

**Twenty-Fifth Meeting of the
IMF Committee on Balance of Payments Statistics
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**Cross-Border Exposures of Nonbank Financial Institutions
(G20–Recommendation #14)**

**Prepared by the Statistics Department
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INTRODUCTION

1. **This report aims at informing the members of the IMF Committee on Balance of Payments Statistics** (Committee) on the work on G-20 recommendation #14, within the Data Gaps Initiative (DGI)¹. The report also seeks support from the Committee on the implementation of this recommendation, with a focus on the implementation of enhancements to the Coordinated Portfolio Investment Survey (CPIS) and the reporting of data with a sectoral breakdown.
2. **The report is organized as follows.** Section I of this report provides background on the DGI. Section II informs on the work undertaken to create an inventory of available data at international organizations on cross-border exposures of financial and nonfinancial corporations. Section III summarizes the work on developing templates using existing cross-border data by institutional sector on the international exposures of large nonbank financial institutions. Section IV summarizes the data used in the templates, with a special emphasis on data from the IMF's Coordinated Portfolio Investment Survey (CPIS). We note that enhanced data by sector of holder and by sector of issuer will be collected, on an encouraged basis, on the CPIS effective with data for the end-June 2013 reporting date, and we urge all CPIS participants to compile and disseminate these data.

I. BACKGROUND

3. In April 2009, the Group of Twenty (G-20) Finance Ministers and Central Bank Governors Working Group on Reinforcing International Co-operation and Promoting Integrity in Financial Markets called on the International Monetary Fund (IMF) and the Financial Stability Board (FSB) to explore information gaps and provide appropriate proposals for strengthening data collection and report back to the Finance Ministers and Central Bank Governors. This call was endorsed by the IMF's International Monetary and Financial Committee (IMFC).
4. With the above mandate, the DGI was thus launched. Following widespread consultation with official users of economic and financial data in G-20 countries and in international institutions, particularly those responsible for financial stability analysis, a broad consensus emerged over the information gaps that needed to be filled. From this, twenty recommendations emerged, as described in the FSB/IMF report, "*The Financial Crisis and Information Gaps*."²

¹ A Task Force led by the Bank of International Settlements (BIS) was created under the auspices of the Inter-Agency Group on Economic and Financial Statistics (IAG) to work on Recommendations 13 and 14.

² Available at http://www.financialstabilityboard.org/publications/r_091107e.pdf.

5. **The data gaps report introduced recommendation #14, which stated as follows: “The Inter-Agency Group on Economic and Financial Statistics (IAG), consulting with the Financial Stability Board (FSB), to revisit the recommendation of the G-20 to examine the feasibility of developing a standardized template covering the international exposures of large nonbank financial institutions, drawing on the experience with the BIS’s IBS data, other existing and prospective data sources, and consulting with relevant stakeholders.”** Recommendation 14 focuses on strengthening data gathering initiatives on cross-border banking flows, investment positions, and exposures (i.e., on strengthening the data on international financial network connections), in particular, to identify activities of nonbank financial institutions (NBFIs).

6. **Recommendation #13 is closely related to recommendation #14.** Recommendation #13 states: “The IAG to investigate the issue of monitoring and measuring cross-border, including foreign exchange derivative, exposures of nonfinancial, and financial, corporations with the intention of promoting reporting guidance and the dissemination of data.”

7. **The need for timely and accurate data (stocks and flows) on NBFIs has been highlighted by the recent crisis.** The size and scope of activities of these institutions has widened in recent years, such as through the development of the so-called “shadow banking system.” This concept is broadly defined as financial intermediation by institutions, markets, and products outside of the banking sector and traditional securities markets. Such activity may be conducted by nonbank financial institutions (including through off-balance sheet vehicles), through the development of innovative financial products (such as asset backed securities) and the development of new financial markets (such as repo markets).

8. **There are various data sources on nonbank financial institutions.** In particular, the OECD collects data on institutional investors (life and non-life insurance companies, pension funds and investment funds), and the ECB has enhanced its data collections on investment funds, including hedge funds. The recommendations in the data gaps report would strengthen the coverage of NBFIs within existing data collections, and also would lead to new data collections. For example, current work to expand the regulatory perimeter would result in reporting requirements on currently unregulated financial entities. Such regulation is expected to eventually provide a basis for improved data on NBFIs.

9. To address recommendation #14, the agencies represented on the IAG concluded that they would identify and draw upon existing data sources before proposing any expansions in existing data collections or new surveys. Along these lines, work began with the production of an inventory of available datasets (first step) followed by the production of templates using existing cross-border data (second step). These two steps are explained in the following Sections of this report.

II. FIRST STEP: INVENTORY OF AVAILABLE DATASETS

10. **The first step in developing a template showing currently available data on financial and nonfinancial corporations was the development of an inventory of data available at international organizations on cross-border exposures of financial and nonfinancial corporations.** The institutions participating in the work on recommendations #13 and #14 (BIS, ECB, IMF, and OECD) therefore compiled an inventory of available statistics on cross-border financial positions and transactions. This inventory provides an overview of available data sources, key information on concepts, coverage and definitions of the data sources, as well as hyperlinks to the underlying data and additional information. Given the differing nature and purposes of the various data sources, the initial emphasis was on providing key metadata information together with hyperlinks to the data sources, rather than presenting the data in a common table or template. (The latter was developed in the second step – see Section III.)

11. **The inventory covers the existing statistics on nonfinancial and financial (bank and non-bank) corporations assets and liabilities against nonresident counterparts.** Information is also available on planned new statistics. The inventory is presented in tabular and text summary format. The inventory is available at the PGI website (click on “Additional Data Sources” tab at <http://www.principalglobalindicators.org>).³

III. SECOND STEP: TEMPLATES ON EXISTING CROSS-BORDER DATA

A. Data Templates as Navigation Tool

12. As a follow-up to the publication of the *Inventory of data on cross-border exposures of financial and nonfinancial corporations* at the PGI website, the Task Force engaged in the design of two templates summarizing the data on cross-border positions of financial and nonfinancial corporations available in participating international organizations (BIS, ECB, IMF, and OECD). The first template (Template A – see Annex I for the heading and Annex II for the side stub) covers positions for all major sectors of an economy, and the second template (Template B – see Annex III for the heading and Annex IV for the side stub) covers positions of the financial sector in greater detail. While the inventory of cross-border data is a comprehensive list of major datasets with information on cross-border exposures, the proposed templates are designed as *navigation tools* that present a limited amount of data along with hyperlinks to underlying data sets. The templates will be posted on the *PGI* website once they are finalized.

³ The inventory contains descriptions for 29 datasets of the BIS, ECB, IMF, and OECD. BIS has seven datasets, ECB eight, IMF nine (including those that are jointly managed with the World Bank), and OECD five.

B. Design of the Templates

13. **The templates have been developed using data for two countries for testing purposes.** In May 2012, the Task Force met at the OECD in Paris to review data for France and Japan collected by the BIS, ECB, IMF, and OECD and to discuss the content and design of the templates. In addition to the members of the Task Force, the meeting was attended by experts on financial accounts and balance of payments statistics from the Bank of France, and experts on statistics of foreign direct investment, financial accounts, and institutional investors from the OECD. The IMF datasets selected for this exercise were the CPIS, Coordinated Direct Investment Survey (CDIS), International Investment Position (IIP), Standardized Report Forms (SRF) for monetary statistics, and Financial Soundness Indicators (FSIs).

14. **At its May 2012 meeting, the Task Force discussed Template A and Template B, and agreed that both templates should be compiled.**⁴ As noted, Template A displays cross-border positions of main sectors of the economy, i.e., the financial sector with sub-sectors for central bank, other deposit-taking corporations and money market funds, and other financial corporations, as well as for the nonfinancial sectors, with sub-sectors for nonfinancial corporations, general government, and households (including NPISHs). Template B focuses on the financial sector and its subsectors following the *2008 SNA* definitions,⁵ i.e. total financial corporations, deposit-taking corporations with further splits for the central bank, other deposit-taking corporations, and money market funds; insurance corporations and pension funds with separate data for each; and other financial intermediaries, with an “of which” for non-MMF investment funds. The templates cover positions data only.

15. **The templates display a summary of the most recent data from a selection of datasets.** In addition, the data to be presented in the templates will be non-consolidated and should follow the residence concepts in the internationally accepted statistical standards. Some of the 29 datasets that are identified in the inventory of available datasets do not fit the scope of the templates (such as because they do not cover positions, or do not contain

⁴ The BIS and IMF considered Template A to be important for highlighting their data sets, because a number of their datasets are comprehensive in terms of institutional sectors (for example, the IIP covers all institutional sectors) or focus on a single sector without sub-sectoral detail (for example, the international banking statistics by BIS pertain to the deposit-taking sector). The ECB and OECD considered Template B to be important, because both have a wealth of information on different non-bank financial intermediaries, such as in the institutional investors database by the OECD, or in the mutual funds, insurance corporations and pension funds datasets by the ECB.

⁵ However, the *SNA 2008* subsectors will be grouped following the broad categories of the *SNA 1993* when data for the newly defined categories are not available.

unconsolidated data) and, therefore, are excluded from the templates. The Task Force agreed that each organization should decide which datasets to include in the templates.

C. Principal Features of the Templates and Follow-up Actions

16. The templates will disseminate free, non-confidential data only. As of the drafting of this Committee paper, the templates compiled with the data for France and Japan (consisting largely of data for Q4 2010) were being used for technical discussions related to the future dissemination of the templates on the PGI website (<http://www.principalglobalindicators.org/default.aspx>). Metadata will also be developed and disseminated on the PGI website.

17. General features, specific features and follow-up actions on the templates are presented in separate discussions below.

General Features

Units and Currency of denomination

- The source datasets use different units and currency of denomination. It was agreed to use a *single unit* and currency for all datasets, which will involve data manipulation before dissemination.
- Data will be reported in the units and currency of denomination of the respective international organization website, with an automatic conversion to USD or national currency upon demand (assuming that the PGI website can do the calculations/conversions).

Frequency and reference date

- The principal frequency will be quarterly, although monthly, semiannual, and annual frequency will also be accepted. The templates would be populated with the latest data available for each dataset, as opposed to a single reference date.⁶

Time series

- **Time series** will not appear on the templates (only a single datapoint for each variable will appear), but will be made available through hyperlinks to the original datasets.

⁶ This approach allows for dissemination of the data as they become available, as opposed to releasing data only after the least timely data become available.

Data granularity

18. More granular data can often be found in the original datasets. Task Force members preferred to avoid the submission of highly detailed data to the IMF for redissemination. Instead, the use of *hyperlinks* to the original datasets will direct users to more granular data not highlighted in the template. This option is meant to save costs and ensure that data are current. Within the IMF, the PGI team will look into how the navigation templates would be designed, including the use of hyperlinks. The aim is to have a workable and operational web hub by end-2012, though this will depend on resource availability from the PGI team.

Specific Features and Follow-up Actions

- **Sectoral breakdowns** (columns of the templates) are presented in Annex II (for Template A) and Annex IV (for Template B). They broadly follow *SNA 2008* definitions.⁷
- Column for the **frequency and (latest available) reference period**: an effort should be made to let the web application pick up this information automatically.
- **Currency and currency conversion**. Show USD for all entries. Web designers should explore the option to have a way for users to click one way and get consistent USD data and to click another way and get the actual source data in the respective currency (domestic currency, USD, euro).
- Column “**breakdowns**”. Each institution to give an overview of the available breakdowns in their respective dataset(s) in a limited number of lines (around 10) that show actual data to the extent possible⁸. The web application to provide **hyperlinks** to the respective data for the particular breakdowns available on the institution’s website.
- It will not be possible to fully harmonize **breakdowns** according to the *SNA* concept (e.g., instruments). Footnotes should be used to indicate how the actual breakdown data differ from the *SNA* concepts.
- After the **final templates** are agreed, they will be **tested** with the latest available data for France and Japan in October 2012. (This work is currently underway.) The IMF will use the templates for France and Japan in developing the web application.

⁷ In regard to Annex IV, the Task Force proposed to split insurance corporations between life and non-life insurance companies in future expansions of the template.

⁸ A teleconference took place on October 12, 2012 in which the level of detail (proposed breakdowns) for each dataset was discussed. A final agreement has not been reached yet.

- The **live application** will work as a web service in that it will pull data from the website of contributing institutions to the maximum extent possible.
- **Deadline:** the target is for the new application to become available by end-2012 (soft target).

IV. IMF DATASETS THAT MAY BE INCLUDED IN THE TEMPLATES

19. **This section focuses on the IMF datasets that may be included in the templates.** The datasets on cross-border positions by sector maintained by the IMF in the area of external sector statistics are the international investment position and the CPIS. In addition, the reserves template provides stock data on central bank and central government holdings of reserve assets. Further, the World Bank maintains the external debt statistics dataset (jointly managed with the IMF).

20. **The CPIS is central in identifying international financial network connections (the focus of recommendation #14).** This is because the CPIS provides data by economy and sector, and also because the cross border investments of nonbank financial institutions (NBFIs) are most likely to be in the form of securities – unlike banks that will also have loan assets. Annex V presents a table based on the 2010 CPIS showing which economies reported data by domestic sector of holder and, for the financial sector, by sub-sector of holder.⁹

21. **Sectoral data has been collected in the CPIS on an encouraged basis since the survey was initially conducted (1997, and then annually for 2001 forward), and sectoral data will be substantially enhanced beginning with the CPIS data collection covering end-June 2013.** As noted, the existing CPIS collects data on sector and sub-sector of holder (see CPIS Table 3, an encouraged table, at <http://cpis.imf.org>). At present, 51 economies provide the sectoral data presented in CPIS Table 3. The IMF is engaged in efforts to encourage additional economies to provide these data.

22. **In addition, as noted, enhancements to the CPIS are being implemented effective with the reporting of data for end-June 2013 (requested for submission to the IMF in mid-January 2014).** Revised CPIS report forms were prepared to reflect the enhancements, and these have been shared with CPIS participating countries. Tables 5.1-5.2 of the new CPIS report forms introduce separate data on the institutional sector of foreign debtor/issuer, on an “encouraged” basis¹⁰. Further, with the aim of aligning the outputs with user demands for more granulated sectoral data on a “from-whom-to-whom” basis, there has been introduced (still on an encouraged basis) the collection of data on the institutional sector

⁹ The IMF intends to update this table annually for the Committee.

¹⁰ The sector breakdown in the new CPIS forms has been updated to meet the new needs arising from this exercise (which are consistent with the *2008 SNA*), particularly the breakdown of the financial sector.

of resident holders cross-classified by the institutional sector of the nonresident issuers of securities (Tables 6, 6.1, 6.2, 6.2.1, and 6.2.2). To reduce potential reporting burden, the sectoral detail for nonresident issuers (debtors) is limited to the twenty five economies with systemically important financial sectors. These economies are the same as those for which the IMF Executive Board has recently endorsed mandatory financial stability assessments under the Financial Sector Assessment Program (FSAP), to be conducted every five years.

Questions for the Committee:

1. *Do members of the Committee have comments on the work to develop dissemination templates, covering data on positions pertaining to cross-border exposures of financial and nonfinancial institutions?*
2. *Information on sector of holder is sought in the CPIS, and effective with the end–June 2013 measurement date, information on sector of holder cross-classified by sector of issuer is included. These data are to be reported on an “encouraged” basis. Nonetheless, given the importance of these data, the IMF urges economies (particularly those that are sizable holders of securities) to report the sectoral detail covered in the enhanced CPIS.*
 - *Do members of the Committee believe that their economies will be able to report data on sector of holder following the new classification (CPIS reporting Table 3 and its components) within a short– or medium–term basis? Are there any ways in which the IMF may be able to facilitate the reporting of these data?*
 - *Do members of the Committee believe that their economies will be able to report data on sector of holder cross-classified by sector of issuer (CPIS reporting Tables 5 and 6) within a short– or medium–term basis? Are there any ways in which the IMF may be able to facilitate the reporting of these data?*

Template A: IMF Datasets (Rows of the table) (1 of 2)
Financial Assets and Liabilities: Cross-Border Positions of Major Sectors of the Economy
[Country] (Millions of Currency Units)

Template A					
				Total S12	
Dataset (Data custodian)	Frequency / Reference period	Currency ¹	Breakdowns	A	L
International Investment Position (IMF)	Q/A: Dec 10		Total nonresidents		
			<i>Of which:</i>		
		USD	Direct Investment		
		Billion	Portfolio investment		
			Financial derivatives		
			Other investment		
Coordinated Portfolio Investment Survey (IMF)	A: 2010		Reserve assets		
			Total portfolio investment assets		
			Currency (by instrument)		
		USD	Equity Securities		
		Million	Country		
			Debt Securities		
Coordinated Direct Investment Survey (IMF)	A: 2010		Short-term		
			Country		
		USD	Long-term		
		Million	Country		
Quarterly External Debt Statistics (IMF/WB)	Q: 2010		Total direct investment		
		USD	Equity (net)		
		Million	Country		
			Debt instruments (net)		
			Country		
			Total external debt		
		USD	Short-term		
		Million	Long-term		

Template A: IMF Datasets (Rows of the Table) (2 of 2)

Financial Assets and Liabilities: Cross-Border Positions of Major Sectors of the Economy						
[Country] (Millions of Currency Units)						
Template A						
					Total S12	
Dataset (Data custodian)	Frequency / Reference period	Currency¹	Breakdowns	A	L	
International Reserves Template (IMF)	M: Dec 10	USD	Official reserve assets			
		Million	Other foreign currency assets			
Monetary and Financial Statistics SRF (Standardized report form) data (IMF)	M: Dec 10		Total nonresidents			
			Monetary gold and SDRs			
			Currency and deposits			
		Euro	Securities other than shares			
		Million	Loans			
			Shares and other equity			
			Insurance technical reserves			
			Financial derivatives			
			Other accounts receivable / payable			
			In national currency			
	In foreign currency					
Financial Soundness Indicators (IMF)	Q/A: 2010	Percent	Loans to nonresidents			
			Loans to advanced economies, excl. China			
			Loans to other emerging market & developing countries, incl. China			
			Loans to Africa			
			of which loans to Sub-Saharan Africa			
			Loans to Central and Eastern Europe			
			Loans to Commonwealth of Independent States and Mongolia			
	Loans to developing Asia, incl. China					

Template A: Sectoral Breakdown (Columns of the Table)

Financial Corporations Sector S12								Non-financial Sectors								All Sectors	
Total S12		Central bank S121		Other deposit-taking corporations and money market funds S122+S123		Other financial corporations ² S124+S125+S126+S127+S128+S129		Total		Non-financial corporations S11		General government S13		Households (including non-profit institutions serving households) S14 + S15		Total	
A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L

Template B: IMF Dataset

Financial Assets and Liabilities: Cross-Border Positions of the Financial Corporations Sector
 [Country] (Millions of Currency Units)

	Data available and disseminated
	Data available through hyperlink to original dataset
	Data not available or not applicable

Template B			Financ										
			Deposit-taking corporations (DTCs) and money market funds (MMFs) S121 + S122 + S123										
			Central bank S121				Other DTCs and MMFs S122 + S123						
							Other DTCs S122		MMFs S123				
Dataset (Data custodian)	Frequency / Reference period	Currency ¹	Breakdowns		A	L	A	L	A	L	A	L	A
Coordinated Portfolio Investment Survey (IMF)	A: 2010	USD Million	Total portfolio investment assets										
			Currency (by instrument)										
			Equity Securities										
			By Sector of Nonresident Issuer										
			By Sector Res Holder and Sector of NonRes Issuer										
			Country										
			Debt Securities										
			By Sector of Nonresident Issuer										
			By Sector Res Holder and Sector of NonRes Issuer										
			Short-term										
			Country										
			Long-term										
Country													

¹ Choice of denomination in USD or in original database currency

Data will become available in early 2014, when results from the enhanced CPIS survey for end-June 2013 become available. Data would be posted on the PGI.

Data will become available in early 2014, when results from the enhanced CPIS survey for end-June 2013 become available. Data would be available through a hiperlink.

Template B: Sectoral Breakdown (Columns of the Table)

Financial corporations S12																		
Deposit-taking corporations (DTCs) and money market funds (MMFs) S121 + S122 + S123									Insurance corporations and Pension funds S128 + S129						Other financial intermediaries S124+S125+S126+S127			
		Central bank S121		Other DTCs and MMFs S122 + S123							Insurance corporations S128		Pension funds S129				Of which: Non-MMF investment funds S124	
				Other DTCs S122			MMFs S123											
A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	A	L	

CPIS 2010: Economies Reporting Data by Sector of Holder and Economy of Nonresident Issuer

CPIS participants (75)	Sector of Holder	Monetary Authorities	Banks	Other Financial Institutions			
				Total	of which: Insurance	of which: Mutual Funds	of which: Other
Argentina	✓		✓	✓	✓		✓
Aruba							
Australia	✓			✓	✓	✓	✓
Austria	✓		✓	✓	✓	✓	✓
Bahamas, The							
Bahrain, Kingdom of	✓		✓	✓	✓		
Barbados	✓		✓	✓	✓		
Belgium							
Bermuda	✓		✓	✓	✓	✓	✓
Brazil							
Bulgaria	✓		✓	✓	✓	✓	✓
Canada							
Cayman Islands	✓		✓				
Chile	✓		✓	✓	✓	✓	✓
Colombia	✓		✓	✓	✓	✓	✓
Costa Rica	✓		✓	✓		✓	✓
Cyprus	✓		✓	✓	✓	✓	✓
Czech Republic	✓		✓	✓	✓	✓	✓
Denmark	✓	✓	✓	✓	✓	✓	✓
Egypt	✓		✓	✓	✓		
Estonia							
Finland	✓		✓	✓	✓	✓	✓
France	✓		✓	✓	✓	✓	✓
Germany	✓		✓	✓	✓	✓	✓
Gibraltar							
Greece	✓		✓	✓	✓	✓	✓
Guernsey	✓		✓	✓	✓	✓	
Hong Kong SAR of China							
Hungary	✓		✓	✓	✓	✓	✓
Iceland	✓	✓	✓	✓	✓	✓	✓
India	✓		✓	✓	✓	✓	
Indonesia	✓		✓	✓	✓	✓	✓
Ireland							
Isle of Man							
Israel	✓		✓	✓	✓	✓	
Italy	✓			✓	✓	✓	✓
Japan	✓		✓	✓	✓	✓	✓
Jersey	✓		✓	✓	✓	✓	✓
Kazakhstan	✓	✓	✓	✓			✓
Korea, Republic of	✓		✓	✓			

CPIS 2010: Economies Reporting Data by Sector of Holder and Economy of Nonresident Issuer

CPIS participants (75)	Sector of Holder	Monetary Authorities	Banks	Other Financial Institutions			
				Total	of which: Insurance	of which: Mutual Funds	of which: Other
Kosovo							
Kuwait	✓		✓	✓	✓	✓	✓
Latvia							
Lebanon	✓		✓	✓	✓		✓
Lithuania	✓	✓	✓	✓	✓	✓	✓
Luxembourg							
Macao SAR of China	✓		✓				
Malaysia	✓		✓				
Malta							
Mauritius							
Mexico	✓		✓	✓	✓	✓	
Netherlands	✓		✓	✓	✓	✓	✓
New Zealand							
Norway	✓		✓	✓	✓	✓	✓
Pakistan	✓		✓	✓		✓	✓
Panama							
Philippines							
Poland	✓			✓			
Portugal	✓		✓	✓	✓		✓
Romania	✓		✓	✓	✓	✓	✓
Russian Federation	✓		✓				
Singapore							
Slovak Republic							
Slovenia							
South Africa	✓		✓	✓	✓	✓	✓
Spain	✓		✓	✓	✓	✓	
Sweden	✓	✓	✓	✓	✓	✓	✓
Switzerland							
Thailand	✓		✓	✓	✓	✓	✓
Turkey	✓		✓	✓			✓
Ukraine	✓		✓				
United Kingdom	✓		✓	✓	✓	✓	✓
United States							
Uruguay	✓		✓				
Venezuela, República Bolivariana de	✓	✓	✓	✓	✓	✓	✓
Total Count	52	6	49	46	40	36	36

Note: Austria, Cyprus, Finland, France, Germany, Netherlands, and Portugal report data for “Monetary Authorities” and “Banks” on an aggregated basis under “Banks.” A blank is shown in this table in the case where an economy has holdings of portfolio investment securities and does not report them on the CPIS, as well as the case where the economy has no holdings to report. The latter circumstance may often exist in the case of holdings by Monetary Authorities. Monetary Authorities typically hold securities of sizable values, but these usually qualify for reporting as reserve assets, which is covered by SEFER (a confidential survey) and not the CPIS.