UAE Balance of payments: challenges and innovative compilation method\textsuperscript{1}

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\textsuperscript{1} This presentation was prepared for the meeting. The views expressed are those of the authors and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting.
UAE Balance of Payments
Challenges and Innovative Compilation method

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As well known the sources of the Balance of Payments Statistics are:

- **International Transactions Reporting System (ITRS)**
  
  Information through the banking system was not satisfactory
  Majority of entries were allocated to residual categories
  Lack of understanding of the entries by the banks or quality control.

- **The Surveys**
  
  * **Awareness**: Most the population in UAE are not citizens and have no appreciation of related surveys.
  * **Tax Records**: We do not have income tax record helping in getting accurate numbers through surveys
  * **Not same language**: Surveys usually prepared by economists and filled by accountants
  * **Time lag**: For conducting surveys we have to wait until Apr–June when companies have finalized their balance sheet and need another 6–8 months for collecting data, checking, reviewing and finalizing the result (sometimes it needs more that 14 months).
  * **Response** from wide range of stakeholders not satisfactory due to confidentiality concerns.
**SWIFT Scope Project**

SWIFT SCOPE solution helps CBUAE gain insights on the SWIFT international payments traffic for the UAE and enable CBUAE’s reporting on the associated flows of this traffic.
We aim to capture cross border Transactions (inward and outward)
How

Outside UAE

Resident Account

Non-Resident Account
What Needs To Be Done

- Banks will be required to register to the FIN Inform service
- Any UAE based banks having BIC code will be required to register to this service.
What is FINInform?

FINInform is a value-added feature of FIN that automatically duplicates a predefined set of message types and forwards it to one or more selected destinations (for instance the head office of an institution, a regulator or an outsourcing agent), or optionally for authorisation and further processing.

The flexibility provided by FINInform makes it an ideal solution to cater for your intra- or inter-institutional copying needs in multiple business contexts, such as risk management, outsourcing and resilience.

Key benefits

- Simple
- Flexible
- Secure and reliable

Flexible

There are two copy modes available in FINInform: T-copy and Y-copy mode.

The parameters defined by the service administrator consist of one or several message types, the copy destinations receiving the copy and the membership pattern applied to service participants. Four membership patterns can be defined:

- Sender: see example in T (graph 1) and Y (graph 2)
- Receiver: exists only in T-copy
- Sender and receiver: See FINCopy fact sheet for example in T and Y-copy
- Sender or receiver: exists only in T-copy (graph 3), Y-copy can be applied only to sent traffic.

The service administrator can request specific filtering on the content of messages, such as the currency and value date – to further refine the message copy selection.

The service administrator may also request that only specific fields of the message be copied to the copy destination. This partial copying ensures the confidentiality of sensitive information and improves performance by keeping copied information to a minimum.

Secure and reliable

FINInform is based on standard SWIFTNet FIN security features. SWIFTNet ensures that the copy is sent to the copy destination at the same time as the original message is sent to the address in T-copy mode.
Example: SWIFT MT103

Message Trailer

P. Code
Notice No. CBUAE/BSD/2018/759 (for Banks)  
- Workshop on May 28, 2018 @ 11:00 am

Notice No. CBUAE/BSD/2018/760 (for Exchange Houses)  
- Workshop on May 29, 2018 @ 11:00 am

Notice No. 191/2018 (for Correspondent Banks)

Registration in FINInform: on July 24, 2018 (done)

Notice No. CBUAE/BSD/N/2018/2101  
- Workshop on August 15, 2018 @ 10:00 am

Implementation started effective on 1 September 2018
The SWIFT SCOPE: Mechanism of the Data Flow

- **Balance of Payment Data: The SWIFT SCOPE**

Solution Design - Inward Messages to UAE

Solution Design - Outward Messages from UAE
Balance of Payment Data: The SWIFT SCOPE

Data Copy Automation Process

The solution is composed of the following three main pillars:

✓ Data Capture:
   The required data for Balance Of Payment statistics is captured from SWIFT messages, the fields are –
   1. Origin / Destination
   2. Currency
   3. Amount
   4. Amount in Local Currency
   5. Payment Purpose Code

✓ Data Transformation:
   The data captured from SWIFT messages are transformed as per the Balance of Payment template and stored in Local database for analysis and further usage.

✓ Data Visualisation:
   SWIFT’s Business Intelligence solution uses the transformed data and provide graphical reports, highlighting different statistics.
The system will record each financial transaction (in/out).
The obtained information will be classified as the following:

- Origin / Destination
- Currency
- Amount
- Amount in Local Currency
- Payment Purpose Code

The data will be used for the Balance of Payment compilation following BoP Guidelines published on the CBUAE website, including:

- BoP – Purpose of Payments Codes Table
- Technical Notes on Transaction Codes for BoP
- Explanatory Notes on Transaction Codes for BoP

### I. Goods-Services-Income-Transfers Receipts & Payments

#### Import-Export
- **GDE** Goods sold (Exports in fob value)
- **GD1** Goods bought (Imports in cif value)

#### Transport & Travel
- **STS** Sea transport
- **ATS** Air transport
- **OTS** Other modes of transport (including Postal and courier services)
- **STR** Travel

#### Services with abroad
- **GMS** Processing repair and maintenance services on goods
- **SCO** Construction
- **INS** Insurance services
- **FIS** Financial services
- **IPC** Charges for the use of intellectual property royalties
- **TCS** Telecommunication services
- **ITS** Computer services
- **IFS** Information services
- **RDS** Research and development services
- **PMS** Professional and management consulting services
- **TTS** Technical, trade-related and other business services
- **PRS** Personal, cultural, audiovisual and recreational services

#### Interest & Profits with abroad
- **IGD** Dividends intragroup
- **IID** Interest on debt intragroup
- **PIP** Profits on Islamic products
- **PRR** Profits or rents on real estate
- **IDO** Dividends on equity not intragroup
- **ISH** Income on investment funds shares
- **ISL** Interest on securities more than a year
- **ISS** Interest on securities less than a year
- **IOL** Income on loans
- **IOD** Income on deposits

#### Government
- **GOS** Government goods and services embassies etc
- **GRI** Government related income taxes, tariffs, capital transfers, etc.

#### Personal
- **CHC** Charitable Contributions (Charity and Aid)
- **FAM** Family Support (Workers’ remittances)
- **SAL** Salary (Compensation of employees)
- **PPA** Purchase of real estate abroad from residents
- **PPL** Purchase of real estate in the UAE from non-residents

### II. Assets

#### FDI flows - Acquisition and liquidation by residents of equity & securities abroad (above 10% share)
- **CEA** Equity and investment fund shares for the establishment of new company from residents abroad, equity of merger or acquisition of companies abroad from residents and participation to capital increase of related companies abroad
- **DSF** Debt instruments intragroup foreign securities
- **REL** Reverse equity share in the UAE
- **RDL** Reverse debt instruments in the UAE

#### Portfolio investment flows - Acquisition and liquidation by residents of equity & securities abroad (below 10% share)
- **FSA** Equity other than investment fund shares in not related companies abroad
- **FIA** Investment fund shares foreign
- **DSA** Purchases and sales of foreign debt securities in not related companies - Less than a year
- **DLA** Purchases and sales of foreign debt securities in not related companies - More than a year
- **FDA** Financial derivatives foreign

#### Lending-repayments and transfers by residents of loans & deposits abroad
- **DLF** Debt instruments intragroup loans, deposits foreign (above 10% share)
- **AFA** Receipts or payments from personal residents bank account or deposits abroad
- **SLA** Loans – Drawings or Repayments on loans extended to nonresidents - Short-term
- **LLA** Loans – Drawings or Repayments on loans extended to nonresidents - Long-term
- **LEA** Leasing abroad
- **RFS** Repos on foreign securities
- **TCR** Trade credits and advances receivable
## Balance of Payments Data: The SWIFT SCOPE Project

## A mapping Example

<table>
<thead>
<tr>
<th>Services (NET)</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>STR</td>
<td>Travel</td>
</tr>
<tr>
<td></td>
<td>Transport</td>
</tr>
<tr>
<td></td>
<td>Air</td>
</tr>
<tr>
<td></td>
<td>Postal &amp; others</td>
</tr>
<tr>
<td>GOS</td>
<td>Government Services</td>
</tr>
<tr>
<td></td>
<td>Other services</td>
</tr>
<tr>
<td></td>
<td>Construction</td>
</tr>
<tr>
<td></td>
<td>Intellectual property</td>
</tr>
<tr>
<td></td>
<td>Information-Computer-Telecommunication</td>
</tr>
<tr>
<td></td>
<td>Information</td>
</tr>
<tr>
<td></td>
<td>Computer</td>
</tr>
<tr>
<td></td>
<td>Telecommunication</td>
</tr>
<tr>
<td></td>
<td>Other 6</td>
</tr>
<tr>
<td></td>
<td>Processing repair and maintenance services on goods</td>
</tr>
<tr>
<td></td>
<td>Financial Services</td>
</tr>
<tr>
<td></td>
<td>Research and development services</td>
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<td></td>
<td>Professional and management consulting services</td>
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<tr>
<td>GMS</td>
<td></td>
</tr>
</tbody>
</table>
Balance of Payments Data: The SWIFT SCOPE Project

Expected Outcome:

- Improve data accuracy and timeliness.
- Reduce costs generated by the surveys.
- Reduce data biases stemming from surveys, as reliable results from survey require awareness and cooperation which may not be readily available in many societies. The results of the surveys are less reliable in countries where there is no integrated tax system related to taxes on income and profits.
- Track capital and financial flows for a better understanding of non-oil growth drivers and consequently, activate optimal policies response proactively.
- The project will benefit the CBUAE and the six local centers in UAE by getting TiS Statistics and BoP Statistics in general (second phase).
Thank you