new threshold. This reduction is higher than the information cost in terms of lack of coverage: with 35% less units, the value of "other services" transactions identified by respondent falls on average only 7.1% for credits and 5.8% for debits.
3. The number of individuals in the relevant population is important in absolute terms, but their weight is rather low. This outcome is considered relevant for building up the BOP register. The difficulty to obtain information on these types of units, added to the fact that they are very unstable, make easier to set up the BOP register if individuals are excluded. Their exclusion will not introduce an important bias in the estimates.

4. Dynamic analysis of the population:

- Dynamics of the Relevant Population: Considering the period 1999-2001, 18.904 units cover a 90% of each service item. The dynamic of the population is shown in Figure 1:

Figure 1

- The relevant population is dynamically heterogeneous²⁸:
 - The stable population (3.771 units) only represents a 20% of the total.
 - 58% of the population (11.007) operate only one year (5.183 in year 1999, 3.442 in year 2000, and 2.382 in year 2001).
 - A 22% of the population (4.126) operates two years (2.517 for period 1999 & 2000, 432 years 1999 & 2001, 1.177 years 2000 & 2001).
- Nevertheless, the representativeness of the stable population is rather good, as shown in Table 2 (data calculated excluding individuals):

Table 2**REPRESENTATIVENESS OF THE STABLE POPULATION**

	YEAR 1999		YEAR 2000		YEAR 2001	
	CREDITS (%)	DEBITS (%)	CREDITS (%)	DEBITS (%)	CREDITS (%)	DEBITS (%)
TRANSPORT	83	82	83	79	85	78
COMMUNICATION SERV.	86	86	79	82	73	72
CONSTRUCTION	52	51	49	49	55	53
INSURANCE SERV.	81	80	82	84	81	83
FINANCIAL SERV.	79	77	76	77	77	75
COMPUTER AND INFORM.	79	77	87	80	86	76
ROYALTIES	80	83	80	81	71	82
BUSINESS SERV.	71	74	49	59	46	55
PER., CULT. and RECR.SERV.	68	84	72	82	72	82
GOVERNMENT SERV.	55	80	60	77	48	77

²⁸ Figure 1 has been calculated using all data available. Consequently, discrepancies between different years are very much influence by the different existing thresholds.

- The coverage of the different items is quite good (both credits and debits), with the exception of “construction services”, “business services” in years 2000 and 2001, and “government services” in the credit side.

Regarding the “business services”, a new enterprise started to carry out international transactions in year 2000 (so it is excluded of the stable population), covering 25% of the total “business services” item. If this enterprise is included in the stable population, the coverage will continue to be very satisfactory in years 2000-2001. This actual example illustrates the importance of a good management and updating of the BOP BR in the new systems.

- In conclusion, the relevant population is significantly reduced when considering a dynamic approach (stable population) and its representativeness is good.

4. BANQUE DE FRANCE, 11 April 2002

The work started some months ago to set up a new criterion to select Direct Reporting Companies²⁹ has now come to an end. The threshold defined on the basis of this analysis presents two main characteristics:

- it is no longer a "global" threshold as it has been the case since 1989 (150 million euros for the total amount of credits and debits of goods and services) but a threshold concerning at least one item of services³⁰ and income,
- the threshold has been set at 30 million euros (credits + debits) as this figure gives the best results in terms of both representativeness and cost.

To summarise, a company will be liable to direct reporting when the total annual turnover of its cross-border transactions for at least one item of services (some of them been aggregated) or income exceeds 30 million euros.

This short paper deals with the **three main conclusions** that can be drawn from the analysis of the population of respondents that has been undertaken to define the new selection threshold for DRCs:

- the coverage of the new population is rather good for a large number of items of the current and financial accounts with a number of respondents not too high,
- the DRCs are present for more items on the debit side than on the credit side (except for income): this observation confirms the idea that companies are generally specialised in one type of services they export while they import a large range of services,
- the stability of the new population of DRCs implies a careful follow up and an update on a two or three year period.

1. A good coverage with a relatively low number of respondents:

1.1. *The size of the new population of DRCs³¹ is reduced compared with the size of the current population:*

- ◆ the number of DRCs is lowered by 12% from 825 for the current population to 725 for the new one,
- ◆ 441 companies remain in the population while 384 are struck off,
- ◆ 284 enterprises become new DRCs.

²⁹ See the paper dated 9 January 2002 circulated for the last meeting of the TG in Madrid.

³⁰ However, for reasons linked to the wording of the decree and to an easier implementation, some services items have been aggregated

³¹ The new population referred to in §1 is the population of DRCs selected on the basis of the BOP register for the year 2000.

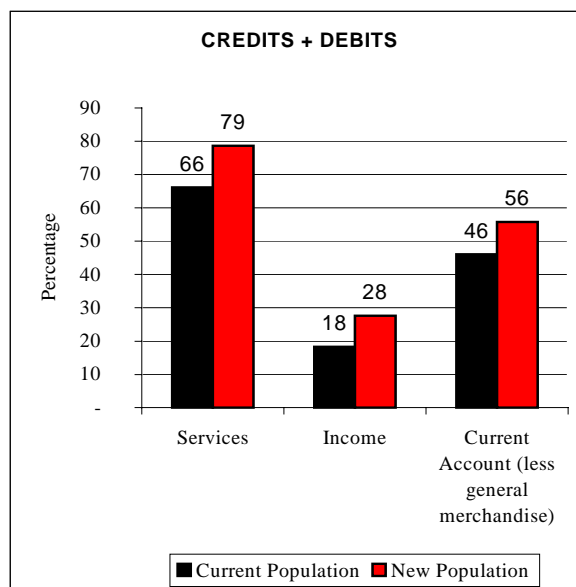
1.2. The coverage of the new population is rather good both for the current and the financial account:

1.2.1. Current account:

For the clarity of the paper, the figures mentioned below concern only the aggregate "credits + debits", but it has to be noticed that there is no major difference in the coverage rate between the credit and the debit side for a large number of items of the current account.

◆ at an aggregate level,

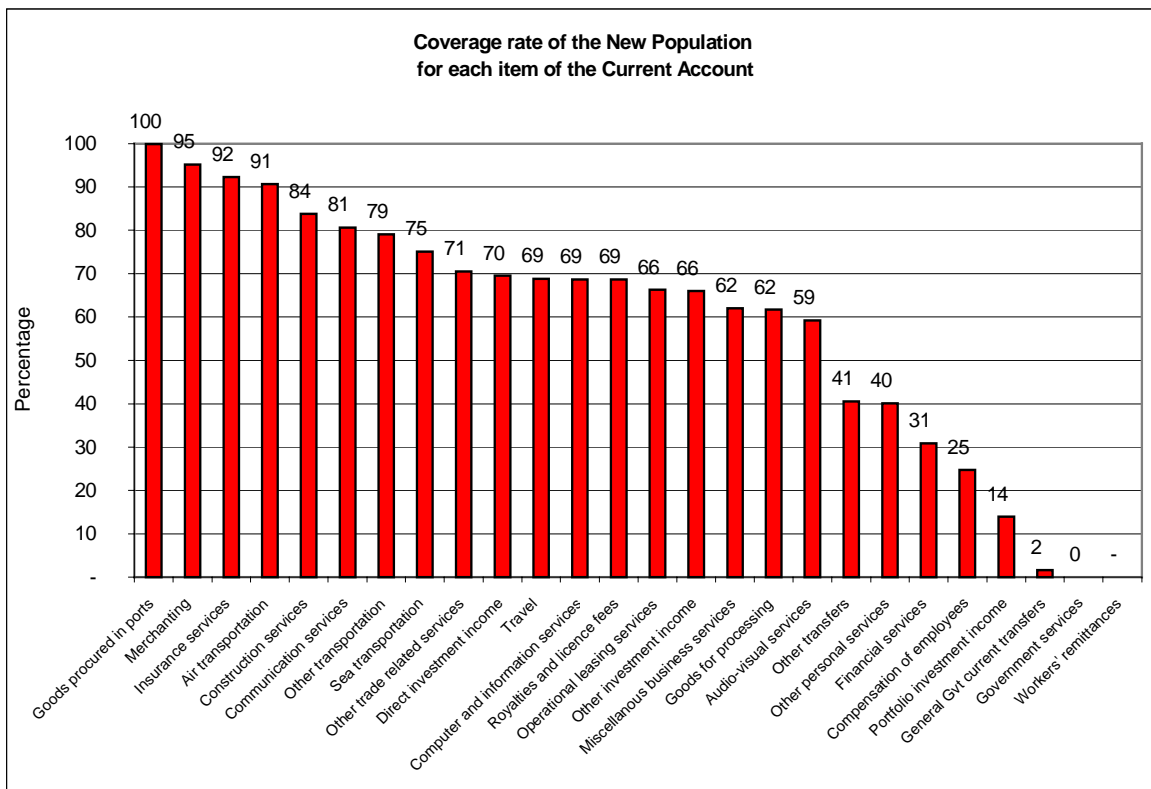
- for the current account as a whole (less general merchandise), the rate of representativeness is slightly higher than 55%, which means a real increase compared with a rate of some 46% for the current population,
- for services this rate is around 79% (compared with some 66% for the current population),
- the coverage rate is lower for income ³²(28% for credits +debits) but is well higher than for the current population (18%),



◆ regarding each item separately,

- the coverage rate is good for most of them:
 - 17 items have a rate of representativeness higher than 60%:
 - for some of them the rate is even higher than 90%: goods procured in ports (99%), merchanting (95%), insurance services (92%), air transportation (90%),
 - for travel, the rate reaches 69% due to credit cards companies,
 - the coverage rate is less than 60% for 9 items only, but it has to be noticed that the worst rates are quite logically recorded on items for which companies are not concerned (government services, general government transfers) or for which the transactions are mainly reported by banks (financial services),

³² As a large part of the income items are (and will be in the future) reported by banks



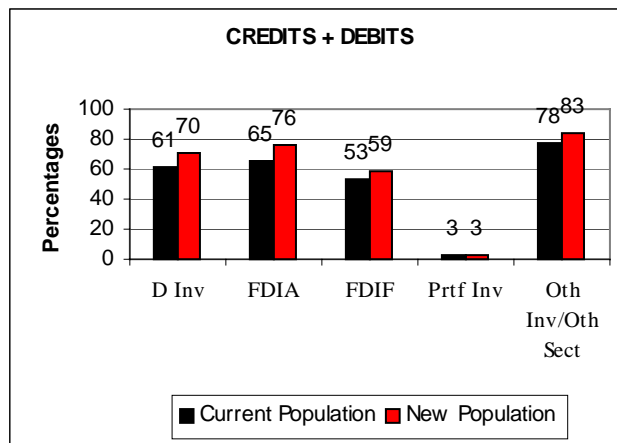
- the increase in the rate of representativeness of the new population compared with the current one varies strongly from an item to another:
 - the increase is quite high for 3 items (between 45 and 60 percentage points): audio-visual services (59% compared with 1%), construction services (84% versus 34%), computer and information services (69% compared with 23%),
 - the increase is still high (between 20 and 30 percentage points) for 7 other items, for example: direct investment income (70% versus 39%), sea transportation (75% vs 49%), insurance services (92% vs 72%),
 - the increase is lower (in a range of 12 to 17 percentage points) for 5 items (among them are other investment income, other trade related services, merchandising),
 - the improvement in the coverage rate is quite low for 9 items (for example: portfolio investment income and travel),
 - the change is, on the other hand, slightly negative for the 2 items "general government transfers" and "goods for processing and repairs on goods".

1.2.2. *Financial account:*

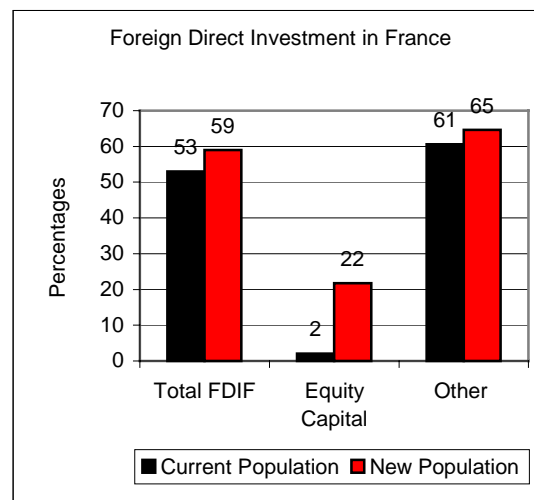
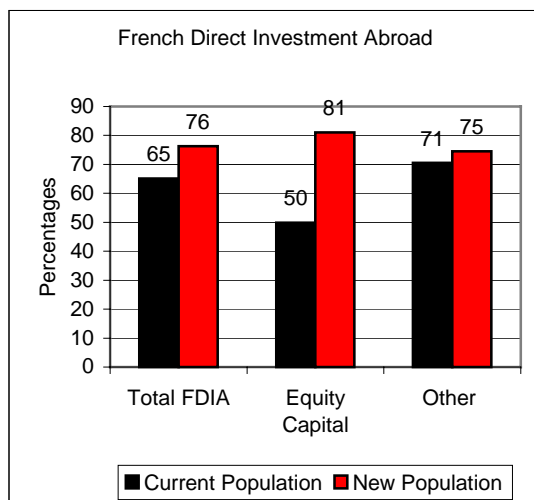
At this level, the analysis has been undertaken only for the items for which the companies are involved:

◆ at an aggregate level,

- the coverage rate, which was already high with the current population for many of the items, is increasing significantly for most of them:
 - for direct investment, the rate reaches 70% (compared with 61% for the current population), it is higher for french investments abroad (76% versus 65% for the current population) than for foreign investment in France (59% vs 53% for the current population),
 - for other investment / other sectors, the coverage rate is quite good: 83% (compared with 78% for the current population),



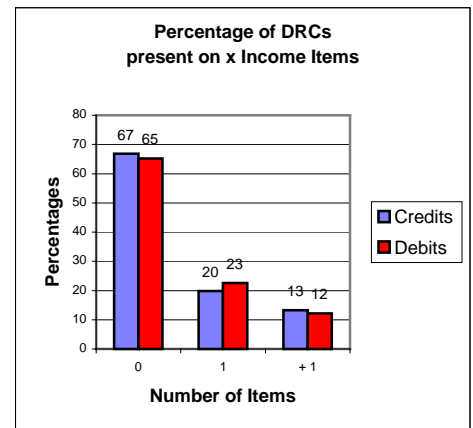
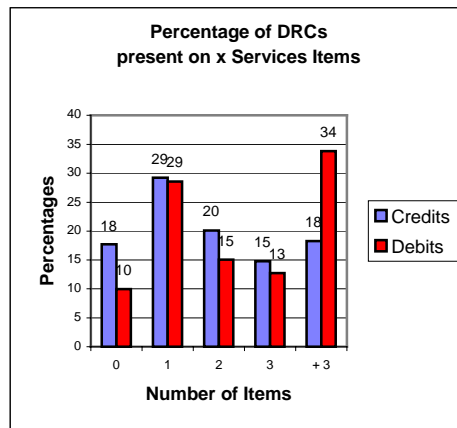
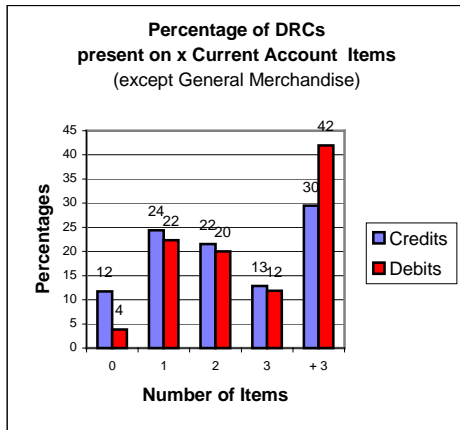
- the rate of representativeness remains at the very low level of 3% for portfolio investment, which is not so surprising as only the transactions made directly abroad are reported directly by DRCs (the transactions made through banks in France are reported by banks) ;
- ◆ at a more detailed level, for direct investment,
 - the most noticeable fact concerns the quite good coverage of the new population at the level of the item "equity capital", more for french investment abroad (81% vs 50% for the current population) than for foreign investment in France (22% vs 2%),
 - the coverage for the item "other transactions" remains high, although lower for foreign investment in France (65% vs 61% for the current population) than for French investment abroad (75% vs 71%).



2. The analysis of the distribution of the population for the current account shows a higher presence of DRCs on different items on the debit side than on items on the credit side:

- ◆ the diversity of items by DRCs is lower for credits than for debits, except for income:
 - 2.8 items and 3.8 items per DRCs for the current account (except general merchandise),
 - items compared with 3 items for services,
 - 0.5 items on both sides for income,
- ◆ the higher presence on the debit side is confirmed by the graphs hereafter:
 - for the current account
 - 12% of the DRCs are not present on the credit side for at least 1 item compared with only 4% on the debit side,

- 42% of the population is present for more than 3 items on the debit side compared with 30% on the credit side,
- for services, 34% of the DRCs are present on the debit side for more than 3 items compared with only 18% on the credit side: this confirms the idea that companies are generally specialised on one type of services they export while they import a large range of services,
- the situation for income is quite specific: the percentages are similar for both credits and debits

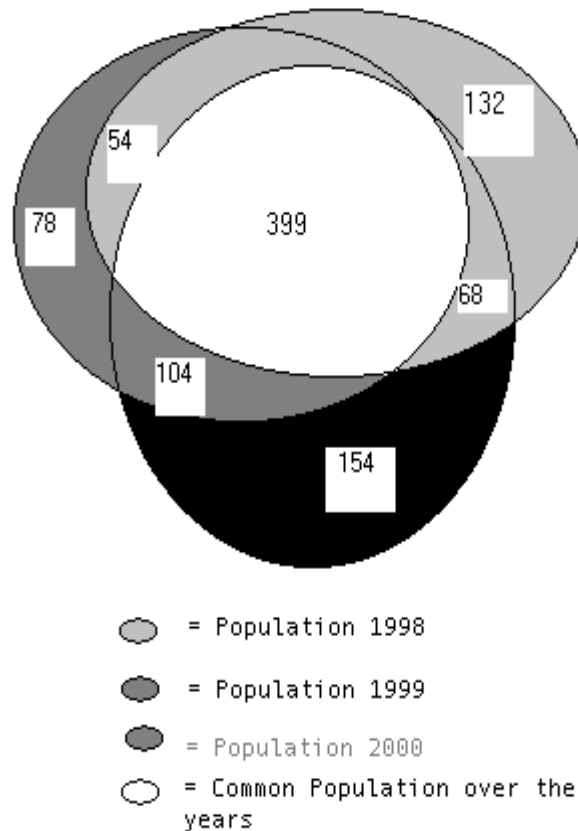


3. The stability of the new population implies a careful follow up

3.1. *The analysis of the evolution over the 3 years 1998, 1999 and 2000 of the population selected on the basis of the new criterion is very clear:*

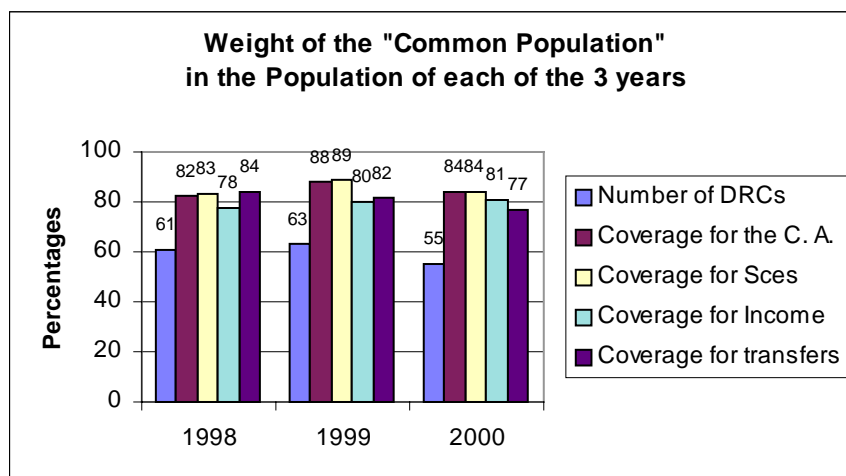
- ◆ the number of companies belonging to the 3 populations is rather low: 399, which accounts for some 60% of the 1998 and 1999 populations but for only 55% of the population of the year 2000,
- ◆ the turnover of companies over the 3 years is rather high:
 - the number of companies struck off every year (200 in 1999 and 132 in 2000) accounts for 29% of the 1998 population and for 21% of the 1999 population,
 - the number of new DRCs every year is also high: 182 for 1999 (28% of the population) and 222 in 2000 (31% of the population),

- the number of DRCs struck off in 1999 and selected again in 2000 is not so low: 68 (slightly less than 10% of the population)



3.2. *The analysis of the coverage of the sub population of companies belonging to the DRCs populations of the 3 years tends to nuance somewhat the opinion on the volatility of the population:*

- the *weight* of the "common population" in the population of each of these years is higher than 80% for the total of current transactions (except general merchandises) as well as for services, income and transfers,



- the figures regarding the coverage of the "common" population for the various items of the current account need a further analysis as some evolutions are more difficult to understand:
 - the representativeness of this population for the current account as a whole (except general merchandises) levelled off in 2000 after a decrease from 54 in 1998 to 47% in 1999,

- a quite similar evolution was recorded for income: the coverage decreased from 48% in 1998 to 18% in 1999 before increasing slightly again in 2000 (22%): the decrease in 1999 concerns both the income from portfolio investment (12% compared to 30% in 1998) and from other investment,
- on the other hand, for services, the improvement in 1999 (73% compared with 69% in 1998) is more than counterbalanced in 2000 (66%): the evolution in 2000 concerns mainly the items "travel", "communication services", construction services" and "insurance services".

Three conclusions can be drawn from the quantitative analysis of the new population done in this short paper:

- ◆ **regarding our strategy in the field of BOP collection**, the objectives can be considered as reached as the rate of representativeness of the DRCs population has been optimized in order,
 - to get monthly the maximum of information on all items of the BOP,
 - to minimize the population quarterly or annually liable to surveys on specific items of the BOP ;
- ◆ **regarding operational matters**,
 - the absolute need to have a well designed business register appears quite obvious (our work could be done only because we had to our disposal a complete BOP register fed with full reports by banks and companies),
 - the relatively low stability of the population is a strong argument to update the population every year (although it is obvious that companies under the threshold should not be immediately struck off but preferably after a two or three year period) ;
- ◆ **regarding further work to be done**, the geographical dimension should be explored in order to check the coverage of the population in terms of intra and extra data.

5. UFFICIO ITALIANO DEI CAMBI, January 2003

1. The scope of the analysis

The ideal BOP data collection system should be based on the features of the reporting population. The features of the reporting population and its distribution have to be analysed in order to design a cost-effective data collection system. Furthermore, the possible synergies among the existing data sources potentially related to the BOP data collection should be taken into account. In the case of Italy, the BOP compilation can scarcely benefit from the public external data sources because of the existing legal constraints.

As we learnt from the quantitative analyses presented in the TGDR, the features of the reporting population significantly differ from country to country. In particular, the Italian population is quite peculiar since, according to the economic analyses, a relevant number of domestic medium and small companies play a prominent role in the production and trade of goods and services. This peculiarity should be better explored in the context of BOP transactions.

This quantitative exercise is a very preliminary analysis, which has been carried out with the main purpose of contributing to the work of the TGDR. In fact, in Italy, for the time being, a fully-fledged project for moving to a direct reporting is still to be taken into account. A radical change of the data collection system will be more effectively taken into consideration once the confidentiality constraints are removed. As a matter of fact, at present the UIC cannot rely on the information enabling it to exhaustively define the structure of the reporting population as well as to feed a BOP register. In this situation abandoning the current settlement system would probably cause a deterioration of the data quality.

This analysis is exclusively based on the available information collected for BOP purposes. Furthermore, the individual data collected by the NSI cannot be accessed by the UIC. Anyway, the limits of the approach to this quantitative analysis will be better explained in the second paragraph. In the third paragraph the analysis focuses on ITS. In the fourth paragraph the reporting population for FDI stock data is analysed. The fifth paragraph makes an attempt to draw an outline of the potential

role of big players. Finally, we will draw some conclusion on the cost-effectiveness of the different data collection systems in the Italian situation.

2. Limits of the approach

The data used in the quantitative analysis are derived from the BOP data collection system. All the transactions exceeding the exemption threshold of € 12,500 have to be reported to UIC through a statistical form called C.V.S. (Comunicazione Valutaria Statistica). Data are reported on a transaction by transaction basis. An identification code is assigned to the resident enterprises that usually perform transactions with a foreign counterpart. Financial and Insurance companies, households and public administration are not required to use this code. Furthermore, the occasional BOP reporters cannot be distinguished on the basis of an identification code. As far as ITS and FDI are concerned, since only a part of the reporters use the identification code, we cannot determine the total number of the subjects involved in the BOP transactions. As we will see in the following paragraphs for some of the BOP items the level of the code coverage is quite low and, therefore, significant conclusions cannot be drawn. Furthermore, an analysis of the population on a yearly or quarterly basis is not feasible for confidentiality reasons. In fact, in order to protect confidentiality, the Italian law imposes to delete the identification codes at the end of each month. An anonymous one replaces the identification code, and consequently a company can be identified as a unique subject in a certain month but this anonymous code varies month after month. Obviously, these constraints do not allow carrying out an exhaustive quantitative analysis. In particular, the stability of the reporting population over time cannot be tested on the basis of the available information.

3. Quantitative analysis on ITS

This part of the document focuses on the quantitative analysis for the International Trade in Services. Travel and Transport are excluded from some parts of the tables concerning the quantitative analysis since these items are currently compiled by using surveys. Regarding Travel, the UIC has been collecting data through surveys since 1996. The settlement based system was replaced by a survey since it was recognised that for this item the data quality would have been significantly improved by the change in the data collection system. Furthermore, the full circulation of EURO in 2002 was expected to further deteriorate the quality of the settlement-based data. The survey is based on the direct interviewing of travellers at the borders. For Transport a survey was launched in 1998³³ as the relevant asymmetries with other countries made necessary to modify the data collection system based on settlements. The survey involves approximately 120 transport enterprises, operating in different areas. The data derived from the survey consist of the average costs for each mode of transport and they are used to compile data on both imported and exported services.

In the following table 3.1 the breakdown for services in the Italian BOP is shown for both credits and debits for the years 2000 and 2001.

³³ *The time series of data was updated starting from 1989*

Table 3.1

	<i>CREDITS</i>	
	2000	2001
travel	53.6%	50.4%
transport	18.0%	16.0%
insurance services	1.6%	2.1%
communications services	2.5%	2.7%
construction services	2.6%	3.2%
financial services	0.6%	0.5%
computer and information	0.6%	0.4%
royalties licence fees	0.7%	0.6%
other business services	17.8%	22.0%
personal, cultural and recreational services	1.0%	1.0%
government services	1.0%	1.1%

	<i>DEBITS</i>	
	2000	2001
travel	32.1%	28.7%
transport	26.9%	23.9%
insurance services	2.3%	2.9%
communications services	4.0%	5.2%
construction services	2.4%	3.2%
financial services	0.7%	0.8%
computer and information	1.3%	1.3%
royalties licence fees	1.6%	1.8%
other business services	24.3%	26.7%
personal, cultural and recreational services	2.4%	2.2%
government services	2.0%	3.3%

The main items are Travel and Transport, which represent respectively the 70% for *credits* and approximately the 55% for debits of the total amount of services.

The item “other business services” justifies more than a half of the total of the remaining items.

The following table 3.2 shows the number of companies identified and the corresponding percentage of coverage of the total amount.

Table 3.2

	<i>CREDITS</i>	
	Number of enterprises*	Percentage of coverage*
insurance services	43	26,67%
communications services	22	66,73%
construction services	157	69,68%
financial services	7	8,72%
computer and information	77	34,69%
royalties licence fees	81	53,84%
other business services	1688	39,09%
personal, cultural and recreational services	42	31,12%
government services	2	1,36%

	<i>DEBITS</i>	
	Number of enterprises*	Percentage of coverage*
insurance services	98	26,16%
communications services	36	45,14%
construction services	136	47,81%
financial services	24	31,19%
computer and information	196	47,46%
royalties licence fees	201	62,79%
other business services	4079	42,36%
personal, cultural and recreational services	60	52,89%
government services	1	0,13%

*Average data related to the year 2001

The table has been obtained as an average of the monthly situation of the year 2001; in fact, as it has been explained in the second paragraph, only a monthly analysis is feasible. The situation in the different months analysed for 2000, 2001 and part of 2002 does not differ significantly.

The very low percentage of coverage in particular for government services and financial services on the credit side, makes it difficult to draw some final conclusion. In all the remaining items, with the exception of the “other business services” item, the percentage of the coverage of the countable enterprises is not very high. Nevertheless, we might expect that something in the region of two hundred companies for each item at most, could justify a relevant part of the phenomenon on a monthly basis. For the item “other business services” in view of the high number of enterprises involved we may expect a quite fragmented situation in the remaining 50-60% of the amount.

The monthly average number of the enterprise involved in the transaction seems to be significantly higher for debits than for credits for most of the relevant items (see table 3.2).

An analysis item-by-item on “credits+debits” highlighted that approximately the 10-15% of the countable enterprises are involved in both credits and debits transactions.

Even though a monthly basis analysis of the population distribution shows that the number involved is quite stable, no conclusion can be drawn concerning the composition of the reporting population. In fact we are not able to analyse the evolution of the rate of coverage of a panel of companies over time.

4. Quantitative analysis on FDI

As far as FDI flows are concerned, the quantitative analysis cannot be directly approached since the number of the enterprises using the identification code in the current settlement based system is very low and the results of the analysis would not be reliable in order to outline the structure of the reporting population. Nevertheless, since a project regarding the change of the current data collection system for FDI stock data (stock data are currently calculated by cumulating flows) has already been started, the analysis for FDI will be entirely based on the results of the experimental direct reporting survey. Even though the features of an FDI data collection system may differ for flows and stock data (for the different timeliness and frequency of the required information), for the analysis of the structure of the population involved in FDI a single approach can be used.

The survey on FDI stock data has been launched jointly with the IMF Portfolio Assets survey in order to eliminate the securities held for direct investment purpose from the data reported by the custodians. The section of the survey concerning FDI has then been extended to include also components (i.e. FDI in the reporting economy, non-securities shares, reinvested earnings, and information on directional principle) which were extraneous to the Portfolio Assets survey. The inclusion of these additional items was aimed at developing the survey, which progressively has to replace the current data collection system once completely reliable data are achieved. The survey is launched on a yearly basis and collects data referring to banks, insurance companies, listed enterprises (around 200) and approximately the largest 2,500 unlisted enterprises on a census basis. Furthermore, a stratified sample of approximately 2,000 enterprises is surveyed.

For the time being the survey cannot rely on a complete BOP register containing information on foreign participation in the domestic equity capital and on participation of resident entities in foreign companies. First because the current confidentiality constraints do not allow to maintain the companies identification codes and consequently to use FDI flow data to build a register. Furthermore, the public data sources regarding the equity ownership that can be accessed by the UIC only cover the listed enterprises.

The stratification variables, which have been used in this experimental sample survey, are the following: total financial assets in the balance sheet and geographical areas of the resident companies (north-west, north-east, central, south). In the Italian economic structure the geographical area is strictly related to the type of economic activity and to the level of internationalisation. The data used in the analysis are referred to the year 2000 since the analysis and the grossing up activity on 2001 data has not yet been finalised. The sampled population was composed by approximately 550,000 companies³⁴. The table 4.1 shows the percentage distribution of the grossed-up amounts broken down for type of respondents.

³⁴ *The companies with total financial assets below €125,000 have been excluded from the sampled population.*

Table 4.1

	Assets FDI abroad	Liabilities FDI in the reporting economy
	Percentage weight on the total amount	
Total census part of the survey	92%	66%
of which:		
<u>Insurance Companies</u>	9%	3%
Banks and Financial Intermediaries	16%	9%
Listed Companies (approximately 200)	33%	8%
Largest 2500 Unlisted Companies	34%	46%
Sample	8%	34%

For FDI abroad the amounts are highly concentrated in the large enterprises. The part of the population which has been surveyed on a census basis cover approximately 90% of the amounts. There is a relevant concentration of the amounts in the group of the 200 listed enterprises.

For FDI in the reporting economy the census part of the survey covers 66% of the total amount. The remaining part of the overall amount is quite fragmented. In particular, in north-west Italy the several medium-small enterprises represent a significant part of the remaining 34%.

The group of the 2500 largest unlisted enterprises proved to be relevant for both FDI assets and liabilities.

The dimensional variable “financial assets” is significantly related with the amounts of FDI abroad assets. For FDI in the reporting economy this dimensional variable is not extremely related with the estimated amounts. A register including the information on the equity ownership would significantly improve the cost-effectiveness of the survey especially on the liability side for which the variability of the amounts in each stratum needs to be further reduced.

5. The Big Players

In this part of the analysis we focus on the big players issue. The purpose of the analysis is to investigate whether a limited number of big enterprises, which justify a relevant part of the amount of many BOP items, is in fact existing. Should this condition prove to be true, it would be convenient to regularly survey these enterprises on a census basis. In the Italian situation, as it has been explained in the second paragraph, the role of big players cannot be studied in depth. As a matter of fact, the enterprises cannot be identified and, consequently, we cannot select a group of big enterprises and then analyse their impact on the different BOP items over time. This is the reason why we investigated the role of the big players using an approach differing from those used by other countries.

The first section of the CVS (Comunicazione Valutaria Statistica) contains the information concerning the turnover of the reporting Italian enterprise. Insurance companies, financial holdings, households, financial intermediaries and collective investment funds are not asked to provide this information.

Once the identification code of the reporting enterprise is deleted, the information on the turnover is stored jointly with the corresponding BOP transaction in order to allow a structural analysis of the BOP import and export. The distribution of ITS over the different groups of turnover has been analysed as well. If we identify as big players those enterprises whose turnover exceeds a certain threshold, we can study the contribution provided by those big enterprises to the total amount of trade in services. The exercise has been limited to ITS since for the FDI the percentage of the residents reporting turnover is quite low and, consequently, it would have been scarcely significant.

The following table shows the distribution of the reporting population for credits and debits. The analysis has been made on a monthly basis. The table refers to the month of August 2002 as an example. The distributions for the other months in 2000, 2001 and 2002 show similar results.

Table 5.1

turnover	CREDITS		
	number of enterprises	percentage of coverage	cumulated percentage of coverage
over 250 million of euros (BIG PLAYERS)	267	32,29%	32,29%
from 50 to 250 million of euros	871	14,55%	46,84%
from 25 to 50 million of euros	678	8,20%	55,04%
from 13 to 25 million of euros	784	5,06%	60,10%
from 5 to 13 million of euros	1081	5,68%	65,78%
from 2,5 to 5 million of euros	684	2,45%	68,23%
from 0,5 to 2,5 million of euros	983	5,72%	73,95%
up to 0,5 million of euros	740	25,64%	99,59%
no turnover	47	0,41%	100,00%
TOTAL	6135		

turnover	DEBITS		
	number of enterprises	percentage of coverage	cumulated percentage of coverage
over 250 million of euros (BIG PLAYERS)	201	29,44%	29,44%
from 50 to 250 million of euros	413	14,36%	43,80%
from 25 to 50 million of euros	346	7,24%	51,04%
from 13 to 25 million of euro	376	4,72%	55,76%
from 5 to 13 million of euros	720	7,08%	62,84%
from 2,5 to 5 million of euros	645	5,93%	68,77%
from 0,5 to 2,5 million of euros	1419	8,59%	77,36%
up to 0,5 million of euros	1221	21,76%	99,12%
no turnover	52	0,88%	100,00%
TOTAL	5393		

In these reports transactions related to Travel and Transport are included but all the units which did not report turnover as well as the transactions below the exemption threshold are excluded from the total amount. The number of enterprises shown in the tables includes an estimated number of the companies which happen to be occasional reporters. The number of the occasional reporters (companies without an identification code) has been proxied by referring all the transactions with the same turnover and the same sector of economic activity to the same subject. As a consequence, companies with the same sector of economic activity and same turnover are counted only once. On the other side, if the same companies report their transactions without the commercial code and indicate in the reports they belong to different groups of turnover and/or different economic sector will be counted twice. Consequently, the indicated number of enterprises could be either overestimated or underestimated. The problem related to the occasional reporters affects especially the low-medium turnover groups. As a consequence, the number of big players could be considered as quite reliable.

For both credits and debits the estimated number of big players is about 200; these enterprises cover approximately 30% of the aggregate figures.

Even though the big players cover a quite relevant part of the population, the small and medium size enterprises play a relevant role in the structure of the reporting population.

6. Conclusions

Even though a thorough analysis of the structure of the population cannot be made, as the total number of the enterprises involved in the ITS cannot be determined, an attempt could be made to draw some conclusion.

Concerning the ITS the most critical item is "other business services". For each of the remaining items at most 200-300 enterprises might ensure a good coverage of the amounts on a monthly basis. This coverage is not guaranteed on a yearly basis, as the stability of the reporting population over time cannot be tested. As far as the item "other business services" is concerned, the countable enterprises cover approximately the 40% of the total of this item. A large number of enterprises is involved for both credits and debits. Even though the large enterprises seem to cover a quite relevant part of the population, a large number of small-medium size enterprises play an important role in ITS especially on the debits side. Should direct reporting system be adopted, a sample survey would be anyway necessary to cover the overall amount. The stability of the composition of the population cannot be tested until the confidentiality constraints are removed.

For FDI abroad a high concentration in the large enterprises exists. The census part of the survey (approximately 3000) represents the 92% of the total amount.

For FDI in the reporting economy the sample contribute with an amount corresponding to the 34% of the total. This 34% is fragmented and a large number of enterprises is involved. We could not identify a stratification variable significantly related with the amounts to be estimated.

Should direct reporting be adopted for the monthly flow data, the number of the surveyed should probably be reduced in order to limits costs. Consequently the rate of coverage as well as the reliability of the results would be reduced.

The adoption of a BOP register containing information on the equity ownership is expected to improve significantly the effectiveness of the survey.

Even in case a BOP register is adopted, the monthly new FDI would be difficult to estimate, especially on the liabilities side where a large number of medium-small enterprises is involved.

6. *DE NEDERLANDSCHE BANK, 15 January 2002*

The quantitative analysis in order to select monthly respondents for a 95 % coverage for each (financial) BOP item has been done. The following points can be mentioned:

- A special software tool has been developed in order to be able to do selection work efficiently. This work requires many steps of enrichment of the original selection, which was the first step to begin with.
- A start database of respondents, which reported information on financial transactions/positions in the recent past on the basis of settlements information, is point of departure for the exercise. A first step was to select respondents, which were active in foreign direct investment (FDI) in the recent past, on the basis of the requirement to obtain a coverage of say e.g. 85 % for the item for the selected group. This value of coverage for FDI has been chosen explicitly at a lower lever in order to prevent that at the end of the process too many small respondents would have been selected for the needed monthly population.
- The selection of the first step of say 85 % coverage for FDI is then a first point of departure to check what is the coverage for other components of the financial account, mainly 'other investment'. The first selection of respondents is frozen (or saved). If e.g. the coverage for 'other investment' is below the value of 85 %, additional respondents are then selected in order to increase the coverage for the 'other investment' (sub-)components. The additional respondents found during the second step are added to the selection of the first step. When the latter selection is done, the percentage of coverage for FDI is then checked as it will have been increased because of the addition of respondents to the originally selected list. The population after the second step of selection is then frozen and is the basis for enrichment by selecting a further new group of respondents for FDI to be added to the frozen series of respondents selected after the second step, resulting in a new enriched population of respondents as a third step. Then, it can be checked

again how the rate of coverage is for the ‘other investment ‘ (sub)-components. If insufficient, a selection of new respondents can be done, which are to be added to the population frozen for the third step (resulting in the selection of respondents to be frozen for the fourth step). This exercise is continued until the required population is selected on the basis of the criteria formulated (95 % coverage for each financial BOP item).

- Historical data are inspected in order to spot relevant respondents, which did not come to surface during the selection process on the basis of settlements data of a recent period.
- During the selection process with the purpose of forming the population of BOP respondents for the financial items, focus is both on flows (net of receipts and expenditure) and on stocks of the individual BOP items. The latter is of relevance with regard to the item of investment income.
- Portfolio investment has not been taken into consideration during the selection process of non-financial enterprises because of the institutional framework in the Netherlands. The bulk of the information in this field can be acquired from a limited group of respondents, being the banks (both for own transactions/positions and in the role of custodian), insurance companies, pension funds and investment funds. Though non-financial enterprises are required to report portfolio investment, both foreign assets (in the role of end-investor if applicable) and foreign liabilities (securities issued on a foreign market, if applicable).

The finally selected population of respondents is a basis to start the new system with. For financial institutions, being under supervision, the databases of supervisors are used to select the latter categories of respondents for the BOP register. In future, step by step the quality of the register, if and where necessary, will have to be improved in order to obtain still better BOP data. For that matter, one should not forget that BOP data as a result of current collection systems applied do also include quality weaknesses.

7. BANCO DE PORTUGAL, September 2002

1. Introduction

The implementation of the EUR 12500 exemption threshold (EUR 50000 in 2006), among other factors, induces a need of revision of the actual BoP/iip collection system.

The future of the Portuguese BoP collection system is presently under reformulation: among different alternatives, and given there is already some consensus between the Instituto Nacional de Estatística (INE) and Banco de Portugal to implement a “frontier survey” as an important source of information to compile the BoP item “Travel”, and given since January 2000 INE is conducting, together with Banco de Portugal, a quarterly survey on non-financial enterprises for national accounts and trade credits purposes, at the present stage, the scenario more plausible is the proposal of an extension of that survey (or an alternative one), to compile supplementary data for “Services” in the BoP. The collection of data and the compilation of the financial account and the IIP will continue to be a responsibility of the Banco de Portugal.

Negotiations between the Banco de Portugal and the INE are in a very early stage and no decisions have been taken. The negotiations and the definition of the activities to be shared between both entities will take place during this year.

Therefore, the design of the new system, in particular within the field of “Services” compilation data, is not yet well defined. Recently, a technical group was set up between the Banco de Portugal and the INE, to study the issues related with the compilation of information on “Travel” and on “Other services”, what will begin to be done during the next months.

Meanwhile, as the new “Services” system will move towards a collection system where the companies will be responsible for the reporting of their own transactions, the work started in Banco de Portugal, with a study of the structure of the population of companies involved in international transactions based on the information gathered through the resident banks (settlements) and through the existent Direct Reporting Companies in order to identify potential new *Direct reporters* and to select the sample of companies which will be probably surveyed.

As the current account will be specially affected, and in particular the report of international trade in services (ITS), a first priority is the study of all the economic operators involved in international transactions, specially within the ITS framework, while is still possible due to the existence of complete databases.

2. Scope

This short document will focus on the study of the population involved in ITS, for the period January 1999 up to October 2001. The study was developed on a quarterly basis and with a breakdown of intra and extra EMU transactions data both for debits and credits separately.

3. Preliminary analysis

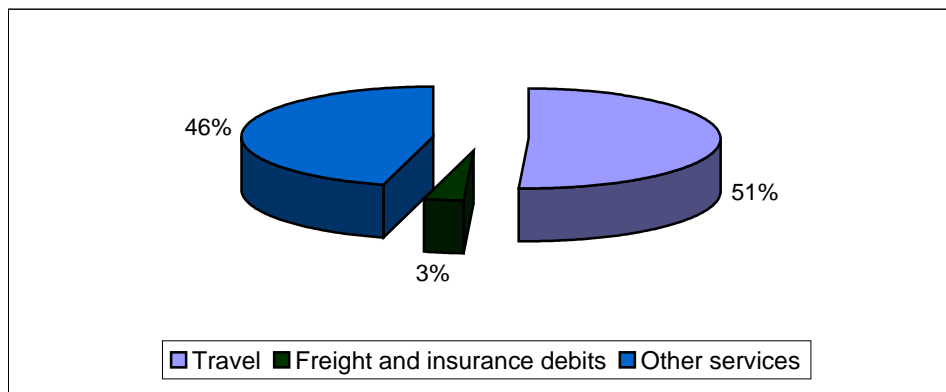
The original database of international transactions between residents and non-residents is very detailed: it includes information on every transaction on an individual basis, on the exports and imports sides, with the identification of the type of reporter which sent the data and the identification of the bank in case it is a bank report, the ID code of the economic operator, date (month and year), economic codification, the counterpart country and the settlement currency.

For the current study some adjustments were made: the Portuguese economic codes were assigned to the Eurostat Y1 Questionnaire codification; the economic operators not individually identified and households, were grouped and identified by generic codes respectively, and excluded from the analysis³⁵. Furthermore, not all the transactions settled via banks, below the simplification threshold of EUR 5000 (that existed until the end of 2001), were individually identified by their resident counterpart.

The study focuses on “Services” transactions with the exception of “Travel” and “Freight” and respective insurance debits. These latter are estimated within the process of CIF/FOB margin calculation, while “Travel” data will be derived from a range of different sources, namely information from debit/credit cards and surveys.

The analysed items represent 46% of total Services turnover (debit+credit) in the referred period (from January 1999 up to October 2001), while Travel accounts for 51% and Freight and respective insurance debits for 3%.

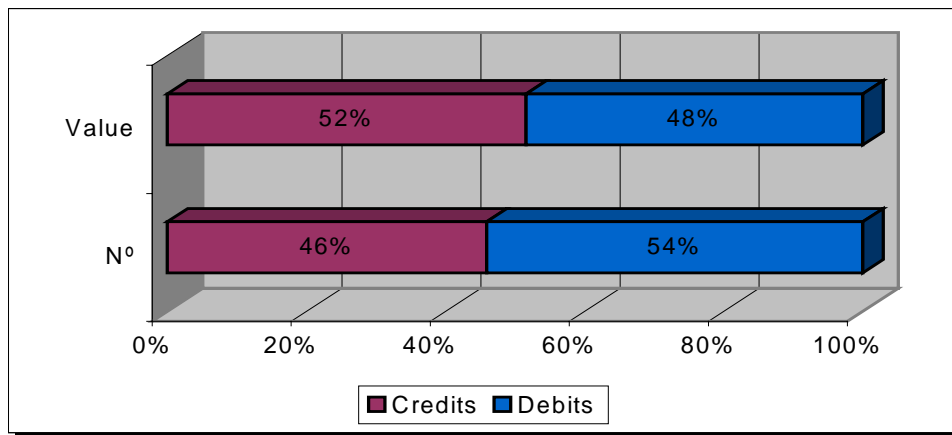
Chart 1 - Services



³⁵ Although the referred generic codes were excluded from the analysis, all the information was kept in the file in order to allow the knowledge of the weight of the companies individually identified: 56% of the companies engaged on the credit side are individually identified, while only 50% of the companies engaged on the debit side are perfectly well identified.

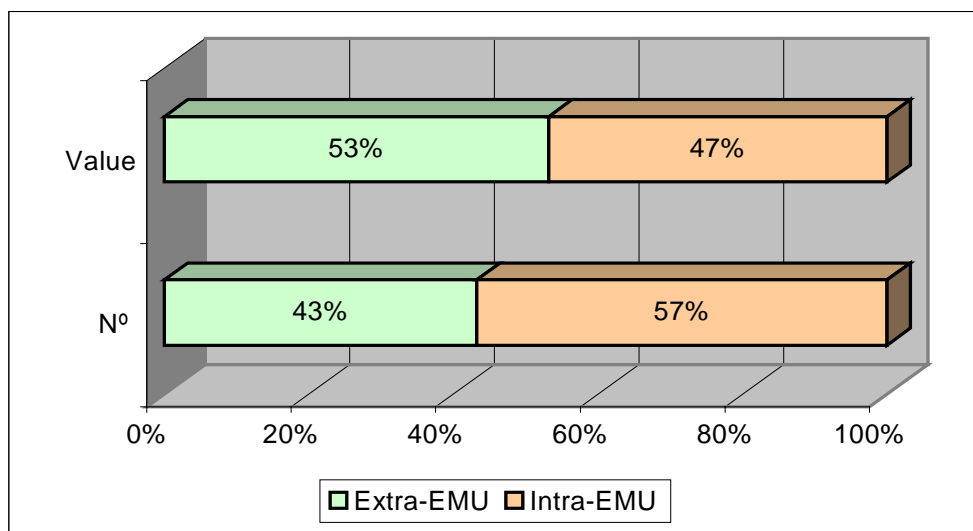
The analysed items revealed a similar weight of their debits or credits in terms of both total value of Services transactions and number of operations recorded:

Chart 2 - Credits Vs Debits



Similar results were obtained in terms of geographical breakdown in extra and intra EMU data.

Chart 3 – Extra EMU Vs Intra EMU



4. Analysis of representativeness and stability

4.1. Companies individually identified

A first approach was to assess the number of companies individually identified, which added up to 80% (90%) of each item of the Services account (excluding Travel and Freight debits).

The same was done for total credits/debits intra EMU, total credits/debits extra EMU and total credits/debits (disregarding the individually coverage of each item and the geographical dimension) (Tables A.1, A.2).

The main conclusions that can be drawn are:

- to increase the coverage from 80 to 90% of the aggregate levels of Services (total, intra and extra), a higher number of companies are needed (roughly 3 or even 4 times more);
- to ensure the same levels of coverage of each item separately, a higher number of companies are needed especially in those items of small business services; for some items, with a few additional companies the 90% coverage is reached, while for some others, even with the total number of

companies individually identified it is not possible to get the representativeness of 90% (for some, even the 80% rate is not reached);

- a concentration in special areas like *Communication* and *Insurance services* can be observed; the same does not happen for those items where small and medium companies prevail like *Other business services*;
- for *Personal, cultural and recreational services*, even taking all the individually identified companies it is not possible to get 80% (90%) coverage (due to a high percentage of transactions done by households);
- although a smaller number of companies on the credit side were expected, that is not the case for the aggregated levels and for the majority of the items individually taken.³⁶

For example, taking into account only the IV quarter of 2000, the total *Services* and some items, the number of companies needed to reach 80 and 90% of the item would be:

	Credits				Debits			
	80%		90%		80%		90%	
	Intra	Extra	Intra	Extra	Intra	Extra	Intra	Extra
<i>Communications</i>	4	3	6	6	4	4	5	7
<i>Insurance</i>	7	7	14	21	13	14	19	29
<i>Other business services</i>	297	197	763	1245*	153	166	381	388
Total intra EMU	340		861		145		364	
Total Extra EMU	157		519		141		363	
Total Services	359		1073		213		554	

(*) Even with the total of companies identified it is not possible to get 90% coverage

Adding up all the companies needed to ensure 80% coverage of the items with the disaggregation presented in tables A.1. (A.2.) (which are more aggregated than Eurostat Y1 Questionnaire breakdown), it would had been necessary to approach 830 companies to get total credits/Intra EMU and 935 to get total debits/Intra EMU in the IV quarter of 2000.

4.2. Distinct companies

Another step was to identify the number of distinct companies, by quarter, and disaggregated by intra/extra-EMU data, which guarantee coverage of 80% (90%) of each item of Services (Eurostat Y1 Questionnaire breakdown). Furthermore, it was assessed the number of common companies all over the period in study.

Considering the same example as above, summing up all the distinct companies needed to ensure 80% of each item of Services, in the IV quarter of 2000 it would had been necessary:

	IV Quarter 2000	
	80% of each Y1 item	80% of totals
Credits/Extra EMU	1421	157
Credits/Intra EMU	1316	340
Total Credits	2394	359
Debits/Extra EMU	1007	141
Debits/Intra EMU	1128	145
Total Debits	1817	213
Total (Credits+Debits)	3810	581

³⁶ This conclusion may be biased by the fact that on the debit side there were a higher number of economic operators that were not individually identified and households, which were excluded from the analysis. Furthermore, "Travel", "Freight" and respective insurance debits were also out of scope of the quantitative analysis performed.

The first column figures compare with those of the second which reflect the companies needed to ensure coverage of 80% of the respective Totals without taking into account the coverage of each individually item. Similar analysis was made for 90% coverage (Tables A.3 and A.4).

Considering all the period analysed (1999-I up to 2001-III) and the minimum and maximum number of companies needed to be sampled in order to cover 80% of the total Services turnover, without and taking into account the coverage of each individually item, respectively, a number of approximately 634 and 3510 (on average) companies would be the result. For example, and considering the fourth quarter of 2000, to cover 80% of total Services turnover (credits and debits with geographical breakdown) a number of 581 would be necessary. If the detail of Y1 were also required, the sample dimension would grow up to 3810 (almost 6 times more). Similar analysis was made for 90% coverage (Tables A.5 and A.6).

The results outline the impact in the population of the level of information disaggregation and geographical breakdown requests.

4.3. Stability

The number of companies needed in each quarter to ensure a certain rate of coverage does not vary sharply (e.g. from a minimum of 1115 to 1605 for credits intra EMU). However, the common companies with international trade in services in all the quarters analysed (for a coverage of 80%) is only 245 for credits intra EMU, 186 for credits extra EMU and 401 for Total Services credits. For debits: 165 for intra EMU, 166 for extra EMU and 314 for Total Services debits.

For Total Services (credits+debits) only 286 companies are common, which means that there is a widespread range of small and medium-size companies with a great volatility.

5. Analysis of concentration and stability

5.1. Common companies

The number of common companies, within those needed to ensure 80% of coverage, during the 11 quarters is shown in the following table:

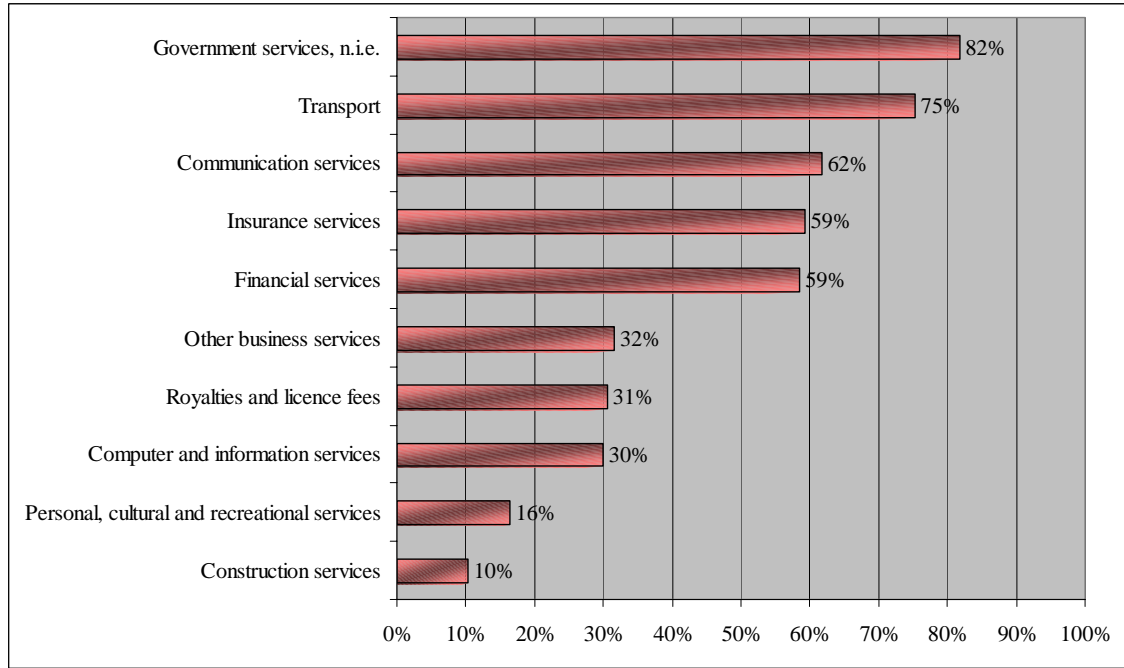
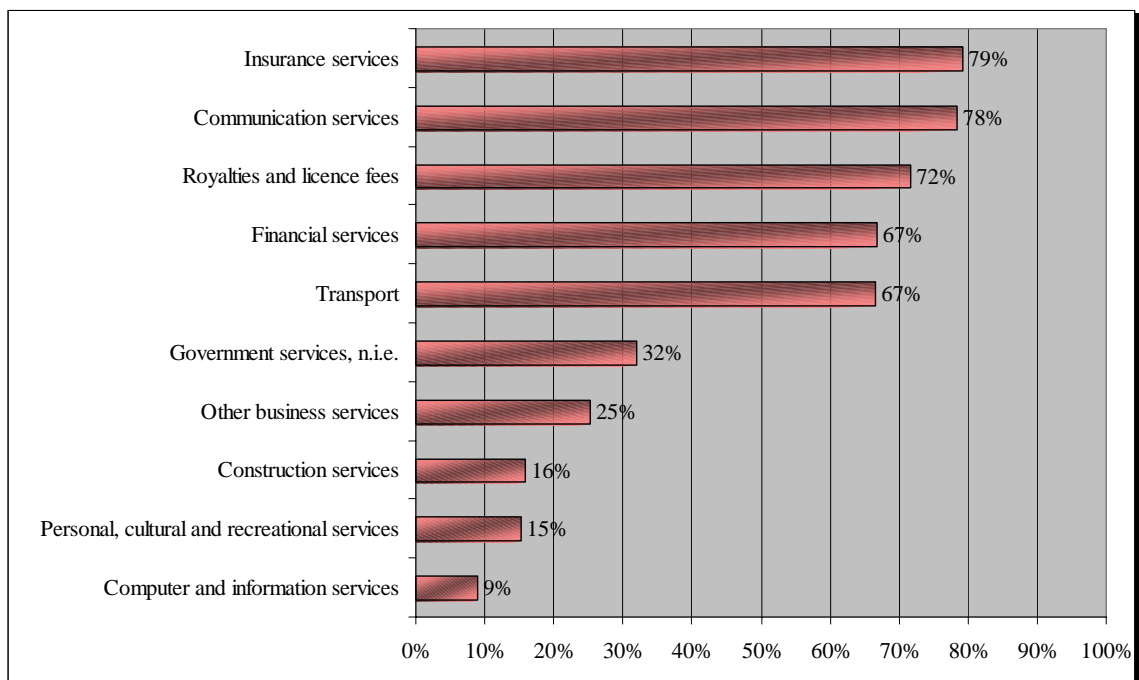
	Common companies
Credits/Extra EMU	186
Credits/Intra EMU	245
Total Credits	401
Debits/Extra EMU	166
Debits/Intra EMU	165
Total Debits	314
Total (Credits+Debits)	286

The lower number of common companies on the debit side suggests a higher volatility of the companies involved in ITS imports.

Comparing the sum of total number of companies involved in credits and in debits with the whole relevant population (total of Services), we see that around 11% of the companies are engaged in both importing and exporting activity, while the rest of the population would act only on one side (Tables A.3 and A.4).

The analysis of the contribution of the common companies (286 above referred) for each single item is quite different from an item to another. Indeed, the representativeness of those common companies varies from 0 to almost 100% and it is lower in items like *Other Business* and *Personal services* both for Credits or Debits and for intra or extra EMU (Tables B.1 to B.8).

For the IV quarter of 2000 and for Credits and Debits Intra EMU the following graphics illustrate the situation:

Chart 4 – Contribution of the common companies (80%) to the single items for Credits/Intra EMU**Chart 5 – Contribution of the common companies (80%) to the single items for Debits/Intra EMU**

5.2. Stability

The contribution of the common companies for the Total Turnover of Services (credits+ debits) along the 11 quarters is quite similar as it can be observed in chart 10.

However, general conclusions cannot be drawn without a carefully analysis item by item for credits and debits and for intra and extra EMU data.

At a first glance, it looks that for some items it is observed a decrease of representativeness which may reflect a change of the structure of the economic operators involved in ITS.

The contribution of the common companies seems to be more stable in what concerns credit data which strong the idea of more concentration on this segment.

6. Analysis of the distribution of the current Direct Reporting Companies (DRC)

6.1. Total DRCs

A first approach was to identify the number of distinct companies that were already reporting directly to Banco de Portugal (General+Parcial DRCs) in the period in study, whose number was 1372 DRC companies, of which 383 (27%) companies didn't have any operation within the Services account (excluding Travel, Freight and respective insurance debits). So, only 72% of DRCs (989) had operations registered under Services on that period. Secondly, it was identified that 64% of the DRCs with operations of Services were both importers and exporters, while 70% and 95% were engaged in the importing and exporting side, respectively. Comparing with the whole relevant population engaged in Services transactions, conclusions are quite different from the last ones: 52% of those companies were exporters, 71% importers and by around 23% were both importers and exporters.

Considering the aggregated level of standard components, on a total of 10 different kinds of operations³⁷, as presented in tables A.1 and A.2, it's possible to summarize the following information:

Number of Standard Components	Exporters	%	Importers	%
10	1	0.1%	1	0.1%
9	2	0.3%	4	0.4%
8	0	0.0%	8	0.9%
7	2	0.3%	23	2.4%
6	8	1.2%	53	5.6%
5	19	2.8%	74	7.9%
4	36	5.2%	108	11.5%
3	86	12.5%	184	19.6%
2	188	27.4%	222	23.6%
1	345	50.2%	262	27.9%
	687	100.0%	939	100.0%

There is only one exporter (or importer) engaged in all the 10 types of Services standard components, while there are 345 exporters (262 importers) with only one type of Services transactions.

Exporters, on average, operate in 1.9 different standard components, while importers participate in 2.8 different operations, which reflect a higher concentration in the credit side.

³⁷ This breakdown includes the following items:

- Transport
- Communication Services
- Construction Services
- Insurance Services
- Financial Services
- Computer and Information Services
- Royalties and Licence Fees
- Other Business Services
- Personal, Cultural and Recreational Services
- Government Services, n.i.e.

The analysis of the contribution of the total DRCs for each single item varies a lot between different items. Tables C.1 to C.4 show these contributions. It's clear that there are some items, which are well covered by these companies, like Transport and Communication Services. As an example, for the IV quarter of 2000 and for credits and debits intra EMU, their contribution for each of the standard components can be observed on the following graphics.

Chart 6 – Contribution of the DRCs to the single items for Credits/Intra EMU

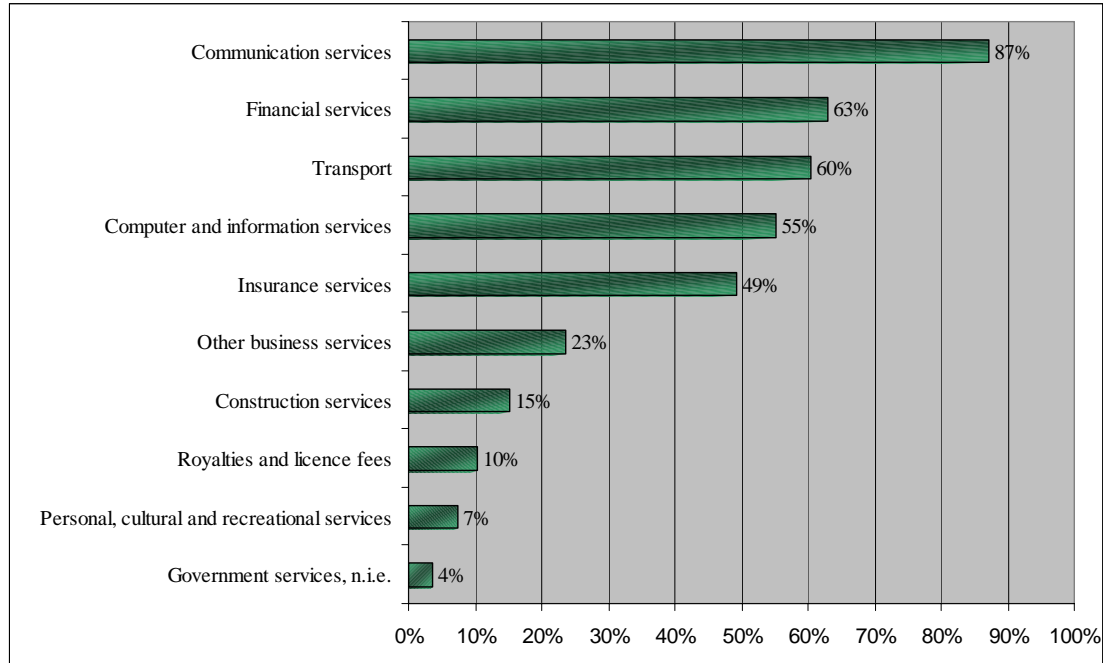
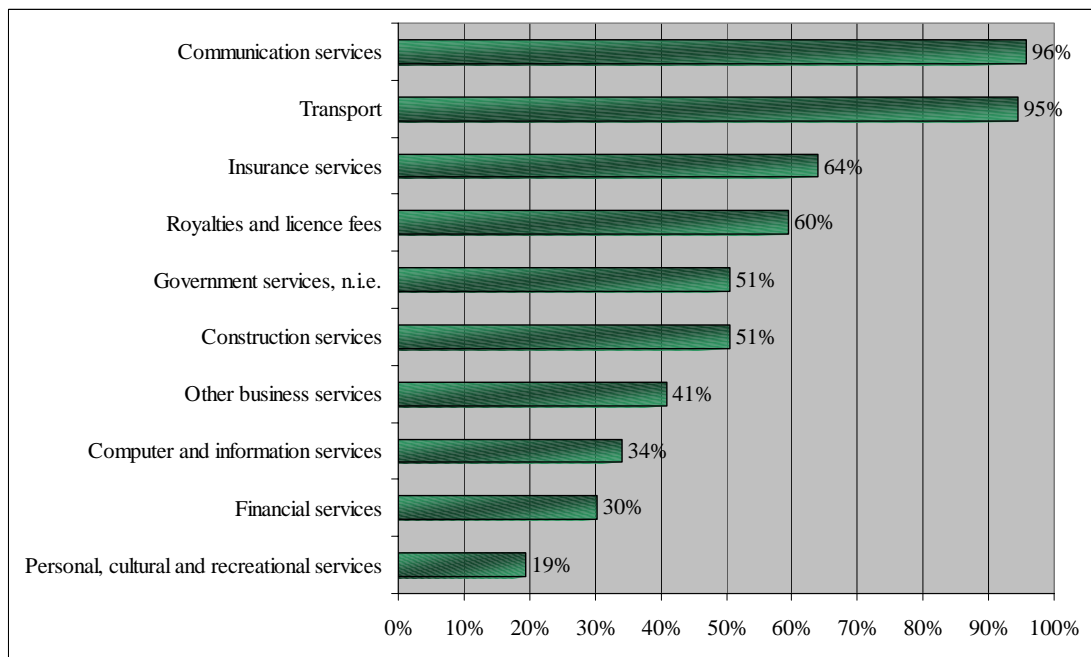


Chart 7 – Contribution of the DRCs to the single items for Debits/Intra EMU



The contribution of the total number of DRCs for the Total Turnover of Services (credits+ debits) along the 11 quarters is quite stable as it can be observed in chart 10.

The next table shows the number of DRCs that are common along all the quarters in study.

	Common companies
Credits/Extra EMU	86
Credits/Intra EMU	95
Total Credits	142
Debits/Extra EMU	143
Debits/Intra EMU	151
Total Debits	242
Total (Credits+Debits)	321

For Total Services only 321 DRCs, within the total number of 989 DRCs, are involved in international trade in Services in all the quarters analysed.

To draw any other conclusions regarding the stability of the DRCs behaviour, a split should be made between those who are General from those who are only Partial reporters, given the fact that these later are much more volatile along time (Partial DRCs only report when it is used a banking account abroad, what is not regular or frequent for all the DRCs considered in the study).

6.2. DRC's within the common companies needed to ensure 80% (90%) of coverage

Within those companies needed to ensure 80% (90%) of coverage, were identified those who are common and are already reporting directly to Banco de Portugal complete BoP data or transactions settled through international clearing or netting or through bank accounts held abroad (General+Parcial DRC). These DRC companies account for roughly 38.5% of the common companies for an 80% coverage.

Its contribution to each single item was analysed (Tables D.1 to D.8) and the main conclusions are:

- some of the items are already very well covered by the existent DRC;
- a few DRCs are sufficient to ensure rates between 80 and 100% coverage in some items;
- items like *Other business services* are insufficiently covered by DRC with rates between 6 and 32% all over the period even with a number of companies between 40 and 60;
- with a lower number of DRCs by item it is reached a higher rate on the credit side (which reflect once more a higher concentration). For example, for the IV quarter 2000 a number of 6 DRCs ensure 78.3% of *Communications services* credits/intra EMU while 15 DRCs are needed to guarantee 61.6% of the respective debits/intra EMU.

Again, for the IV quarter of 2000:

Chart 8 – Contribution of the common DRC (80%) to the single items for Credits/Intra EMU

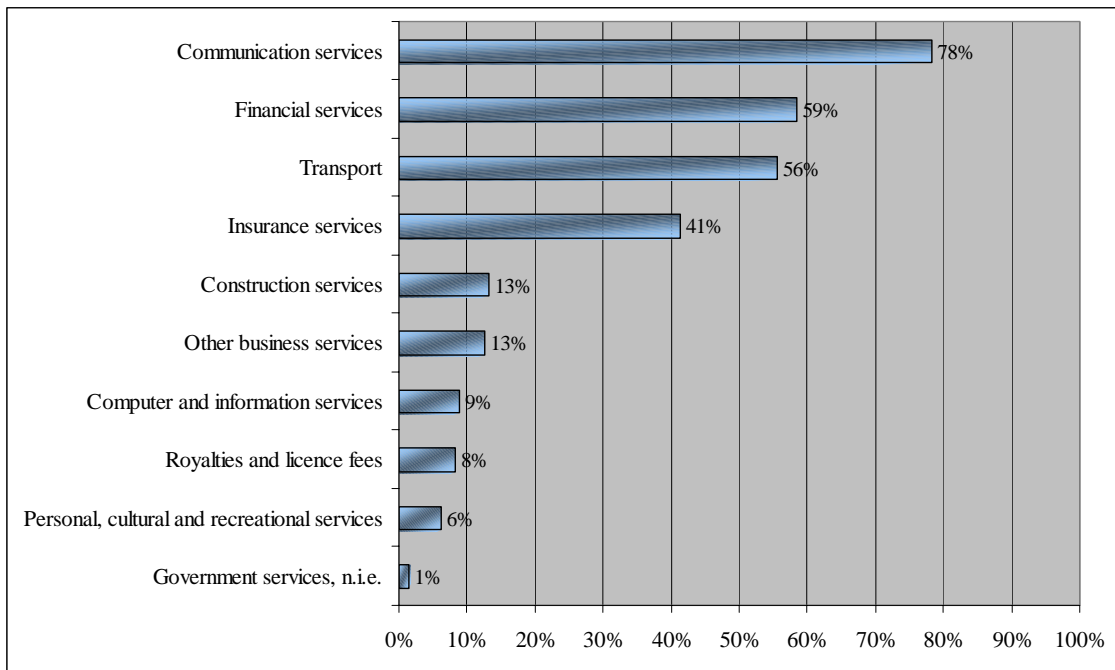
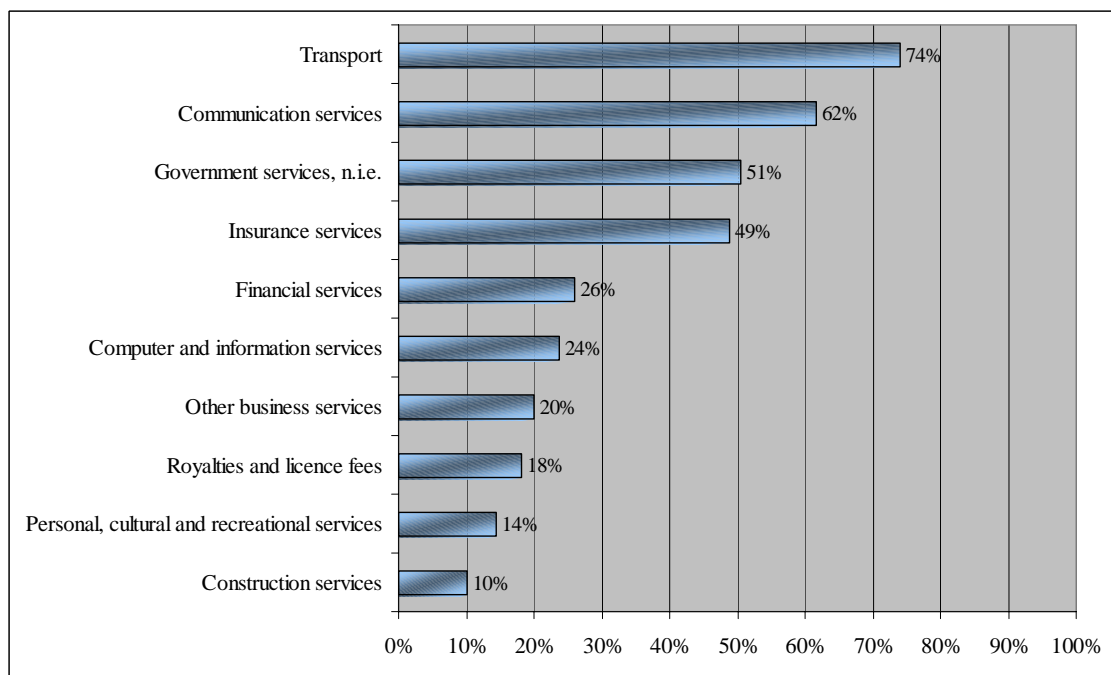


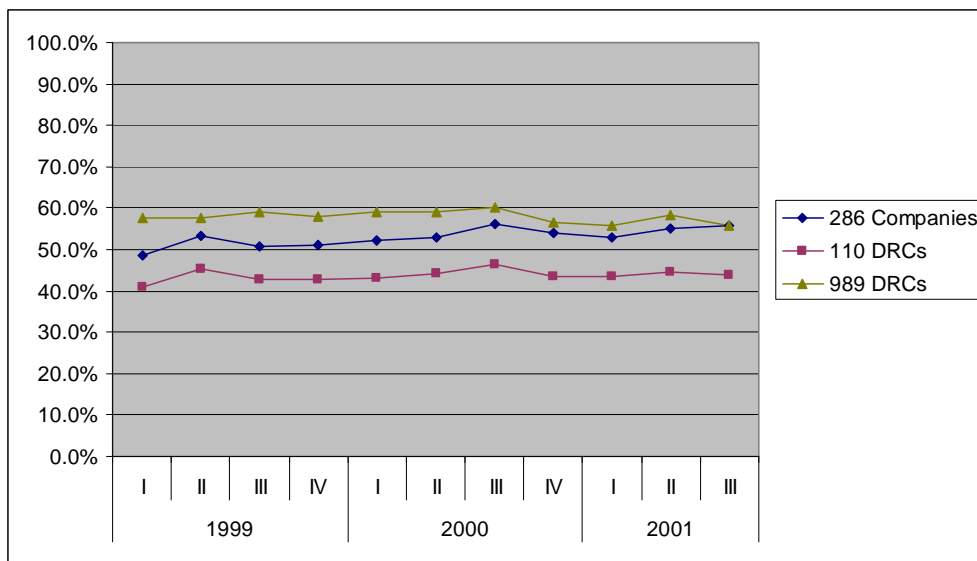
Chart 9 – Contribution of the common DRC (80%) to the single items for Debits/Intra EMU



Considering the total turnover of Services it is interesting to compare the contribution of the common and of the DRCs companies (tables E.1 and E.2): with less than half companies it is obtained a coverage rate that rounds 80% of the representativeness of common companies.

The contributions of both common and DRCs companies show a regular pattern along time as it is shown in chart 10.

Chart 10 – Contribution of the common companies, DRCs within the common companies (80%) and total DRCs in the current BoP system to the total Services Turnover



Comparing this analysis with the previously performed in point 6.1 we conclude that, when we ignore the contribution of some of the DRCs, who are reporting in the current BoP system, to consider only the contribution of the DRCs within the number of common companies needed to ensure 80% coverage, some of the items become very badly covered. For example, the total DRCs ensure 55% of the coverage of the computer and information intra EMU credits, which decrease for only 9% when it is considered the contribution of the DRCs within the number of common companies needed to ensure 80% coverage. The same conclusion holds for other items like communication services.

This conclusion leads us to the question of the volatility of the BoP population, in particular in those items where innovation and high technology implies structural adjustments of the companies involved, namely the creation of new ones, mergers and so on, and the death of others.

By considering only the common companies / DRCs in a period like three years, there is the risk of ignoring important companies that meanwhile appeared in the market. This stresses the need of a BoP register regularly updated in order to guarantee the representativeness of the selection of DRCs/frame/sample.

7. Future work

It is envisaged in a near future an extension of this line of work to other BoP items, namely *Foreign Direct Investment* and *Other Investment*.

8. BANK OF FINLAND, 1 August 2002

For the Financial account frame lists are continuously kept updated by the Bank of Finland and the statistical properties of the frame distributions studied. Frame lists are defined in terms of survey variables. The correlation between auxiliary variables and the survey variables is monitored. Various BoP items must be studied in order to see whether and to which degree the frame lists in each are overlapping or different. This asks for tedious empirical work with enterprise specific data employing statistical programme packages.

The results of the Bank of Finland 2000-2001 frame studies are reported for example in a paper 'Surveying the enterprise sector in fulfilment of the ECB BoP statistics requirements' by Jorma Hilpinen presented in the IFC-Conference, Basel 20-22 August 2002. The frame distribution studies will be repeated with a few years intervals as a part of the survey monitoring programme. For survey on international trade in services frame list is defined in terms of auxiliary variables and frame descriptions can be found in product descriptions/quality reports provided by Statistics Finland attached to the published statistics.

9. ONS-UNITED KINGDOM, 14 January 2002

This item is not applicable to the UK.

ANNEX 5

ACCOUNTING SYSTEMS AND BALANCE OF PAYMENTS

Replies from: B, DK, D, E, F, I, NL, P, FIN, SW, UK

11.9.2002 L 243/1 Official Journal of the European Communities EN

I

(Acts whose publication is obligatory)

REGULATION (EC) No 1606/2002 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**of 19 July 2002****on the application of international accounting standards**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 95(1) thereof,

Having regard to the proposal from the Commission⁽¹⁾,Having regard to the opinion of the Economic and Social Committee⁽²⁾,Acting in accordance with the procedure laid down in Article 251 of the Treaty⁽³⁾,

Whereas:

- (1) The Lisbon European Council of 23 and 24 March 2000 emphasised the need to accelerate completion of the internal market for financial services, set the deadline of 2005 to implement the Commission's Financial Services Action Plan and urged that steps be taken to enhance the comparability of financial statements prepared by publicly traded companies.
- (2) In order to contribute to a better functioning of the internal market, publicly traded companies must be required to apply a single set of high quality international accounting standards for the preparation of their consolidated financial statements. Furthermore, it is important that the financial reporting standards applied by Community companies participating in financial markets are accepted internationally and are truly global standards. This implies an increasing convergence of accounting standards currently used internationally with the ultimate objective of achieving a single set of global accounting standards.
- (3) Council Directive 78/660/EEC of 25 July 1978 on the annual accounts of certain types of companies⁽⁴⁾, Council Directive 83/349/EEC of 13 June 1983 on consolidated accounts⁽⁵⁾, Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions⁽⁶⁾ and Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance companies⁽⁷⁾ are also addressed to publicly traded Community companies. The reporting requirements set out in these Directives cannot ensure the high level of transparency and comparability of financial reporting from all publicly traded Community companies which is a necessary condition for building an integrated capital market which operates effectively, smoothly and efficiently. It is therefore necessary to supplement the legal framework applicable to publicly traded companies.

⁽¹⁾ OJ C 154 E, 29.5.2001, p. 285.⁽²⁾ OJ C 260, 17.9.2001, p. 86.⁽³⁾ Opinion of the European Parliament of 12 March 2002 (not yet published in the Official Journal) and Decision of the Council of 7 June 2002.⁽⁴⁾ OJ L 222, 14.8.1978, p. 11. Directive as last amended by European Parliament and Council Directive 2001/65/EC (OJ L 283, 27.10.2001, p. 28).⁽⁵⁾ OJ L 193, 18.7.1983, p. 1. Directive as last amended by European Parliament and Council Directive 2001/65/EC.⁽⁶⁾ OJ L 372, 31.12.1986, p. 1. Directive as last amended by European Parliament and Council Directive 2001/65/EC.⁽⁷⁾ OJ L 374, 31.12.1991, p. 7.

- (4) This Regulation aims at contributing to the efficient and cost-effective functioning of the capital market. The protection of investors and the maintenance of confidence in the financial markets is also an important aspect of the completion of the internal market in this area. This Regulation reinforces the freedom of movement of capital in the internal market and helps to enable Community companies to compete on an equal footing for financial resources available in the Community capital markets, as well as in world capital markets.
- (5) It is important for the competitiveness of Community capital markets to achieve convergence of the standards used in Europe for preparing financial statements, with international accounting standards that can be used globally, for cross-border transactions or listing anywhere in the world.
- (6) On 13 June 2000, the Commission published its Communication on 'EU Financial Reporting Strategy: the way forward' in which it was proposed that all publicly traded Community companies prepare their consolidated financial statements in accordance with one single set of accounting standards, namely International Accounting Standards (IAS), at the latest by 2005.
- (7) International Accounting Standards (IASs) are developed by the International Accounting Standards Committee (IASC), whose purpose is to develop a single set of global accounting standards. Further to the restructuring of the IASC, the new Board on 1 April 2001, as one of its first decisions, renamed the IASC as the International Accounting Standards Board (IASB) and, as far as future international accounting standards are concerned, renamed IAS as International Financial Reporting Standards (IFRS). These standards should, wherever possible and provided that they ensure a high degree of transparency and comparability for financial reporting in the Community, be made obligatory for use by all publicly traded Community companies.
- (8) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission ⁽¹⁾ and with due regard to the declaration made by the Commission in the European Parliament on 5 February 2002 concerning the implementation of financial services legislation.
- (9) To adopt an international accounting standard for application in the Community, it is necessary firstly that it meets the basic requirement of the aforementioned Council Directives, that is to say that its application results in a true and fair view of the financial position and performance of an enterprise —this principle being considered in the light of the said Council Directives without implying a strict conformity with each and every provision of those Directives; secondly that, in accordance with the conclusions of the Council of 17 July 2000, it is conducive to the European public good and lastly that it meets basic criteria as to the quality of information required for financial statements to be useful to users.
- (10) An accounting technical committee should provide support and expertise to the Commission in the assessment of international accounting standards.
- (11) The endorsement mechanism should act expeditiously on proposed international accounting standards and also be a means to deliberate, reflect and exchange information on international accounting standards among the main parties concerned, in particular national accounting standard setters, supervisors in the fields of securities, banking and insurance, central banks including the ECB, the accounting profession and users and preparers of accounts. The mechanism should be a means to foster common understanding of adopted international accounting standards in the Community.
- (12) In accordance with the principle of proportionality, the measures provided for in this Regulation, in requiring that a single set of international accounting standards be applied to publicly traded companies, are necessary to achieve the objective of contributing to the efficient and cost-effective functioning of Community capital markets and thereby to the completion of the internal market.
- (13) In accordance with the same principle, it is necessary, as regards annual accounts, to leave to Member States the option to permit or require publicly traded companies to prepare them in conformity with international accounting standards adopted in accordance with the procedure laid down in this Regulation. Member States may decide as well to extend this permission or this

requirement to other companies as regards the preparation of their consolidated accounts and/or their annual accounts.

- (14) In order to facilitate an exchange of views and to allow Member States to coordinate their positions, the Commission should periodically inform the accounting regulatory committee about active projects, discussion papers, point outlines and exposure drafts issued by the IASB and about the consequential technical work of the accounting technical committee. It is also important that the accounting regulatory committee is informed at an early stage if the Commission intends not to propose to adopt an international accounting standard.
- (15) In its deliberations on and in elaborating positions to be taken on documents and papers issued by the IASB in the process of developing international accounting standards (IFRS and SIC-IFRIC), the Commission should take into account the importance of avoiding competitive disadvantages for European companies operating in the global marketplace, and, to the maximum possible extent, the views expressed by the delegations in the Accounting Regulatory Committee. The Commission will be represented in constituent bodies of the IASB.
- (16) A proper and rigorous enforcement regime is key to underpinning investors' confidence in financial markets. Member States, by virtue of Article 10 of the Treaty, are required to take appropriate measures to ensure compliance with international accounting standards. The Commission intends to liaise with Member States, notably through the Committee of European Securities Regulators (CESR), to develop a common approach to enforcement.
- (17) Further, it is necessary to allow Member States to defer the application of certain provisions until 2007 for those companies publicly traded both in the Community and on a regulated third-country market which are already applying another set of internationally accepted standards as the primary basis for their consolidated accounts as well as for companies which have only publicly traded debt securities. It is nonetheless crucial that by 2007 at the latest a single set of global international accounting standards, the IAS, apply to all Community companies publicly traded on a Community regulated market.
- (18) In order to allow Member States and companies to carry out the necessary adaptations to make the application of international accounting standards possible, it is necessary to apply certain provisions only in 2005. Appropriate provisions should be put in place for the first-time application of IAS by companies as a result of the entry into force of the present regulation. Such provisions should be drawn up at international level in order to ensure international recognition of the solutions adopted,

HAVE ADOPTED THIS REGULATION:

Article 1

Aim

This Regulation has as its objective the adoption and use of international accounting standards in the Community with a view to harmonising the financial information presented by the companies referred to in Article 4 in order to ensure a high degree of transparency and comparability of financial statements and hence an efficient functioning of the Community capital market and of the Internal Market.

Article 2

Definitions

For the purpose of this Regulation, 'international accounting standards' shall mean International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB).

⁽¹⁾ OJ L 184, 17.7.1999, p. 23.

*Article 3***Adoption and use of international accounting standards**

1. In accordance with the procedure laid down in Article 6(2), the Commission shall decide on the applicability within the Community of international accounting standards.

2. The international accounting standards can only be adopted if:

they are not contrary to the principle set out in Article 2(3) of Directive 78/660/EEC and in Article 16(3) of Directive 83/349/EEC and are conducive to the European public good and, they meet the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.

3. At the latest by 31 December 2002, the Commission shall, in accordance with the procedure laid down in Article 6(2), decide on the applicability within the Community of the international accounting standards in existence upon entry into force of this Regulation.

4. Adopted international accounting standards shall be published in full in each of the official languages of the Community, as a Commission Regulation, in the *Official Journal of the European Communities*.

*Article 4***Consolidated accounts of publicly traded companies**

For each financial year starting on or after 1 January 2005, companies governed by the law of a Member State shall prepare their consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2) if, at their balance sheet date, their securities are admitted to trading on a regulated market of any Member State within the meaning of Article 1(13) of Council Directive 93/22/EEC of 10 May 1993 on investment services in the securities field⁽¹⁾.

*Article 5***Options in respect of annual accounts and of non publicly-traded companies**

Member States may permit or require:

- (a) the companies referred to in Article 4 to prepare their annual accounts,
- (b) companies other than those referred to in Article 4 to prepare their consolidated accounts and/or their annual accounts,

in conformity with the international accounting standards adopted in accordance with the procedure laid down in Article 6(2).

*Article 6***Committee procedure**

1. The Commission shall be assisted by an accounting regulatory committee hereinafter referred to as 'the Committee'.

2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

⁽¹⁾ OJ L 141, 11.6.1993, p. 27. Directive as last amended by European Parliament and Council Directive 2000/64/EC (OJ L 290, 17.11.2000, p. 27).

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

3. The Committee shall adopt its rules of procedure.

Article 7

Reporting and coordination

1. The Commission shall liaise on a regular basis with the Committee about the status of active IASB projects and any related documents issued by the IASB in order to coordinate positions and to facilitate discussions concerning the adoption of standards that might result from these projects and documents.

2. The Commission shall duly report to the Committee in a timely manner if it intends not to propose the adoption of a standard.

Article 8

Notification

Where Member States take measures by virtue of Article 5, they shall immediately communicate these to the Commission and to other Member States.

Article 9

Transitional provisions

By way of derogation from Article 4, Member States may provide that the requirements of Article 4 shall only apply for each financial year starting on or after January 2007 to those companies:

- (a) whose debt securities only are admitted on a regulated market of any Member State within the meaning of Article 1(13) of Directive 93/22/EEC; or
- (b) whose securities are admitted to public trading in a non-member State and which, for that purpose, have been using internationally accepted standards since a financial year that started prior to the publication of this Regulation in the *Official Journal of the European Communities*.

Article 10

Information and review

The Commission shall review the operation of this Regulation and report thereon to the European Parliament and to the Council by 1 July 2007 at the latest.

Article 11

Entry into force

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

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

Done at Brussels, 19 July 2002.

For the European Parliament
The President
P. COX

For the Council
The President
T. PEDERSEN

1. NATIONAL BANK OF BELGIUM, 15 January 2002

1. Present situation

The present data collection system, based on the registration of settlements by MFI's or/and by enterprises, does not require to take care of accountancy rules because it is not directly linked to the ledgers of enterprises.

On the other hand, the use of a survey for FDI had implied that we inform ourselves in detail about the accountancy methods of the enterprises.

Therefore the components of the survey are defined in relation with accountancy components and where possible a correspondence table is available between the components of the survey and the components of the standardised balance sheet and profit and loss account.

In the practice, we experience that for information as FDI, stocks and flows, the internal information system of enterprises, a fortiori the major ones, allows to provide the necessary data because firstly it refers to items of the balance sheets, and secondly the transactions related to these items are well isolated, with information related to maturity and country.

2. Plans for the future

The major characteristic of the future data collection system planned to be implemented is the focus on the enterprises as the main source of information.

In that prospect we will need to investigate in depth the information system of enterprises and to gain a clear understanding of the accountancy practices and concepts.

For this reason in the existing planning related to the elaboration of the new data collection system different steps related to this aspect are already included.

3. Present planning

- analysis of the International Accounting Standard (IAS)

This international standard, not compulsory, is dedicated for listed enterprises. Among the main new rules, the valuation techniques at a fair value instead of book value is one of the most important.

- first round of contact with the enterprises representative associations

The preliminary contact aims to announce them as soon as possible the major orientations of the future system.

Later contacts with a more technical content are planned.

- first round of contact with software houses

This process has a double objective and will concern as a result two types of counterparts:

- * the first one is the evaluation of the best tools for data transmission.
- * the second one is the knowledge of the most spread accountancy softwares in order to evaluate the way this information is organised, the level of detail of the information and its accessibility.

Also the possibility to integrate some ad hoc component would be analysed.

Also the outcome of the feasibility / test procedure related to the "multinational case" will be integrated in the process, considering also the participation of a Belgian multinational to the second round of tests.

The results of the work going on at the European level in the field of harmonisation of accounting practices will be taken into account

4. Feasibility study

41. Preliminary study on the use of accountancy information

The legal, and thus theoretical, existing accountancy framework does not fulfil the needs of BOP compilers because the structure of accounts does not identify:

- * the non resident character of the account exception made for the financial accounts and accounts directly in name of non residents
- * the economic meaning of the transactions is mostly available for accounts where no distinction between resident and non resident is available.

This situation is mainly an obstacle for the registration of transactions in services.

To fulfil the BOP requirements, some specific adjustments must be made at administrative and EDP level. Also, a system based on information directly extracted from the ledgers must integrate some specific process in order to prevent the risk of double counting or of data missing.

42. *Questionnaire*

As we experienced with our existing FDI survey, a feasibility study is an essential step in the decision process.

The major concern in this process is and should be:

- * the availability of the data: a.o.
 - economic breakdown
 - geographical breakdown
 - maturity breakdown
- * the accessibility of the data a.o. timeliness, stability
- * the costs to extract and provide the data:
 - evaluation of adjustments needed in structure of information system
 - evaluation of investments needed in EDP.

In the prospect of the feasibility study we expect to learn from the multinational case but we would favour, based on our own experience, that the process would be very detailed and monitored in a formal way implying, if necessary, many information and contact sessions with the population of enterprises selected for this stage.

2. DANMARKS NATIONALBANK, 8 January 2002

Preparing for a decision on a future system Statistics Denmark and Danmarks Nationalbank have initiated work analysing the implications of implementing a direct reporting system in Denmark for both statistics authorities and respondents. Since Carlsberg has agreed to participate in the testing for multinationals, the opportunity is used to discuss general issues related to future reporting systems. Accordingly, the work with Carlsberg has focus on both the model for harmonised BOP reporting for multinationals and the possibilities for implementing a direct reporting system in Denmark.

Since September 2001 several meetings have been held with Carlsberg. The last meeting was concentrated on the issues of availability of data and possibilities for future automated reporting. It seems that many data are available although some problems are foreseen on foreign direct investments and services. Furthermore it is clear that it will not be feasible to report all data on a fully automated basis.

The feasibility questionnaire has been discussed, and a supplementary scheme has been made to include further specifications on the data that will not only be available, but can be automatically reported in the future. Details will be further studied with Carlsberg.

As a supplementary input for preparing the decision experiences with Carlsberg will be tested with other enterprises in the course of February and March 2002. A limited number of companies will be approached with a simplified questionnaire. The main issues to be addressed are obviously availability of data, timeliness and possibilities for future automated reporting. It is the intention that the companies to be consulted should represent the different types of companies relevant for BOP reporting (size and business activities)

3. DEUTSCHE BUNDESBANK, 05 January 2002

Contact with companies

1. We intend to contact further companies for a discussion of the „multinational project“ because of several reasons:
 - The companies represented in the European Round Table have asked for one common reporting system. Therefore their attitude has to be positive vis-à-vis the project. We need to find out more about the general attitude of other companies. Are their priorities the same looking at costs and benefits? What would be a possible timeframe for changes?

- In case of Germany the volunteering company Thyssen would not have been our own choice for a testing because of a lack in volume and variety of foreign transactions/positions. There are more important international players in Germany which we want to contact.
 - We would like to learn more about the accounting practices in different companies, because accounting seems to become one of the crucial aspects of the project. During the discussions of the Steering Group with multinational companies we have learned that the actual situation may be different, but the tendency will be concentration and common accounting principles.
 - We should find out when companies close their books (monthly, quarterly) and which difficulties have to be faced in this context.
 - It is also important to see how services could be collected on a transaction basis.
 - The contacts should in addition be used to learn something about the actual and future IT-solutions, because IT-support seems to become the second crucial aspect of future developments.
2. For the time being it is not so easy to say what should be changed in the feasibility questionnaire since we have so far not had any reaction of Thyssen. Although it is not intended in a first step to ask the companies for any real testing the discussions should be related to the whole model and not only to accounting problems. Changes to the questionnaire should be made as a follow-up of the first round of answers.

It seems to be more difficult to introduce the questionnaire to the different companies. In Germany it is possible to get a special permission for deviations from the regular reporting (i. e. monthly reporting of all transactions instead of a reporting transaction by transaction, reporting on behalf of other legal entities with separate identification numbers, different data transmission possibilities). Insofar some of the questions raised may have been solved in the past in an individual way and the dialogue has to reflect on general possibilities on the one side and the pros and cons with regard to the individual solution of the company on the other side.

3. We intend to contact in a first round between 5 and 10 companies which are chosen because of the following reasons:
- They have important foreign transactions/positions.
 - They belong to different economic sectors.
 - There is a traditionally good cooperation.

The consultation process will be launched after having filled in the feasibility questionnaire of Thyssen.

4. BANCO DE ESPAÑA, 11 January 2002

Feasibility Questionnaire

The harmonised forms for multinational companies are aimed at obtaining information from them on all BOP/IIP items, thus converting multinationals into general DRCs. Within a compilation system that has straightforwardly excluded obtaining all BOP/IIP data from one main source (be it census surveys -general DRCs- or be it sample surveys), Spain's participation in the feasibility test of the harmonised forms does not seem in principle appropriate to the Banco de España.

In Spain there are relatively few enterprises which belong to European multinational groups and carry out cross-border transactions that may be considered relevant for the Spanish BOP. Mainly subsidiaries, not parent companies, of European multinational groups are located in Spain, their foreign activity usually being limited and simple. The implementation of the harmonised multinational forms in all E.U. countries would thus provide the Banco de España only with a very limited amount of information. At least from the point of view of the Spanish BOP compiler (i.e. not taking into account the possible benefits for reporters), this contribution would most likely not compensate for the additional costs of the necessary changes in the data collection system.

These Spanish subsidiaries of European multinational groups could nonetheless be an exception to the precedent overall statement on non participation in the feasibility test: If they themselves are interested in harmonised reporting (should they consider it beneficial, either for themselves or for their parent companies), the Banco de España would not oppose to participating both in the feasibility test and in the subsequent broader test on implementation of the harmonised forms.

As far as companies other than European multinationals are concerned (e.g. big Spanish companies that might be considered multinationals but not within the E.U.), if due to their membership of the E.R.T. of Industrialists they are encouraged to take part in the harmonisation process, the Banco de España would again not oppose to carrying out both tests, the feasibility test first and the broader test later on.

However, secondary to the fact that the harmonised multinational forms are not foreseen to be implemented in Spain, it should be emphasised that the Banco de España is not going to take the initiative and its active participation in the tests will need to be at the request of Spanish companies.

5. BANQUE DE FRANCE, 18 March 2002

1- Contacts with companies:

So far, we have contacted no other enterprise than Renault (who is participating in the multinational testing exercise). We really intend to get a feed back from Renault (and also from the other tested companies) before introducing a new questionnaire to our General Direct Reporting Companies.

2- At this stage we would just like to stress the following points:

- ◆ the feasibility questionnaire should focus on issues related to collection of services on a transaction basis ; in this respect, the result of the consultation is of the utmost importance for us for two reasons:
 - before changing our collection system (and even if the transaction approach is recommended by the BPM5 and reaffirmed in the New Vision), we have to carefully assess the advantages and costs of a transaction approach compared to the settlement one implemented in France and giving satisfactory results,
 - we need to know urgently the feasibility of a transaction-based reporting system as we plan to recruit in the near future (2003 and 2004) a large number of DRCs dealing mainly in services,
- ◆ from a practical point of view,
 - the questionnaire should be simplified in order to limit the burden of the reporters,
 - the number of companies approached should be limited to a representative sample and the following elements should be taken into account to select the enterprises:
 - importance of their cross border transactions in services,
 - representativeness of the sample as far as the different economic sectors are concerned,
 - quality of their current balance of payments reporting,
 - close relationship with the bop compiler,
- ◆ in this context, the main issues to be addressed should be:
 - availability of data (with all the details requested by international institutions -Eurostat, OECD, IMF ...-: economic nature of flows, geographical and currency breakdowns ...),
 - timeliness (can we expect a reduction of the current delay of reporting ?),
 - accounting practices (as indicated in the German contribution, it seems that the issue of accounting principles has been largely discussed during the meetings of the Steering Group with the multinational companies participating in the testing exercise),
 - cost for the companies of implementing a transaction-based reporting instead of a settlement-based one (it has to be reminded that in France, we have implemented a Direct Reporting System for more than ten years and that we currently have more than 800 DRCs which could obviously have to bear a high cost to change their reporting system).

6. UFFICIO ITALIANO DEI CAMBI, 14 January 2002

In principle, there is no impediment in using a feasibility questionnaire to check with enterprises other than multinationals the information available in the accounting system. Nevertheless, it is not a short and easy task to be carried out and it will take time for the organisation and the implementation.

7. DE NEDERLANDSCHE BANK, 15 January 2002

With regard to the preparation of the implementation of the new BOP data collection system in the Netherlands, around 30 companies from various sectors, and thus not only multinationals, have been consulted in 2000 on the feasibility of the concept of reporting (fully reconciled model including related investment income on an accrual basis). The results of this consultation were that, generally speaking, information needed could be disclosed from the accounting database by the companies consulted. Enterprises thus had no problem. Further, around 400 enterprises have been invited in 2001 for a presentation of the system, for which they received beforehand the report forms relating to the new system. Also at that occasion, no fundamental objections have been expressed against the new system with regard to disclosing information from the (sub-)ledgers. Meanwhile, one is working in the Netherlands on implementation of the new system for larger non-financial enterprises before the ‘big bang’ of April 2003. So, the proposed system seems attainable for larger and medium-sized respondents selected for the monthly reporting on the basis of the new system.

8. BANCO DE PORTUGAL, 19 December 2001

The future of the Portuguese BoP collection system is presently under reformulation, although radical modifications to the present framework of the reporting are not envisaged in a period of up to five years.

Among different alternatives, and given there is already some consensus between the Instituto Nacional de Estatística (INE) and Banco de Portugal to implement a “frontier survey” as an important source of information to compile the BoP item “travel”, and given since January 2000 INE is conducting, together with Banco de Portugal, a quarterly survey on non-financial enterprises for national accounts and trade credits purposes, at the present stage, the scenario more plausible is the proposal of an extension of that survey, to compile supplementary data for “Services” in the BoP. The collection of data and the compilation of the financial account and the IIP will continue to be a responsibility of the Banco de Portugal.

Thus it is envisaged a share of responsibilities with INE in what concerns the compilation of the current account³⁸, although the Banco de Portugal will continue to be responsible for the compilation and publication of the Portuguese BoP and IIP.

However, negotiations between the Banco de Portugal and the INE are in a very early stage and no decisions have been taken. The negotiations and the definition of the activities to be shared between both entities will take place during the next year.

Therefore, the design of the new system is not yet well defined, discussions are still going on and so, is too premature any conclusion on the plans for the future system.

9. BANK OF FINLAND, 1 August 2002

The survey system in place has reported data from enterprise ledgers for the BoP Statistics (Financial Account) more than ten years in Finland. The respondents are supplied with excel spread sheets which they fill employing their own software. The returns are send encrypted to the compiler (Central Bank in the Financial Account)

A continuous dialog between the compiler and major respondents one by one helps in solving reporting problems.

³⁸ *BoP Goods data is already derived from Foreign Trade Statistics released by INE.*

10. SVERIGES RIKSBANK, 13 September 2002

CATCHING DATA

Contacts with companies - the Swedish experience

Sweden has applied direct reporting of financial stocks and transactions since 1989. A few years later, direct reporting of Current Account transactions started. As a whole, direct reporting of financial transactions has turned out well even though some minor problems have occurred. The direct reporting of Current Account transactions has proved somewhat more problematic. One of our most important experiences is the need for a continuous dialogue between compiler and respondent, as opposed to regulations. In our experience the dialogue has led to better understanding of the respondents' situation and ability, which has improved the quality of the reported information and helped develop the overall BoP compilation.

A common platform for communication

To ensure a high quality of the BoP and IIP it is important that the compiler and the respondent both have a good understanding of the information needed for the BoP compilation and its availability. The implementation of direct reporting of aggregated data on a transactional basis has turned out to be a good opportunity for informing the respondents and opening a dialogue with them. At the same time, these introductory contacts as well as the follow-up of the current reporting tend to be resource consuming.

One of the basic issues to solve, regardless of collection system, is actually of a semantic nature, namely finding a terminology understandable for the respondents. The adaptation to BPM5 was a convenient opportunity for a thorough revision of our reporting instructions, which proved valuable. To a large extent BPM5 holds the same concepts as accounting, for example accrued transactions and market value, but there are still a number of obstacles to be overcome in terms of definitions, concepts, etc.

BoP reporting is usually a low prioritized task at companies as it does not generate any proceeds but demand resources. Not uncommonly, there is a high staff turnover and at follow-up meetings with respondents it is necessary to repeat an overall description of what is to be measured. The persons responsible for the reporting often are new and have inherited the routines from predecessors, but they have not been given the understanding of what is to be measured or why. In these meetings it often turns out that the person reporting appreciates the information very much and finds the tasks more interesting after the meeting. This is one key to secure the information received from the respondents.

The main issue of the meetings with respondents is of course a valuation of the data reported. As is the case for both settlement and survey systems, quality checks and analysis are of vital importance. We have found recurrent visits to the respondents to be a very efficient way to help secure the quality. Not only is the data updated and checked, but this is an opportunity to check if it has occurred additional items that are not included in the reporting, for example services or transactions related to FDI.

In order to maintain contacts with the respondents and to have a good basis for the dialogue, it is of importance that the compiler also has a competence in business accounting. This is needed in order to understand the respondents' situation, abilities and in the long run build a foundation of experience that will help in finding solutions for compilation problems.

Balance of Payment links to accounting systems

One issue that has turned more interesting over the last few years is the possibility to extract BoP reporting from the accounting systems of the respondents. The reason is of course the change-over from settlement-based systems to surveys with more or less unchanged requests for timeliness, short-periodic data, and level of detail.

The direct reporting of Current Account transactions has proved somewhat more problematic than the financial ones. Many respondents have difficulties to supply detailed data according to the BoP nomenclature regarding services. Usually, they have detailed data available for the debit side as a basis for their cost analysis. For the credit side, most companies seem to be satisfied with a split into their various products, which may include goods as well as services. In one case, the respondent supplies keys for a breakdown of the credit side. In using the respondents accounting systems there is a risk of missing certain BoP-items. Respondents will have to combine data from various ledgers in order to fulfil the reporting demands and it is easy to overlook parts of it, e.g. license fees, which may not be registered in the main customers and suppliers ledgers.

In some instances the Riksbank has helped the respondents by “translating” their charts of account to BoP transaction codes. This is resource demanding for the compiler as the accounting differs between companies and sometimes within groups even if they use the same software. The Swedish accounting plan EU Bas 95 is very detailed but companies do not always use these subsidiary accounts on a level detailed enough for BoP needs.

One problem when linking accounting systems to BoP transaction codes is the BoP items which are not to be found directly in accounting as they are BoP concept, for example merchanting and supply of goods for construction either from the contract country or a third country. One way of solving this is to let the respondent report the available information and then use it as basis for calculations to obtain the BoP item in question.

Geographical breakdown

One issue, that we suspected would cause major problems, was the geographical breakdown. Companies usually do not have a geographical breakdown in their accounting systems. At first the respondent can see not way of finding geographically broken down information. Possibly they might have a currency breakdown. It turned out to be one of the easiest tasks to solve, since only a minor operation was needed, namely adding a country code to the customers and suppliers registers.

11. ONS-UNITED KINGDOM, 14 January 2002

44. In the general context of developing accountancy software for the extraction and transmission of data from firms to Government (including ONS for official statistics purposes), the ONS is currently collaborating on a project with Customs & Excise. The aim of the project is to develop a single vocabulary of definitions in XML to provide businesses with the objects needed in practice to communicate their data to ONS etc in a cost efficient way, which will also reduce the compliance burden associated with providing data.

45. The infrastructure should be in place by the summer of 2002; the definitions have to be finalised and published and then implemented by software houses in accountancy software. It is therefore likely that it will be of the order of at least 12 to 18 months before a version of this software can be released to business for usage. In practice ONS will likely consider a pilot in terms of receiving messages in this way from a small sample of businesses (once they have implemented the messages into their software) to check that they can be translated into the data required for its business surveys. It could take longer to impact on the inquiries underpinning the BoP compilation given the complexity of the information collected and an assessment of the requirement. It will be important to examine what information businesses hold electronically in what type of system.

46. In the interim, ONS is developing Internet based questionnaires, and planning that the next generation of them will work with the solutions from the accountancy software project. The communication and security aspects will be in line with the future strategy outlined above.

47. The benefits of such accountancy software are well known in terms of reducing the compliance burden on businesses etc. However there will be other issues such as data quality to consider in terms of validation and recontact with firms to query suspect data items. The ability to

provide explanation for large or extreme movements in data will not be part of XML syntax. This issue will need to be addressed.

48. In terms of the testing of harmonised forms, the testing should ideally be in XML, with countries agreeing on a single XML definition of requirements. However this will not meet the timetable of using Q1 2002 data to test the provision of multinationals' data using harmonised forms.

49. In addition to accountancy software, ONS is also pursuing the development of electronic data transmission via secure email and Web based forms.

ANNEX 6

THE USE OF BANK SETTLEMENTS IN FUTURE COLLECTION SYSTEMS

Executive summary

The introduction of the EUR 12 500 threshold considerably reduced the reporting burden of banks. The generalisation of GDR will further exempt the reporting of banks on behalf of major players. The technological progress will provide another opportunity to lower the administrative burden:

- e-banking will in the future allow a full automation of the statistical request for the debit side (cost tending to zero);
- the statistical handling on the credit side may be partially automated.

All these actions lead to a sharp limitation of the present (yet low) costs for statistics. At low costs for banks, the overall advantages of the settlement collection procedure are notable:

- enterprises are exempted from a supplementary statistical task (no survey)
- the compiler has evident advantages by getting an exhaustive information in time and at a rather good quality.

1 - The “Matrix”

It is generally accepted that the BOP is a *complex statistic* that (a) makes use in many cases of different sources and that (b) will be more and more build up through a modular approach (hybrid system).

This general principle is a core element of “the matrix approach”. This latter approach aims “at providing a broad picture about what are various sources where the relevant information could be obtained to meet the degree of accuracy required for each BOP/IIP item³⁹”. It is considered as the minimum request for an integrated approach of the collection systems within EU zone, since a full harmonisation of collection systems was found out of reach for the moment. The national action plans, presented and discussed during the July 2002 CMFB meeting, have been built along this common principle.

The matrix

Sectors/segments of the statistical population B.o.p./ i.i.p. items	Enterprises (incl. MFIs on own business)		Government	Households
	“large” (multinational)	Small & medium-size enterprises		
Goods	Customs documentation			
Services	DR	Q/Y surveys and/or Company or bank settlements data and/or Administrative sources	DR	<i>to be defined</i>
- travel	-			Surveys
Income				
- compensation of employees				
- investment income	DR		DR	Derived from stocks
Current and capital transfers	DR		DR	Administrative sources
Direct investment	DR		DR	-
Portfolio investment	DR	Under investigation	DR	Under investigation
Other investment	DR	DR (accounts abroad) or surveys	DR	<i>to be defined</i>
FATS items	DR	Yearly surveys		

³⁹ See « Euro area/EU Balance of payments/International investment position data collection systems » CMFB June 2001 C. 3.a

Furthermore the Matrix Exercise stresses that the sources and collection procedures should in the future be adapted to the output requirements on one hand (and thus depend on the type of information requested) and to the specific profile of the respondents, on the other hand. In this latter sense it is generally recommended that larger companies should – in the future – in any case be general direct reporters.

It is also largely accepted that for some specific items (like travel) other statistics, other sources and special surveys have to be used. For other items like government services or transfers, administrative sources may be the major data provider.

The previous statements can be summarised that existing statistics, special surveys and administrative sources have to be used in order to compile data for specific items.

This double constellation leads us to the following partial result in the matrix:

horizontal vectors

- Some items (e. g. travel) are covered by some specific sources (statistics, case by case surveys, administrative sources)

vertical vectors

- For large enterprises, information is collected via general direct reporting (GDR).

These different options provide a partially completed matrix . But for several items, complementary information is requested mainly from “non GDR companies” (e.g. SMEs) and households. The general understanding is that this latter information should be collected through a survey system. Nevertheless during the matrix exercise, the designers did not exclude the settlement system as a valuable source (cf matrix).

2- The bank settlement information – one pillar of the collection system

Let us now try to elaborate on the possible use of settlement information to collect this information - in those countries where a settlement system (was traditionally and) is still used. The main objective is to continue to collect most of the bop information via the bank reporting system, at least for all international transactions above the EUR 12 500 threshold where no GDR companies are involved. The information regarding settlements realised by resident operators via accounts abroad are collected by directing reporting of these operators.

What are major advantages and caveats of such an approach?

2.1 Main advantages of such a procedure

This collection procedure mainly ensures:

- timeliness
- exhaustiveness (above the exemption threshold all resident transactors - and especially new operators or exceptional settlements - are easily captured)
- experienced procedures
- low training needs (for respondents)

The two first advantages mentioned above are core elements of the statistical quality requests. Consequently they contribute not only to an efficient collection and compilation procedure, but have also a positive impact on the results.

2.2 Potential drawbacks of a settlement system

- Cash pooling

The development of cash pooling is evident and hampers the quality of the settlement data. In order to avoid major mismatches, enterprises running a huge amount of cash pooling should be considered as GDRs.

- Pressure from the banks to lower the administrative burden

The request to lower the reporting burden is in general (and not only from the banking side) a very legitimate one. It should be handled very cautiously by statisticians. Different measures to lower this burden have to be explored. The proposal (or the request) to rise the exemption threshold from EUR 12 500 to EUR 50 000 should be considered as one possibility to lower the reporting burden, but other (alternative) ways should be explored. The review clause (art 8 of the EU regulation 2560/01) leaves room for manoeuvre in this context. It provides an opportunity to analyse the consequences of the introduction of the EUR 50 000 threshold, but also to provide arguments in favour of other measures that would lower the reporting burden.

3 - Measures to lower the reporting burden of banks

3.1 The EUR 12 500

The introduction of the EUR 12 500 threshold substantially lowered the reporting burden of banks. As it was extended to all currencies and to all transactions, the alleviation was even beyond the conditions spelled out in the EU regulation 2506 /01.

3.2 The impact of the GDR

The move to GDR for large enterprises has an evident positive consequence for banks: they are exempted from overall reporting on behalf of these companies.

3.3 The reduction of the reporting burden by technological progress: e-banking

Furthermore, new technologies and technical progress should be seriously considered in the discussion on the reporting burden. As far as companies use more and more e-banking, the information requested for bop reporting should be completed/provided by enterprises. Thus the bank has no specific task (no handling of codes) for the collection of information for bop purposes. The remaining task is to extract the “statistically requested information“ and to transmit it to the compiler. This process can fully be automated and once implemented, the cost should be marginal. There should be place to investigate on this level, given the fact that only two specific cells (code of transaction and country of the counterpart) are supplementary “statistical” cells, compared to the information transmitted by the client to the bank to launch the payment. In the case of specific request, the compiler should contact directly the resident ordering customer.

The debit side is from a statistical point of view the most problematic one, as we are confronted with:

- a large number of enterprises;
- a great volatility;
- a very diversified behaviour by enterprises, as there is no clear link between the activity of the enterprise and the nature of transaction.

By using e-banking, the reporting burden of banks should- on the debit side - be reduced to a minimum (tending to zero).

The remaining (last) task of the bank is to organise an automation of the transmission process of this “customer” information to the compiler. Concretely – and compared to the past – the administrative

burden is substantially lowered. The request for information from the client, the transcription of the information in a statistically coded form, the checking of the information – all these tasks disappear.

For the client, the supplementary task is rather limited; he has to provide to the bank the statistical information with the other information needed in order to settle the payment. Compared to a separated approach:

- bank settlement on one side
- statistical information on the other side

there is a net gain for the client of the bank. The enterprise has anyway to give an information to the bank in order to launch the payment.

Several parts of this information set are used for statistical purposes (e. g. the amount, the currency, the date of the settlement, the destination of the payment). By adding two other information elements (transaction code and partner country code), all the needed information for statistical purposes is available.

Except these two codes, all the other data elements requested for statistics are part of the information needed in the settlement process of the bank.

In any case the bank would ask for this information and the enterprise would have to provide it to the bank. Against this background, the settlement procedure is only marginally affected by statistical requests.

By the way, two goals (the banking and the statistical request) can be handled in one shot. This is an optimisation from the enterprise point of view, compared to an organisation of two different forms (one for the bank, the other for the NCB or the NSI) containing for more than three quarters the same information.

For the **debit side**, the conclusion seems to be unambiguous:

- e-banking is a very efficient mean to combine the collection of information for bank settlement and for statistics.....
-at a “nearly zero cost” for the banks.....
-with synergy effects for the enterprises.....
-with a positive quality impact on statistics and for the compiler.

For the **credit side**, the reporting burden may not be reduced at the same size, but several improvements are possible. As the number of transactions is normally limited and the range of potential transaction codes is limited and normally correlated with the activity of the enterprise, the “manual” intervention of the bank operator can be minimised. Recurrent settlements of clearly and unambiguously identified transactions may be automated.

ANNEX 7

CONTRIBUTION TO INTERIM REPORT TG DR, ANNEX TO PAR. 4 OF PART C

A Structure of the reporting model for foreign financial assets and liabilities

The reporting model comprises a general structure for reporting on transactions and assets and liabilities as a coherent whole. In the report, the opening and closing positions of all assets and liabilities must be reconciled, taking all movements in the relevant period into account. This does not mean, however, that all items in the reporting set need to be filled in. The grey cells in the reporting forms designed do not need to be completed either because the information requested is not available on a monthly basis and/or because the category in question is not applicable.

The general structure of the reporting model consists of two parts (i.e. for the assets/liabilities and for the related interest). In most cases, the forms contain columns for:

- *Country*. This is the country in which the non-resident company is established (in this regard there are specific guidelines for each form; in the case of securities, for instance, this means the country of the issuer). Exceptions include transactions with and positions at international institutions such as the ECB, BIS and IMF; these must not be reported under a country code but under separate codes.
- *Assets/liabilities at the beginning of the month*. These are the positions at the beginning of the reporting period. These positions must agree with the positions at the end of the previous reporting period⁴⁰.
- *Changes during reporting period*, broken down into:
 - (i) *Transactions (increase/decrease in assets/liabilities)*. The gross transactions effected during the reporting period must be reported as **totals per country** at market prices. In some cases, net changes may be reported;
 - (ii) *Profit (loss) after tax, excluding extraordinary items, before profit appropriation*. This column only occurs with equity investments;
 - (iii) *Declared dividend*. This column only occurs with equity investments;
 - (iv) *Exchange rate changes*. This column is used to report differences in value caused by changes in exchange rates;
 - (v) *Market price changes*. Changes in (market) price must be stated here;
 - (vi) *Other changes*. This column is for reporting all other differences in value relative to the data in the previous report. To prevent questions being asked after the report is submitted, it is advisable to provide separate clarification for substantial amounts.
- *Assets/liabilities at the end of the month*. This is the position at the end of the reporting month.
- *Accrued interest at the beginning of the month*. This is the amount of accrued interest at the beginning of the reporting month. This position must agree with the position at the end of the previous month.
- *Interest accrued during the month*. In the balance of payments, interest must be reported in the month in which it is earned. This column is therefore used to report interest accrued on the principal receivable/payable during the reporting month.

⁴⁰ *Reconciliation differences in positions, e.g. as a result of a cancellation of a liability, are not permitted. Any differences arising in such cases must be stated in the 'other changes' column.*

- *Interest received during the month.* This column is used to report interest actually received during the reporting month.
- *Interest paid during the month.* This column is used to report interest actually paid during the reporting month.
- *Valuation and other differences.* This includes all differences in value relative to interest data reported earlier.
- *Accrued interest at the end of the month.* This is the amount of accrued interest at the end of the reporting month.
- *Dividend received/paid.* This column is used to report dividends actually received or paid during the reporting month.

The draft reporting forms were prepared according to the general model discussed above (see also the table attached).

Amounts in thousands of euros

Reconciliation model for direct reports

Type of assets/liabilities	Country of the foreign assets/liabilities	Assets/liabilities							Interest						
		Position at the beginning of the month (excl. accrued interest)	Changes during the month					Position at the end of the month (excl. accrued interest)	Position of accrued interest at the beginning of the month	Changes during the month				Position of accrued interest at the end of the month	
			Transactions		Revaluation		Other changes			Transactions			Valuation and other differences		
			Increase in assets/liabilities	Decrease in assets/liabilities	Exchange rate changes	Market price changes				Interest accrued during the month	Interest received during the month	Interest paid during the month			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	

Reconciliation of assets/liabilities=position at the beginning of the month (column 3)+changes during the month (columns 4, 5, 6, 7 and 8)=position at the end of the month (column 9)

Reconciliation of interest=position at the beginning of the month (column 10)+changes during the month (columns 11, 12, 13 and 14)=position at the end of the month (column 15)

ANNEX 8

**MINUTES OF THE MEETINGS OF THE
"DIRECT REPORTING AND SURVEYS" TECHNICAL GROUP**

Stockholm July 6 and 7, 2000

Ref.: De Nederlandsche Bank/Sir/2000/HOF/00059/3 October 2000

1 Opening of the meeting

Mrs. Deborah Horn is welcomed by the chairman as a new member, representing the United Kingdom (ONS).

2 Introductory observations

- The Eurostat representative presented the result of the discussion on future work of the TG that took place during the last BOP Working Party: (i) Enterprises register: The TG should learn from experiences of National Accounts experts; the specialist in the field of business statistics at Eurostat could be of help as well. (ii) Selection of DRC: Work by the TG has been done with regard to international trade in services; the focus has to be broadened to other fields of the balance of payments (BOP). (iii) Estimation procedure: Focus not only on Monthly Key Items. (iv) Harmonisation of reporting procedures: The priority of this subject has increased strongly because of the multinational case. The ECB representative adds that there is a letter of the lobby group of multinationals, the European Round Table, addressed to Mr. Duisenberg requesting for a common reporting model. There is now much pressure on the subject and at end of 2000, there should be some result to be discussed at high level.
- In the recent past, since the previous meeting of the TG, workshops on the future of BOP collection systems in the EU took place in Frankfurt (November 1999) and in Luxembourg (May 2000).
- Eurostat welcomes the acceptance by Member States that in future in principle transactions should be the basis of reporting (instead of settlements). This is an observation resulting from the written procedure on the TG report and from the workshops held.
- At Eurostat, a working group deals with the issue of common accounting rules. Also the BOP division of Eurostat participates. Via this working group, Eurostat tries to influence the debate on the subject of common accounting rules in the EU (e.g. requiring a split between resident and nonresident parties). Further, Eurostat considers a project regarding a database with balance sheet information of enterprises in Europe. This information exists now, if available, in a decentralised form and it is not always stored in electronic form. This project has in principle relevance for registers, analysis etc.. Ideas and suggestions regarding the database mentioned will be welcomed by Eurostat.
- The chairman observes that accounting rules are linked to fiscal needs and as long as fiscal harmonisation does not occur, and that is a long-term affair, common accounting rules are a long-term affair as well. It is a good thing that BOP matters are taken account of during brainstormings in Eurostat on accounting rules.
- It is obvious that the TG should pay more attention to the financial account of the BOP as well as to the income account than has been done until now.
- The subject of the common BOP reporting model for multinationals in technical sense should be handled by the TG.
- The quantitative analysis should be extended to other Member States. The Member States concerned have to try to produce results like the TG members did before. Each country may follow a different recipe depending on the information system available and partial work by hand may be needed as well.
- The idea of investigating on a possible common threshold to select DRCs, suggested by Eurostat, and to be mentioned in a possible Regulation in order to give a strong legal basis to direct reporting, is not supported by TG members. It is feared that that such a strict rule will result in

high costs of data collection because of a lack of freedom how to arrange the job. The UK representative mentions that existence of an obligatory EU threshold for coverage of collection of source data with regard to Intrastat has resulted in a number of staff members at ONS which is far higher than staff needed to compile cross-border service statistics.

- The chairman concludes that in forthcoming months, the TG should concentrate its efforts especially on the multinational case. First focus should be on the aspect of direct reporting. To be followed later by subjects such as the register. It is also a matter of resources that setting priorities is inescapable.
- Relevant information in the field of the TG can be disseminated to all Member States via contact persons; a list of contact persons for all active TGs will be defined end of July 2000.

3 Results of the written procedure

It is concluded that after the workshops, the opinion of Member States on a common report form (under influence of the multinational case) has changed for the better: there is now much support for this form of harmonisation.

Portfolio transactions were discussed in the context of the written procedure. It was agreed that custodians should be the prime source of information. To the extent that custodians (or financial intermediaries) are not able to report, end-investors have to report the needed information.

4 Enlargement quantitative analysis to other countries and to other BOP items

The following points were raised:

- Member States, which are not a member of the TG have to do the quantitative exercise as well. It is decided that non-TG members have to do the work for services as a first step only. The non-TG members have to try to do all three exercises for a recent year (by preference 1999). In the TG report, it is explained what to do. Mrs. Steger and Mr. Hernaez as well as Mr. Agostinho will function as a help desk (by telephone or e-mail) if non-TG members encounter conceptual problems when doing the exercise. Eurostat (Ms. Caprioli) will draft a letter carrying the request addressed to the relevant Member State to do the exercise; the draft letter will be sent for comment first to TG members.
- For TG members, a further step in the quantitative exercise will imply enlargement to the financial account. The year of reference is 1999. For a first step, analysis on the basis of flows only; analysis on the basis of stocks may be for a later step. The analysis should be based on net figures (balances) and there should be a distinction between positive and negative balance data when doing the exercise; so, there is an analysis on the basis of balance data with a positive sign and the same on the basis of balance data with a negative sign for a particular BOP item. Finally, the results of both steps will be combined for the BOP item concerned. By preference the exercise should be carried out on the basis of monthly figures, but if not possible, annual data will do. The exercise should be done at least for a 90 % coverage and if possible also for a 70 % and an 80 % coverage (the latter two are optional). The exercise should be done for the population of respondents excluding MFIs. For MFIs, a separate analysis has to be carried out. The analysis will be done for the following components: (i) Foreign direct investment for the sub-components equity investment (excluding reinvested earnings) and other capital both for inward (domestic economy) and outward investment (abroad) separately; (ii) Portfolio investment (aggregate) for assets and liabilities separately; (iii) Other investment (aggregate) for assets and liabilities separately.
- At the request of Eurostat, TG members will try to carry out a special exercise on services on the basis of data for the reference year of 1996. How many enterprises report source data on the total of services for debits and credits separately assuming a threshold of euro 50 million (annual export/import turnover) and what is their contribution to the total BOP estimate in % of coverage? So, in this case, TG members would have to produce four figures, two for debits and two for credits.

5 Presentation by ONS on UK's use of surveys

Mrs. Horn gives a presentation on the use of surveys in the UK in the field of international trade in services (30 % of total trade in cross-border services is covered by surveys, the rest of source data is collected by using other sources). The following points were raised among others during the presentation (for more detail see the documents handed out during the meeting):

- The annual sample for obtaining source information for international trade in services contains now 10,000 businesses, but in the near future it will be raised to 20,000 entities. There is a quarterly sample of over 600 large businesses.
- The grossing up of sample results is done on the basis of non-BOP weight factors.
- Potentially, there is a risk of abuse by respondents of the box 'other trade in services not shown elsewhere' (but in practice the UK experience is not so bad).
- The system of posing a filter question on domestic surveys is an important instrument for register maintenance (filter questions sent to approximately 75,000 businesses; the UK has over 1.8 million businesses of which any could trade overseas).
- Big players in other statistical fields (high propensity industries) are picked up and are requested to complete the survey in trade in services as well.
- A part of the source information on services is reported through trade associations (e.g. sea transport, aviation).
- Geographic detail on international trade in services is produced for 42 countries on the basis of information of the annual sample (when deciding sample size, account is taken of the need of geographic detail).
- The chairman concludes that a major problem is how to target the correct population of respondents. The UK example shown on the use of surveys is not so far away from the approach the TG has in mind.

6 The multinational case

General discussion

The following points can be mentioned:

- The TG should play an important role in dealing with the multinational case.
- Non-TG members will be informed through the contact persons about what is going on in the TG through documentation and via written procedure in order to form common opinions whenever necessary. If useful, a workshop can be arranged when the BOP Working Party meets. This seems the best way of working.
- A harmonised model for BOP reporting will imply in principle an important efficiency gain for the multinational at a European level. This efficiency gain will remain normally speaking when reporting by an affiliate in a specific Member State may cost more effort compared to the 'old' situation.
- Norway (EEA member) and Switzerland may be involved in the multinational discussion.

Presentation/discussion on proposal by the Netherlands

The Netherlands representative introduces the draft BOP report forms foreseen for the new Dutch BOP collection system based on the direct reporting/survey approach. These forms could form the basis for the harmonised reporting model for multinationals. The conceptual philosophy, such as the reconciliation of flows and stocks, can be found in IMF Manuals. The draft report forms for the Netherlands (including explanatory notes) are much alike the new system implemented by Finland and Ireland. Also the set of report forms for the enterprise sector used in the latter countries are handed out.

The discussion resulted in the following points:

- Some specific remarks were made on the draft report forms explained. The following can be noted: (i) It is suggested to add a column for economic codes so that respondents can report coded information. (ii) Can interest on an accrual basis always be reported on a monthly basis? What to do if this information is available only on a quarterly basis?
- The chairman says as a first impression, the proposed system is different from what he had expected. He thought a more modest approach would be on the table. But the Netherlands representative says that multinational enterprises are in principle major contributors to the balance of payments and the direct reporting of these entities should be put on a new footing taking account of requirements of international institutions on the one hand and looking for good link-up between reporting requirements and the accounting system of the enterprise sector.
- It is concluded that TG members will study the documentation handed out and that comments can be transmitted to the Netherlands representative at the end of August/beginning of September regarding the aspects of future reporting by multinationals only.
- Eurostat will coordinate with the chairman of the TG Asymmetries the work done by the latter group on harmonised coding of transactions. This work is of importance for the work of the TG DR. Some coordination between the two TGs is useful.
- The message Bopdir, according to the chairman, could be the transmission format for reporting via the line in the near future.
- As soon as test results for Philips are available with regard to the draft report forms presented, the Netherlands participant will inform the TG. This goes for information resulting from bilateral meetings with BOP compilers on the multinational case as well.

7 List of actions

The list of actions concern the following points:

- Quantitative analysis: see the three bullet points under chapter 3 of these minutes.
- Other action points: see the 3rd and 5th bulletpoint under the sub-heading 'presentation/discussion proposal by the Netherlands' of chapter 5 of these minutes.

London September 11 and 12, 2000*(Draft)**Ref.: De Nederlandsche Bank/Sir/2000/HOF/00065/24 November 2000*

The meeting of the Technical Group Direct Reporting (TG DR) of Eurostat held in London in September 2000 resulted in the following conclusions (an earlier meeting of the TG DR on the same topics, such as the multinational case, took place in the beginning of last July in Stockholm):

- A definition of the conception of a multinational company may not be needed. The BOP compiler of the Member State concerned may decide which major enterprises are potential candidates to start reporting on the basis of a future model of harmonised BOP reporting. The harmonised BOP reporting model could be extended step by step to more enterprises.
- The multinational case offers important learning experience to prepare the conversion towards a new approach of BOP data collection for other categories of respondents in a later stage.
- The Edifact message Bopdir could be considered as a potential transmission format for BOP reporting via the line by multinational companies on the basis of a harmonised reporting model once this model would be implemented.
- The meeting scheduled for October 2, 2000 in Amsterdam of some representatives of multinationals and of several senior statistical officials could discuss the way how and when a larger group of multinational companies will be involved in testing the draft harmonised BOP reporting model proposed by the TG DR. How to obtain clear ERT (European Round Table group of industrialists) support in an effective way for future testing as mentioned may be discussed as well.
- The draft proposal of the TG DR for a model of harmonised BOP reporting by multinationals will be put on the website of Eurostat in the beginning of October 2000. BOP compilers of EU Member States will be requested to comment on the proposal via a written procedure. The matter will be introduced by Eurostat and the TG to the Member States during the BOP Working Party to be held mid-October 2000 in Luxembourg. The chairman of the TG DR will report about progress of work of the TG during the BOP Working Party meeting in Luxembourg.
- The matter has been raised by a TG member whether collection of information regarding the international trade in services should be part of the harmonised model for BOP reporting or not. In principle, information collection on services is meant to be included in the harmonised draft model. But some Member States have special sources in order to obtain data on several service items and the multinational model would imply partially double reporting. It should be clear that BOP reporting rules for multinationals should be uniform in each Member State when the harmonised model would be adopted.
- The work to be done by the TG Asymmetries on drafting a harmonised input code list for economic classification of stocks and flows is of great importance for the work of the TG Direct Reporting. The harmonised input code list (to be presented to the CMFB in January 2001) is meant to be part of the harmonised reporting model for multinationals.
- The work to be done on the harmonised model for multinationals is of a high priority for the TG. But as the TG has also the responsibility to study the future of BOP data collection systems in general, the aspect of the reporting role of small and medium-sized enterprises (SMEs) has to paid attention to in a later stage as well. It may turn out e.g. that the reporting model for SMEs could be simpler compared to what could be required from large respondents.
- A coordinating role for future test exercises can be seen for the TG DR (some specific effort to be expected from the delegate of the Netherlands). In due time, candidates for a test exercise will be contacted after consultation with among others the ERT.
- The work on the quantitative analysis with regard to the financial account has not been done yet by TG members. More preparation time is needed. The work on a small exercise with regard to services regarding respondents which report euro 50 million or more on services a year has been done by most respondents.
- Eurostat will request non-TG members to carry out the quantitative exercise on services as has been done already by TG members as a first step some time ago.
- In principle, Eurostat will send all information (agenda, documents etc) to all contact persons in the Member States for information.

London December 4, 2000*(on common forms multinationals)**Ref.: De Nederlandsche Bank/Sir/2001/HOF/00016/19 February 2001****1 Minutes meeting September 2000***

- The use of special data sources for certain types of services, such as transport, is a phenomenon, which occurs not only in the UK, but also in some other Member States such as Finland.
- The quantitative exercise with regard to the 50 million euro question on services has been done by only two countries, France and the Netherlands.

2 General aspects regarding the multinational case

- Services should and will be reported on a gross basis. Philips has confirmed that the country organisation of the company in each Member State will be responsible for BOP reporting to the BOP compiler of the Member State concerned. The latter matter is true for reporting on both international trade in services and financial assets and liabilities.
- The Finnish participant says that Nokia needs special attention, especially with regard to reporting on current account transactions for the BOP (there are reporting problems to be solved in the current situation).
- Philips finds it more efficient to report services in future on the basis of settlements information (centralised payments accounts). For Philips, it regards the use of a more efficient data source. It is felt that the reporting by Philips on services is still a good proxy of what is required according to BPM5. The Luxembourg member suggests to speak about a central database in a company based on payments instead of speaking about settlements as it may result in confusion. The ONS suggests to speak about the use of internal company records.
- The ONS mentions it has had contact with some large British respondents (Shell and Cable&Wireless) on the idea of a common BOP reporting model for multinationals. It appeared that one was not in favour of monthly reporting in future. It had to be investigated further to what extent information required on the basis of the model could be provided. The stock/flow model in itself was felt to be an interesting concept.
- The chairman summarises as follows:
 - (i) Information to be reported by multinationals on services can be retrieved either from ledgers or from centralised payments accounts. It is important to define precisely the two options; it depends on the way how enterprises are organised, which option will be chosen for BOP reporting in this respect.
 - (ii) It is a point of attention how BOP compilers will cope with data coming from multinationals once the common model will be operational.
- It is a general feeling that the testing of the proposed common reporting model is highly essential in order to acquire a judgement on its feasibility.
- The Spanish participant expects for his own country that a new BOP collection system – to be characterised as a DRC/survey system, comparable to roughly speaking the same concept as the concept for the multinationals - may be operational in 5 to 6 years' time.
- Eurostat mentions that the IMF is interested in the outcome of discussions on the future of the BOP collection systems in Europe. Eurostat received also response from Member States on the information disseminated regarding the multinational case.
- The chairman summarises that the Netherlands participant has informed the TG about the contacts with Philips and about the discussions held in several Member States with BOP compilers on the multinational case (see also the minutes of these discussions). In several Member States, apart from the Netherlands, there were some first contacts with multinational companies (Italy, UK). The TG will discuss the proposed draft forms in more detail and this discussion (including written comments of Ireland) will be the basis for an adjustment of the proposed draft forms before Christmas 2000. From end of December 2000 to end of January 2001, the revised draft report forms will be object of a written procedure among Member States. The results of the latter written procedure will be discussed during the TG meeting of February 2001. The Netherlands participant

will summarise the comments expressed by the various Member States prior to the TG meeting of February.

- The discussion on the specific tables (and Notes) has resulted in a number of agreed adjustments, which has been incorporated in the draft report forms. This revised set of draft report forms has been disseminated via Eurostat on behalf of the above-mentioned written procedure.
- The Netherlands participant would update the progress report on the multinational project and would send this document by mid-December 2000 to Eurostat on behalf of a possible dissemination among CMFB members (Eurostat would do the latter if found appropriate).

Luxembourg February 22 and 23, 2001

(Final version)

Ref.: Banque de France/J.-M. POURCHON/April 2001

- *Participants: see attached list*
- *Minutes of the meeting of the Technical Group on December 4 / 5 in London: no comments*
- *Next meeting: May 10 / 11 in Paris*

1. Review of the mandate of the Technical Group

11. Starting from his paper distributed to participants before the meeting, the new chairman Fr. RENARD presented his view of the mandate, as it had been extended by the BOP Working Party in October. He insisted on the necessity to follow a pragmatic approach and to reach now concrete results in the definition of a possible direct reporting system.

- *As it can be interpreted from the last European meetings, there seems to be now a general agreement about the implementation of common principles governing the new collection system. The agreed principles are less dependence on settlements and reporting by banks, more reliance on reporting by companies, reduction of the statistical burden for multinationals, integration of sample surveys as additional source of information for SMEs.*
- *The future system will have to go as far as possible towards more harmonisation, with some common guidelines for the selection of respondents, a common input codification and common forms for the biggest enterprises. But the pace of implementation will have to be adapted to be sure that new direct reporting systems can work well. A testing exercise must be organised for multinationals and the possibility to substitute transactions to settlements must be studied carefully.*
- *Nine points were proposed to be included in the mandate: selection of direct reporting companies, reporting characteristics, common forms for multinationals, quantitative analysis, case of small and medium sized enterprises, use of registers for surveys, consistency of the sources, management of the interim period, follow up of national plans. An important responsibility of the group would be to study the possibility to implement common forms for multinationals and the integration of sample surveys with direct reporting companies.*

12. The new mandate of the Technical Group was approved by all participants. Several Member States (MSs) reaffirmed that the definition of a new collection system will take time and that the decisions on direct reporting must not be taken under strong pressure. In particular it was mentioned as essential by a majority to test the integration of the multinational declaration in the present national information systems, before any acceleration of the calendar.

2. Revision of the common forms for multinationals

2.1 The Dutch delegate P. HOFMAN provided an oral report of the results of the last written procedure, together with a written summary of these results. A complete synthesis will be distributed to the Technical Group, as soon as all contributions from Member States will be received and analysed: some remarks still need to be discussed within the Bank of Netherlands. A first document is available in Dutch but will take time to be translated in English. This version will be ready for the next meeting of the Technical Group in May.

- *The technical debate on the possible revision of the forms was continued. Most points of debate still concern the financial account: notably the risk of double counting between direct investment and portfolio, the problem of sharing of declarations between banks, custodians and enterprises, the security by security reporting, the use of the ISIN code, the feasibility of the stocks/ flows reconciliation with the reporting of market price changes and exchange rate differences, the ability of*

the forms to comply with FATS requirements (split between intra/ extra group transactions to be extended to services). P. HOFMAN indicated that he will prepare more precise answers on all these subjects. The chairman Fr. RENARD added that concrete examples of reporting will be useful to discuss with enterprises.

- On the general principle of the multinational reporting the Technical Group recalled its opposition to a consolidated declaration and the need to maintain a reporting by enterprise, to permit a reliable sectorised breakdown of Bop data.

- Some doubts were expressed again about the feasibility of a true reporting on transactions and the short deadline let for the monthly declaration. More information was asked on the Philips experiment and also on the possibilities offered by bookkeeping and electronic declaration. The Dutch delegate and the ECB representative mentioned that some interesting contacts could be developed with the software company SAP.

- The question was raised to know on what precise codification table the testing would be realised. The chairman proposed to use the new input code list submitted to the banks for the next contacts with enterprises. The decision to communicate a shorter or a different list will be studied later.

22. *In conclusion there was unanimity on the necessity to continue the refining of the forms. To facilitate the work done by the Bank of Netherlands, A. ROBERTS (ONS), during his next mission at EUROSTAT, offered to co-ordinate the last proposals and remarks and try to draw an updated version (for services in a first stage and afterwards for the financial account, because of more complicated adjustments to make). However, it was agreed for the time being to await the new drafts from P. HOFMAN so as to avoid duplication of effort. Thereafter EUROSTAT would take over redrafting of the forms.*

In addition it was decided that:

- *A reflection will be conducted on the specific case of direct investment by R. DE BOECK (Belgium) and on portfolio by J. HERNAEZ (Spain), as soon as the new forms are available.*
- *The present versions will be submitted by the ECB to the Task Force on Portfolio Investment, for a first comment, in advance to the conclusions on the future collection system to be reached at the end of the year.*

3. Management and organisation of the testing phase

31. *The Technical Group discussed in details the proposals made by the ECB regarding the organisation of the testing phase and the composition of the steering group, charged of its management, on the basis of the documents circulated before the meeting by JM. ISRAËL – a first version of these papers were examined the first day in presence of JM. ISRAËL - a second version was sent to the group after a first set of corrections on the second day.*

- As an introduction, a project of reply from Mr. DUISENBERG to Mr. TABAKSBLAT, chairman of the European Round Table of Industrialists (ERT), was presented together with a draft report on the general principles of the exercise – amendments on both documents were suggested by the Technical Group and transmitted by the chairman to the ECB in the following days. JM. ISRAËL reassessed the political importance to make rapid progress on the negotiations and explained that a reply was expected by the ERT in the weeks to come .

- In the beginning of the discussion, Member States expressed some strong reservations on the organisation and the calendar of the exercise, as they were planned initially by the ECB. They insisted on the necessity to finish with the revision of the forms and the codification list before any start, to clarify all methodological points for enterprises' declaration and for BOP compilation within present collection systems. The objective to conclude at the end of the year (early autumn) was seen as very ambitious by a majority of countries, according to the size of the project and the possible problems of motivation of enterprises.

▪ Following the contacts taken in France with some DDGs, and the first reactions they had on the forms, Fr. RENARD stressed that the testing would imply a special effort of communication from BOP compilers. To be successful, the exercise should be preceded by the transmission of a cover note and a preliminary questionnaire to the enterprises. Otherwise, due to the innovation of the forms, the declaration might raise some problems of understanding and the participation of companies would be difficult to obtain. To go further on this point, Fr. RENARD and S. BROWN promised to write a paper on the prerequisites of the testing before the next meeting. They asked also P. HOFMAN to provide the Technical Group with a summary of the testing realised in the Netherlands. The Dutch delegate committed himself to give as soon as possible some written comments in conclusion to the Philips case.

▪ Concerning the procedures to be followed for the testing exercise, once launched, the ECB and the Bank of Netherlands gave some precision to MSs, inspired by their recent contacts with the ERT. An agreement was reached on the role of the European Round Table, as the main body to be involved – the possibility to find other participants was not excluded – the approximate number of enterprises, the extent of their participation and the composition of the steering group – the necessity to work in close co-operation with national Bop compilers and local headquarters of multinationals was reassessed. This precise point would be underlined in the report of the ECB and the letter to Mr. TABAKSBLAT.

32. *Regarding the mandate and the composition of the steering group more concretely, the following decisions have been taken:*

- *Its work would be limited to the selection of the enterprises, the co-ordination of the exercise, the analyse of its results and its conclusion. National compilers would remain responsible for data collection and relations with test companies.*
- *The chairmen of the Technical Group (Fr. RENARD), BOPWP (JC. ROMAN) and WGBP&ER (JM. ISRAËL) would be permanent members, together with two senior statisticians representing the TG. A "rapporteur" would be designated among them.*
- *The local BOP director and the local correspondent of the TG would be invited when the testing would concern a multinational under their responsibility.*

4. Main conclusions of the questionnaire on registers

41. *The group continued the discussion begun in London last December on the future of business registers and surveys. A summary of the preliminary results of the questionnaire sent to Member States was presented by A. ROBERTS, together with a note on the main features of a possible survey system.*

▪ In the discussion that followed, it was made clear that most countries have still great difficulties to identify the possibilities of surveys and to imagine the way of combining them with general direct reporting. Coming from all sides some questions were expressed again concerning the use of business registers (relations with NSI, question of legal access, knowledge of international transactions, update of data) but also the practical way to extrapolate figures and to derive Bop data. The frequency of surveys (monthly/ quarterly) was also debated, with regard to the ECB requirements. The necessity to maintain settlements in an interim period, was reaffirmed by a majority of participants, as a major condition to build good registers and to develop extended populations of respondents in the future.

42. *Fr. RENARD reiterated the lack of experience and culture within the Technical Group on surveys, and the necessity to have the clearest view of the existing systems, before any plan for the future. S. BROWN and A. ROBERTS proposed to complete their report with some guidelines on sampling, stratification and estimation process to have a more precise view of the potentialities of surveys. France (for its trade credit survey), Italy (for direct investment) and Sweden (about its own system of enterprises surveys to be implemented in 2003) will try to prepare some contributions for the next meetings.*

Action plan before the meeting in Paris

▪ *Need to refine the common forms for multinationals*

- ⇒ P. HOFMAN will write a full synthesis of the answers to the written procedure.
- ⇒ An updated version of the documents will be prepared by P. HOFMAN.
- ⇒ Belgium and Spain will comment on direct investment and portfolio.

▪ *Agreement on the target and the procedures of the testing exercise*

- ⇒ The ECB will finalise its proposals for the organisation of the exercise.
- ⇒ A letter of invitation will be sent to the chairman of the European Round table.
- ⇒ Countries will study the integration of the reporting in their information systems.

▪ *Necessary definition of prerequisites to make the exercise efficient*

- ⇒ The need of a cover note to be distributed to enterprises is recognised.
- ⇒ Fr. RENARD will summarise the main points to be established in the testing, taking account of the future comments of MSs on the first version of his paper ("prerequisites for a testing of the multinational case") distributed during the meeting.

▪ *Information of European partners*

- ⇒ Fr. RENARD will draft a progress report for the BOP Working Party.
- ⇒ The ECB will transmit the forms to the Task Force on Portfolio Investment.
- ⇒ EUROSTAT will inform contacts outside the TG (especially candidate countries).

Paris May 10 and 11, 2001*(Final version)**Ref.: Banque de France/J.-M. POURCHON/June 2001**Participants: see annex 1**Agenda: see annex 2**Decisions: see annex 3*

The Minutes of the meeting of the Technical Group on February 22 / 23 in Luxembourg were adopted. Three changes were requested by Mr. SCHULLER and Mr. ROBERTS in sections 1 and 4 (about the future of settlements) and in section 2 (about the loss of the original currency in the multinational reporting).

The Minutes of the meeting of the Technical Group on February 22 / 23 in Luxembourg were adopted. Three changes were requested by Mr. SCHULLER and Mr. ROBERTS in sections 1 and 4 (about the future of settlements) and in section 2 (about the loss of the original currency in the multinational reporting). The revised report is available in annex 4.

Introduction from the chairman

- Fr. RENARD presented the agenda and stressed the necessity of a last clarification of the multinational case before the first meeting of the Steering Group in Amsterdam. He considered that all conditions did not exist for an immediate testing of the project and that some issues still needed to be discussed (content of the common forms, adaptation of the common code list, prerequisites for BOP compilation). The TG has to take position on the scenario proposed by the DNB, taking into consideration the last initiatives of the European Round Table but also the obligation of a careful preparation of the exercise with tested companies (**suggestion of a first feasibility study supported by several countries**).
- He informed the Technical Group that he had received a letter from Mr. R CHAUDRON (DNB), Chairman of the Task Force on portfolio investment collection systems, and that an intensive co-operation has to be engaged between the two groups with the intermediary of the ECB. The TGDR had yet expressed the need to get the opinion of the TFPICS on the option proposed by the DNB for the reporting of securities before the start of the testing exercise, because this proposal would represent a major change compared to the existing systems in most of MS, with a large substitution of direct reports by enterprises to indirect reporting by banks.
- He noted also that the most recent discussions in European working groups (BOPWP, CMFB) did not show a clear direction for the harmonisation of the collection systems within the common principles which have been raised, and that some MS were still hesitating in the definition of a future common direct reporting/ surveys scheme and on the way to integrate the multinationals transactions reported via common forms. He stressed that the work of the TG cannot progress without more information about integration plans, especially about the integration of the multinational reporting in the existing BOP compilation systems. A questionnaire on that matter will be prepared under the responsibility of EUROSTAT, based on the first contribution sent by France before the meeting.

1. Organisation of the testing phase for multinational enterprises – preparation of the first Steering Group meeting in Amsterdam.Documents:

-  Draft agenda of the first Steering Group meeting on multinationals in Amsterdam (P. HOFMAN/ M. VAN NIEUWKERK, De Nederlandsche Bank);

- ✍ Scenario to prepare test exercise on harmonised BOP reporting by multinationals in selected Member States (P. HOFMAN, DNB);
- ✍ Letter sent by Mr. DOMIGO SOLANS (Member of the ECB Executive Board) to Mr. TABAKSBLAT (chairman of the European Round Table of Industrialists);
- ✍ TG progress report on multinational forms and testing strategy (E. CAPRIOLI, European Commission, and Fr. RENARD, Banque de France) – March 2001;
- ✍ BOP compilers' view about the reporting by multinational enterprises (introductory note from Fr. RENARD, Banque de France);
- ✍ Common questionnaire about the main points to be established in the testing exercise (proposal from Fr. RENARD, Banque de France).

1.1. The Dutch delegate P. HOFMAN explained the approach proposed by the Nederlandsche Bank (DNB) for the testing of the multinational reporting with a first wave of enterprises, on the basis of papers distributed before the meeting.

- He announced that a **positive answer had been received from the top management of the five companies selected by the European Round Table (ERT)⁴¹, and that Philips will probably join the exercise at the DNB request** (a negotiation will be engaged by the Bank for its participation to the first wave).
- He stressed in reaction to some doubts expressed by Member States, about the possibility to launch the exercise in October, the necessity to maintain interest of the European Round Table and pressure on potential participants with quick realisations. A scenario has been drafted by the DNB for discussion by the Steering Group, with the aim to extend the testing exercise to other ERT members and to prepare meetings with the first tested enterprises by the end of the year.

1.2. In the following discussion, it was reasserted as an important condition by all countries that the future Steering Committee (SC) will work in close co-operation with national BOP compilers. All issues concerning the organisation of the testing exercise should be presented primarily to the TG before discussion within the SC.

- Several countries observed that the composition of the Steering Group, proposed by the DNB, had changed from what was originally planned by the TG, and insisted on the advantage to integrate as members, two statisticians representatives of national BOP compilers.
- The participation of A. STEGER (Deutsche Bundesbank) and S. BROWN (ONS) was suggested by Fr. RENARD and accepted by the SG chairman Mr. VAN NIEUWKERK (DNB).

1.3. On the testing itself, the TG approved the Dutch proposal to work with successive waves of test companies. But the prevailing opinion remained that it would be impossible to start directly with a full-scale exercise.

- The first contacts with multinationals showed in most countries the necessity to explain and clarify the concepts of the project, and to give more technical explanations to enterprises about the common forms. France made comments on potential problems raised by Renault on the test preparation.
- **The TG recommended to guaranty the success of this exercise, to proceed in two steps and to organise a preliminary feasibility study before starting the full testing exercise.** This first step will permit to clarify the main technical issues with the companies chosen for testing and to help them preparing the material conditions of the testing (especially data processing). This option was approved by the DNB, with the reservation that it has not to delay the launch of the testing itself. **The target is to produce first results in the first quarter of 2002.**

⁴¹ With Nokia, Ericsson, Renault, Carlsberg, Krupp-Thyssen.

1.4. An agreement was found to elaborate a specific questionnaire about the feasibility of the project for transmission to the first wave of test companies. This paper will accompany the last version of the forms.

- **TG members (Germany, Belgium, Austria and France) were invited to send written contributions to EUROSTAT before the end of June, to build the questionnaire.** A mandate was given to Fr. RENARD to discuss at the next SC meeting the possibility to organise this feasibility study with the first wave of enterprises in the fourth quarter of 2001.
- **The questionnaire will be concentrated on the feasibility of some basic concepts of the multinational declaration** (group definition, transaction reporting, accrual interest, end-investor approach, reconciliation between flows and stocks). The purpose of this feasibility study is to verify that all the concepts included in the forms can be applied by reporting companies and that appropriate data are available in enterprises bookkeeping. Possible prerequisites will be listed and re-discussed before testing by the TG.

2. Revision and correction of the common forms – presentation of the third draft model and discussion about the new approach for portfolio.

Documents:

- ✍ Synthesis of the comments of European Union Member States on draft reporting model for multinationals (P. HOFMAN, DNB);
- ✍ Summary of the outcome of the discussion about the direct reporting of foreign securities in the Netherlands (E. VROMBOOT, DNB);
- ✍ Letter received by Fr. RENARD from R. CHAUDRON (chairman of ECB Task Force on Portfolio Investment Collection Systems) asking for co-operation with the TG;
- ✍ Matrix approach of the harmonised code system adapted to the multinational case (proposal from R. DE BOECK, National Bank of Belgium);
- ✍ Joint declaration Philips/ De Nerderlandsche Bank on common reporting model for multinational companies (P. HOFMAN, DNB);
- ✍ Integration of the multinational reporting in the French BOP compilation system (JM. POURCHON, Banque de France);
- ✍ Integration of the Dutch-type multinational enterprise forms in the Finnish BOP survey system (J. HILPINEN, Bank of Finland).

2.1. P. HOFMAN made an oral presentation of the last version of the forms elaborated by the Nederlandsche Bank.

- This version integrated part of the remarks expressed by Member States in the written procedure. It incorporated also some proposals of banks and enterprises recently consulted by the DNB. A new version of the explanatory notes has to be redrafted, with some complementary definitions, and transmitted to the Technical Group for the next meeting. For instance the representative of Spain asked for more explanations about the direct reporting of foreign securities.

2.2. Taking account of these modifications of the forms the discussion was continued on the main points of the declaration and the necessity to finalise the forms before the testing.

- Opinions were expressed on the notions of group perimeter, affiliates, consolidation and intra group transactions. **The Technical Group reiterated its preference for an individual reporting.** P. HOFMAN confirmed that consolidation will be presented to multinationals as an option, restricted to companies belonging to the same sector and submitted to the agreement of the BOP compiler. The explanatory notes will take account of this important point.
- **A debate was re-opened on the concept of direct investment.** The TG estimated that the extensive definition of direct investment, including participation in equity capital under 10%, creates a risk of double counting with portfolio. The distinction between tradable/ non tradable

shares as a criterion to use to make the distinction was discussed, and some clarification was requested on the notions of cross participation and substantial interest. The conclusion was reached that further investigation on that point has to be continued with enterprises during the feasibility study.

2.3. P. HOFMAN explained the new position adopted by the DNB for portfolio and the choice of a full scale end-investor approach.

▫ He argued that negotiations with banks in the Netherlands revealed some difficulties with “repo” transactions and that the initial proposal of a mixed model was not adapted to an accurate estimate of portfolio investment assets and liabilities. In practice it appeared that it would be difficult for custodians to distinguish borrowed and purchased securities. Direct reporting by companies is considered as more reliable, but this solution complicates the questionnaire (with the need to report securities issued by non-residents, those issued by residents and held in a foreign custody, and the need to report lending and borrowings separately).

▫ **This proposal was perceived by the TG as a fundamental reorientation of the project**, with potential effects on the whole collection system, and as another justification of a first feasibility study with test companies.

▫ From a general point of view, all countries defended the idea that **it is impossible to progress on portfolio, independently from the reflection of the TFPICS** (the reference model and its implementation plan expected for the end of the year). The decision was approved to send the new forms, together with a letter of introduction, to the chairman R. CHAUDRON, to start exchange of views immediately.

▫ The questions of the ISIN code and the possibility to combine aggregated data with individual information on shares emerged in the discussion as two important points of concern.

▫ **It was reassessed that the integration of the project in existing compiling systems has to be studied carefully and that impacts for banks and custodians have to be evaluated before testing.** The adaptation of the bank reporting for countries using indirect portfolio reporting (with the necessary exclusion of multinational transactions) was seen as a major critical issue, with some potential costly data processing.


2.4. A proposal was made by R. DE BOECK (National Bank of Belgium) on the specific question of input codes, inspired by his work on the harmonised settlement code list.

▫ Considering the structure of the forms, the TG considered that it was necessary for the codification to be used by multinational companies, to follow a “multi-dimensional” approach and that two alternative solutions (using one single field or two fields) have to be examined. A preference was expressed in favour of a minimum change compared to the harmonised code list.

▫ **On the request of the chairman, R. DE BOECK will define a possible matrix based on his second option.** The first field (in three positions) will be dedicated to the identification of the instruments. A supplementary field (with one or two digits) will be added to cover the variables. A paper will be produced for the next meeting.

3. Perspectives on the future use of business registers and surveys – first conclusions after the last BOP Working Party in Luxembourg⁴².

Documents:

 TG progress report on business registers and surveys (E. CAPRIOLI/A. ROBERTS, European Commission, EUROSTAT) – March 2001;

⁴² This part has been written by Andrew ROBERTS.

✍ Frame and design of the Bank of Finland balance of payments enterprise surveys (presentation from J. HILPINEN, Bank of Finland).

▫ **S. BROWN explained that the WP report had been produced and published as the basis for future action.** The next steps included updating the Report with expanding country annexes, some information on the use of registers to identify Enterprise Groups, examples of close liaison with NSIs, the statistical aspects of surveys and how to select BoP components and variables to survey.

▫ **J. HILPINEN considered that with different enterprises being often employed for different BoP components, there could be a need for different surveys.** S. BROWN added that a flexible approach was needed towards surveys – there was no need to look for perfection in all cases. Points to consider would include the resource allocation into quarterly v annual surveys: which should predominate?

▫ **D. PRESTWOOD explained that for the UK most BoP components were derived from business surveys plus data from activities such as the International Passenger Survey, data from trade associations and administrative data from other government departments.** She added that the results of other surveys (e.g. the Annual Business Inquiry) could provide basic material for other BoP-type surveys, such as Trade in Services.

▫ **Following a discussion about the use of surveys for monthly BoP data prepared for ECB request, and the need of geographical breakdowns on a quarterly and on a yearly basis, for Eurostat,** S. BROWN said that for the next meeting the UK would provide some detailed analysis of the issues involved in preparing for a monthly BoP compilation process, with emphasis on the services side and debits in particular. Also a look at how the UK surveys from the enterprise v sector perspective and how they cope with geographical breakdowns problem.

▫ **L. FORS agreed to provide a note on the latest Swedish plans for survey implementation, and P. HOFMAN also for the Netherlands,** focusing in particular on the use of Business Registers. Spain and Portugal would provide updates on their continuing dialogue with their NSI counterparts. **Eurostat would provide a paper on the interaction between Business Registers and BoP requirements.**

4. Extension of the quantitative analysis – discussion about the possibility of a second study on national populations of companies.

Documents:

✍ Proposal for services oriented direct reporting companies (Fr. RENARD, Banque de France);

✍ Direct reporting Technical Group final report (annex 3, quantitative analysis) – March 2000.

4.1. Starting from the TG mandate, and its recommendations, the Chairman presented with the support of Eurostat a proposal for a second quantitative analysis, focused on services and oriented on the determination of potential direct reporting companies in each Member State.

▫ He referred to the main conclusions of the first exercise, and commented that there is a need for a more detailed research, taking into account some new areas of concern for BOP compilers (various impact of the exemption threshold among services items, the survey of SME's, intra/ extra breakdown, stability of the reporting population...).

▫ This research has to be conducted, with the aim to define a common approach in Europe in the prospect of the drawing up of a future DR/ surveys collection system. The problems of enterprises selection, distribution and coverage has to be more deeply investigated.

▫ JM. POURCHON (France) mentioned that a study will be soon realised by France for the adaptation of its own "DDG" population towards services and financial transactions, and that he will be capable to present the first results of this experience in September.

4.2. The purpose and the technical feasibility of the proposal were discussed. Some countries considered that the first quantitative analysis has been time-consuming and feared that there might be reluctance from their data processing departments to participate to a second exercise.

▫ The question was raised to know if the continuation of the exercise will provide added statistical value for the progress of the mandate. A majority of Member States expressed a preference for a simplified statistical work, with some common guidelines.

4.3. Basically it was observed that national populations of enterprises remained structurally too different to develop the same direct reporting approach for all countries, and it was reaffirmed that there was no clear indication in the mandate to study a common DR selection procedure.

▫ Some central banks confirmed their intention to move to a direct reporting system, in possible association with NSI institutes for current account data collection. Considering this possible orientation, they said it will be little interest for them to work presently on a services oriented declaration.

▫ It was also remarked that the statistical impact of the multinational project has to be taken into account in this analysis and that it is difficult to evaluate the dimensions of a DR/ surveys system, without knowing the weight of the future population concerned by this new reporting.

4.4. In conclusion Fr. RENARD noted that there was no agreement on the immediate necessity of a second quantitative analysis taking the form of the previous one, but he maintained that further statistical work has to be undertaken to get disposal of more statistical material about the population of companies making foreign transactions for a future orientation towards direct reporting and /or the use of surveys.

▫ **R. DE BOECK (Belgium) and J. HILPINEN (Finland) kindly proposed to prepare an alternative proposal for the next meeting.** The idea to organise a short quantitative exercise applicable to all countries will be re-examined later on.

∞ Next meeting: September 17 / 18 in Roma ∞

**ANNEX 1
ATTENDANCE LIST**

INSTITUTION	NAME
EUROPEAN COMMISSION - EUROSTAT	E. CAPRIOLI A. ROBERTS
EUROPEAN CENTRAL BANK	L. BULDORINI
BANQUE DE FRANCE	Fr. RENARD JM. POURCHON
OFFICE FOR NATIONAL STATISTICS (UK)	S. BROWN D. PRESTWOOD
DEUTSCHE BUNDESBANK	A. STEGER
UFFICIO ITALIANO DEI CAMBI	S. SABATINI
DE NEDERLANDSCHE BANK	P. HOFMAN
BANCO DE PORTUGAL	M. RAMINHOS
BANCO DE ESPANA	J. HERNAEZ
SVERIGES RIKSBANK	L. FORS
BANK OF FINLAND (Suomen Pankki)	J. HILPINEN
STATEC (Luxembourg)	G. SCHULLER
BANQUE NATIONALE DE BELGIQUE	R. DE BOECK
OESTERREICHISCHE NATIONALBANK	E. HILLE

ANNEX 2
DRAFT AGENDA

First Day

- 1) Approval of the agenda and review of the minutes
- 2) Conclusions of the BOP WP and update on the most recent discussions
- 3) Presentation of the new version of the Common Forms
- 4) Update of the document: Prerequisite for testing
- 5) BOP compiler views about the implementation of the common forms
- 6) Adaptation of the common code list for the multinational case
- 7) Orientation of DR on the Services Items in view of the raise of the threshold

Second Day

- 1) Update of present position
- 2) Sample surveys – population identification, problems with debits, stratum identification, estimation methods and grossing up
- 3) Survey Choices, by enterprise or sector?
- 4) The availability and use of administrative data to support surveys
- 5) Round-the-table feedback of country practice
- 6) Any other issues raised (during the meeting)
- 7) Actions for next meeting / offers of papers

ANNEX 3 ACTION LIST

1. Instruction of the multinational case

- **Message to the Steering Group**
 - ⇒ Fr. RENARD will write immediately a short progress report in view of the first meeting in Amsterdam, insisting on the necessity to proceed in two steps (feasibility study for respondents and BOP compilers followed, if positive, by the testing exercise itself).
- **Composition of the Steering Group**
 - ⇒ Urgent: Fr. RENARD will call the chairman Mr. VAN NIEWKERK (Bank of Netherlands) to propose the participation of two additional TG members in the permanent body: A. STEGER (representing the Deutsche Bundesbank) and S. BROWN (for the ONS).
- **Consultation of the TF PICS⁴³**
 - ⇒ *Urgent: Fr. RENARD will send a letter to the chairman of this Task Force, together with the current version of the forms, to collect opinions on the new proposals of the Bank of Netherlands. A reply will be requested before September.*
- **Preparation of the feasibility study**
 - ⇒ Before July: a draft questionnaire will be established by E. CAPRIOLI / A. ROBERTS in view of communication to test companies and preparation of the testing exercise. Contributions will be sent by A. STEGER (for services), R. DE BOECK (for direct investment), E. HILLE (for portfolio investment), JM. POURCHON (for other assets and liabilities).
- **Integration in national compilation systems**
 - ⇒ Before the end of June: countries are invited to describe the main problems raised by the implementation of the multinational reporting with regard to their present and future information systems.
- **Revision of the forms**
 - ⇒ *Before July: countries are invited to send to E. CAPRIOLI / A. ROBERTS their last remarks on the content of the forms to close the written procedure.*
 - ⇒ *Before the next meeting: P. HOFMAN will review the forms in co-operation with E. CAPRIOLI / A. ROBERTS and present a new version of the explanatory notes, taking account of the corrections suggested by the Technical Group and the possible additional remarks of the countries.*
- **Adaptation of the codification list**
 - ⇒ Before July: R. DE BOECK, with E. CAPRIOLI / A. ROBERTS, will prepare a model, using the settlement harmonised codification list, based on his proposal presented to the Technical Group in Paris.

2. Reflection on DR and surveys

- **Information on surveys**
 - ⇒ *Before the next meeting: L. FORS and P. HOFMAN will make a written presentation of their national experiences of surveys implementation in Sweden and Netherlands.*
 - ⇒ *Before the next meeting: S. BROWN will analyse the problems posed by surveys in a BOP monthly compilation process (deadline, grossing-up, geographical breakdown), and will precise some technical aspects regarding the selection of companies (sectoral approach, coverage of the debit side for services).*

⁴³ Task Force on Portfolio Investment Collection Systems.

⇒ *Before the next meeting: A. ROBERTS will provide a discussion paper on the creation of Business Registers for BOP Compilation, with emphasis on the impact of Enterprise Groups.*

⇒ *At the next meeting: SPAIN & PORTUGAL will provide updates on their developing relations with their respective NSIs.*

▪ **Extension of the quantitative analysis**

⇒ *Before July: R. DE BOECK, together with J. HILPINEN, will make a simplified proposal for a possible study of the populations concerned by direct reporting, on the basis of Fr. RENARD's paper "services oriented direct reporting companies" (selection, threshold, coverage). A general scheme will be defined for application to all countries.*

Roma September 17 and 18, 2001

Ref.: Banque de France/J.-M. POURCHON/November 2001

▫ *Agenda: see annex 1*

▫ *Attendance list: see annex 2*

The discussion can be summarised as follows. The final list of actions adopted by the TG is inserted at the end of the report.

1. Introductory message of the representatives of the ONS and the Bank of France

▫ S. BROWN and JM. POURCHON, on behalf of Fr. RENARD (who was absent from this meeting), reminded that the instruction of the multinational case is only one of the items of the mandate of the Technical Group. They recalled the new context created by the project of increase of the banks exemption threshold for the evolution of the BOP settlements collection systems.

▫ They stressed the necessity to conclude the written procedure on multinational forms and to finish the preparation of the feasibility study, in conformity with the timetable defined with the Steering Group. They re-insisted on the interest to go further in the reflection on direct reporting and surveys and to re-consider the possibility of a continuation of the quantitative analysis.

2. Integration of the multinational reporting in the national compilation systems

▫ E. CAPRIOLI (Eurostat) presented the main results of the consultation launched among participants of the TG, on the basis of the synthesis prepared by the chairman Fr. RENARD.

▫ These results show a convergence of views in Member States (MS) about the difficulty to integrate the multinational reporting in the present collection and compilation systems: complexity of the stock-flow reconciliation model for the financial account, excessive requirements, problems of consistency with other sources of information, risk of loss of quality, obligation to implement manual treatments frequently mentioned.

▫ Almost all countries observed that the project would involve heavy investments to be applicable: with the necessity for BOP compilers to upgrade completely data processing systems (only possible in a long term prospect for a majority). The consistency with the future collection systems (still to be designed) and the participation of a great number of multinational companies are generally considered as two essential success criteria.

▫ On behalf of the chairman Fr. RENARD, JM. POURCHON explained that this synthesis about integration reflected only the first reaction of MS on the project, starting from their present perception of the reporting model. He concluded that a similar survey would have to be organised in one year to draw more detailed technical lessons from the testing exercise. The Technical Group welcomed this proposal and agreed on the inclusion of the document in the next progress report to be written by the chairman.

3. Revision of the forms and examination of the TF. PICS remarks on portfolio

▫ The debate was continued on the possibility to revise the forms and the explanatory notes, and to integrate part of the remarks collected from Member States during the third round of written procedure. The ECB pointed out that the documents relating to the project had not been revised since the previous meeting of the TG in Paris. The Bank of Netherlands reiterated that it would be difficult to extend revisions without introducing complication or delay for the testing. The last suggestions of A. ROBERTS (Eurostat) relating to a new design of the monthly reports of assets and liabilities were not in line with the logic of the project and could not be introduced.

- After consultation of all group members, it appeared that the proximity of the feasibility study, planned to start in November, would make difficult to introduce rapidly important modifications in the reporting model. It was agreed to review the forms after the conclusion of this exercise in January, if some adjustments could be envisaged without a fundamental change of the orientation of the project.
- Regarding the codification issue, the need of precise specifications was not perceived by all countries as an immediate priority for the testing of the project. R. DE BOECK provided some additional explanations on his proposal of a matrix approach, inspired by his work with the Technical Group "Asymmetries". This solution will also be re-discussed during the next meeting of the TG in January.
- The comments of the Task Force on Portfolio Investment Collection Systems about the feasibility of the reporting framework proposed for portfolio were examined carefully, in the light of the recent correspondence between Fr. RENARD and the chairman of this Task Force R. CHAUDRON.
- The report made by the Sub-Group "Direct reporting" of the TF. PICS transmitted before the meeting indicated clearly that several options were envisaged for the collection of portfolio, and that the model chosen for the multinationals did not comply with all reporting systems. Referring to this first conclusion, the TG considered that it would be risky to send immediately the portfolio forms to the test enterprises, as it was recommended initially by the Bank of Netherlands. Some countries expressed doubts again about the feasibility of the reporting model and defended the vision of a less complicated approach for foreign securities.
- E. HILLE and P. HOFMAN (in co-ordination with R. CHAUDRON) were asked to try to find some adaptations to the documents in the following two weeks, so as to cover different possible options studied by the Task Force (mixed or end-investor approach for assets, possible residual approach for liabilities). The Bank of France suggested to organise a quick consultation of the TG, in case a solution would be found on this problem. A message would be sent by the chairman Fr. RENARD to inform immediately all group members⁴⁴.

4. Organisation of the feasibility study and the testing phase with companies

- The need of a feasibility study prior to the testing exercise, with positive reactions from enterprises on the main orientations of the multinational reporting, was reaffirmed by the Technical group as an essential condition for the evaluation of the project. This consultation will start in November with the visits of the Steering Group to the first wave of six companies chosen for testing. The testing itself with these enterprises will follow during the first quarter of 2002, on the basis of the last quarter of 2001.
- In the view of the group, the exercise will allow to precise the nature of the information available in the companies' accounting systems, and to estimate the possibilities offered by these systems to satisfy the new requirements. The problems of data processing and cost will be investigated further, during the full scale testing. The Bank of Netherlands mentioned some contacts with the software company SAP about possible automation of the reporting. Details of this discussion will be included in a report (to be written by P. HOFMAN) which will be transmitted in the following weeks.
- From a practical point of view, it was confirmed that the feasibility study will take the form of a written procedure, with a questionnaire distributed to test companies and a return of written answers

⁴⁴ *After the meeting, R. CHAUDRON, chairman of the TF. PICS, proposed a solution on portfolio, aiming at covering all needs resulting from the implementation of different collection prototypes: with the introduction in the forms of a breakdown between securities issued abroad or domestically on the liabilities side, and a split between securities held with foreign and domestic custodians on the assets side. A new draft was presented to the Steering Group on September 21 in Frankfurt and circulated for comments to all TG members in the following two weeks. In conclusion of the consultation, the decision was taken to send this revised version to the test companies. The feasibility study will say if it is practicable as a whole or partly.*

from these enterprises. The collection of answers will be made by the national BOP compilers, in relation with the Steering Group. Their results will be analysed during the next meeting of the TG in January, before launching the full scale testing.

▫ Regarding the detail of the questionnaire, the TG agreed on the necessity to stay synthetic and to produce a document focused on the main concepts of the project. A first version, based on the consolidation of different contributions coming from MS, was discussed during the first afternoon of the meeting. Some proposals were made to improve the introduction and to clarify some technical aspects. E. CAPRIOLI, in co-ordination with the Bank of France, was charged to prepare an amended version for presentation to the Steering Group on September 21 in Frankfurt.

▫ For the preparation of the visits of the Steering Group to the test companies, the decision was adopted to send to the enterprises a complete set of documents, including the feasibility questionnaire, the forms and the explanatory notes. Some countries would have preferred to delay the distribution of the forms, but a majority of participants considered that the immediate communication of these documents would help the feasibility study (with the possibility to offer to the enterprises a concrete picture of what they could be asked for during the testing). P. HOFMAN promised to add to this package an introductory paper, explaining the background and the motivations of the project.

▫ Considering the difficulties still pending on portfolio investment, some countries insisted again on the necessity to exclude this part from the feasibility study. The decision was confirmed not to communicate the forms, but to maintain some questions in the feasibility questionnaire, so as to know more about direct reporting capacities of enterprises on securities.

▫ Otherwise there was general agreement to finalise the last aspects of preparation of the feasibility study during the forthcoming meeting of the Steering Group on September 21 in Frankfurt. The Bank of France reaffirmed again, that any change in the conditions of the feasibility study will be submitted to the TG approval, via a direct consultation of all members by the chairman.

5. Exchange of views on registers and surveys implementation experiences

6. Conclusion and list of actions (to be done in the following two weeks)

⇒ Inclusion of the synthesis document about integration of the multinational reporting in the progress report of the chairman Fr. RENARD presented to the BOP Working Party.

⇒ Last revision of the feasibility questionnaire on the basis of the proposals of the Technical Group (under the responsibility of Eurostat with the assistance of the Bank of France).

⇒ Exclusion of portfolio aspects from the documents sent to the test companies (to preserve possibilities of evolution of the forms), but questions maintained in the feasibility study.

⇒ Distribution of the forms (together with explanatory notes and questionnaire) to the test companies before the visits of the Steering Group (to be done by the Bank of Netherlands)⁴⁵.

⇒ Study of possible modifications of the portfolio forms (by the Bank of Netherlands and the Bank of Austria in co-ordination with the chairman of the TF. PICS, R. CHAUDRON).

⇒ Consultation of the Technical Group about these modifications on portfolio if any before the start of the feasibility study (under the responsibility of the chairman Fr. RENARD).

▫ The study of the comments made on the draft report forms and explanatory notes via the written procedure will be continued until the next meeting of the Technical Group in January.

☞ Next meeting: January 17 / 18 in Madrid ☞

⁴⁵ Finally, after adoption of the new draft on portfolio, incorporating remarks from the TF. PICS, it was proposed by the Steering Group chairman M. VAN NIEUWKERK and accepted by the TG chairman Fr. RENARD to distribute all these documents during the meetings, in order to avoid complication and to facilitate the presentation of the project to the test companies.

ANNEX 1 AGENDA

First day

9.30 start

- | | | |
|---|------------|--------------|
| 1. Minutes of last Meeting and Action Points
(Point 1_Minutes.Paris.May) | (30 mins.) | JM. Pourchon |
| 2. Chairman's Introductory Remarks | (20 mins.) | JM. Pourchon |
| 3. Multinational Integration Summary
(Point 3_Multinational Integration Summary) | (40 mins.) | E. Caprioli |

11.00 – 11.30 *Coffee Break*

- | | | |
|---|-----------|----------------------------|
| 4. Feasibility Questionnaire for Multinational Steering Group
(Point 4_Feasibility.study.all)
(Point 4_NL.Comments)
(Point 4_5_Feasibility_Forms_answerDE) | (90 mins) | E. Caprioli / JM. Pourchon |
|---|-----------|----------------------------|

13.00 – 14.00 *LUNCH*

- | | | |
|--|---------|-------------|
| 5. Results of Written Procedure on Multinational Forms
(Point 5_Multinational Forms for PI)
(Point 5_Nloutline Portfolio)
(Point 5_WPFormanswers) | (3 hrs) | E. Caprioli |
|--|---------|-------------|

End of first day

Second day

9.00 start

- | | | |
|--|------------|-------------------------|
| 6. Chairman's Introductory Remarks | (20 mins.) | S. Brown |
| 7. Business Registers and Enterprise Groups
(Point 7_Registers & Surveys) | (40 mins.) | S. Brown / J. Hilpinen |
| 8. UK – Surveys in the Monthly BoP compilation
process and selection of companies
(Point 8_Monthly Bop Pros) | (60 mins.) | S. Brown / D. Prestwood |

11.00 – 11.30 *Coffee Break*

- | | | |
|--|------------|---------------------------|
| 9. Written presentations of survey implementation
(Point 9_Swedish Bop) | (30 mins.) | L. Fors / P. Hofman |
| 10. Verbal update on developing relationships with NSIs | (30 mins.) | J. Hernaez / A. Agostinho |

12.30 – 13.30 *LUNCH*

- | | | |
|--|-----------|---------------------------|
| 11. Extension of Qualitative Analysis – simplified proposals for
study of populations concerned with direct reporting
(Point 11_Finnish Population Study)
(Point 11_BOP_Vat_Lars) | (90 mins) | J. Hilpinen / R. De Boeck |
| 12. Completion of any earlier discussions (as required)
(Point 12_Procter&Gamble)
(Point 12_CMFB_Steeringminutes_may)
(Point 12_Steering_Agenda) | | JM. Pourchon / S. Brown |
| 13. Any other business and date / place of next meeting | | |

End of second day and close of meeting

**ANNEX 2
ATTENDANCE LIST**

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Madrid January 17 and 18, 2002

Ref.: Banque of Finland/Jorma Hilpinen/6 February 2002

Chair: Francois Renard, Banque de France

Agenda: Annex 1

List of participants: Annex 2

1. AGENDA:

(11) The draft agenda of this meeting was adopted as well as the minutes of the last meeting held in Rome in October 2001. The chairman noted some arrangements for information to the TG: The possible future changes in the reporting forms for multinational enterprises will be prepared by a small team of specialists reporting to this TG. As a working method in the TG, the chairman had this time required contributions from the MS concerning use of registers, enterprise accounting practises as a source for reporting, as well as studies how quantitatively select relevant respondents for the BoP statistics (essentially the split to be done between Direct reporting companies and companies surveyed).

2. EUROSTAT DRAFT REGULATION UPDATE, MESSAGE OF JEAN-CLAUDE ROMAN AND CONSULTATION ON NATIONAL PLANS

(21) The second draft of the Eurostat BoP Regulation was circulated a few days ago. Some articles are totally rewritten, the debate on the texts and the reporting requirements will continue in the subsequent written procedure due in February. In his message to this TG, Jean-Claude Roman informed that the contributions of the members of this TG should explain main characteristics of the future DR/survey system the MS will implement. Elena Caprioli further explained that the contributions are of unofficial nature and can be cleaned later. Some of the current contributions might be used for this purpose. **MS's are welcome to contribute more whenever they find it appropriate.**

(22) The preliminary results of the consultations on national plans to be presented at the January CMFB meeting reveal that some countries will continue to use settlements data in the future and that the plans of some countries are very preliminary. In the subsequent tour de table, the MS further explained their situation.

(23) In **Germany**, the enterprises directly report to the Bundesbank and recently the co-operation between the bank and enterprises has been intensified. This will facilitate better reporting arrangements to both parties. In **Portugal**, settlements will be used as long as possible and the system is still in an early phase of the change, with possibly the use of DR and surveys. **Belgium** is in the development process of the new collection system but currently many features remain to be decided; for instance it is too early to know if settlements will be dropped or not, and the balance between DR and surveys is not clear for the moment. In **Spain**, the settlements will remain as an important source, but the collaboration between the statistical institution and the bank has been initiated and many new sources for information will be employed in the future. In **France**, the Banque de France will remain as the sole compiler, and all modes of reporting will be used. **Austria** intends to implement DR for major players on a monthly basis together with low frequency surveys and VAT data.

(24) In **Italy**, the co-operation between the statistical institution (ISTAT) and the UIC has been initiated in order to define relevant reporting populations. Problems exist because enterprises are anonymous in reporting and changes in the confidentiality legislation are called for (on national and/or European level). The Italians will report on the developments of their collection system to the TG and settlements will probably remain the main source as long as possible for "other services" data. In the **Netherlands** the new system, for all respondents including large industrial enterprises, will be in effect according to plans in April 2003. Contacts with enterprises are intensively taken and other sectors are involved as well. The companies ledgers will be used as the main source of information and currently, the IT

questions are in the agenda. In **Sweden**, the collaboration between the Riksbank and Statistics Sweden has been established to allow the latter to take the responsibility of collecting most of the current account with the implementation of a survey replacing DR and settlements.

- (25) In **Denmark** the collection for "other services" will be based on DR supplemented by surveys whose characteristics are under consideration. In **Finland** Statistics Finland will continue to use a yearly survey for services statistics. **Luxembourg** intends to use Direct reporting together with administrative sources supplemented by settlements and estimates.
- (26) After the tour de table it was noted that the vocabulary we are using when discussing various ways to collect data is somewhat ambiguous and sometimes unclear among us as well. The TG concluded that a paper which will be written by Lars Forss and an article for clarification would be welcome. (An article by Michael J. Colledge on the reading list.)

3. MEETINGS WITH THE MULTINATIONALS

- (31) The five meetings taken place in November-December were summarised. The returns of the feasibility questionnaire will be available in the near future. Carlsberg has responded already, Ericsson and Renault will respond at the end of February and Nokia before the end of March, and Thyssen will respond having received a German translation of the questionnaire. The accounting rules to apply (national/international) and the possible IT software to support the reporting, especially the SAP package, were discussed in some detail with the enterprises met. The discussions with all five multinationals can be characterised positive and a co-operative spirit has been prevailing. The second wave of testing will start in due course in spring, as Mr Nieuwkerk, the chairman of the steering group has indicated. Almost every MS is interested to participate.
- (32) The information received from Carlsberg revealed that the Danish headquarter has no full knowledge of the data of the whole group in detail. The testing and the feasibility would in this phase cover the Danish part only. The degree of detail of the forms has caused some concern. Ericsson's immediate reaction has pointed out the decentralised nature of the enterprise. Accordingly, the exercise will be carried out purely on national level and not even all Swedish affiliates are involved. Generally, the principle is that the feasibility questionnaire refers to the enterprise group and the testing of the forms to the national part of the enterprise. However, the first impression of the outcome of the feasibility questionnaire returned by Carlsberg was quite positive.
- (33) A common understanding in the TG was that the forms for the multinational enterprises are not ready yet, and the discussion of accounting principles and IT software solutions with software companies are somewhat premature. After a debate an agreement was reached not change the forms unless fatal mistakes are found before results both of the first and second wave of tests have been received. Some members of the TG expressed views that the feasibility questionnaire should be redrafted. It was also agreed that all software suppliers should be accepted (not only SAP). Eurostat informed that a workshop on accounting principles and the concept of transaction will be arranged in Luxembourg 1 March.
- (34) Some concern was expressed by some members of the TG that the strategic planning of the project with multinationals not very clear and is somewhat precipitate. The Chairman and Mr Hofman provided some clarification. The problem is that not all the countries are not in the same stage regarding multinationals project: if for some of them it will correspond to the philosophy of their general collection system, for the majority it could be only one little piece of the reporting scheme and they want first have an in-depth discussion on the results of the feasibility study before taking decision. So the project would benefit from a better structured time table with defined decision points. Links to various national development processes in data collection are obvious and these could benefit from the multinationals exercise.

- (35) The TG sketched in agreement a target timetable for the multinationals exercise:
- a conclusion from the first wave the feasibility questionnaire responses can be drawn end March 02
 - testing of the forms by enterprises in the first wave completed end June 02
 - second wave starting during second quarter 02
 - interim reports of the project end June 02 and end Dec 02
 - revision of the forms after the results from the second wave and only major, fatale mistakes corrected end June 02
 - testing by compilers after Dec 02
 - software houses involved, currently without commitment from either side, first meeting April 2002, but mainly during 03.
 - implementation 05 – 06?
- (36) The TG concluded that the feasibility study process most likely takes more time than expected and also the timetable above can be overly optimistic. The majority of the TG was hesitant to expect that any compelling conclusions from the multinationals exercise can be drawn for national data collection systems. Similarly, the TG thought that it is not possible to avoid mismatch between multinationals exercise and various national development timetables. Moreover, the TG concluded that the contributions from other Eurostat/ECB groups have been taken onboard fully when the portfolio changes were realised. The nomenclature lists or the technical codification proposal by the TGA were not considered urgent.

4. ACCOUNTING SYSTEMS AND THE BoP

- (41) The extension of the feasibility study to the small and medium size enterprises was discussed in some length by the TG. **It was considered necessary that more experiences should be gathered from enterprises in order to see how statistical information are derived from accounting system.** Germany will approach lots of other enterprises than those so-called multinationals in the near future. For this purpose, the current common feasibility questionnaire would benefit from redrafting. In fact, it was noted in the TG that the definition what is a multinational enterprise is for the moment generic (company with an affiliate in at least one other EU country). **The members of the TG preferred that implementation of the consultations with other enterprises will be in national discretion including the possible forms to be employed.**
- (42) **The choice between transactions and settlements when making a practical application of the conceptual requirement to use the transaction principle in statistics poses many problems.** According to national contributions for this meeting the change from settlements to transactions is at least as difficult as is the future collection of settlements. It is also obvious that **the output of the transaction collection is less rich in detail than the settlement collection.** Various contributions from the members of the TG are helpful introductions to solve problems most of the countries have ahead; these contributions will have to be developed further on..
- (43) The TG agreed that **the above mentioned Eurostat workshop on accounting standards is of great interest for the future work of the TG.** The TG considered that further conclusions in this subject can be drawn on the basis of the feasibility study concerning multinational enterprises in the first wave. Similarly, the TG considered a new feasibility study to be carried out among small and medium size enterprises important but the practical implementation should be fully in national discretion.

5. QUANTITATIVE ANALYSIS ON RESPONDENT POPULATIONS

- (51) **The discussion in the TG was based on the introduction by France how to improve the coverage in Services without a loss in coverage in Financial Account in terms of the current collection system (for details please see the document). The chairman considered it urgent that comparable analysis will be undertaken by all MS.** It was confirmed in the

subsequent discussion **that activities in this field are ongoing**. However, it turned out that the approach chosen varies between the MS according to the data collection practices applied now and in the future. **The view gained attraction within the TG that this work has to be related to national situation prevailing in the MS, and that papers submitted are reports of the ongoing work. It was agreed that the papers are circulated.**

- (52) The discussion confirmed that the MS do have different approaches to solve the foreseen data collection problems (including the split between DR and surveys), and similarly, the future role of statistical institutions in the BoP statistics will vary in the European family. The models where two institutions are involved or where a comprehensive survey approach has been adopted have a tendency to lead to the use of various sources in different items. This has implications how the analysis on populations is most useful to carry out. **The choice between census or cut-off collection on the one hand and stratified sampling solutions on the other hand also requires somewhat different quantitative calculations of importance of enterprises even though the frame list of enterprises must be known in both.**
- (53) The MS reported both in their written contributions and in interventions during the meeting of the ongoing work. These are very helpful and of great interest. It was considered important that the number of enterprises subject to reporting can be compared between countries, and some information were exchanged. The survey makers usually release this kind of data in a standardised form (see the UK contribution). To support the documentation and to react on revealed great interest, the TG agreed to add to the minutes a list of references on stratification and sampling.
- (54) **Every country will present in due time the results of the analysis of the population of companies, following their national problematic.** The general feeling was that this exercise is urgent as it is the first work to be done for the change of the collection system, and as the implementation of the exemption threshold from the beginning of 2002 will render this exercise less accurate after 2001.

6. BUILDING BUSINESS REGISTERS FOR THE BoP PURPOSES

- (61) Mr. Arto Luhtio from Eurostat Business Register unit was invited to introduce on the state of art of the business register work on the European level. The European regulation has been adopted by all Member States and the implementation derogation times have expired. **How to use the registers and how to arrange the confidentiality rules remain in national discretion.** Manuals and recommendations are available on the European and national levels. The system of associated registers has been established. The content of the general registers in terms of variables is available, the identification, stratification, demographic and economic variables are known. Mr. Luhtio explained that **it is not foreseen that new economic variables can be added to general registers.** From the BoP point of view, relevant information on the foreign ownership is an optional on/off variable in general registers. A common European numbering of enterprises is not feasible in a foreseeable future. The associated registers contain more economic variables and new variables can more easily be added to them. Information on the Eurostat register activities are available in the CIRCA web-site.
- (61) The problematic of the use of business registers for BOP purpose has been set down by the chairman. To its opinion the descriptions which have been done until now by the TG members, referring to UK and Finland experience, have shown how it is difficult to build a register for the selection of companies playing a role in international transactions and to bring out the meaningful variables to operate the grossing-up of the results. One of the reasons is that these registers have not been built directly for BOP purpose but where rather deriving from general business registers, in a context where it was difficult to have a census view. He mentioned that the context of the future collection system is slight different, as for most of MS they will have to change from a system mainly based on bank settlements which gives an almost exhaustive view of the international activity of companies making easier the census and the study of the population.

- (62) **The subsequent discussion and brain storming, starting from two papers prepared by UK and Luxembourg⁴⁶ included issues on the content of a special associated register solely built for the BoP purposes, and what is the information required to define (to limit the number of) the enterprises in the frame lists of various surveys.** In addition to the so-called frame data (including the identification, classification, contact, maintenance and linkage data, see Colledge), various economic information like turnover, number of employees, balance sheet variables and foreign trade data were found necessary to carry out the selection or stratification of enterprises. Some more BoP specific information are available, like data on foreign ownership and concern structures in various sources. Most of the above mentioned variables are to classified as auxiliary variables to facilitate the selection, stratification, sampling and estimation. Extremely seldom registers or frame lists contain BoP specific study variables unless large frame surveys are conducted.
- (63) The sources for these information are various including general business registers, targeted registers for statistics with close links to the BoP (foreign trade), as well as specific administrative registers (VAT, etc). In practise, information of this kind are never sufficient. Data from industrial organisations, market information and news, and historical data like settlements are of great value. (For more detail, see the IMF BoP Compilation Guide, from p.188 onwards).
- (64) A tentative and still incomplete list of variables and sources to be developed later on by the TG has been discussed.

	Variables	Purpose	Possible sources
1	ID number	All items	General business register (BR)
2	Institutionnal sector	All	BR
3	Economic sector	CA+FA TS	BR...
4	Nb of employees	CA+FA TS	BR, Adm sources, annex balance sheet...
5	Total turnover	CA+FA TS	Adm sources (VAT), companies accounts,...
6	Total expenses	CA+FA TS	Adm sources (VAT), companies accounts,...
7	Exports of goods (indicator/value)	CA+FA TS	Settlements, VAT, trade in goods register...
8	Imports of goods (indicator/value)	CA+FA TS	Settlements, VAT, trade in goods register...
9	Exports of services	CA+FA TS	Settlements, VAT...
1	Imports of services	CA+FA TS	Settlements,VAT...

⁴⁶ *The paper prepared by France will be discussed during the next meeting*

0			
1 1	Total international settlements	All	Settlements...
1 2	Foreign ownership indicator	All	BR, private databases, stock exchange,
1 3	Group indicator	FDI/FATS	BR,private databases, Stock Exchange informations...
1 4		

- (65) **How to use this information in the BoP collection depends on the data collection arrangements varying between countries.** Special concern was expressed by some MS on collection problems related to crossed breakdowns so common in the BoP statistics. **The TG agreed that discussion on these issues will continue, and the MSs will report on their practices adopted as the national development programmes make progress.**

7. LIST OF ACTIONS

- (a) An intermediate report of the work of the TG will be presented to the October 2002 BOPWP
- (b) Lars Forss will prepare a paper to clarify the terminology used when referring to Direct Reporting (general, partial, surveys...)
- (c) Members will update and further develop the contributions on the following points as soon as possible, also in view of the report to be presented in October:
- Bop oriented business registers
 - Accounting and BOP: what information is available from accounting, how to catch and transmit it to BOP compilers...
 - Quantitative analysis and selection of companies for direct reporting and/or surveys. In particular on this last point the time pressure is significant as the implementation of the threshold from 2002 will render the work less accurate.
- (d) Participation of NSI is welcomed. Those MS's transferring part or total of their services collection systems to NSI's should contact to involve them in the work of the TG. As an example, the Swedish and Dutch NSI's will participate to the next meeting presenting a contribution on plans to collect surveys.
- (e) Next meeting will take place in the De Nederlandsche Bank, Amsterdam, in 22 and 23 April. The date will be confirmed later.
- (71) (f) The TG agreed to circulate reading lists and below is for start:
- (1) W.G. Cochran: Sampling Techniques, John Wiley & Sons, Inc., 1977
 - (2) Balance of Payments Compilation Guide, -Washington, DC USA: International Monetary Fund, ISBN 1-55775-470-5, 1995
 - (3) Michael J. Colledge: Frames and Business Registers: An Overview, in Business Survey Methods, Edited by Cox, Binder, etc, ISBN 0-471-59852-6, John Wiley & Sons, Inc., 1995
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ANNEX 1
REVISED DRAFT AGENDA

1. Minutes of last Meeting and Approval of the Agenda (Chairman)

Documents: Agenda and Minutes meeting Rome

2. Briefing on the most recent discussions and on the results of the consultation on National Plans (Chairman and Eurostat)

Documents: Progress Report of the chairman to BOP WP and Message from Eurostat and Oral presentation of Written Procedure on National Plans)

3. Synthesis of the meetings with multinationals and update of Common Forms (P. Hofman and MS involved)

Documents: ERP and EDR documents and Minutes meetings with multinationals

4. Accounting systems and BOP. Possible extended use of the feasibility study for the selection of the companies (MSs, Eurostat, Chairman)

Documents: Contribution from MS

5. Analysis of the population of companies and selection of respondents: experience from MSs and discussion (MSs, Chairman and Eurostat)

Documents: Contribution from MS

6. Building a Business Register for BOP purpose:

- fact finding on key variables and sources from contributions of MS (MSs and Eurostat)
- future work

Documents: Contribution from MS

7. Any other business

ANNEX 2
LIST OF PARTICIPANTS

<u>Name of participant</u>	<u>Participant's organisation</u>
Mr François Renard (Chairman)	Banque de France
Mr Roger de Boeck	Banque Nationale de Belgique
Mr Jesper Maersk	Danmarks Nationalbank
Ms Almut Steger	Deutsche Bundesbank
Mr Joaquín Hernáez	Banco de España
Mr Antonio Martínez	Instituto Nacional de Estadística, Spain
Mr Pierre Madrières	Banque de France
Ms Valeria Pellegrini	Ufficio Italiano dei Cambi
Ms Silvia Sabatini	Ufficio Italiano dei Cambi
Mr Guy Schuller	STATEC, Luxembourg
Mr Peter Hofman	De Nederlandsche Bank
Mr Erich Hille	Österreichische Nationalbank
Ms Manuela Raminhos	Banco de Portugal
Mr Jorma Hilpinen	Suomen Pankki
Mr Lars Fors	Sveriges Riksbank
Ms Debra Prestwood	Office for National Statistics, United Kingdom
Mr Luca Buldorini	European Central Bank
Ms Elena Caprioli	EUROSTAT
Mr Arto Luhtio	EUROSTAT

Amsterdam April 22 and 23, 2002

Ref.: Banque de France/Pierre MADRIERES/14 March 2003

Participants: see annex 1

Agenda: see annex 2

List of actions: see annex 3

Structure of the report: see annex 4

1- MINUTES OF LAST MEETING AND APPROVAL OF THE AGENDA

- ◆ **The minutes of the last meeting held in Madrid on January 17 / 18 were approved after three changes had been requested by Italy (§24), Germany (§31) and Belgium (§23); the final version of the minutes will be distributed by Eurostat.**
- ◆ **The Agenda of the April 22 / 23 meeting was approved.**

2- BRIEFING ON THE RESULT OF LAST WORKING GROUPDocuments:

- Eurostat Document BP/02/04 "Progress report of the Chairman of the TG Direct Reporting and Surveys to the BOP WG of 20-21 March 2002",
 - Eurostat Document BP/02/20 (very draft version) "BOP WG 20-21 March 2002 Main Conclusions"
- ◆ **The Chairman underlined some points of interest of the meeting of the BOP WG for the Technical Group "Direct Reporting and Surveys":**
 - The progress report and the action list he presented were approved,
 - Two points discussed during this meeting are of an utmost importance as both the future regulation and data quality will orient the work of the TG on the future collection systems of Member States.
 - ◆ **The representative from Eurostat added some comments:**
 - She first made some preliminary remarks mentioning that,
 - the version of the document "Main conclusions" was a very draft,
 - the progress in the work of the TG had been recognised;
 - Then, she enlarged on the regulation issue and mentioned that the new questionnaires to be sent on a quarterly and a yearly basis represent an important reduction of the demand, relating to the number of services items and to the geographical breakdown. She mentioned also that a reporting threshold could be adopted.
 - ◆ **Several Member States found that EBOPS details would be very difficult to collect (even with a reduced geographical breakdown), and Finland asked that priorities between detailed items and geographical breakdown should be established.**

3- UPDATE OF NATIONAL PLANS FOR THE PARTS "OTHER SERVICES" AND "BUSINESS REGISTERS".Document:

- National Plans

- ◆ No significant complement has been received from TG member countries **who have all updated the two parts (other services, business registers) of the document "National Plans", except Belgium and Netherlands who will send their contribution shortly.**
- ◆ **Five countries added some elements:**
 - **Belgium** mentioned that breakthroughs had been made on some points: analysis of information, cooperation with Credit Card Companies, preliminary contacts with the Federation of Enterprises,
 - **Portugal** informed the TG that a technical group had been set up between the Central Bank and the National Statistic Institute to study issues related to surveys and the Portuguese delegate pointed out that no decision had been taken at this stage,
 - **Germany** informed the TG about the implementation of the household survey for outbound travel which gives satisfactory results when compared to the present data; bilateral data supplemented by a survey at accommodation will be used to analyse the inbound travel. Germany reminded that the threshold above which individual settlements or transactions are attributed to specific enterprises has been lowered from the beginning of the year,
 - **Austria** reported that a general contract with the National Statistic Institute had been finalised which could be a basis for more detailed agreements on Balance of Payments and Registers,
 - **France** reported that the first step of the renewal of the BOP collection plan is on the right way, with the definition of the definition of a new criterion to select the DRC's population (see item 5),

4- ACCOUNTING SYSTEMS AND BOP

Document:

- Workshop on Accountancy and Balance of Payments, Luxembourg, 1 march 2002
Main Conclusions
- Documents sent by the Steering Group Secretary on the results of the feasibility questionnaire and on the minutes of the de Nederlandsche Bank with SAP software house

The Chairman introduced the issue by stressing how touchy the matter was, as it is strongly linked to the choice that will be made in the field of collection systems between the cash approach and the transaction approach, the latter being recommended by the BPM5 and the "New Vision" which serves as the common platform for the designing of the future collection systems.

4.1- Accountancy and BOP

- ◆ **Eurostat launched the discussion by highlighting the main conclusions of the workshop held on this issue in Luxembourg on 1 March 2002:**
 - A realistic approach for the future collection system has to be adopted as:
 - Following the present draft of the Regulation, the International Accounting Standards (IAS) will have to be followed for the production of consolidated accounts of listed companies in the EU from 2005, but the Member States will have the option to extend this requirement to unlisted companies and to individual accounts; as a result the degree of application of the IAS may differ from country to country,
 - the official balance-sheet is not of a direct interest for BOP purpose (even if it could help for the updating of registers),
 - the information needed lies more in the General Accounting System (ledgers and sub-ledgers) and more in general in the data warehouses

(which contain individual invoices among others), due to the level of detail by items and to the geographical breakdown requested,

- **It was proposed that one or two BOP compilers participate in the Accounting Task Force** that has been set up two years ago within Eurostat with the participation from 6 or 7 National Statistics Institutes: any name had been put forward but the representative of EUROSTAT will distribute the list of the representatives of countries in the Task Force,
 - It was agreed to prepare a short document (1 or 2 pages) -for transmission to accountants- with the minimum information needed for BOP.
- ◆ **Two issues were debated by TG members:**
- Regarding the availability of the data for BOP purposes, two main ideas emerged:
 - The **collection of data needs not to be limited to the Accountancy Departments of companies but has to be extended to other departments (Luxembourg)**; the idea was supported by other countries:
 - *Belgium* mentioned that 3 different levels of information existed in enterprises (official returns, internal accounting system and further, analytical accountancy for example),
 - *Sweden* noticed that details of data vary according to the companies,
 - *Germany* stressed that this idea had to be kept in mind as we have to keep the choice open between settlements and transactions,
 - the **cost element for companies has to be taken into account** and in this respect,
 - **the BOP requirements need to have a stable nature** (*Belgium, The Netherlands*) and to be very clear (*The Netherlands*),
 - **a feedback looks important** (*Belgium, Finland*), however some countries are sceptical: *France* mentions that feedback can be difficult to manage due to confidentiality problems, *Luxembourg* mentions however that another type of feedback can be envisaged as there can be a complementarity between commercial needs of companies and statistical needs of compilers,
 - Regarding the electronic reporting,
 - The representative of Eurostat introduced the discussion by reminding the two steps of the process,:
 - **at the companies level, the question is how to get the information**, and in this respect the meeting with software houses in Frankfurt on April 24 should be very useful,
 - **at the transmission level** between companies and compilers, the question is to choose between the transmission formats (some work is going on in Eurostat on this issue),
 - Two points were highlighted during the discussion:
 - **the problem is not the transmission but the retrieval of the information** (*Germany, Belgium*):
 - + the Dutch delegate described the SAP / Philips experience to report services: a technical group came to the conclusion that the solution was to **link the BOP reporting process to the invoicing process**,
 - + **some scepticism on SAP experience was put forward by some countries**: *Austria* (SAP is a so complex software that it needs a lot of experts to adapt it to the enterprise), *Belgium* (major companies using SAP software have tremendous delay), *France* (risk for the current direct reporting as SAP could postpone any maintenance of its current BOP module looking forward to having a decision on the multinational project),
 - the issue of the responsibility of the Technical Group on this matter was raised by the *UK* delegate. There was unanimity to consider that the TG was responsible for two of the three levels of the process, namely content and

retrieval of the information, while the third, transmission, was to be analysed by another group, but only when the two first levels have been examined.

- ◆ **To conclude the debate, the Chairman delivered a brief summary on the issue of Accounting and BOP mentioning the following points:**
 - we have **not to be too dogmatic** when visiting companies,
 - we will have to explain carefully what we want,
 - we have to define minimum requirements and to keep the stability of these requirements as any change has a cost,
 - we have to take into account carefully the burden report for companies,
 - IT solutions have to be investigated as it is a necessary condition to get information from accounting, but the priority for BOP compilation is the content and the retrieval of the information and not the transmission of the data.

4.2- First results of the feasibility study with multinational

- ◆ **The Dutch delegate presented a brief summary of the responses to the feasibility questionnaire**

	<u>Carslberg</u>	<u>Nokia</u>	<u>Renault</u>	<u>Thyssen</u>	<u>Philips</u>
Part A: <u>General issues</u>	- Positive in general	- The model is feasible - But some critics, - Automation needed	- positive in general - investment needed	- critical - quarterly information only - investment needed	- very positive - too many details for services
Part B <u>Trade in services</u>	- very positive - intra group: positive	- not so positive - intra group: positive	- critical on the details - intra group: positive	- investments for details - but in general positive - intra group: positive	- in principle positive - intra group: positive
Part C <u>Portfolio assets and liabilities</u>	- hardly relevant	- in principle positive but no so relevant	- not so relevant	- positive in principle	- not so relevant
Part D <u>Foreign Direct Investment</u>	- in general very positive - partly positive on FATS	- positive - but a critical note	- positive in general - positive on FATS, - net asset value	- positive - US GAP for valuation	- positive - FATS: only at group level
Part E <u>Other assets and liabilities</u>	- very positive	- positive	- very positive	- positive	- very positive

- Five out of six of the companies tested had delivered an answer at the date of the TG meeting. A meeting was planned with Ericsson on 29 April and a response was due shortly after. According to the Secretary of the Steering Group, the progress is

not so disappointing, as it can be seen in the table above where the main points of the answers have been gathered.

◆ **The countries involved in the first wave of tests added some comments:**

- **Germany** mentioned the following points:
 - Regarding general information:
 - an English version of the questionnaire will be soon available
 - two versions have been delivered: the first one raised many questions and there are still question marks in the second one, so another meeting will be necessary with the company
 - Regarding the questionnaire itself, the accuracy of the project can be questioned as,
 - timeliness is not problematic in principle but the data from accounting are only available on a quarterly and not on a monthly basis, which is a deterioration compared with the situation prevailing now,
 - the data are not available in a centralised way and so the BOP compiler will have to go to the single company to get the information,
 - a very large investment is needed,
 - Regarding the final outcome of the project, it is impossible for the moment to have a clear opinion as the cooperation is not so easy with the team in charge of filling-in the forms while at a more "political" level there is a larger cooperation.
- **Finland** would have a bit more realistic approach than the Dutch delegate's one:
 - Nokia will not invest in the project,
 - They think that too many details are requested and they do not see their relevance,
 - They will not fill in the forms with figures for the testing exercise .
- **Denmark** enlarged on some points:
 - Carlsberg answered before implementing the SAP system,
 - Representatives of the company did express that most of the data are available but they have some concerns about Foreign Direct Investment and about the required degree of details,
 - The automation of the reporting was not clear,
 - Detailed data are not available at a centralised level as Carlsberg is a decentralised group but they could develop in a centralised direction.
- **France** made the following comments:
 - Regarding general information,
 - a cooperative spirit has been prevailing on the project even if Renault delivered its answer to the feasibility questionnaire with a delay (but this was due to the deep involvement of the Accountancy Division in the restructuring of the group with the setting up of two new entities in France and one in The Netherlands)
 - the test will be carried out on the basis of the data from the first quarter of 2002 and will be delivered before the 15th of June,
 - Regarding the questionnaire itself,
 - some answers should perhaps be nuanced, as during a meeting with Renault in early April, it appeared that the representatives of the group had not a clear knowledge of the reporting forms,
 - data are available in general and frequency does not look problematic; however some concern is expressed about some of the required details (split between goods and related services, information on small size shareholders...),
 - reporting for single companies cannot be made on a centralised basis,
 - reservation are made about the collection cost, as a substantial investment would be required in the field of information system and at the organisational level.

◆ **The following ideas emerged from the debate that then took place:**

- As it appears that three of the tested enterprises cannot report on a centralised basis, it can be said that the issue is no longer the multinational project but the harmonisation of reporting (*Belgium*) and, as a consequence, the question is to know if the common forms will be used by other companies:
 - the *German* delegate answered that Germany could not accept that the multinational model could be a model for other countries' national reporting companies,
 - the *Dutch* delegate answered that it was only investigation and that it depended on the organisation of the group; he also disagreed on the fact that multinational project and harmonisation of reporting were two different issues,
 - some countries reminded the trade-off between "need to have" and "nice to have" mentioned by Carlsberg in its answer to the feasibility questionnaire,
- *Austria* underlined the risks incurred by some countries who have to build a new collection system in a very near future if a decision is not taken shortly on the multinational project.

5- ANALYSIS OF THE POPULATION OF RESPONDENTS

Documents: Contributions from Luxembourg, France, Portugal, Spain, The Netherlands, Sweden

Introducing the debate, the Chairman thanked the contributors to this point of the agenda, for the important and interesting work done. He underlined the agreement of the members of the TG on the fact that it was **a costly exercise, but a necessary step to design the future collection systems and to decide of the mix to be done between different sources or different reporting procedures.**

Seven countries presented the main findings of the quantitative analysis they have done until now.

◆ **The Netherlands**

- The representative of Statistics Netherlands highlighted the following points:

In April 2003, Statistics Netherlands will take over the Dutch Central Bank responsibility for the registration of the cross-border trade in services. The core aspects of the plans that are developed have been summarised:

 - **The basic objective is to guarantee the continuity in the existing time series** on ITS both in terms of quantity and quality (reliability); reliability could face difficulties, as the quality of the ITS figures from the Central Bank had been deteriorating during the last two years and as the requirements from some users are difficult to tackle (for example geographic breakdown needed by Eurostat).
 - **Some preliminary conditions have been fixed when designing the new collection system:**
 - **need to minimise the enterprises' reporting burden,**
 - + **use will be made to the maximum extent, of already existing sources** (it will be the case for travel and government services) and for all other services a direct reporting method (for the largest enterprises) and surveys (for SME) are being prepared,
 - + three issues are of specific concern: the delineation of the relevant population, mainly on the debit side, the geographical breakdowns, the capture of questionnaire (mainly from SME),
 - **to reduce the high risk of non response, a solid mandatory framework has to be designed;** in this respect a new law has still to be approved by the Parliament.
 - **The project design is worked out by distinguishing specific fields of attention:**

- **the top 100 large enterprises** selected on the basis of the most recent Central Bank information have a high concentration of ITS and their data can partially be checked with already available information as they are well-known to Statistics Netherlands,
 - **small and medium sized enterprises** will be observed through a sample-sized survey (3000 units) on a quarterly basis,
 - **the travel item** has been taken in charge by Statistics Netherlands as from the beginning of 2002:
 - + for outgoing travel the main source will be an already existing household survey carried out by an external research agency,
 - + the incoming travel is much more difficult to determine: Statistics Netherlands will use an already existing survey on tourist accommodations and, temporarily in 2002 to fill in the gap of total spending of foreign visitors, existing statistics on incoming tourism (which are carried out every 5 years),
 - **financial services** data will be most likely reported by the Central Bank.
- The contribution from The Netherlands raised a number of questions by the members of the TG:
 - **The updating of the register** will be made partially through the use of international payments tape provided by banks (an agreement has been reached with them recently to supply total of credits and debits by clients).
 - the delegate from the *UK* mentioned another way to update: in her country, a filter question is introduced in the annual survey (the Chairman expressed the idea that this could introduce a bias as the companies know that they will be surveyed if their answer is yes),
 - *Eurostat* and the *Chairman* underlined that in this respect the regulation could be very helpful and moreover, this was an argument to be clear in the definition of our needs,
 - **The issue of the grossing up** (question by the *Chairman*) needs to be explained (for the next meeting?),
 - **The driving of the data on a monthly basis** (question raised by *Italy*) will be done in the following way:
 - maybe the top companies will deliver data monthly,
 - for MKI, modelling will be used,
 - **An analysis of the differences between settlements and surveys** (question by *UK*) is planned, at least for the top enterprises which have already the option to report on the basis of the new system,
 - The **link between international trade in goods and international trade in services** (question by *Belgium*) has to be investigated,
 - The **requirements concerning the geographical breakdown** will be different for the top companies (which will report all countries) and for SME (which will report only the 3 top countries).
 - Supplement of informations has been asked for by the Chairman;
 - On the organisation of registers in Netherlands
 - On the quantitative analysis behind the collection system which will be put into force from 2003
- ♦ **Spain**
- **The Banco de Espana is currently analysing possible methods for compiling BOP statistics in order to develop a new system** that might replace the current settlement system. Among possibilities are direct reporting by companies and survey-based methods, the latter having the higher priority. In this respect an agreement has been reached with the Spanish NSI who will report to the Central Bank services items according to a survey-based method. The analysis done by the Central Bank seeks to define and to analyse the set of enterprises making up the

population, so as to cover sufficiently the various items of services (travel excluded).

- Two **limitations of the analysis have been underlined:**
 - the study analyses only the figures for the year 2001,
 - the results of the study refers only to transactions that are individually identified through the fiscal identification number (that is transactions above the 12 500 euros threshold),
 - The following **main conclusions** can be drawn from the analysis:
 - there is a relative concentration of the companies by item, both on the credit and the debit side, however due to the large size of the whole population **a general direct reporting system does not look manageable in Spain,**
 - **the activity of importing services is less atomised in terms of number of firms than the activity of exporting services,** which looks rather surprising
 - **companies exports are concentrated in transactions specific to their branch of activity** while the importing activity of each firm is present in more than one item on the debit side (this result is supported by the ratio of use of different items by each firm),
 - **the number of firms is reduced significantly when considering the coverage of the total amount of services and not each services item respectively** – 37%, - 35% and - 30% for a coverage rate of 70%, 80% and 90%,
 - **The analysis is planned to be completed in the near future according to two orientations:**
 - dynamic analysis for studying the stability of the population,
 - distribution of the population by item,
- The representative of the Spanish NSI added the following comments:
 - the NSI will cross the information coming from the Central Bank with the survey currently done (120 000 enterprises) for services purpose,
 - two questions remains:
 - the NSI is not responsible for all ITS,
 - a large survey will be needed to have a geographical breakdown on level 2.

♦ Portugal

- The future of the Portuguese BOP collection system is presently under reformulation and among different alternatives, a scenario could be the complementation of the current direct reporting by surveys on services taken in charge by the Portuguese NSI. No decision has however been made at this stage. In this respect a work started in the Banco de Portugal to study the structure of the population of companies involved in international transactions based on the information gathered through the resident banks and through the existent direct reporting companies. The study focuses on services transactions with the exception of travel and freight and respective insurance debits. The main findings of the analysis are listed hereafter:
 - **Representativeness:**
 - roughly 3 or even 4 times more companies are needed to increase the coverage from 80 to 90% of the aggregate level of services (intra +extra)
 - to ensure the same levels of coverage of each item separately, a even higher number of companies are needed,
 - once again like in Spain, the number of companies is higher on the credit side than on the debit side both at the aggregate level and for the majority of items individually taken,
 - **Stability:**
 - the number of companies needed in each quarter to ensure a certain rate of coverage does not vary sharply, however the number of common companies is rather low. This suggests that **there is a widespread range of small and medium size companies with a great volatility,**

- the lower number of common companies on the debit side for each period suggests a higher volatility of the companies involved in ITS imports,
 - the contribution of the common companies for each single item is quite different from an item to another,
 - the contribution of the common companies for the total turnover of services (credits + debits) is quite similar along the 11 quarters observed,
 - **Analysis of the distribution of the current Direct Reporting Companies:**
 - **DRCs account for roughly 38.5% of the common companies for a 80% coverage,**
 - the contribution of the DRCs to each items vary according to the item considered,
 - **Future work to be done:**
 - contribution of total DRCs,
 - analysis over a longer period of time,
 - study of the seasonality,
- Two questions were raised by the Chairman:
 - are **there strong arguments to give up the Direct Reporting System in Portugal?** The Portuguese delegate answered that discussions are still in a very early stage and so it is not possible to have a clear view at this stage,
 - will **the updating be easy** as there is a high volatility every quarter? The updating is for the time being easy as we have settlement reporting by banks.

♦ Luxembourg

- The delegate from Luxembourg commented on two points:
 - He first introduced its intervention with **two general remarks:**
- the present collection system in Luxembourg is a four pillar system based on:
 - + direct reporting,
 - + exogenous sources,
 - + administrative sources,
 - + settlements,
- the reasons why Luxembourg participates in this exercise are double:
 - + there is a need to have a better knowledge of the input of large companies on each services item,
 - + there is a need to go through details of population which could be arguments to change the system, as there are strong pressions not to introduce new surveys and to lower the statistical burden for companies
- He then draw the **main conclusions** of the analysis, making clear that this study was not a view on the overall population (because unidentified companies are important, due to the threshold):
- an analysis item by item shows that for credits and debits, two thirds of the items are above a coverage threshold of 70% but the credit side shows a much better coverage of those items,
- **the impact of large companies is rather important** as an increase of the selection threshold from 12.4 to 20 million euro reduces the number of companies by 20% while the population cover rate merely falls down by some 2.5 percentage points,
- the diversity on the number of items is strong and higher on the debit side than on the credit side (42% of large companies have more than 3 items on the debit side while the percentage on the credit side is somewhat lower),
- **the time dynamic is a source of concern** as big changes in the population are noticed from year to year,

- **the assumption that a company trading in goods is a potential candidate for ITS population is not always verified** as half of the ITS population (about 57%) has no activity of trade in goods.
- Two questions were raised by the members of the TG:
 - **Regarding the probability of a change in the collection system** (*Chairman*), the delegate from Luxembourg confirmed that, for the time being, the analysis did not identify strong arguments to change,
 - **regarding the geographical breakdown** (question by *Eurostat*), it was answered that a study on this matter has been started but has not still come to conclusions.
- ♦ **France**
 - The French delegate gave first the **state of play of the process to define a new threshold to select General DRCs** before highlighting some points of the contribution paper from France to this point of the agenda:
 - **The proposal that was presented at the last meeting of the TG in Madrid was somewhat modified** to comply with the wording requirements of the decree to be issued on this matter:
 - in the near future a company will be liable to general direct reporting when the total annual turnover of its cross-border transactions for at least one item of services (some of them being aggregated) or income exceeds 30 million euros,
 - the draft of the decree has been approved by the ECB and its is now in the process of being checked from a legal point of view by the top administrative court in France, the Council of State;
 - **Three main findings** emerge from the quantitative analysis of the new GDRCs population:
 - **the coverage of the new population is rather good for a large number of items**, not only for credits + debits (see figures hereafter) but also for each side, with a number of respondent not too high (for the year 2000, 725 companies - compared with 825 for the current population-):
 - + 55% for the whole current account, about 79% for services (14 items out of 17 shows a coverage rate higher than 60%),
 - + 70% for direct investment and 83% for other investment with however rates higher on the credit side (for instance 81% for equity capital) than on the debit side (for example 22% for equity capital),
 - regarding the distribution of the population, the figures show that **GDRCs participates in more items on the debit side than on the credit side** (except for income):
 - + on average, each GDRCs participates in 3.8 items of the current account on the debit side compared with 2.8 items on the credit side,
 - + for the current account 42% of the population participates in more than 3 items on the debit side compared with 30% on the credit side,
 - **regarding the stability of the population**,
 - + at first sight, the stability is not so good as over the three years 1998, 1999, 2000, the number of companies belonging to the common population accounts for only 55 to 60% of the total GDRCs population while the turnover of the enterprises is rather high,
 - + however the analysis of the representativeness of the common population tends to nuance somewhat the opinion on the volatility of the population as **the weight of the common population in the whole GDRCs population is higher than 80% for the current account as well as for services, income and transfers over the 3 years**,
 - **The French delegate underlined 3 conclusions** that could be drawn from the analysis:
 - regarding the strategy of France in the field of BOP collection **the objectives can be considered reached** as the coverage rate of the new population has been

optimised in order to **get monthly the maximum of information on all BOP items while:**

- **minimising the burden on the population liable for GDR compared to the present one**
- **and minimising the population which will be quarterly or annually liable to surveys on specific BOP items,**
- regarding operational matters, the need to have a well designed register appears obvious while the relatively low stability of the population is a strong argument to update the population every year,
- regarding the future work to be done, the geographical dimension of the population should be investigated (intra / extra);
- The contribution paper by France raised the following questions:
 - A **grossing up** from direct reporting companies results will be made every month for the needs of the ECB (MKI),
 - The **updating** of the population will be made every year but a company will be struck off only after a period of 2 or 3 years,
 - **In the future the selection of the population could be questionable** as the detailed data by services and income items could be no longer available with the end of reporting of settlements by banks: this opinion has however to be qualified as we will have a basic population built on an accurate register (the present BOP register) which will be updated by the crossing of the new BOP register (reporting by banks of the total amount of cross-border transactions for each single company) with other registers (business, VAT...).

◆ **Belgium**

- The Belgian delegate gave the state of play of the reflection engaged in Belgium to reorganise the collection system which could be a three pillar system (MFI, population similar to General Direct Reporting Companies and surveys -census or sample surveys-):
- The **main objective of the reorganisation** is to combine the different sources so as to reduce at the lowest the global reporting burden of enterprises, but for the time being any clear idea has emerged on the way to select GDRCs,
- Belgium started the work on two points:
 - Analysis of the population of respondents in their current collection system,
 - Inventory of external sources outside the collection system,
- The first results of the analysis shows:
 - a high level of concentration concerning the number of enterprises (similar in terms of debits and credits),
 - a very low number of enterprises participating in 4 or 5 items,
 - a low rate of companies (33%) dealing in both trade and services,
- In a next step, the analysis will focus on the way to get a correct balance between GDRCs and surveys,
- If available, data will be delivered by Belgium for the next meeting of the TG.

◆ **Sweden**

- The Swedish contribution paper comes as a transition between the points 5 and 6 of the agenda as it analyses the VAT-register as a main source for the sampling frame of the survey based system.
- The representative from Statistics Sweden reminded first the background of the contribution paper:

- **in 2003, a survey-based system will replace the settlement data** for statistics on cross-border transactions of services, compensation and transfers,
- **the sampling frame will be fundamental for the survey-based system** as it will be important to develop an updating system that will secure the quality of the sampling frame of high quality still based in 2003 on fresh settlement data,
- **the Swedish approach is to put together relevant parts of different registers**_(see the list in the contribution paper) into a "gross" population and then try to identify a relevant "net" population that will constitute the final sampling frame for 2003,
- **The VAT-register is the most important register available** that will be used for the construction and maintenance of a sampling frame for surveys on services:
 - it contains data on turnover of goods both for intra and extra and purchases of goods from intra and that can be an indication of exports or imports of services,
 - it does not cover all kind of services as travel, financial services, insurance services, personal services,
- The analysis of the VAT-register shows the following results:
 - the comparison between VAT population and the settlement population shows that only 9000 out of 25000 companies recorded in the VAT-register match to the BOP population but that 91% of the export of services and 97% of the output VAT of import of services were covered,
 - the coverage rate is lower for small enterprises but close to 100% for the enterprises with more than 250 employees,
 - the enterprises with more than 250 employees amounts to around 700 (3% of the total number of enterprises) but they cover 50% of the exports of services covered in the VAT-register,
- **So, the VAT-register seems so to be the main source besides settlement data** for the construction of the sampling frame, however some concerns can be expressed concerning the variation of the population overtime and the consistency with trade on goods.
- ♦ **To conclude the discussion on this point of the agenda, the Chairman brought out some common features of the analysis done by Member States:**
 - First he stressed the importance of the details available in the settlement data base,
 - he argued that we have to take this opportunity,
 - to make a photography as precise as possible of the population of respondents
 - to make all necessary tests to select the intermediate variables to stratify and gross up the results of surveys,
 - to structure the business registers,
 - he underlined however that the assumption that the settlements data could cover the total amount of cross-border transactions has to be checked,
 - Then he underlined the idea that a **high degree of details for the different items and for the geographical breakdown implied a considerable increase of the sample** to maintain a high degree of representativeness; in this respect, the output requirements of European authorities will have to be much more thought and this dimension will have to be taken into account when selecting the population of respondents,
 - He also highlighted the volatility of the population which implies important consequences for the updating of registers and for the selection of respondents keeping in mind the high degree of representativeness needed.

6 / 7-BUILDING A BUSINESS REGISTER FOR BOP PURPOSE . SURVEYS IN GENERAL AND IN PARTICULAR FOCUS ON THE ISSUE OF GEOGRAPHICAL BREAKDOWN / LEVEL OF DETAIL AS REQUESTED BY THE COMMISSION

Documents: "Review of the situation in context of registers of trade operators and links to the business register" (EUROSTAT)

Contributions by UK and Finland

- ◆ **The chairman introduced these two points of the agenda reminding that, thanks to the share of experience with UK and Finland, all of us have now a better knowledge of the general principles of business surveys and for some of us the statistical techniques to be used. However the process of managing a survey is rendered more complicated when implemented for BOP purpose as, in this case, the approach is a multidimensional one. That is the reason why the contribution papers on this matter by the UK and Finland are so interesting.**
- ◆ **The delegate from the UK presented her short paper on the consequences on the UK survey systems of the geographical breakdown and the detailed nomenclatures on services transactions which have been recently agreed:**
 - Regarding the geographical breakdown issue itself,
 - she confirmed that **this dimension was not taken into account while designing the sample because it is simply not feasible**: the choice of the sample relies on a stratification of the firms by type of activities and size of employment,
 - the geographical breakdown is taken into account only at the stage of the survey itself as the country information is asked in the reporting form,
 - Regarding the grossing up, the delegate from the UK mentioned that they do not gross up at the country level but only by individual services items, in this respect it can be said that the grossing up relies on the implicit assumption that the profile of the sample is the same as the one of the whole population.
- ◆ **The delegate from Finland complemented the information given by the UK delegate:**
 - he confirmed that **the method implemented in Finland was basically the same** as in the UK (for more details, see the contribution paper from Finland),
 - he stressed that taking into account the geographical breakdown for the sampling would be very complicated and that the quality of the statistics could not be guaranteed,
 - he also mentioned the **confidentiality issue** raised by a too detailed geographical breakdown.
- ◆ **Answering to a question by the Chairman on the nature of the data reported by surveyed companies (settlements or transactions?), the UK delegate told the TG that she will consult collection teams to get the information.**
- ◆ **Eurostat presented the results of a questionnaire relating to trade registers reviewing the situation in MS, as BOP compilers could be using registers for BOP purpose. Their content, the links established with the business register (among others the use of the VAT number), the sources used for updating and the access to the register itself are of utmost importance in the context of the new collection systems. The delegate from Luxembourg mentioned that there is a regulation behind INTRASTAT and VAT registers, which will not be the case for services.**

8- STRUCTURE OF THE REPORT AND DIVISION OF THE WORK

Documents: Terminology by L. Fors (Sweden), Comments by France,

Draft structure of the report.

◆ Structure of the report

- Eurostat informed the TG that it has been requested to deliver an intermediate report for october 2002 and a final report in march 2003, so to meet those deadlines we have to write a first draft very soon,
- **The Chairman proposed the following organisation of our work** on the basis of the structure of the report that has been approved by the members of the TG (see annex 4):
 - **A first draft of the different parts of the report will be written by the members of the TG**, as it has been approved during the meeting (for the division of work, see annex), the draft will underline:
 - the points of large agreement,
 - the divergent possible views with their pros and cons,
 - the main difficulties MS could face in the future and the areas of urgent intervention,
 - **The following agenda** has been agreed upon:
 - delivery of the contribution of Member States to Eurostat no later than June 15,
 - dissemination by Eurostat of the document gathering the countries contributions on June 20,
 - meeting on July 2-3 to have a common reading of the draft,
 - meeting in september to "finalise" the draft.

◆ Questions of terminology

- Introducing the discussion, the Chairman reminded that we felt necessary to speak a common language when talking of Direct Reporting, as after a number of meetings of our TG, it seemed that some ambiguity remains regarding vocabulary.
- As Lars Fors did not attend this meeting of the TG, the Chairman presented the **proposal by Sweden**:
 - this proposal lies on the idea that the term "Direct Reporting" is well established in some countries as well as at the international level,
 - it is therefore suggested that the "Direct Reporting" be kept for the collection systems where it still serves a purpose, namely to distinguish direct from indirect reporting and as a consequence "GDR" and PDR" should be confined to settlement based systems,
 - so **the Swedish proposal make a fundamental distinction between settlement-based systems and survey-based systems, specific terms being used to each of them.**
- France presented a counter-proposal:
 - This proposal is based on the following arguments:
 - the aim of direct reporting is not only to supplement indirect reporting by domestic banks but also to improve the quality of the information,
 - that is the reason why General Direct Reporting and Partial Direct Reporting will still exist in some countries in the future even in the frame of a transaction system,
 - the ambiguity comes from the fact that surveys are a type of direct reporting,
 - So, **France suggested to come back to the fundamentals and to build on the idea underlined by L. Fors when he writes that "it is obvious that the only criterion to define direct reporting is that it is no indirect"**,
 - In this perspective,
 - France suggested,

- + to give up the distinction made in the Swedish proposal between settlement-based systems and survey-based systems,
- + while retaining the concepts of "Full BOP Reporting" and "Specific BOP reporting" but with a somewhat larger definition,
- **so the basic idea of the French proposal is to make a distinction within direct reporting between "Full BOP Reporting" and "Specific BOP reporting", both being relevant either in the case of a settlement-based system or in the case of a transaction-based system.**
- The discussion which followed the presentation of the two proposals revealed a share of the members of the TG in two parts:
 - some of them (among them, *Belgium, Italy, the UK*) supported the Swedish proposal on the basis of the idea that the use of the term "direct Reporting" due to historical reason was closely linked to settlement-based systems,
 - other members (among them *Germany, Austria, The Netherlands*.) supported the French approach underlining the idea that we had to forget the past and to concentrate on the way data are reported (directly or indirectly),
- taking account of the discussion, it was finally decided that Germany will present a new proposal for the next meeting of the TG.

In conclusion of the meeting, the Chairman thanked Peter Hofman and De Nederlansche Bank for hosting in a so nice way the meeting of the TG. He also thanked all the participants for their contribution to the very intensive and fruitful discussions that took place during this meeting.

The next meeting will take place on July 1-2 in Brussels
(*place to be confirmed*)

ANNEX 1
ATTENDANCE LIST

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ANNEX 2
DRAFT AGENDA REVISED 18/4/2002

- 1) Minutes of last Meeting and Approval of the Agenda (Chairman)
- 2) Briefing on the result of last Working Group (Chairman and Eurostat)
- 3) Update of National Plans for the parts "Other Services" and "Business Registers" (Chairman and Eurostat)
- 4) Accounting Systems and BOP
 - a) First results of the feasibility study with multinationals (P. Hofman)
 - b) Workshop on Accountancy and BOP (Eurostat)
- 5) Analysis of the population of respondents (Member States, Chairman)
- 6) Building a Business Register for BOP purpose (Member States, Chairman)
- 7) Surveys in general and in particular focus on the issue of geographical breakdown/level of detail as requested by the Commission (UK, Finland)
- 8) Structure of the intermediate report and division of the work

ANNEX 3
LIST OF ACTIONS

- MS will deliver their contribution to the draft of the report no later than June 15, following the division of the work in annex
- Accountancy TF
 - Eurostat and R de Boeck (Belgium) will prepare a draft document on BOP requirements for circulation
 - R de Boeck will propose a name to represent the BOP compilers but we would invite everyone to suggest volunteers
- Belgium and Italy will provide a document on the quantitative analysis (preference for July but no later than September).
- Statistics Netherlands will provide further information about the quantitative analysis and the organisation of registers for the next meeting
- Finland will send a paper about the meeting they have had with Sweden and Norway about the future collection systems
- Finland and UK have been asked to provide to the TG the results of the quantitative analysis of the population of their companies as soon as possible
- Eurostat will distribute the final minutes of the meeting in Madrid and the list of the TF Accountancy members
- National collection plans have been updated. The NL still have to send an update

ANNEX 4
REPORT OF THE TG DIRECT REPORTING AND SURVEYS: FROM GENERAL PRINCIPLES TO PRACTICAL IMPLEMENTATION⁴⁷

A. INTRODUCTION

- | | |
|---|--|
| 1. Mandate | Eurostat |
| 2. Composition | Germany |
| 3. The output constraints on the future collection systems | |
| – The target classification and the geographical breakdown | Austria |
| – The timeliness constraint | Eurostat, MS |
| – The quality constraints | Eurostat, MS |
| – The revision process | Eurostat, MS |
| – Costs for respondents and compilers | Belgium |
| 4. The Multinationals as a specific case | Netherlands |
| B. ANALYSIS AND SELECTION OF RESPONDENTS | |
| 1. Population of respondents and business register | |
| 1.1 The ideal business register | Belgium and Luxembourg |
| 1.2 Sources | |
| – Existing: general business register, trade registers , present BOP registers | Eurostat, MS
Sweden, UK |
| – Potential sources: VAT... | Finland |
| 1.3 Practical implementation | Eurostat, Sweden, UK,
Finland |
| – Legal aspects | |
| – Creation of the register | |
| – Updating (use of settlements among other candidate variables) | |
| 1.4 Member States' experience | Eurostat,MS |
| 2. Selection of respondents | |
| 2.1 Preliminary quantitative analysis | France |
| – <i>Purpose of the analysis</i> | |
| Features of the future collection systems taking account of national particularities | |
| – <i>Field of the analysis</i> | |
| .Agregates or detailed items | |
| .Credits and debits | |
| .Geographical breakdown | |
| – <i>Scope of the analysis</i> | |
| .Representativeness | |
| .Distribution of the population | |
| .Stability | |
| .Testing potential intermediate variables for business registers | |
| 2.2 Selection of the different types of respondents | |
| 2.1.1 Big players on the international market: the place of direct reporting companies | France |
| – Definition of big players varies from country to country | |
| – Criteria to be used for the selection of companies | |
| .Basic principles | |
| .Methods | |
| -Threshold | |
| -Cut-off | |
| -On a voluntary basis for multinationals | |

⁴⁷ The written documents have to be sent to Eurostat and the Chairman no later than June 15th. Initial proposals when indicated will be made by MS and discussed during the next meeting in Bruxelles on July 1-2th.

– **Practical implementation**

.On a global basis or item by item

.Credit + debit

.Services or current account

.Financial account

.Intra and extra

2.1.1 Surveyed companies

UK and Finland

– The sampling techniques

– Grossing-up variables

2.2 The problems of details : items and geography as specific requirements for BOP purpose; consequences on the statistical methods to be used

UK and Finland

B. REPORTING FROM RESPONDENTS: MAIN CHARACTERISTICS AND PRACTICAL IMPLEMENTATION

1. Characteristics of the reporting from respondents

1.1 The use of some principles

Portugal

– Transactions versus settlements

– Global versus partial reporting

Use of national or common nomenclature

1.2 Catching the data

Eurostat

– Accountancy and Balance of Payments

– The extraction and transmission of information from companies to BOP compilers

1.3 Multinationals specific reporting

Netherlands

2. Practical implementation

2.1 The combination of different sources

– Different scenarios

Later on

.Pure surveys

.GDRC + settlements

.GDRC + surveys

– Monthly, quarterly and yearly

Later on?

.Monthly key items: detailed information from DRC +grossing-up, or modelling from quarterly surveys

.Quarterly and yearly: use of surveys for SME's

– Questions of precision

.Estimation techniques and accuracy

Spain

.Potential risks with a mix of sources :double counting...

Spain

.Mix of settlements and transactions

Italy

2.2 Managing the transitional period

Later on

– Big bang or gradual implementation

– Gradual decline on BOP data quality

– Estimates of the amounts under the threshold

– Possible additional sources

2.3 Output requirements and quality criteria

2.4 National Action Plans with a timetable of implementation

2.5 Legal impediments (national and supranational)

C. CONCLUSIONS

1. Final remarks

2. Recommendations

D. ANNEXES

Brussels July 01 and 02, 2002

Annex 1: participants

Annex 2: agenda

Annex 3: list of actions

1. Introduction, minutes of the last meeting and approval of the agenda

The TG welcomed two new participants:

- Thomas ELKJÆR from Danmarks National Bank, who will replace Jesper MAERSK
- Raquel DEL RIO from the Spanish INE, who replaced Antonio MARTINEZ for the July 2002 meeting only.

The minutes of the last meeting were approved after participants requested some changes. They will be distributed by Pierre MADRIÈRES.

The agenda was approved.

The TG was informed that Paul SARLET from the NBB will participate in the *Eurostat Task Force on accountancy and statistics*. Mr SARLET is experienced in both BOP and accountancy. He will represent the interests of BOP compilers and inform the TG of the outcome of the task force meetings. The main objectives are to explore the possibility of BOP compilers to influence accounting harmonisation, and react to measures that may have a negative impact on BOP collection.

ACTION: *Mr SARLET should prepare a document on BOP data requirements and circulate it to the Task Force on accountancy and statistics. Beforehand, this document will be circulated to the TG Members during the summer.*

2. Update of the most recent discussions**Progress report to the CMFB**

The progress report to the CMFB for the 4-5 July meeting reflects the most recent developments in the field of the balance of payments. It includes the draft structure of the TG report.

Draft regulation

The new proposal for the regulation was presented by Eurostat. It contains 2 data requests:

- minimum requirements: these should consist of IMF standard components at level 1 and EBOPS items only with partner extra-EU. A high quality level should be guaranteed for these data. It is planned to publish data at Member States level, but confidentiality of data shall be guaranteed.
- detailed requirements would only be used for the calculation of EU aggregates.

Concerning the reporting (or not) of small values, technical discussions were postponed to the BOP Working Party.

Latest developments of the SGM

Peter HOFMAN informed the TG about the meetings with software companies and multinationals. Discussions with IT companies are very preliminary. IT companies show some interest in developing software for the BOP common reporting. However, they would need the market to be significant enough (i.e. enough companies interested in that form of reporting) for them to launch investments. In particular, SAP representatives expressed their intention not to invest in the project unless a legal obligation supporting the common reporting is implemented.

The group made some reflections about the software itself, emphasising that the aspect of the retrieval of the information is as important as that of its transmission. However, the retrieval should be under the responsibility of reporting companies. BOP compilers shall limit their intervention to being very clear on their requirements.

3. Contribution from Member States on quantitative analysis and registers

The Dutch (NSI) and the Belgian delegates presented the results of their quantitative analysis.

ACTION: Other countries, namely the UK, Finland and Italy are invited to present the results of their quantitative analysis for the next meeting.

Dutch quantitative analysis

Outcomes of the presentation

The quantitative analysis was carried out on the whole *services* component, on the basis of the NCB's settlements information. However, the scope of the direct reporting will concern a narrower set of services (representing 80% of the total trade in services), as specific collection methods will be applied for *travel*, *financial services* and *government services*.

The total ITS population comprises around 20000 units (this number was obtained by linking the NCB's settlements information with the NSI's central business register). On the basis of this settlements information the population was split between large enterprises ("Top 100" group consisting actually of 128 enterprises) and SMEs.

The "Top 100" group covers around 35% of the total international trade in services (ITS) transactions, and its population is expected to be steady. Actually, this group represents more than 40% of the services that will be reported by the companies (i.e. excluding *travel*, *financial services* and *government services*). These companies should report on a monthly basis, and a complete geographical detail (for the appropriate data requests) will be required from them.

SMEs will be surveyed on a quarterly basis. The sample is planned to cover 5000 units every period. Concerning the geographical breakdown, the request to surveyed companies will be restricted to the 3 main partner countries.

General characteristics of the population:

- a high concentration was observed in the geographical breakdown, with many companies dealing with one single partner country – and most of them with not more than 3 countries.
- around 55% of the population is active in ITS from one quarter to the following. In addition, about 1150 companies (representing more than 45% of the total ITS transactions) were active in ITS in all eight quarters of 1999 and 2000: these will form a core group for the sample design.
- the sample will be designed in order to take into account the different coverage by type of service
- a relationship was reported between the size-class of employees and ITS transactions. This information (available in the central business register) should be used for stratification purposes.

In the future collection system, the central business register will be used as a basis for data collection of large enterprises and SMEs, and the ITS population will be targeted through other sources. 2 steps are planned:

- the information on settlements (from the NCB) will form the main basis in 2003,
- then, the ITS population will be targeted from international payments tapes (transmitted by commercial banks), as well as VAT data and other business surveys.

Comments by the TG

The steadiness of the "Top 100" group, as well as the high concentration on the geographical breakdown, were found remarkable.

The Dutch delegate reported that even though the "Top 100" reporters for ITS are expected to be in the "investment reporting frame", the selection for the financial account will be independent from that for ITS.

She also explained that the "Top 100" group (actually 128 companies) was not selected from a fixed threshold. It was formed by selecting the 100 largest international traders in services, whereas the 28 other companies were selected with respect to their importance in specific types of services.

Stratification seems to be another critical issue. The relationships between size class of employees and international trade in services is questionable, and turnover may be a more relevant variable.

The planned size of the sample also appeared quite low. The Dutch delegate informed that this was due to increase in 2004 (when settlements data will not be used so extensively anymore), after more experience has been gained by the compiler.

Belgian quantitative analysis

Outcomes of the presentation

The Belgian delegate reported that some progresses were made since the previous TG meeting. The main axis studied for the time being was that of the division by item of the BOP. Other axes such as stability of the population over time were not studied for the time being. The analysis was carried out only over one year.

The quantitative analysis is ongoing. Some difficulties are met, especially because the basic (settlements) information has to be "cleaned". For instance, there are transactions – below a given threshold – for which the population is not identified. Moreover it is complex to identify several categories of natural persons, representing around 10% of ITS (households and natural persons in specific activities such as lawyers).

It was attempted to divide the settlements information by type of respondent, in particular the study strove to isolate respondents pertaining to the financial sector, so as to confine the scope of the analysis to the non-financial sector (this is not completely achieved yet).

In a first stage, the analysis focused on business services for which the results are relatively advanced, though there are still some reserves. Some cleaning remains to be done (non-financial sector), and the role of some financial centres (relating mainly to SPEs) is a complex issue as they are often registered as payers or receivers of funds whereas they are only intermediaries. For the analysis, the latter were excluded from the financial sector.

The population in business services is relatively limited (11000 units for this item), and 124 enterprises cover 60% of international transactions. To reach a 80% coverage 480 units are needed. It is note worthy that on the debit side, these 480 units cover 90%, which contrasts with the assumption that the dispersion is higher on the debit side.

More generally, there is a high level of concentration in all items.

These first results already raise several issues:

- should there be a distinction between (a) general direct reporting companies that should report their whole BOP, and (b) surveyed companies reporting only selected items, criteria are needed;
- the issue of the marginal benefit of an increased size of the GDRC population must be addressed, and the number of respondents should be as low as possible.

Thus, whereas a possibility envisaged could be to implement a system combining GDR, MFI reporting and specific "sectoral" reporting, it is not quite sure for the time being that GDR is the most efficient system.

Comments by the TG

Concerning the financial account, it was asked if an attempt had been made to capture these data from investment income. The Belgian delegate answered that this would not be feasible as the NBB plans to estimate the latter item from stocks data rather than collect it directly.

The Finnish delegate invited the group to consider the fact that once the survey/direct reporting system is implemented with no more "support" from the settlements system, the quantitative analysis should take another form.

4. Discussions on the draft report

Each contribution was shortly presented by its author, then discussed among the TG members. During these discussions it emerged that some improvements concerning the report as a whole were necessary:

- ◆ overlaps between various contributions should be corrected, in particular within part B.1 "population of respondents and business registers" and within part C "Reporting from respondents: main characteristics and practical implementation" (concerning the aspect of settlements VS transactions)
- ◆ the report should be reviewed and some texts that are considered too "strong" for the time being should be re-written towards more neutrality, in particular those dealing with settlements systems.

Introduction by the Chairman

In a general way, the report should mention the following aspects:

- the points of large agreement
- the points for which opinions diverge, with indications of pros and cons
- the main difficulties Member States will have to face in the future, especially for the level of details.

At the end of the report, realistic recommendations of best practices should be included.

The report will be presented to the BOP working party in October.

ACTIONS: *An executive summary will be added, it should be prepared by September.
Contributors are in charge of amending their parts.
Amended contributions should be sent to Eurostat before September 6th.*

Point A.1. Mandate and composition

- ◆ A short introduction should be added to the point "Mandate". This introduction should take account of new visions of collection systems, explain the context and give reasons why a reflection on collection systems is becoming an increasingly important issue.

It was suggested that the introduction:

- includes a link with the previous report,
- presents the TG's work in a context, by discussing the developments in the economic environment (e.g. introduction of the Euro, cash pooling),
- states that readers will not find general rules but common principles.

The introduction should not give any opinion on settlements systems. In general, writing about settlements systems should be extremely cautious: it is important to avoid suggesting that there is a "crisis of settlements".

It was suggested to mention the matrix approach.

ACTION: *An introduction will be drafted by the Chairman and Members will be invited to express their comments.*

Point A.2. Definitions

- ◆ In the present version, the distinction between direct and indirect reporting is based on the question of whether the reporter is reporting on his own behalf or on another party's. This may cause a misinterpretation when a company approached as a direct reporter requests a third party (e.g. its external accountant) to transmit the information to the BOP compiler. Some delegates suggested to make it clearer that a direct reporter is someone who bears the responsibility for reporting his own transactions.
- ◆ It was suggested to change the title of the report for "Direct reporting procedures" because direct reporting consists entirely of surveys.
- ◆ It was agreed to maintain the primary distinction between direct and indirect reporting. Then, other axes should establish the distinction by type of survey (census/cut-off/sample) as well as the split "full BOP reporting / specific BOP reporting".

Point A.3.1 The target classification and the geographical breakdown

This contribution was not ready for the meeting.

ACTION: *the Austrian delegate should transmit this contribution.*

Points A.3.2 timeliness constraint and 3.3 quality constraints⁴⁸

- ◆ In the present version, these sections are incomplete as they deal only with constraints from Eurostat and the ECB whereas it should also describe constraints originating from other bodies. Namely national constraints, and the need of BOP statistics for national accounts and money and banking statistics should be mentioned.
- ◆ A sentence should be added on the ECB's quality requirements for monthly, and quarterly, key items.
- ◆ In the section on quality constraints, the list of dimensions should be added and a reference should be made to the quality report.

ACTIONS: *These parts should be complemented with respect to:*

- *the ECB's quality requirements for monthly/quarterly data (ECB)*
- *timeliness constraints vis-à-vis other institutions than Eurostat and the ECB (Austria)*

- national constraints (Austria).

⁴⁸ *Note: there is an error in the numbering of the present version of the draft report: the number of both sections on the timeliness constraints and quality constraints is 3.2, that for the section on costs for respondents and compiler is 3.3.*

Point A.3.4 Costs for respondents and compilers¹

This contribution was not ready for the meeting.

ACTION: *the Belgian delegate should transmit this contribution.*

Point A.4 Multinationals as a specific case

- ◆ This section explaining the peculiarities of multinationals with respect to the collection of BOP statistics should be made shorter. Only the first three paragraphs should be kept, whereas the rest should be put in annex.
- ◆ Moreover, a paragraph should be developed on the feasibility studies from the point of view of BOP compilers.
- ◆ As a link with the report's introduction, it should be stated that multinationals may be an exception to the fact that harmonisation is not reached.

Point B.1.1 The ideal business registers

- ◆ As this section deals with the ideal register for BOP purposes, the title should be changed for "the ideal BOP register".
- ◆ In general, the whole point B.1. Population of respondents and business registers should be worked over again in order to eliminate overlaps, and rearrangements are desirable (e.g. insertion of 1.1.3 into 1.2.2.2).
- ◆ Some text should be added covering the time dimension, frequency of updating, as well as the ex-ante / ex-post aspects.
- ◆ The Luxemburgish delegate's graphical presentation on general business registers, "BOP POP" (BOP relevant population) and "OBS POP" (observed BOP population) should be included in the report.

Point B.1.2 Sources

- ◆ This section describing potential sources for the construction of a BOP register should provide more information, especially on VAT registers. For this, additional contributions from Members are needed on national practices.
- ◆ The report should refer to "international payments" (database) rather than "settlements" (database), in line with the concept used in the Dutch quantitative analysis.
- ◆ The "business registers future work programme" is not relevant for the report and should be eliminated – except for interesting information on enterprise group. The text on enterprise groups should be clarified (concepts of groups, link with FDI, percentages of ownership...).
- ◆ The balance sheet information should be mentioned as an important source for FDI registers.

ACTIONS: The representative of the Dutch NSI offered to provide some information on enterprise group.
Members' contributions for the Madrid meeting will be circulated again, and Members will be asked to complete them, as organised by subparagraphs of the report's point "sources". Amended contributions should be sent to Eurostat by end-August.

Point B.1.3 Practical implementation

- ◆ In this section whose purpose is to describe practical aspects of the implementation of BOP registers, the discussion on identification codes as well as that on the updating of registers should be developed.
- ◆ The European company statute should be mentioned.
- ◆ Where references to Member States practices were given in the text, participants indicated whether they were appropriate or not. Some participants will check this section further and indicate relevant corrections.
- ◆ It was suggested that some parts of point B.2.2.2.1 (constructing frame lists for surveys) could be included in this section.

Point B.2.1 preliminary quantitative analysis and B.2.2.1 big players

- ◆ Minor comments were suggested by the TG and will be incorporated by the author.

Point B.2.2.2 and B.2.2.3 on surveyed companies

- ◆ These sections, prepared by the UK and Finland, explain theoretical and general aspects for selecting respondents and getting surveys results. In general, this part should be supplemented with information on practical difficulties met, and related solutions, when implementing and running a survey. It should also be more oriented to BOP specific aspects.

More in details, the following additional aspects should be dealt with:

- explanations on how sampling is done,
- examples of difficulties met when building surveys and approaching respondents,
- explanations on the difficulty of grossing up data, including some examples,
- inclusion of pros and cons explaining practical problems concerning the rotation of samples,
- how to deal with a high volatility of data, small populations, skewed populations...
- ◆ The UK delegate will gather information on FDI as well.

ACTION: Countries using or implementing surveys should send contributions on practical difficulties and solutions by mid-August to the UK representative who will summarise them. In particular, the point of view of "small" countries would be valuable. Denmark and the Netherlands volunteered.

Point B.2.3 Problem of detail: item and geographical breakdown crossed

- ◆ This section discusses the issue of taking into account both aspects of detail in items and geographical breakdown when implementing a survey and processing its results. The present version is considered too specific to the UK's situation, and should be made more "general".
- ◆ This section should be made more practical. In particular:
 - it should discuss practical difficulties arising from the need to "cross" both requirements for detailed item and geographical breakdowns when selecting respondents, grossing-up results etc, and provide examples,
 - it should also deal with the issue of delimiting the population.
- ◆ An additional section dealing with timeliness for monthly data when using surveys is needed. It could be included in part C.

ACTION: The Finnish delegate volunteered to write the section on timeliness for monthly data when using surveys.

Point C.1.1 The use of some principles

This section provides a discussion of possible principles that can be followed in the reporting of BOP transactions: settlements versus transactions, global versus partial reporting, and the use of national or common nomenclature.

1.1.1 Settlements versus transactions

- ◆ Among the enumeration of BOP items for which settlements differ strongly from transactions, insurance services and the financial account should also be mentioned.
- ◆ It should be mentioned that settlements data do not reflect adequately transaction because of cash pooling, netting...
- ◆ Some strong phrasing on the fact that surveys record in principle transactions should be deleted. Instead, the need for BOP compilers to be clear on their requirements and the rules for reporting should be stated. Moreover, the comment on the link between "transactions vs settlements" on the one hand, and the level of detail on the other hand, should be deleted.
- ◆ The last paragraph of this section should be included in the recommendations of the report.

1.1.2 Global versus partial reporting

- ◆ Definitions should be removed from this point (overlaps with point A.2). Instead, this section should include pros and cons of partial versus global direct reporting, and deal with related strategic aspects when approaching respondents.

ACTION: The Finnish delegate volunteered for helping on the writing on pros and cons.

1.1.3 Use of national or common nomenclature

- ◆ This part should refer to the universal code list (even though it is not available yet) rather than the nomenclature for reporting by banks (as its goal is to be used in settlements systems, it is out of the scope of the report).

- ◆ The group agreed that the use of a common nomenclature would be a good idea. It was stressed that in practice however, situations differ by countries as well as by respondents. Pragmatic approaches are therefore necessary.

Point C.1.2 Catching the data

- ◆ This part discusses issues linked to the retrieval of BOP information from its original "location" in companies' records, and its transmission from companies to BOP compilers.

1.2.1 Accountancy and BOP

- ◆ This section gives for the moment general information. It should be enriched also with practical aspects and experiences from Member States.
- ◆ A paragraph on catching BOP relevant transactions (or payments) by the financial department of companies could be added.

1.2.2. Contacts with companies

- ◆ This point should be supplemented with:
 - a statement of the importance to have stable requirements to companies,
 - a statement of the importance for BOP compilers to use a "business-oriented" language in order to be properly understood by respondents (efforts are also necessary from the side of companies),
 - a discussion of the experience of other (non-BOP) statistical domains such as business statistics.

ACTION: *Sweden and the Netherlands volunteered to transmit practical information on contacts with companies.*

Contributions from other participants representing NSIs on experiences of non-BOP statistical domains are welcome.

1.2.3. The extraction and transmission of information from companies to BOP compilers

- ◆ Some delegates suggested to emphasise the split between extraction and transmission of the information.

Point C.1.3 multinational specific reporting

- ◆ This point should be made shorter, and only include the main conclusions. The details should form an annex.

Point C.2.1.3.1 Questions of precision - estimation techniques and accuracy

- ◆ This point should be "double-checked" with the report of the quality task force in order to avoid awkward overlaps, and will be discussed again in September.
- ◆ Some delegates suggested to accentuate more the emphasis on direct reporting, and to include definitions in a glossary.

Point C.2.1.3.2 Questions of precision - risks with a mix of sources

- ◆ No specific comments were made on this contribution.

Point C.2.1.3.3 Questions of precision - mix of settlements and transactions

- ◆ This point should be merged, where appropriate, with the contributions of Portugal (C.1.1 "The use of some principles") and Spain (C.2.1.3.2 "Potential risks with a mix of sources").

In conclusion of the meeting, the Chairman thanked Roger DeBoeck and the NBB for hosting the meeting of the TG. He also thanked all the participants for the valuable work done.

The date for the next meeting will be September 19 and 20. (to be confirmed)

The location will be determined later.

Frankfurt September 19 and 20, 2002

(Draft)

Annex 1: participants

Annex 2: agenda

Annex 3: list of actions

Minutes of the last meeting and approval of the agenda

Debra PRESTWOOD could not attend the meeting.

Roger De BOECK and Elena CAPRIOLI informed the TG that, due to changes in their professional responsibilities, they would not participate in the next meetings anymore.

The minutes of the last meeting were approved.

The agenda was approved.

Update of the most recent discussions***Latest developments of the SGM***

Peter HOFMAN informed the TG of the latest developments of the Multinationals project.

Latest results

A document summarising the results of the **feasibility questionnaires** was presented at the Basel meeting of the Irvin Fischer Committee for Central Bankers. A slightly revised version will be presented to the IMF BOP committee and Eurostat BOP WG.

Elena CAPRIOLI reported that a document gathering the six original answers (feasibility questionnaires) was available and will be distributed.

<p>ACTIONS: <i>Elena CAPRIOLI will circulate the summary of the six original answers on feasibility</i> <i>Peter HOFMAN will distribute the remaining answers when available.</i></p>

The consultations of multinationals are proceeding

- In the next weeks, the exercise will be initiated with Nestlé and Vodaphone,
- New companies will be contacted, which should bring about new developments in November / December.

Contacts with IT companies

The Dutch NCB and NSI, Phillips and SAP are working together on the possible changes in the SAP software for reporting *services*. At the moment, this work is focused on the Dutch market but could serve as a benchmark for other countries.

The idea is to enable the retrieval of the information relevant for *services* from invoicing. The changes seem feasible: they are described in detail in a room document (*DRA reporting in the Netherlands*).

Studies are also being carried out in this field by other countries.

Other meetings with IT providers will take place in the near future.

Outcome of the meeting on the test completion with Renault

Pierre MADRIERES presented the current results of the exercise with Renault (see document by Banque de France *Multinational exercise – Test completion by RENAULT*).

Discussions of the TG

The Group discussed with interest about the difference between multinationals that appear able to perform a centralised reporting (e.g. Phillips, Procter and Gamble) and those that are decentralised. For both types of companies, a common format can be interesting. The group stressed that in the latter case, the issue of whether reporting should be consolidated or performed by individual daughter companies should be tackled.

Furthermore, efforts should be made to ask multinationals for a full reporting as otherwise, the chances to obtain complete information from the relevant small companies would be very low.

The TG also showed concerns about the bias that could be introduced by SPEs. It would be interesting to see if the information displayed by multinationals show asymmetries, especially between the headquarters and the SPEs.

The TG discussed on more practical issues. It was decided to postpone further discussion to the next TG meeting.

Outcome of the meeting of the Eurostat TF Accountancy and Statistics

Elena CAPRIOLI presented the results of the last meeting of the *Eurostat Task Force on accountancy and statistics* (hereunder referred to as "the TF"). Mr Paul SARLET from the NBB attended, as the representative of BOP compilers. When finalised, the minutes of that meeting will be circulated to the TG members.

A document prepared by the NBB (*the information supply by companies for the compilation of BOP and IIP*) was distributed to the TG members. It was suggested that this paper, describing the BOP variables and the needs of BOP compilers, could be presented to the TF. The TG members were invited to comment on the document before it is distributed to the TF.

The TG should be kept informed of, and involved in, the work of the TF. It appears feasible for the BOP representative to impact on the accounting harmonisation, on two major sides:

- It appears that the influence of BOP compilers on the works of the accountancy bodies could be limited to crucial points, such as the inclusion of a split residents/non-residents in the balance sheet or the harmonisation of the threshold qualifying the direct investment relationship between accountancy (20%) and BOP (10%), and
- reaction to the measures that may have a negative impact on BOP collection.

Elena CAPRIOLI also informed the TG that the Regulation on the application of International Accounting Standards had finally been approved. According to this text, publicly traded companies will be required to apply from 2005 a single set of internationally agreed standards for the preparation of their consolidated financial statements.

ACTIONS: *When available Elena CAPRIOLI will circulate the minutes of the TF together with the list of participants.*

The Members of the TG should send their comments on the NBB document within 30 days to Elena CAPRIOLI and/or Roger DE BOECK.

Elena CAPRIOLI will circulate the final text of the regulation for IAS.

Oral report of the meeting of the Irvin Fischer Committee for Central Bankers**Accounting standards**

Among others, there was a workshop on accounting standards where Elena CAPRIOLI presented a paper (see *Eurostat activities on IAS – Special focus on Balance of Payments*). It includes, in annex, a table of specific IAS, for which it is suggested to organise 'BOP' comments to the IAS Board.

It appeared also during the Basel meeting that the use of packages such as SAP or ERP is widely spread. Therefore, the possibilities of retrieving information electronically should be considered carefully. Furthermore the XBRL project appears very promising: this tool, aiming at translating accounting in computer language, will be designed as an evolving tool through which detailed information on services could perhaps be extracted. An interesting document was presented by Bank of Spain on the Central Balance Sheet Office on this subject.

ACTION: *Elena CAPRIOLI will circulate the Spanish document on Central Balance Sheet Office.*

Balance of Payments

The Chairman summarised general features concerning BOP that emerged during the Basel meeting. It appears that whatever the reason (globalisation...), the views on BOP compilation solutions that should be implemented seem to converge all over the world. Indeed, it appeared commonly agreed that:

- currently, the BOP collection system cannot give complete view of the reality of foreign transactions in a number of countries, and
- it seems to be necessary to recourse to mixes of sources, using also Direct Reporting, for the collection of BOP statistics.

The consideration to change the collection system for BOP generally raises a number of concerns:

- NCBs are not used to contacts with companies,
- in many cases, it would involve a change in the legal basis,
- progresses remain to be done to collect reliable information from companies,
- the costs for changing system are considered important for both companies and compilers,
- if the co-operation between NCB and NSI is considered increasingly necessary, it is impeded by confidentiality reasons in many countries,
- as regards the quality, it appears a difficult task to reach a full consistency for the BOP especially if it is to be compiled out of a mix of sources,
- The European co-operation in this area is followed with interest by other countries.

Review of the report

A first draft of the report will be presented to the BOP WG in mid-October. After that, a written procedure will be launched both on the reports and the suggested directions in which the work should continue. The Chairman presented briefly the changes that were introduced in the report since the last meeting of the TG, emphasising the pending questions that should be tackled in the discussions.

The TG was also informed that a project to eliminate, within the euro-zone, the obligation for banks to distinguish between resident/non-resident accounts was being prepared by the Commission.

ACTION: *Elena CAPRIOLI will circulate the draft project of the Commission preparing the change of the bank accounts in Europe*

Point A. Introduction

Minor changes were suggested. They will be introduced in the report.

Point A.2 Mandate and composition

The TG made no further comments on this contribution.

Point A.3 Definitions

Almut STEGER presented an amended proposal for this section.

It was suggested to present the analysis on the basis of three axes:

variable 1 = responsibility of reporting (direct / indirect)

2 = how is the population approached (census, cut-off, sample survey)

3 = report from companies: full or specific.

The whole report should be browsed to implement the agreed terminology everywhere (change global / general for full, and change partial for specific).

ACTION: *Almut STEGER should amend this contribution.*

Point A.4.1 The target classification and the geographical breakdown

Erich HILLE presented this new contribution to the report.

It should be highlighted that Eurostat requests are provisional and that a Regulation changing the present data request is being prepared.

The Chairman will add a paragraph on these constraints' impact on the design of the collection system. The trade-off quality / level of detail should be emphasised here.

Eurostat and the ECB will check the numbers indicated in the table in relation to the data flows of the Vademecum and the guidelines.

National needs should also be taken into account in this section.

Other minor changes were suggested. They will be introduced in the report.

Point A.4.2 The timeliness constraint and revision process

Under this point, the constraints in terms of national needs should be integrated, as well as those arising from the needs of the IMF and other international institutions.

Point A.4.3 Other quality constraints

The TG made no further comments on this contribution.

In the future, the investigation on the accuracy dimension could be put under the responsibility of the TG. It was suggested that after the BOP WG, the TG could assess the extent to which participation to these works can be undertaken.

Point A.4.4 Costs for respondents and compilers

Roger DE BOECK presented this new contribution to the report.

This section focuses on an analysis of compared costs between a settlements system and a direct reporting system. This work is only preliminary.

The TG considers that at present, this comparative analysis of costs was a too ambitious project that could not be finalised before the BOP WG. Rather, this section should focus on the various costs of direct reporting procedures.

The section should be revised by developing the different ideas listed in italic at the end. Various ideas were expressed by the TG.

The Chairman will propose a revised version of this section for the BOP WG, in co-operation with Guy SCHULLER.

ACTION: *Guy SCHULLER will send a contribution on costs to the Chairman.*

Point A.5 The Multinationals as a specific case

Since the last meeting, the Chairman made this contribution shorter with Peter HOFMAN's agreement. The TG made no further comments on this contribution.

Point B.1 Population of respondents and business registers

Yann MARCUS presented the new version of this section.

Concerning point 1.2.2 on International payments databases, the distinction between settlements and IP databases should be clarified.

The footnote on the Irish plans should be deleted, instead a reference could be made to the Dutch experience.

In section 1.2.5 on other sources, more details should be included on structural business surveys variables.

In section 1.3.4 on the updating of the BOP register, it should the emphasis on the "delay" aspect of the updating should be strengthened.

Other minor changes were suggested. They will be introduced in the report.

Point B.2.1 Preliminary quantitative analysis

Minor comments were suggested for this contribution. In particular, it was suggested that:

- ✓ The first two bullets of point 2.1 should be merged, and a reference should be made to the Matrix. Guy SHULLER offered to send a contribution.
- ✓ A paragraph on the units to be studied should be added, before that on the choice of items.
- ✓ Regarding the quantitative analysis for the financial account in point (c) of 2111 ("degree of details"), it should be added that other options than the use of investment income are possible.
- ✓ Manuela RAMINHOS will send an updated version of the section on the Portuguese quantitative analysis: the annex to this section should be amended accordingly.

ACTIONS: *Guy SCHULLER should send a partial contribution for this section.*

Manuela RAMINHOS should send an updated version of the summary of the Portuguese quantitative analysis that will be inserted in the annex instead of the previous one.

Other members are invited to send amended contributions for the annexes if necessary.

Point B.2.2.1 Big players on the international market: the place of direct reporting

Some statements are too specific to the French situation and should be rephrased (using "can be" rather than "is").

Other minor changes were suggested. They will be introduced in the report.

Point B.2.2.2 Selection of survey respondents

Given the tight deadline until the Working Party, a warning note should be added in the beginning of this section stating that this section will be enriched with statements of practical problems and experiences.

Several changes were suggested.

Section 2.2.2.1

This section is considered too general and not practical enough. Even if practical solutions taken may differ by countries, the limits and problems should normally be the same – a description of the "art" part in selecting respondents should be included in addition to the theoretical discussion.

Section 2.2.2.2

The term "efficient" when referring to "major" countries should be explained further. Thomas ELKJAER will send a contribution for small countries to complete this paragraph.

A pros VS cons analysis should be added in regards to the rotation of samples and the initial investment for respondents.

Section 2.2.2.3

The TG made no further comment on this section.

Section 2.2.3.1

The TG made no further comment on this section.

Section 2.2.3.2

The TG made no further comment on this section.

ACTION: *Thomas ELKJAER will send a contribution to section 2.2.2.2*

Point B.2.3 Problem of detail: items and geographical breakdown crossed

Minor changes were suggested. They will be introduced in the report.

Point B.2.4 The use of surveys to fulfil monthly needs

It should be emphasised that the production of monthly data for the financial account, estimated on the basis of a model would not satisfy the ECB's requirements considering the high volatility of these flows.

Point C.1.1 The use of some common principles

The paragraph related to the reduction of the heterogeneity of reporting in section 1.1.1. (transactions VS settlements) will be redrafted.

Concerning section 1.1.2 (full VS specific reporting):

- Jorma HILPINEN disagrees and will make a proposal for redrafting this section,
- the concept of relevance could be further developed in the pros for specific reporting. This aspect could also be introduced in the section on big players,
- the conclusion should be redrafted.

ACTION: *Jorma HILPINEN will send a proposal to redraft section 1.1.2*

Point C.1.2 Catching the data

The text on the IAS regulation should be amended, as it is not a proposal anymore. The reference to the regulation should be added.

Section 1.2.2 will be also enriched with the ideas that can be drawn from Camilla HAGMAN-FALKLER's contribution.

Minor other changes were suggested. They will be introduced in the report.

Gunnel BENGTSSON informed the TG that an exercise had been carried out in Sweden, approaching companies to assess the information they are able to supply.

ACTION: *Gunnel BENGTSSON will circulate a paper presenting the results of the above-mentioned exercise.*

Point C.1.3 Multinationals specific reporting

Minor changes were suggested. They will be introduced in the report.

Point C.2.1.3.1 Estimation techniques and accuracy

The conclusion on this section should be developed.

Minor other changes were suggested. They will be introduced in the report.

Point C.2.1.3.2 Potential risks with a mix of sources

This section should be amended to take into account the terminology in use in the report. Fernando LOPEZ will send a new version.

Valeria PELLEGRINI offered to check her contribution against other relevant sections in the report in order to make modifications if relevant.

ACTIONS: *This contribution will be revised by Fernando LOPEZ.*
Valeria PELLEGRINI will check her contribution against relevant sections of the report and make changes where appropriate.

Proposals for recommendations

The group undertook a thorough review of the proposed recommendations. Suggested changes will be integrated.

The recommendations should be inserted at the end of the introduction.

An introductory text should be added to the recommendations:

- ✓ it was suggested to use a part of the first paragraph of section C.2.1.3.1 starting with "The BOP is a complex statistic that makes use of different sources in many cases".
- ✓ The introduction should make it clear that the recommendations are separate elements that can be used for the constitution of a direct reporting system.

Guy SCHULLER offered to send a proposal for a modification of the recommendation on the quantitative analysis.

ACTION: *Guy SCHULLER will send a proposal for a modification of the recommendation relating to the quantitative analysis.*

Other points: quantitative analysis

Valeria PELLEGRINI and Roger DE BOECK presented the results of the quantitative analysis.

ACTIONS: Valeria PELLEGRINI and Roger DE BOECK are invited to present further developments for the next meeting.
Other members, namely Jorma HILPINEN and Debra PRESTWOOD, are invited to present the results of their quantitative analysis.

Italian quantitative analysis

Valeria PELLEGRINI presented a paper on preliminary results for the Italian quantitative analysis. (see document *Summary of the preliminary results of the quantitative analysis*).

The quantitative analysis can only be performed on a monthly basis for confidentiality reasons. It was carried out on services, excluding travel and transportation, and on FDI stocks.

Several interesting results are already available. In particular, as regards ITS, the concentration seems lower for debits than credits, and it seems relatively high for all the items studied but "other business services". These preliminary results should however be considered cautiously in regards to the limits of the source used.

The analysis will proceed with the role of big players and the analysis of intermediary variables to sample the population of services.

The conclusions that can be drawn at the moment is that it would be very costly to produce data on the basis of surveys/direct reporting procedures in regards to the frequency and level of detail required by both ECB and Eurostat.

For the time being, Italy plans to maintain the settlements system as long as possible. The difficulties involved by the implementation of direct reporting should be subject to further investigation.

Belgian quantitative analysis

Outcome of the presentation

Roger DE BOECK presented a paper on the new results of the Belgian quantitative analysis. (see document *Population Analysis: Summary on proceedings*).

The analysis presented new developments in the scope of the study initiated several months ago, i.e. on "commercial services" (services excluding transportation and travel), for the population excluding companies in the financial sector, "public declaration suppliers" and "generic (non identified) declaration suppliers".

New results are available on the number of services items relevant for individual companies, the concentration of the population per item/flow, and the number of companies in relation to given percentage of commercial services transactions.

Belgium also attempted to check the consistency between the Direct Reporting and the bank reporting frames by checking for each respondent if they were in both frames. The detail in services items available from Direct reporting is on average higher than from the bank reporting. This could be linked to the fact that banks are obliged to interpret the nature of the transaction, which introduces a bias.

Going to the analysis itself, the aim was to evaluate which companies could be big players, focusing on the marginal value-added to increase the population of respondents. The overall results seem to indicate that the concentration is relatively high in nearly all items of services. In a subsequent step, the coverage of "non-financial" companies active in "commercial services" was studied for the financial account. A number of additional companies were necessary to reach the same thresholds as for "commercial services".

Here again, the results must be considered cautiously, in particular the weight of the non-identified population is very high.

The analysis should proceed with a study of the consistency between these results and the VAT population. The aim is to ascertain that settlements data are a solid enough basis for the quantitative analysis.

Comments by the TG

It was suggested to try to match the companies active in both goods and services. Concerns were expressed in regards to the possible difference that could be found for item "goods", between foreign trade statistics and the settlements source. In some countries, this difference is very high and it is difficult to know what it relates to. It seems that such a difference is expected to exist also in a Direct Reporting System, even though more details are generally available. From the French experience, it appeared however that the bias was decreasing as more and more companies were involved in Direct Reporting.

The group suggested also the possibility to introduce the notion of enterprise group in the analysis.

It was also suggested that in further developments, the dynamics of the population and the differences between credits and debits are analysed.

In conclusion of the meeting, the Chairman thanked Almut STEGER and the Deutsche Bundesbank for hosting the meeting of the TG. He also thanked all the participants for the valuable work done.

The next meeting will take place on 13 and 14 (morning) January 2003, in BRUSSELS.

TO BE CONFIRMED

Brussels January 15 and 16, 2003

(Draft)

Annex 1: participants

Annex 2: agenda

Annex 3: list of actions

1. Minutes of the last meeting and approval of the agenda

Roger DE BOECK participated in the meeting for the last time, and was thanked for his commitment and achievements.

Valeria PELLEGRINI announced that Silvia SABATINI would probably join the TG again from the next meeting.

In addition, the TG welcomed 6 new participants.

- Reamonn Mc KEEVER from the Central Statistical Office of Ireland
- Matthias LUDWIG from Eurostat (seconded from the Deutsche Bundesbank) in replacement for Elena CAPRIOLI,
- Mr Marc POLLARD from the British Office for National Statistics substitutes for Debra PRESTWOOD,
- Ivana GOMES DURAO from the Dutch Centraal Bureau voor de Statistiek substitutes for Margreet VAN BRUMMELEN
- Daniel DESIE (responsible for the population quantitative analysis) and Marc ECKHOUT (responsible for data collection and quality control) from the Belgian National Bank will attend the meetings of the TG in replacement for Roger DE BOECK.

Erich HILLE could not attend the meeting.

The minutes of the last meeting were approved.

The agenda was approved.

2. Update of the most recent discussions***Briefing on the result of the last BOP Working Group***

The Chairman presented the comments made on the report during the October 2002 Balance of Payments Working Group (BOP WG). The BOP WG welcomed the report and supported the recommendations. In particular the following points were emphasised as very important:

- organisation of the BOP business register,
- thorough quantitative analysis,
- where feasible, great benefits could be drawn from the use of full direct reporting by big players for monthly statistics,
- need to communicate cautiously with respondents, especially banks.

In accordance with the BOP WG suggestions for improvement, the Chairman amended the report by adding some developments on:

- breakdown by institutional sector (*section on output constraints*),
- national needs (*section on output constraints*),
- mention of Eurostat LEG group as well as the use of the TG's work for the input quality dimension (*section on output constraints*),
- possible usefulness of European and national approaches in legislation (*new section on legal aspects*).
- deeper connections between the works of the TG and the multinational exercise (*section on multinationals specific reporting*),

These are emphasised in the latest version of the report, as well as the additional sections, which were distributed prior to the meeting as a working document (point 7 of the agenda).

Other suggestions for improvement were not introduced in the report for the time being:

- idea of a pan-European business register especially for the compilation of FDI statistics,

- ranking of the recommendations, and presenting ideas that were rejected in the group's reflections.

Finally, the Chairman informed the TG that he had transmitted a progress report to the CMFB via Eurostat. An amended version of the report will be presented to the BOP WG in March, and to the CMFB in July.

Update of the multinationals project

Peter HOFMAN informed the TG of the latest developments of the Multinationals project.

A new summary of the contacts with companies, feasibility questionnaires and test completion was circulated to the members prior to the meeting.

A short progress report to the CMFB was drafted. It reports satisfactory overall results on the feasibility questionnaires, whereas more difficulties are being encountered for the test completion exercise. The latter has taken a certain delay and requires much work from the group to obtain data and ascertain their accuracy. IT aspects (meetings with software providers) are also mentioned in the progress report.

Works are ongoing, especially concerning the follow-up of companies that committed to fill-in the questionnaires. Furthermore, new companies have been contacted, and are expected to be included in the exercise (Generali, Nestlé, Norsk Hydro). The TG stressed the importance of obtaining these companies' participation given the high significance of their international transactions in the BOP. Furthermore, a meeting will be set up with representatives of IT providers, informing them of the progress made and work done. If possible this meeting will be combined with the next Steering Group meeting.

The Chairman asked Members to conduct a new round of feasibility assessment for compilers in the light of the current results obtained with companies, when the conclusions of the full testing exercise will be available.

Pierre MADRIERES informed the TG about the processing of the test completion exercise by Renault (new contacts will be taken to obtain better quality data). Almut STEGER reported about Thyssen's need to assess the costs against the benefits they could draw from the project, and a-priori good willingness to report the figures.

ACTION: *Results on a new round of feasibility studies from the point of view of BOP compilers should be presented as available.*

Briefing on the meetings of the BOP directors and of the executive body of the CMFB

Guy SCHULLER presented the conclusions of these meetings. Although there was no direct discussion about direct reporting, the meetings tackled a number of topics of interest for the TG:

- A need is felt for a higher level of detail, as well as better timeliness (which is presently T+90 days) in order to face the needs for quarterly National Accounts.
- Concerning the draft regulation on Balance of Payments statistics, the future requirements in terms of level of detail by components and geographical breakdown (especially for services) were discussed in depth.
These topics will be discussed further in the March 2003 BOP Working Group.
- There was a clarification on the respective roles of (i) Task Forces and Technical Groups, and (ii) the CMFB and the STC.
- The idea came out to set up, for the future, a body in charge of sharing strategic considerations on Balance of Payments issues (possibly the BOP directors meeting).
- The BOP subgroup of the CMFB got a mandate to present a draft paper on the exemption threshold issue for the next CMFB meeting in January .

Outcome of the meeting of the Eurostat TF Accountancy and Statistics

Matthias LUDWIG presented the recent results achieved by the Task Force Accounting and Statistics:

- the official release of the *Regulation on the application of International Accounting Standards* is subject to endorsement by the Accounting Regulatory Committee (ARC. Currently the ARC has not endorsed the IAS because of translation difficulties.
- the draft Regulation provides for IAS to be implemented as a rule by all publicly traded companies. Member States are left the option to permit or to require publicly traded companies to

prepare non-consolidated accounts in conformity with IAS. The regulation requires publicly traded companies to apply International Accounting Standards for the preparation of their consolidated financial statements, at the latest by 2005.

- all draft and final documents of the TF A&S will be posted on a web site that should be created in February. Moreover, the website will be designed for the exchange of items of information. The access to this website will be limited to incumbents of the several Task Forces and the Focal Point only. Matthias LUDWIG will circulate the Internet address as soon as it is available.
- Eurostat (B1 "National accounts methodology" and B 4 "Accounts and financial indicators") sent a questionnaire on IAS to the Member States delegates for national and financial accounts, and results are expected by the end of January 2003. The results were scheduled to be presented at the CMFB-Meeting in February.
- The Focal Point is actively involved in the preparation of relevant documents. The outcome of the investigations of the Focal Point is: not all IAS will be accepted at EU level; decisions will be taken in the next months of the current year.
- Six Member States (Denmark, Greece, Italy, Luxembourg, the Netherlands, United Kingdom) will extend IAS to all companies.
- Member States will carry out individual studies on the impact of the national implementation of IAS on their statistical systems. Eurostat will request and co-ordinate an analysis of how business accounting is related to the information requested at Community level.
- an active role of the ECB will be encouraged in the area of banking and monetary statistics. ECB has released one questionnaire to the NCBs. Eurostat will more concentrate on Business statistics, Financial Accounts and BOP.
- a publication of a report on activities conducted so far and related outcomes will be published by February 2003
- a conclusion of the activities will be presented to the CMFB
- a final report will be provided by the end of December 2003
- the next meeting of the TF A&S will take place in May.

Roger DE BOECK presented the NBB's paper explaining BOP compilers' needs, aimed at the *Eurostat TF on accountancy and statistics* (hereunder referred to as TF A&S). The document principally outlines statisticians' needs for BOP purposes. The TG Members are asked to check it carefully and send their comments before it circulated to the TF A&S.

The TG made some observations in relation to the IAS:

- It should be kept in mind that IAS address the output (how accounts have to be presented) rather than the company's internal accounting organisation,
- one of the purposes of co-operating to TF A&S is for statisticians to speak a common language with accountants,
- it could be suggested to add in the IAS some information on whether the company is active internationally.

ACTIONS: *Members should send their comments on the NBB document before it is disseminated to the TF A&S.*
Matthias LUDWIG will send the address of the TF A&S web site as soon as it is available.

3. Tour de table on the progress in the implementation of National Plans

The Chairman introduced the tour de table by reminding the TG of the National Action Plans' usefulness, relevance for the TG's works, and the need to present updated plans (where appropriate) to the March BOP WG and the July CMFB meeting.

Tour de table

Spain

A new collection system will be fully implemented in 2006, which will make use of more direct reporting procedures. Bank settlements will however be used to the greatest possible extent, being the only source considered relevant for the compilation of satisfactory monthly statistics (full direct

reporting will not be used as it looks impossible to get a high level of representativeness with a limited number of companies). The future system will be based on a mix of sources. It will be implemented gradually in the years to 2006 by involving new sources in data collection, after they have been tested against settlements. For the time being, progresses have been achieved in 3 items:

- travel: new surveys are being developed as a changeover from the present compilation system, based on information from tour operators, credit cards companies, settlements, and different economic indicators elaborated by the NSI.
- Other services: there is a positive exchange of information between the NCB and the NSI on this item, for which the NSI will elaborate a new survey. A quantitative analysis has been performed, sources for the business register are being tested (general business register, VAT registers...), and contacts between the NSI and other institutions in Spain (ministry of economy, tax administration etc.) are being taken to assess potential sources.
- portfolio investment and portfolio investment income: in the near future (expected within 6 months), this item will be collected directly from custodians, which is backed by a national regulation

Italy

A task force is currently considering the appropriateness for publishing a law changing the modalities of the Italian collection system for balance of payments statistics.

Currently no changes are planned for the collection of current account information: the Italy-specific issue of confidentiality is a significant obstacle to the elaboration of prospects. For the time being, a change in the collection system is planned for FDI statistics for which a targeted register is being elaborated.

Denmark

A new system that would not rely on bank settlements is planned for 2005. The responsibility for compiling financial account and related income statistics is borne by the NCB whereas the NSI is responsible for the current account.

Denmark wish to maintain simplified settlements information for updating the register. It is contemplated to approach big players for full direct reporting (through a questionnaire inquiring on both flows and stocks), but the rather unsteady character of the Danish population of international transactors is a difficulty.

Germany

Whereas the current system focuses principally on single transactions, actions are being taken to move to an aggregate reporting by companies, where it is contemplated to approach big companies (possibly full direct reporting) differently from small companies. In view of such an approach for the collection of statistics, developments in 3 different fields will successively occur: internal organisation of the bank, moving more towards companies, then the issues linked to the differentiation between small and big companies.

For the time being, plans focus on internal organisation issues. Because of the structural reform of the Bundesbank it is intended to set up a service centre at the local branch of the Bundesbank in Rhineland-Palatinate, away from the Headquarter. This service centre will be subordinated to the BOP division. The service centre will be assigned to "small" entities of the reporting population. Bundesbank's BOP will be assigned to methodological issues and future treatment of statistics collected from full direct reporting.

Portugal

In the future collection system (planned for 2006), the collection of BOP statistics will be shared: the NCB will remain responsible for final BOP statistics, services statistics being collected – at least partly – by the NSI. In this view, the institutions are expected to sign a contract in the next months, after which methodological works will be performed jointly by both institutions, in the field of travel and other services respectively.

In the transitional period, the current system (based on bank settlements and full direct reporting) will keep on running, as quarterly surveys for services are being tested. The survey design will be tested in 2003, the survey will be launched in 2004 and confronted to the information collected from the current system (until 2005). In the transitional period the NSI will also design a targeted register for

BOP, especially services. The final decision on the organisation, as well as on the management on full direct reporting, will be made when the information collected from the new system proves to be of sufficient quality.

As concerns the other items of the BOP, collection of statistics is heading to more direct reporting procedures.

The Netherlands

The NCB and NSI are preparing for the launching of the new collection system (by the NSI) in April 2003:

- the reporting forms and the IT system are designed,
- companies have been warned (to introduce the survey, big companies were visited during the whole year 2002, and small companies received a letter in December 2002),
- for the purpose of testing, attempts are made to get non-financial services companies to start the exercise earlier than the 01/04/03 "big bang",
- the regulation linked to the collection of statistics on other services through direct reporting has to be signed,
- some information on government services and current transfers is obtained from external sources, the new collection system for travel has already been launched (January 2003).

During the whole year 2003, the information collected by the NSI will be backed by bank settlements information from the NCB (double measurement), which is to be used as a reference. For 2003, statistics will be collected from a panel of companies, as the final decision on "how long should companies report" is still to be taken.

In principle, the NSI collection system will run on its own after end-2003, the only information collected by the NCB being simplified payments tapes used to identify international transactors (BOP register).

During the year 2003 and subsequent years, the size of the sample will be gradually increased.

Luxembourg

At present, the collection system is based on 4 pillars (direct reporting – other sources and statistics – administrative sources – bank settlements). There is no frozen consideration on the direction to which this system will change in the future, as this is a dynamic process. Luxembourg argues for the possibility of maintaining bank settlements to the greatest possible extent.

Belgium

A room document was circulated on the Belgian action plan (French version).

A new system should be gradually implemented and running fully in 2006. The NCB will remain responsible for the collection of statistics, though it could be contemplated to share the works for travel.

Plans for the future collection system are not final. Studies on the legal framework, IT developments and feasibility analysis (quantitative analysis, appropriateness of full direct reporting, reliability of the current bank settlements system, potential external sources) will proceed up to mid-2003.

The whole process strives to achieve 2 major goals: increase the quality and diminish the overall burden. The future system will make use of multiple sources, of which direct reporting will probably be an important part. Banks will remain responsible for reporting their own transactions as well as, probably, portfolio transactions (because it will be impossible to cover the households sector through custodians).

The possibility is being considered to run separate collection systems for the financial system, transport, construction and insurance. A separate system will be implemented for tourism as well as current transfers and government services (administrative sources will be used).

Sweden

Since January 2003, the NSI is responsible for the collection of current and capital account statistics whereas the NCB keeps the responsibility for the overall BOP and the compilation of the financial account and related income. The new collection system will not make use of full direct reporting.

For services, a new system, based on specific direct reporting, is being tested against the NCB's settlements information (compilation of the last quarter of 2002) and will replace the former system as from the collection of 2003Q1 statistics. A powerpoint presentation was exposed to the TG on its main feature:

- The 2002 settlements information is used as a starting point for the register, which will be maintained by crossing the information from a number of sources (VAT register, general business register, etc.).
- Specific direct reporting procedures will take the form of sample surveys, comprising a detailed questionnaire addressed to the biggest companies (census for the 2 top strata), a simplified one for smaller enterprises and specific questionnaires for some components of transport and for insurance.
- Stratification of sample and grossing-up will principally use companies' turnover and main activity. The sample will be updated at least once a year (March), possibly twice (also in September if the March updating is not considered sufficient).

Few changes are due to occurring for the collection of financial account statistics as settlements information will not be used anymore:

- for investment income, estimates will be produced instead,
- concerning other investment, questions will be added to the NSI's survey whereas the monthly survey will be replaced by calculations on money and banking statistics,
- information on financial derivatives will be collected from questions added to the NSI's survey, as a substitute for the monthly surveys.

France

A new collection system is in the process of being gradually implemented, and should run completely by 2007. It will comprise full direct reporting (already used) complemented by specific direct reporting of services transactions (surveys of SMEs). Banks will continue to report their own transactions and portfolio transactions for their clients, as well as, if possible, minimum settlements information to maintain the register.

Currently, one area of concern is the compilation of financial account transactions, as a number of its components are not sufficiently covered by full direct reporters (for example coverage of slightly over 60% for direct investment). Possible solutions for this issue will be either extending surveys to the financial account, or to maintain bank settlements for this item.

The state of play of the French action plan's implementation is as follows:

- a new criterion for the selection of full direct reporters will apply from 01/01/04, based on the importance of companies transactions in one item of services (some of them being aggregated) or income (not a global threshold based on goods and services anymore). A decree providing for this change has to be signed by the concerned ministers. After the decree is signed, companies will be informed of their liability to full direct reporting and contacts will be taken to help them solve possible problems.
- concerning the future surveys of SMEs, works are ongoing for building a BOP register. The future BOP register will be built-up by crossing information from a range of sources (information available at the NCB, VAT and customs registers, etc), with the NSI's general business register as a background. Legal aspects will be tackled and agreements with the owners of potential sources will be signed for an optimal access of the NCB to these sources. Possible sources for the register as well as auxiliary variables will be tested against the NCB's bank settlements information as soon as possible.

No changes are planned for Finland, Ireland and the UK.

On behalf of Eurostat, the Chairman asked participants to update their national action plans if relevant.

ACTION: *Members of the TG should send their updated national action plans to Eurostat when asked for.*

Draft proposal for the report's section 2.4 on National Action Plans

The TG expressed comments about the draft section 2.4 of the report on National Action Plans:

- the phrasing "Classic ITRS" should be changed as it does not fit to all Member States (cf German system),
- the phrasing in section 2.4.2.1 is considered too strong. It was suggested to focus on the final system rather than the current situation,
- it was suggested to extend the scope of this section to other balance of payments items, otherwise it should be mentioned in the section's title, as well as in the table, that the discussion focused only on *other services*,
- the situation of the discussion in time (end-2002) was questioned,
- for a more moderated and accurate description, it was suggested to add some columns in the table instead of those for the current system (use of bank settlements split into 2: direct source in the collection / the maintenance of the register, etc),
- references to Portugal are wrong and should be corrected.

ACTION: *Yann MARCUS will change this section in accordance with the comments received.*

4. Further results of the quantitative analysis of the population of respondents

Valeria PELLEGRINI, Daniel DESIE and Fernando LOPEZ presented the latest results of their country's quantitative analysis.

Italian quantitative analysis

Valeria PELLEGRINI presented this exercise that had been prepared jointly with Silvia SABATINI.

Limits

The analysis was performed on ITS and FDI-stocks data, as well as the role of big players. It is limited in relation to some characteristics of the Italian system:

- exemption threshold of EUR 12500,
- non-systematic use of an identification code (used only in specific conditions)
- confidentiality constraints binding on the Italian system, which make it impossible to follow the behaviour of a company across time (company information deleted within a month) – and therefore restricts analysis of the population's stability.

ITS population analysis

To perform the analysis of the number of companies on a yearly basis, and due to the constraints set forth above, data on the number of companies are not exhaustive and correspond to averages calculated on monthly data.

Transportation and travel – which are collected from surveys – form a great part of international transactions in *services*. The item *other business services* makes up half of *other services* transactions. Table 3.2 shows the coverage of transactions in each item corresponding to the companies that could be identified. In most cases, these companies are few and represent a low coverage of transactions. *Other business services*, for which the population appears very high, is the exception. The high number of companies involved, as compared to the rather low coverage of transactions, seems to indicate that in case of a change to a direct reporting system, full direct reporting would not be appropriate.

FDI population analysis

The current settlements system could not be used as a basis for the FDI analysis as the number of enterprises using the identification code is too low. Instead, a pilot study prepared in the context of developing a new direct reporting system for FDI stocks was used.

The data used were collected on both a census and sample basis, for the year 2000. It appears that the census part of the survey is highly significant – indicating a relatively high concentration – as it covers 92% of FDI assets and 66% of liabilities.

Big players (in relation to international trade in services)

The analysis attempted to study the representativeness of big players defined as companies whose turnover exceeds a threshold of EUR 250 mio (around 200 companies). Even though SMEs' transactions represent a significant proportion of the total (around 30%), they play also an important part.

Belgian quantitative analysis

Daniel DESIE presented the current developments of the Belgian quantitative analysis on the basis of annual data. The analysis followed a step-by-step approach:

- The calculation of a concentration index for the total transactions (credit + debit) indicates a high concentration of the population for major headings of the BOP.
- At the level of the total *current account* and *financial account*, high concentrations were also found for each sectors (breakdown among financial institution, non-financial institutions, government and generic declarant (companies whose transactions do not exceed a threshold for which they are separately identified)).
- The analysis of the number of companies per sector (table 4) illustrates an increase of the total population over time, especially for non-financial companies. The financial sector is characterised by a small number of companies.
- The analysis of international transactions for the main items of the BOP broken down by sector (table 5 and 6) highlights the importance of financial companies (that represent 82% of total transactions (*current + financial account*) from 1995 to 2000. The sector of non-financial companies is the greatest contributor to *current account* transactions. At this stage of the analysis, a provisional conclusion can be drawn concerning financial companies and the general government sector (forming together a group of 1200 units): they should be approached through a specific collection system, separately from non-financial companies. Conversely, "generic declarants" require further studies.
- The following step goes further in the detail of services sub-items. Given the evidence of the high concentration in the financial sector, it was temporarily left aside for the following analyses. The analysis for "commercial services" emphasised a substantial concentration of the population in the group of non-financial companies – for which a limited number of companies covers 85% of exchanges.
- The analysis then consists of an assessment of the links between main players in foreign trade and balance of payments. The "top 1000 foreign-trade firms" appeared to play an important role in financial account transactions (around 50% of total transactions), whereas their representativeness for "commercial services" is limited (28% in 2000).
- The assessment of the link between the National Accounts Database, through NACE categories and turnover, and "commercial services" transactions revealed that NACE and turnover would form relevant variables for stratification and grossing-up.

As a preliminary conclusion a system using a panel of full direct reporters would appear relevant for non-financial companies, providing good results for commercial services and the financial account. Further studies need to be performed (tourism, transport, and other sectors).

Another exercise was conducted to assess whether it would be possible to derive the population for "commercial services" from a confrontation of the VAT register against the foreign trade register. The population identified from this confrontation was then analysed against the settlements information ("commercial services"), which revealed some discrepancies among sources (because of thresholds for settlements, non-obligation for some categories to submit VAT returns, etc.). A major conclusion is that the settlements system alone is not sufficient for an appropriate measurement, whether of the population or of the transactions.

Spanish quantitative analysis

Fernando LOPEZ distributed a room document presenting new results of the quantitative analysis of the Spanish BOP population. The following results were outlined:

- the credit population for *other services* is structurally bigger than the debit population (especially because of *other business services*),
- the introduction of the EUR 12500 simplification threshold in 2001 resulted in a considerable decrease in the population of transactors in *other services* (-35%). However, corresponding loss of information on transactions was moderate (-7.1% for credit, -5.8% for debit), indicating that the weight of the "lost" transactors in *other services* is very low,
- a dynamic analysis of the population was performed, through which the stable population (units identified as having international transactions in *other services* in all three years covered) was revealed as highly representative in all items and flows of *other services*.

These new results do not conflict with the prior conclusion that the population was too scarce for full direct reporting procedures to be efficient.

Other developments

Pierre MADRIERES informed the TG that France had performed a new study of the population on 2001 data, which emphasises that:

- the population of full direct reporters appears representative in the *current account* whereas results for the *financial account* are deceiving – especially because of FDI.
- the population of companies appears rather unsteady over the period 1999-2001 (55% of companies were active internationally in all three years) but the coverage of transactions by the steady population is high. However, concerning the stability, the FDI population shows worse results than the previous year.

Almut STEGER presented some results of a new quantitative analysis in Germany, which focused on the *current account*. It highlights that:

- few companies are necessary to cover the 70% of total transactions but that the population needed to obtain respectively a 80% and 90% coverage increases very rapidly. The 80% limit can however be reached by a reasonable number of companies if *transportation* and *travel* are excluded from the analysis,
- more companies are needed on the debit than the credit side,
- the overall results plead for full direct reporting procedures, especially considering that the concentration is expected to be higher for the *financial account*. Germany however could consider to implement different direct reporting procedures for respectively the *current account* and the *financial account*.

As a conclusion to this point, the TG emphasised the importance of analysing the steadiness of the population, as well as the possible impact on the net of different situations in credit and debit.

ACTION: *TG Members are invited to present further results of the quantitative analysis for the next meeting.*

5. Building and use of a business register for BOP purposes: the Irish experience

As an extension of his presentation made in Luxembourg last October, (following the BOP WG meeting) Reamonn Mc KEEVER made a presentation on the use of the business register for BOP purpose in Ireland (working document circulated prior to the meeting).

Description

The CSO maintains a BOP register, distinct from but linked to the general business register. Statistical entities within the BOP register are classified into two main types of enterprises:

- approximately 4500 BOP relevant financial service enterprises (mostly based in the International Financial Service Centre (IFSC) in Dublin), whose data are difficult to handle because of SPEs. For these units, management or administration companies report to the CSO both for their own account and on behalf of their "shelf" companies,
- over 500 manufacturing and non-financial service enterprises, some of which make separate returns for their group structure in Ireland.

In order to deal with complex group structures (typical of IFSC companies in Ireland) and specific reporting arrangements (which can range from centralised reporting to individual reporting by all units), the register contains information on the nature of the company and its contact detail.

Furthermore, it is linked to a 'registry' that records the issue and receipt of survey forms each quarter to these enterprises. Together, the register and the registry form the survey management system (SMS).

Sources

A variety of sources are used to maintain the register up-to-date:

- for international financial services companies, the main source is a recently established regulatory authority for the financial sector, supplemented by information from other sources including the Companies Registration Office.
- for manufacturing companies, information comes principally from the Central Business Register. In addition, all new companies are sent an inquiry form including a filter question on international transactions and ownership. This source is supplemented by listing of the top merchandise trade players, listings of companies covered by the CSO service inquiry, etc.

Company returns and media forms are monitored for information on the restructuring of enterprises. Death of enterprises, or closing of international operations are also dealt with.

Sampling

All financial services companies are approached over a full year (larger are surveyed quarterly and smaller on an annual basis).

Concerning manufacturing and non-financial services companies, only a selection of those identified as having international transactions or foreign ownership are surveyed, with full coverage of the most important companies (use of a "key firm" indicator distinguishing between essential, large, medium and small enterprises). Stratification is not used for the time being but this is planned for the future.

Practical organisation

The SMS is a relational database, which incorporates both a statistical register and registry function. Registration provides for filling fields on name, address etc. as well as on sub entities.

Comments from the TG

The TG made the following comments:

- very helpful information on organisational aspects can be drawn from this presentation,
- members expressed concerns on companies' sincerity when answering the filter question,
- the issue of revisions was highlighted as important and difficult to deal with when implementing a survey system.

6. Opinion of the Member States on the use of bank settlements in future collection systems

The Chairman introduced this topic by stating that, whereas most collection systems are evolving to direct reporting, BOP compilers should be watchful on the need to maintain the foundation of settlements systems.

Related to this concern, he presented shortly a preliminary draft report – prepared by a sub-body of the CMFB – expressing BOP compilers' views on difficulties linked to the issue of the loss of information from settlements system. This paper includes a proposal for an alternative to a further rise of the exemption threshold, namely the possible use of e-banking as a vehicle for BOP reporting.

This point was further explained by Guy SCHULLER. The principles would consist of:

- adapting e-banking interface by adding some requests of information for statistical purposes,
- requiring from banks to transmit this information, in addition to the information relevant for statistical purposes that banks collect for their own use.

Such a system is used in Luxembourg as well as in Germany (electronic format of the questionnaire that bank customers have to fill for statistical purposes).

The presentation and TG's discussions raised the following considerations, in terms of costs/benefits:

- E-banking reporting would provide information only on the debit side and, the information provided would be less comprehensive than in a settlements system.
- E-banking does not require to design completely a new reporting scheme as the system exists and spreads regardless of countries needs for statistical information.

- Using e-banking as a vehicle for BOP reporting would involve very low costs for banks, as they would only be in charge of adapting their interface and sending the information to BOP compilers. In most cases, changes to the interface would only consist of adding a request for information on the transaction's nature and country of the transaction's counterpart.
- The use of e-banking reporting could pose problems in terms of quality:
 - banks would not be responsible for checking the information given,
 - reporting transactors would have the possibility not to fill or fill wrongly the statistical fields, which would not block the transfer.

The compiler would then be in charge of checking the information, possibly by addressing the reporter in case of significant gaps or doubts about quality.

- Compared to direct reporting (where reporting transactors are asked to fill a survey form), e-banking reporting (the transactor fills additional fields when effecting the transfer) provides more timely information. However, benefits of a system versus the other can not be assessed directly concerning the aspects of costs for the respondent transactor, issue of non-response, and quality of information obtained.
- Considering especially the fact that collecting reliable debit information is usually more difficult than credit in a direct reporting scheme, e-banking reporting could form an interesting complement to such a system.

Overall, the TG agreed that the use of e-banking in the collection of BOP statistics would need further investigations, in particular on its possible application by MS.

ACTION: *Members should send their comments on the paper entitled "the use of bank settlements in future collection systems" to Guy SCHULLER, and should investigate on the use of e-banking by companies in their country.*

7. Update and second draft of the report of the TG

The Chairman reminded that a second draft of the report should be sent for the next meeting of the BOP WG. Some changes were introduced, and three additional sections were drafted (*comments of the TG were already expressed on one in the discussions about national action plans, see point 3 above*).

2.2 The management of the transitional period

This contribution consists of 4 major headings:

- the coexistence of settlements and transaction data,
- the management of the exemption threshold, highlighting strongly different situations among Member States, and the management of estimation procedures for transactions under the exemption threshold,
- the learning process and the possible consequences on the quality of the reporting,
- The way to deal with the possible trend changes in time series

The TG comments were:

- in the table of section 2.2.2, Members indicated some minor changes with respect to the situation in their countries,
- concerning section 2.2.4, it was suggested that managing the break by producing revisions of time series could also be a possibility.

ACTION: *Peter HOFMAN will inform the Chairman of changes to be made in column "practice" of the table for the Netherlands.*

2.3 Legal aspects

This contribution consists of two parts:

- **national legislation**, highlighting particularly national legal aspects, with a slight reference to the ECB's guideline and Eurostat draft regulation,
- **instructions to the reporter**: focuses mostly on the need to have a language which is business oriented.

Report in general

Concerns were expressed by the TG about the fact that some sections of the report focused on the whole BOP whereas others were exclusively dealing with the item *other services*. It was suggested to include some explanations on this feature of the report in the beginning.

ACTION: *The Chairman, Matthias LUDWIG and Yann MARCUS will circulate a new version of the report before it is disseminated to the member of the BOP WG.*

In conclusion of the meeting, the Chairman thanked Roger DE BOECK and the Belgian National Bank for organising and hosting the meeting of the TG. He also thanked all the participants for the valuable work done.

The next meeting will take place on 19-20 May in the National Bank of Denmark (Copenhagen).