

OPINION OF THE CMFB

1. The requirements for balance of payments (BOP) and international investment position (IIP) statistics

The ECB requires BOP and IIP statistics for the euro area to support the conduct of monetary policy. The European Commission requires similar data and data relating to the European Union in order to analyse and monitor economic policies. The European Commission also requires data, in particular detailed data on trade in services and foreign direct investment covering the European Union, for commercial policy purposes. National BOP statistics continue to be needed for analytical and policy purposes and as a part of the national economic and financial accounts, which are a legal requirement under the ESA 95.

2. Pressures for change

There is a strong need for quicker and cheaper cross-border transfer of funds. While BOP reporting may be a marginal influence on the cost and timeliness of these payments, statistical requirements need to adapt to foster smooth functioning of payments systems, especially retail payments within the euro area. Also simplification and standardisation (in particular a common code list) are requested by some enterprises with large and frequent cross-border transactions and positions in several countries.

3. Proposals for the relief of cross-border transactions

In order to facilitate the functioning of the Internal Market and maintain data quality, the CMFB agreed on its June 2000 and January 2001 meetings on:

- § **Common exemption threshold.** For those Member States making use of settlement-based reporting by banks on behalf of their customers an exemption threshold of EUR 12,500¹ will apply to payments both inside and outside the euro area (“intra” and “extra” payments) and with effect from 1/1/2002, at the latest;
- § **Harmonised code list.** A harmonised code list for reporting transactions and positions relevant to BOP and IIP statistics will be published². Where appropriate, Member States will implement this common classification during the coming years, in particular while amending their collection systems.

The CMFB is currently examining ways of overcoming the loss of information resulting from the introduction of the common exemption threshold.

¹ This will relieve two-thirds of cross-border payments from any reporting burden. However, the loss of information may reach 35% on some services items.

² Publication is foreseen in April 2001

4. BOP and IIP reporting by multinationals

The CMFB, in close co-operation with the ESCB³ Statistics Committee and the Statistical Programme Committee, as a matter of urgency will prepare a standard reporting scheme (using the harmonised code list) for the voluntary use of enterprises with operations in several EU Member States.

5. Prospective changes in BOP and IIP reporting systems

The ECOFIN Council has asked the CMFB to report in July 2001 on: (a) results of the exercise to minimise asymmetries; (b) proposals for replacing information lost through the adoption of the common exemption threshold; (c) for Member States in the euro area, the needs for intra euro area balance of payments information; (d) the likely direction of change in balance of payments collection systems, effects of any changes on quality and respondent burden, the extent to which they need to be harmonised, and a tentative timetable for change; (e) the need for amended or new legislation.

Preliminary work suggests that, in the future, alongside remaining reporting by banks on cross-border payments on behalf of customers, systems will rely more on direct reporting by enterprises, complemented by and/or integrated with sample surveys and other information. Representatives of banks and enterprises will be consulted so that their concerns and suggestions can be taken on board, to the extent possible.

The CMFB has an advisory status so it can only issue recommendations. The statistical committees and agencies directly or indirectly affected by this initiative (namely, from one side, the Statistical Programme Committee, the Commission (Eurostat) and the National Statistical Institutes, and from the other side, the Statistics Committee of the ESCB, the ECB (DG Statistics) and the National Central Banks) have been made aware of this issue and will assess in close coordination the consequences of changes in the BOP/IIP collection systems currently in place before they are implemented.

6. Maintaining quality during the interim period

It may take up to five years to complete the implementation of changes in all countries. Meanwhile, it is of utmost importance to resist any possible deterioration and maintain the quality of the data collection systems. Arrangements to maintain the quality during the transition period up to the implementation of new systems are already in force or are being implemented in some countries.

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³ European System of Central Banks