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EDIFACT REPORTING OF BALANCE OF PAYMENTS DATA

The EDIFACT project of the Balance of Payments
Working Party under the aegis of EUROSTAT,
preliminary report

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1. Background of the project

Task The EDIFACT project (EDI-BOP) under the Balance of Payments Working Party involves the planning of messages according to the EDIFACT standard for reporting balance of payments data. The messages should cover all data flows in both the so-called general and survey-based compilation systems.

The following data flows can be distinguished:

- reports from customers to domestic banks
- reports from banks to BOP authorities
- reports from enterprises to BOP authorities
- reports between banks in different countries
- reports from balance of payments authorities to international statistical organizations

Carried out on a large scale, electronic reporting speeds up the access to data, reduces reporting costs and results in higher quality data. Obtaining optimum gain from the method also requires harmonization of data contents, especially where nature of transaction codes are concerned. Harmonization work is in progress in the other EUROSTAT working parties (see below) and in the IMF.

Organization

The EDI-BOP task force is one of the sub-groups of the EUROSTAT **Balance of Payments Working Party**. It comprises representatives from six EC countries. In addition, Finland and Austria participates in the task force as full EFTA members. The EDI-BOP project got under way in summer 1991.

The other task forces (and EFTA members) of the EUROSTAT/Balance of Payments Working Party are: general issues concerning compilation (Austria), merchandise, transport insurance, tourism etc. (Norway), capital stock and flow statistics (Sweden).

The Balance of Payments Working Party operates under the aegis of the EC's MFB committee (Group on Monetary, Financial and Balance of Payments Statistics). The task of the committee is to coordinate the EC countries' financial and balance of payments planning and development with the EFTA's equivalent MFB group (see Appendix 1). The other working groups operating under the aegis of the EC's MFB committee deal with bank statistics, financial accounting and ECU statistics.

The development of the EDIFACT messages designed by the EDI-BOP task force will be carried out within the framework of the Western Europe EDIFACT Board (WEEB), the operations of which are divided into eight sub-sectors; development of messages is allocated to group **MD6 (statistics)**. The EDI-BOP task force also works closely together with group MD4 (financing), since message development affects a number of messages already designed by MD4.

2. EDIFACT messages developed for the reporting of BOP data

Five new EDIFACT messages are being developed by the EDI-BOP task force for the reporting of balance of payments data: BOPCUS, BOPBNK, BOPDIR, BOPINF and BOPSTA. In addition, a proposal to adjust the payment order message PAYORD, developed by MD4, has been made. The main idea has been to make the BOP reporting segments of the different messages as uniform as possible (cf. Appendices 2 and 6).

The BOP data flows and the use of different messages are presented in the **branching diagram in Appendix 3.**

- PAYORD** The PAYORD message¹ is used by enterprises to instruct their banks to debit an account in favour of a (domestic or) foreign recipient. The idea is that the domestic bank mediating the payment picks out the data required for the BOP statistics from the payment order and forwards them to the central bank with the POBCUS message. A payment order to a foreign bank can, for example, be sent with a FINPAY message mediated by SWIFT. The first companies in Finland will probably start using BOP messages in 1993 - 1994 at the same time as they start using order, invoicing and transport messages. A structural chart of the message is shown in Appendix 6 (BOP part is 'boxed').
- BOPCUS** Banks use BOPCUS message to report their company customers' foreign transactions to the balance of payments authorities. Key data for the balance of payments statistics are picked out from PAYORD messages. In Finland, BOPCUS is roughly equivalent to the system used for the authorized banks' reporting of exchange records (the YVT system). At least so far, there are no plans to change the reporting to EDIFACT form.
- BOPBNK** Banks use BOPBNK messages to report their own foreign payment transactions to the balance of payments authorities. Portfolio transactions and banks' claims and liabilities positions can also be reported through these messages.

In the Finnish system, the BOPBNK message covers part of the current data reported under the YVT system, surveys of portfolio transactions and the assets and liabilities questionnaires addressed to banks and other financial institutions. At present, there are no plans to start using BOPBNK for the reporting of banks' transactions. By contrast, it is probable that the message will be used for the commercial banks' reporting of different kinds of survey data so as to replace the present reporting on paper (cf. BOPDIR).

¹ PAYORD (payment order); PAYMUL (multiple payments) one payor - several recipients; PAYEXT (extended payment order). The adjustment proposal concerns all these payment order messages.

BOPDIR Companies can use BOPDIR messages to report data on their domestic² and foreign accounts, netting accounts, assets and liabilities as well as data from different surveys directly to the balance of payments authorities.

In the Finnish system, BOPDIR message is suitable for direct reporting by companies of netting data, data on foreign transactions accounts and different kinds of survey data (surveys of companies' claims and liabilities and direct investment surveys). It is probable that this message will be adopted by Finnish companies, especially by those which will start using the PAYORD message.

BOPINF Companies use BOPINF message for reporting the nature of transaction codes for foreign payments which they have received in a domestic bank as well as other data supplementing the balance of payments reports, if these for legal reasons cannot be obtained directly from the payor with the PAYORD message. Companies are notified of incoming payments with the **CREADV** message (credit advice); in this message, the companies are requested to send a supplemented BOPINF message to their banks. The aim is to have the **CREADV-BOPINF** chain or the 'home loop' dropped in as many countries as possible.

The BOPINF message is not needed in the Finnish system, since we already use a method whereby the bank which receives an incoming payment (through SWIFT) supplements the nature of transaction code and the domestic party's trade and corporation number to the data and delivers them directly to the central bank.

BOPSTA The balance of payments authorities use this message for reporting aggregate balance of payment data to international statistical authorities such as EUROSTAT, OECD and BIS. The message has, however, also been developed to be used for reports between balance of payments authorities.

It is possible that the GESMES message developed by MD6 will be used for reporting aggregate statistical data instead of the BOPSTA message. This has been proposed by i.a. Finland and Austria to the task force, and it would be a highly desirable solution for Finland, since the Bank of Finland is working on a project which entails the transfer of certain balance of payments data to the time series data base maintained by the Statistics Finland. Hence, these data could smoothly be reported to international statistical organizations in one message, which would also contain other information from the Statistics Finland. Message GESMES would also be suitable for direct reporting of aggregated data by balance of payments authorities.

² Direct reporting of foreign transactions on domestic accounts by companies is used mainly in France but, to a certain extent, also in Holland ('déclarant direct général').

3. Legal problems

During the course of the project, it has become apparent that legislation in many countries set restrictions for the inclusion of company-specific balance of payments data in EDIFACT messages. In Belgium, Holland, Germany and France, for example, it is not permitted to send detailed balance of payments information outside the borders of the countries. In Holland, legislation is being amended; Germany and Finland are likely to adopt a solution, at least initially, whereby the issuer of the payment order will be asked for permission to have the data used for statistical purposes (cf. Appendix 4).

EUROSTAT is investigating the legal problems involved in this issue on the basis of analyses carried out by the countries concerned (the analyses carried out in Finland are presented in Appendix 5). The goal is to prepare an EC norm concerning this issue which would oblige the reporting party to furnish the payment order with the data required for the compilation of the balance of payments statistics, also including an explicit obligation to surrender such data to the statistical authorities of the country of the beneficiary. The intention is that the draft directive be taken up by the task force in the course of this spring.

If the EEA agreement enters into force in such a form that the EC norms are also obliging to the EFTA countries, it would be possible to solve the legal problems linked with the EDIFACT reporting on the part of Finland. The application of the EC directives would involve an amendment of the present Foreign Exchange Act (Statute No. 90/985) which is valid until the end of this year, or the Act on the Statistics Finland (Statute No. 796/78).

On the basis of the information available at the moment, it is not possible to say definitely when the EEA agreement will come into force. Nor is it certain whether the problems involved in the compilation of the statistics referred to will be comprised by the agreement. If the matter stays outside the EEA agreement, the international obligation to disclose information will be delayed as far as Finland and the other EFTA countries are concerned.

4. Comments by other EFTA countries

It has been agreed with Mr. Heinrich Brüngger, EFTA's statistical advisor that Austria's representative (Erich Hille) reports Switzerland's comments to the working group and that Finland's representative hands in the comments of the Nordic EFTA countries.

Iceland fully supports EDIFACT reporting of balance of payments information, but have not revealed any precise view or plan on the time of introducing it. Norway takes a more cautious attitude towards the project; a contributing factor is the recent introduction of the BRAVO reporting system in Norway.

Sweden is interested in the project, but its advantages are not thought to be very remarkable until the EDIFACT standard has spread widely to other exchange of information in large companies (e.g. invoicing, ordering and customs clearance) and until transaction codes have been harmonized. Hence, the view prevailing in Sweden is roughly the same as in Finland.

In Switzerland the possibilities of EDIFACT for reporting balance of payments data are seen as promising. So far no plans of implementation of the messages has been presented.

In all the Nordic EFTA countries, legal problems have been noted in connection with the reporting of balance of payments data, and analyses of these are in progress. In addition, Norway and Sweden have set up discussion fora for the project between the banks and various EDI organizations.

5. Continuation of the project

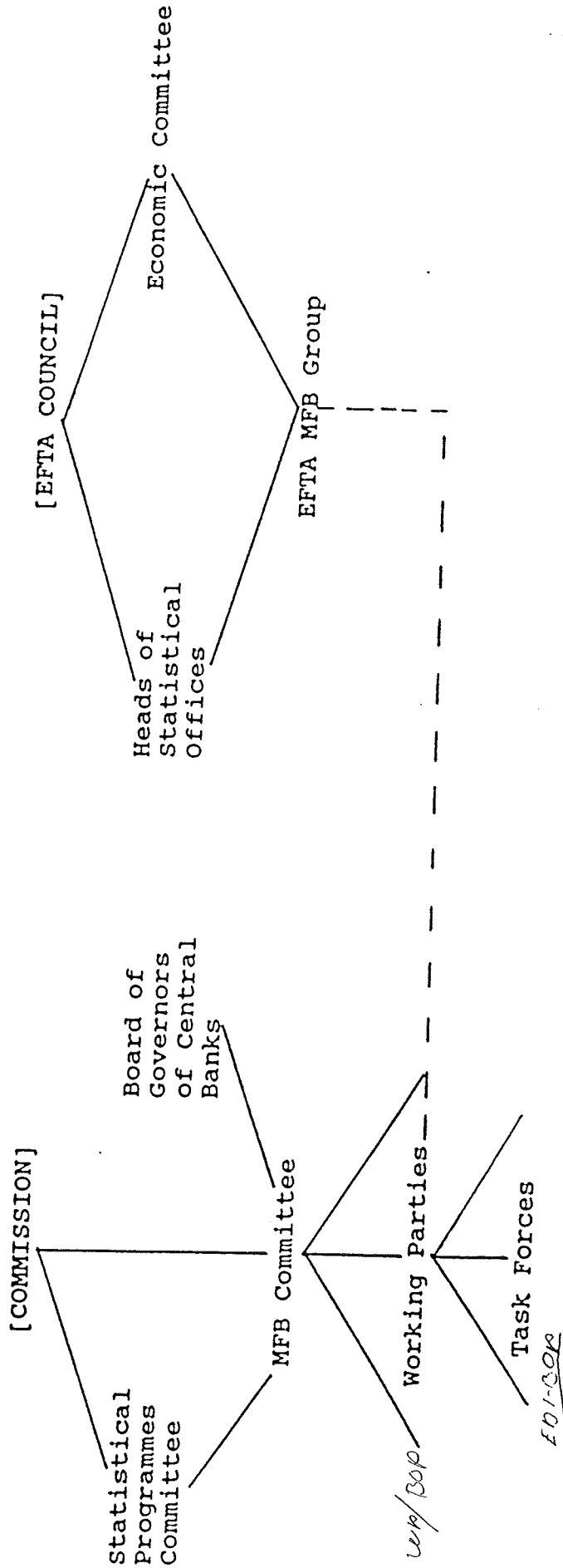
According to plans, the development of the messages will be finished in autumn 1992, and after this all the messages must be approved in the different EDIFACT boards. So far, the BOPBNK and BOPSTA messages have not been developed at all - in this light, the project schedule seems tight, but certainly possible.

After the planning stage, the countries are to draw up precise instructions for the use of the new EDIFACT messages adopted for the reporting systems of the individual countries. Country-specific solutions - i.a. standardization of the use of FTX segments (free text) - is carried out at this stage. The instructions are to be drawn up by the members of the EDI-BOP task force in cooperation with the domestic EDIFACT divisions.

After the completion of the project, there are preliminar plans to set up a fixed-period pilot project in which selected banks and companies in the EC and EFTA area would participate. This is likely to be realized in 1994. If the legal problems have not been solved by then, testing will initially be restricted to domestic reporting only. In Finland, the largest banks and firms are best prepared for introducing the new reporting technology. As the Bank of Finland has participated in the development of the EDIFACT reporting of balance of payments data, it seems self-evident that it is included at the pilot stage. It is also likely that EUROSTAT assumes that Finland participates in the testing.

Annex III to
 EFTA/EC/W 5/91
 EFTA/STAT/W 8/91
 19 July 1991

BODIES IN MONETARY, FINANCIAL AND BALANCE OF PAYMENTS STATISTICS (MFB)



* * * * *

Balance of payments (BOP) and international investment position (IIP) information in EDIFACT-reporting:Key BOP data:

- the industrial activity of the resident engaged in the transaction
- the country of the non-resident partner to the transaction
- the date of the transaction
- total amount of the payment (possibly broken down)
- currency
- nature of transaction, in code and in verbal description

Additional data: (using of these variate in different countries)

- the identity of the resident engaged in the transaction (name, address, additional identification as a national registration number)
- the date of the message
- identification of the resident banking intermediary and of the banking intermediary of the non-resident
- bank reference number

Key IIP-information:

- the reporting resident, identified by type of sector
- the identity of the non-resident
- the debtor/creditor country
- the value
- the currency
- the kind of stocks and flows
- the date of the reported position

De Nederlandsche Bank

EDI BOP Project

Date

- March 17, 1992

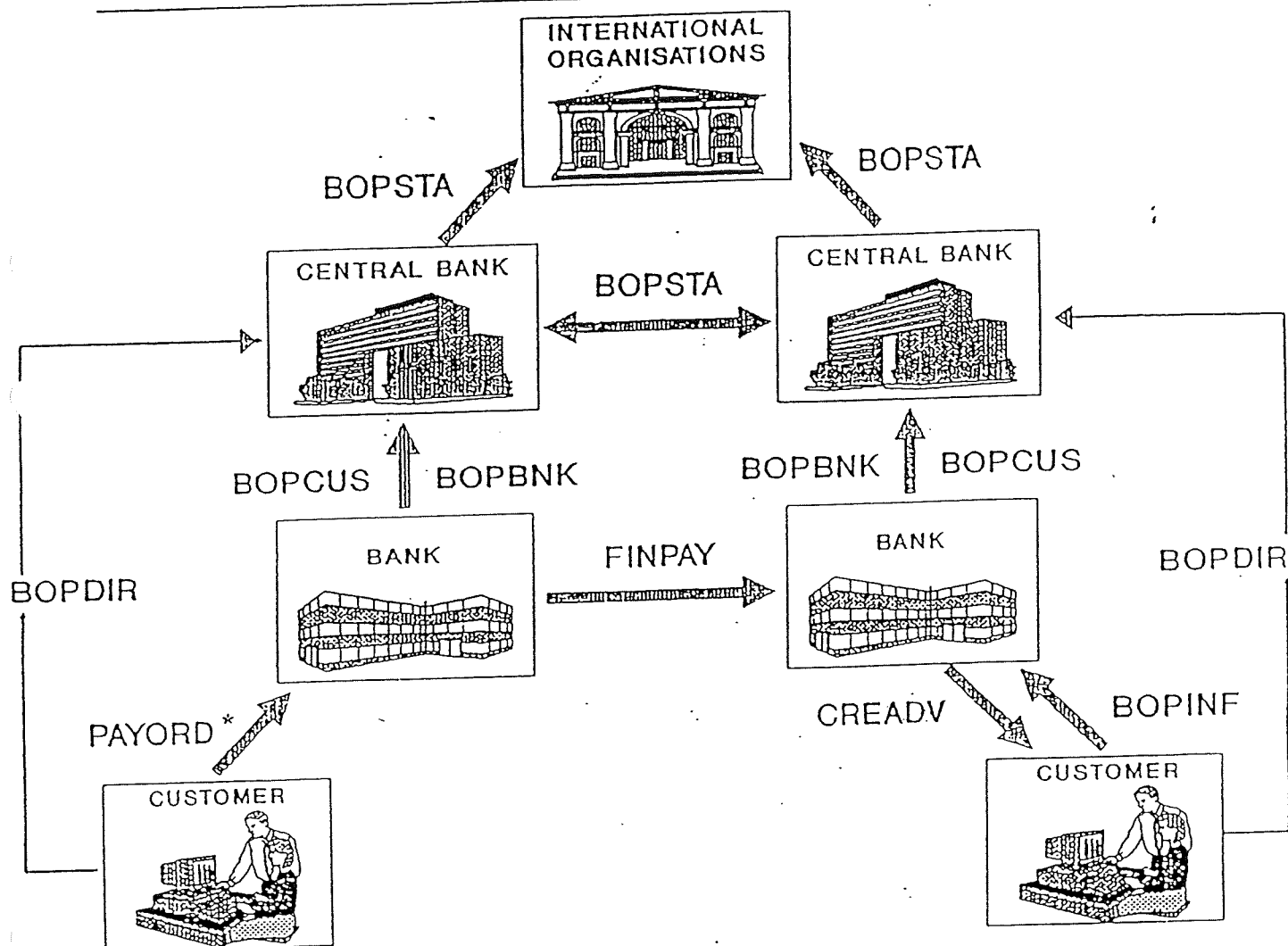
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Our reference

- SIR-BB/ELF/6530

BOP REPORTING and EDIFACT MESSAGES



* Read as: PAYORD/PAYEXT/PAYMUL

The above mentioned EDIFACT messages cover the following data flows:

- PAYORD: a payment to be reported via a commercial bank to the BOP compiler
- BOPINF: a receipt to be reported via a commercial bank to the BOP compiler
- BOPCUS: individual payments/receipts to be reported to the BOP compiler
- BOPDIR: transactions via accounts held with non-residents, foreign positions as well as survey results to be reported directly to the BOP compiler
- BOPBANK: banks' own transactions and portfolio transactions, aggregated customer transactions as well as banks' foreign positions
- BOPSTA: data to be forwarded by BOP compiler to international statistical organisations as well as to other BOP compilers

The attitude of a number of countries towards forwarding
balance of payments data abroad in EDIFACT messages
(interbank reporting)

	Permitted/ Prohibited/ No specific legislation	Consent to given by the payor/ Law amended	Hoping for EC law
Holland	Prohibited	L	Yes
Germany	Prohibited	C/L not possible	Yes
Italy	Prohibited	C/L not possible	Yes
Belgium	Prohibited	C is possible	Yes
Denmark	No		Yes
Ireland	No	C not possible	Yes
France	Prohibited		Yes
Spain	Prohibited		Yes
Greece		<i>under study</i>	
Finland	No	C is possible	Yes
Sweden	Prohibited	<i>under study</i>	
Norway	?	<i>under study</i>	
Island	Prohibited	<i>under study</i>	

THE FINNISH BANKERS' ASSOCIATION

For the attention of Suomen Pankki - Finlands Bank

Dear Sirs,

With reference to the Bank of Finland's request for an opinion on the legal aspects pertaining to EDIFACT reporting of balance of payments data between banks, The Finnish Bankers' Association wishes to make the following comments:

Banks provide the Bank of Finland with data necessary for compiling the Bank of Finland's balance of payments statistics. The data provided to the Bank of Finland for this purpose falls within the scope of bank secrecy and the general obligation of confidentiality. Therefore, the Bank of Finland may, without infringing the secrecy rules, provide data to the authorities responsible for the balance of payments in the country of the beneficiary only if the payer gives his consent to this or provisions in regard to this have been enacted by law.

The information necessary for remitting payments which Finnish banks receive from payers falls within the scope of bank secrecy. The banks remit payments to the foreign banks of beneficiaries, which are bound by bank secrecy rules of the country concerned. Because of this, a foreign bank may not surrender data, e.g. to an international statistical organization. However, the data falls within the scope of a bank secrecy only if it can be associated with a certain customer. Thus, the giving of non-itemized statistical data to foreign statistical authorities does not fall within the scope of bank secrecy.

In the opinion of the Finnish Bankers' Association, it would be possible for a Finnish bank remitting a payment on behalf of the payer and a foreign bank receiving a payment on behalf of the beneficiary to surrender data for statistical purposes either

- 1) so that it would be enacted by law that data given to the payer's bank for remitting a payment could be surrendered, notwithstanding bank secrecy, for foreign statistical purposes specified in a certain way or
- 2) by the inclusion of a paragraph in the conditions concerning outgoing foreign payments according to which the payor would give his consent to the surrender of certain itemized data to foreign statistical authorities.

Helsinki, 17 February 1992

THE FINNISH BANKERS' ASSOCIATION

Matti Sipilä
Managing Director

Erkki Kontkanen
Head of Department

MATTERS PERTAINING TO THE BANK OF FINLAND'S RIGHT TO PROVIDE FOREIGN ENTITIES WITH ENTERPRISE-SPECIFIC INFORMATION ON THE BALANCE OF PAYMENTS WITHIN THE CONTEXT OF INTERNATIONAL EDI COOPERATION

Under section 6 of the Foreign Exchange Act, the Bank of Finland has the right to obtain from banks authorized to deal in foreign exchange, inter alia, all declarations, clarifications and other documents which are needed for the implementation of the Foreign Exchange Act or for statistical purposes.

Such authorized banks provide the Bank of Finland with the required data either electronically or by means of a manually-completed foreign exchange form in connection with the remittance of payments. Such data includes data classified as confidential (e.g. name and address of payee, currency of payment, amount of payment, personal identification or corporation number, details of payment).

On the basis of section 35 of the Regulations for the Bank of Finland and item 9 of section 1.1 of the decree issued in connection with the Act on Publicity of Official Documents, the said customer data in the possession of the Bank of Finland is secret information.

According to section 7 of the Foreign Exchange Act, the Bank of Finland is entitled to submit to government authorities, notwithstanding the secrecy regulations concerning the Bank of Finland, any information the submission of which is connected with the implementation of the purpose of the Foreign Exchange Act. The Bank of Finland is not entitled to submit information received under the provisions of the Foreign Exchange Act to foreign authorities or to any other entities without legal authorization.

Because it has not been granted statutory authority, the Bank of Finland can, without contravening the applicable secrecy regulations, release enterprise-specific data needed for the compilation of a foreign country's balance of payments statistics only if the enterprise or other entity ordering payment to that country grants its specific permission (i.e. authorization) to do so.

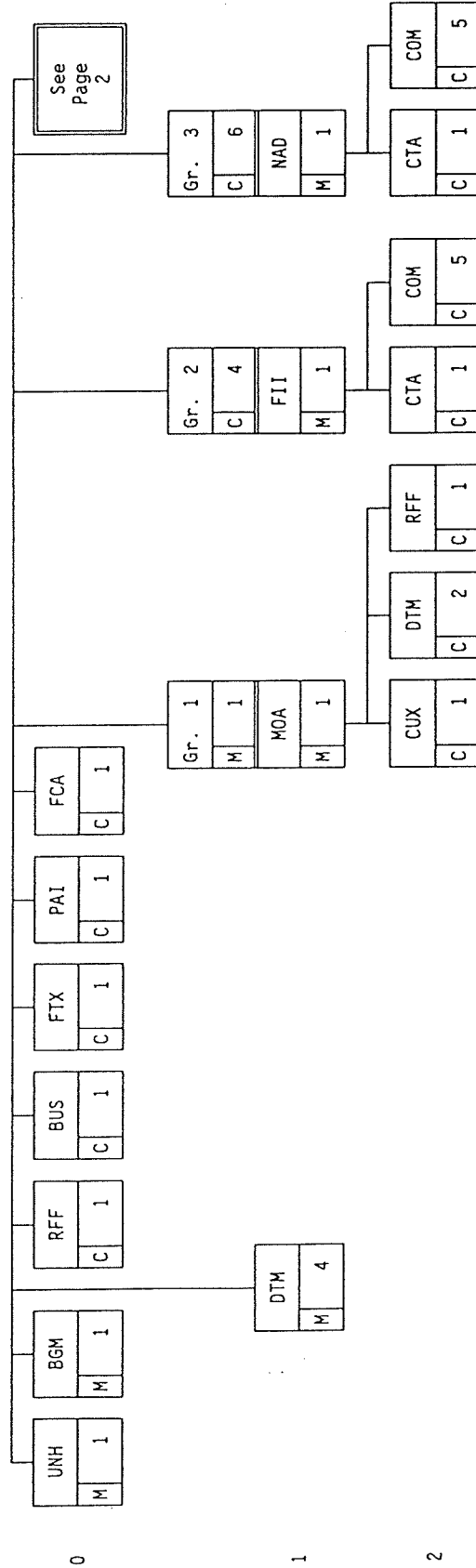
It should be pointed out that the release of confidential information, either by intent or as a result of negligence (carelessness, imprudence), is a penal offence under the regulations regarding offences in office (penal code 40:5.1 and 5.2).

Finally, it should also be mentioned that the Bank of Finland submits aggregated data to foreign entities (incl. the OECD and IMF) in the context of international cooperation on statistical matters.

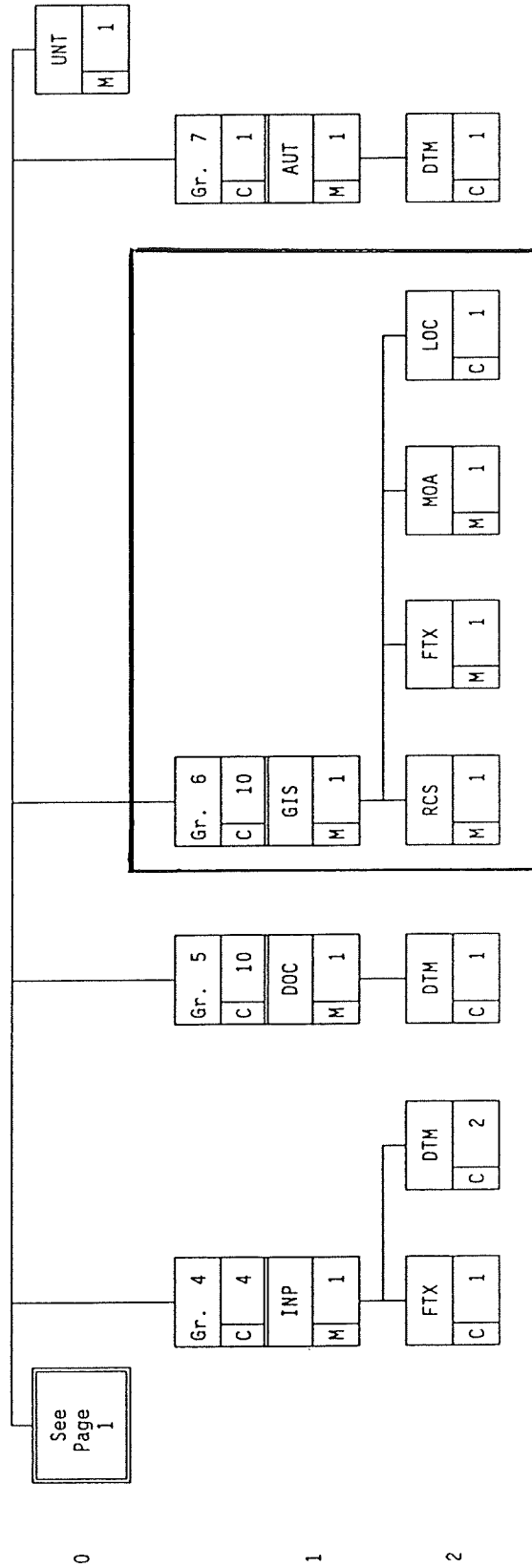
Status -: INTERNAL DOCUMENT

CEBIS MD6/Statistics Directory
 PAYORD - Payment order message Issue 91.1

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Level





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December 10, 1991

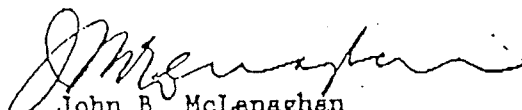
Dear Mr. Hofman:

Thank you for your report on the use of EDIFACT messages for balance of payments reporting. We found this report useful for our discussions on this subject during the most recent meeting of the EUROSTAT Balance of Payments Working Party in Luxembourg.

During this meeting, we noted that interest in EDIFACT messages for balance of payments purposes is rising among national compilers. The increasing complexity and sheer volume of international transactions that need recording in the balance of payments is posing formidable challenges to those responsible for recording the data, as was, inter alia, borne out most recently by research of the Fund's Working Party on the Measurement of International Capital Flows. These challenges will no doubt require forceful, innovative, and collaborative approaches making use of the latest techniques in data collection, such as the EDIFACT messages.

I look forward to a continued collaboration in this and other areas of balance of payments methodology.

Sincerely yours,


John B. McLenaghan
Director
Statistics Department

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