Annex 11. Data by Partner Economy

A. Introduction

A11.1 The primary presentation of external accounts shows positions and transactions with all nonresidents as a total, but data on positions and transactions with nonresidents broken down into individual partner economies or groups of economies are of considerable interest. (The possible split of data by partner institutional sector is discussed in Chapter 4). Data may be provided for the balance of payments or IIP as a whole, or for particular components, such as goods, services, direct investment, or portfolio investment. . For example, partner data are an essential element of the IMF's Coordinated Portfolio Investment Survey and Coordinated Direct Investment Survey as well as the BIS's international banking statistics. The availability of partner data supports bilateral comparisons, which can aid economic analysis and international trade negotiations, and can also assist in identifying data problems.

A11.2 Partner data are often prepared for groups of economies or a mix of groupings and major individual partner economies. (Because partner economies are often grouped into regions, the data are sometimes called regional statements). It is desirable to follow standard lists of economies and regions, such as those of the United Nations or IMF. The partner data published may be aggregated to groups of economies because of confidentiality and to avoid categories with minimal values. In addition to economies and regions, categories for international organizations as counterparties are needed. Partner data are also necessary to consolidate data from member states into data for a currency union or economic union. Additional information on partner data for currency unions and economic unions is dealt with in paragraphs A3.21–A3.28.

A11.3 The basic principle for data by partner economy is based on the economy of residence of the counterparty to the transaction or financial position. For current and capital account transactions, the partner economy attribution is based on the "transactor approach" (i.e.,

transactions are allocated to the economy of residence of the nonresident with whom the transaction is made). For balance of payments transactions in financial instruments, while the basic principle for partner economy attribution is based on the transactor approach, the use of the debtor-creditor approach (i.e., cross-border transactions in financial assets are allocated to the economy of the residence of the debtor and liabilities are allocated to the economy of the residence of the creditor) is possible but should be clearly specified when presenting the data to users.[1]

A11.4 The same principles for determining residence, as discussed in Section A.3 of Chapter 4, are applicable, but they are often more difficult to apply because the information is not known to the resident counterparty. In a number of cases listed in paragraphs A11.5-A11.7, the main potential source of information may fall short of the preferred basis. In each case, such divergences should be noted by compilers and their significance assessed to determine whether adjustments are needed. The balance of payments statement as a whole is conceptually balanced because each transaction involves two equal flows; however, bilateral balance of payments may not balance (even in theory) (see paragraph A3.73).

1. Agents

A11.5 An agent is a party who acts on behalf of or as a representative for another party. Transactions arranged by an agent on behalf of a principal should be attributed to the principal, not to the agent. For example, if an agent arranges tickets of an airline resident in another economy for a fee, the transactions and positions related to those tickets are attributed to the airline. However, the fee payable to the agent is recorded as nonfinancial intermediation service and attributed to the economy of the agent. See paragraph 11.150-1 for details on the nonfinancial intermediation services.

[1] On many occasions (e.g., investment income), both approaches—the transactor and debtor-creditor approaches— will typically yield the same result.

2. *Nominee accounts and custodians*

A11.6 Nominees are a legal device for holding assets for confidentiality or convenience reasons. Custodians are financial institutions or specialized units responsible for the safekeeping, administration, and management of assets, such as securities. They provide a broader range of services, including settlement, record-keeping, and transaction processing for the assets. The assets held in nominee accounts should be attributed to the economic (beneficial) owner, not the nominee. However, for issuers of securities, it may be difficult to identify whether nominees hold assets in their own right or as nominees. Furthermore, if the assets are held by a nominee, it is recognized that it may be difficult to identify the economic owner, especially when nonresident nominee accounts and custodians are used. For example, if a resident of country A holds securities issued by a resident of country B and uses a nominee account in country C, and the securities are kept in custody in country C, the custodian in country C may not be aware that the ultimate owner is in Country A.

3. *Quasi-corporations*

A11.7 When an actual entity is split into separate institutional units (such as for joint administration zones, branches, notional resident units, and multiterritory enterprises, as noted in paragraphs 4.10 and 4.26–4.44), they should be split consistently in partner data for statistics in the economy of the counterparties.

B. Compilation of Cross-Border Transactions and Positions Data by Partner Economy

A11.8 This section will cover the compilation of data by partner economy for specific balance of payments components (e.g., goods, services, direct investment) and financial instruments, and associated issues.

1. *Goods and Services*

A11.9 Statistics on trade by partner economy provide insights into global economic trends, regional trade patterns, interdependencies, and potential areas for policy development or investment. Trade by partner economy further provides a firm basis for bilateral and multilateral trade negotiations. Mirror data can be used by compilers and analysts to complete gaps in existing data and for measurement of bilateral asymmetries.[2] Goods trade by partner economy can be available to a high level of detail from the source data. Services trade by partner economy may be available from compilation sources, such as through an international transactions reporting system (ITRS) system, or collected at company level through dedicated questionnaires on international trade in services.

1.1 Goods

A11.10 The goods account is typically derived from International Merchandise Trade Statistics (IMTS) source data. In this context, IMTS recommends that for imports the country of origin is recorded (and that the country of consignment (see paragraph [A11.16]) is recorded alongside country of origin), while for exports, the country of last known destination is recorded. In addition to the potential issues associated with using country of origin and country of last known destination, which will be discussed in subsequent paragraphs, compilers should also be mindful of national practices, such as instances where goods are reported on a country of consignment basis.

A11.11 The country of origin of goods reflects the economy of production or manufacture of the goods. The IMTS determines the origin as the place of last substantial transformation. The *IMTS Compilers Manual (2010)*, following the Revised Kyoto Convention, helps identifying operations that would and those that would not constitute substantial transformation.

A11.12 The country of last known destination is the last country to which goods are to be delivered, irrespective of whether they have been initially dispatched to an intermediate country

[2] Bilateral trade asymmetries at a detailed or aggregate level are discrepancies in reported statistics occurring when the value of exports of one economy to a second economy do not match the corresponding imports of the second economy from the first economy. Bilateral asymmetries in goods and in services are discussed in, IMTS: Concepts and definitions, and the Manual on Statistics of International Trade in Services, respectively,

and whether or not, on their way to that last country, they are subject to any commercial transactions or other operations that change their legal status, such as a change of ownership.

A11.13 There are cases when the partner country in the external sector statistics is not the same as the country of origin. Suppose goods were produced in country A, sold and shipped to country B, and afterwards resold and dispatched to country C. Country C, if recording country of origin, will indicate that goods were imported from country A. In the balance of payments statistics these goods should be shown as imports from country B as there is a change of ownership of goods between countries B and C.

A11.14 The same issue theoretically exists for exports recorded by country of last-known destination. However, using the same example as in paragraph [A5.26] the exporter in country A may not know the actual final destination and may be more likely to record country B as the country of last known destination (which would be the same partner attribution in the balance of payments statistics).

A11.15 There are other types of partner economy attribution for imports and exports that are used for compiling IMTS. A well-known type is the country of consignment. Country of consignment has symmetric treatment for imports and exports. The country of consignment refers to, for imports, the country from which goods are dispatched to the reporting country, and for exports, the country to which goods are dispatched from the reporting country, without any commercial transactions or operations in intermediate countries that alter the legal status of the goods.

A11.16 The concept of country of consignment is a partner attribution which is often used in IMTS that approximates the change of ownership principle in the balance of payments statistics. This is because if a change of ownership of goods between residents of different economies takes place and the goods are shipped between their respective economies, it is unlikely that any commercial transaction in an intermediate economy would occur that could alter the legal status of the goods.

A11.17 Compilers of balance of payments statistics that use IMTS as source data are therefore recommended to use country of consignment from the customs-based data whenever these data are available. For imports, these data may be available as a secondary partner of attribution (as recommended in the *IMTS: Concepts and Definitions*). For exports, if country of consignment is not available then country of last known destination serves as a practical alternative (see paragraph [A5.37]).

A11.18 There are, however, cases where goods may be dispatched directly between two economies, with a change in legal status happening in both economies (that is, satisfying the country of consignment conditions) but where no transaction takes place between the two economies. A well-known example is the case of a merchant resident in a third economy who buys goods from a first economy and sells those goods to a second economy (see Box A11.1). This illustrates one of the limitations of using the IMTS for the allocation of partner economy in the goods account.

A11.19 More generally, if there is a movement of goods between economies that is not matched with a change of ownership between those economies, or, if there is a change of ownership between economies that is not matched with a movement of goods between those economies, then the partner economy from the IMTS data will not be recorded correctly for balance of payments statistics purposes. As seen in Chapter 10, these situations occur within global distribution and manufacturing arrangements.

A11.20 The focus of the discussion of global distribution and manufacturing arrangements in Chapter 10 is on adjustments that need to be made to the source data to record total goods on a balance of payments basis. This section considers partner economy attribution issues that arise in these arrangements. While the partner economy attribution is often straightforward when a change of ownership is identified, it may differ from the records maintained in the IMTS under these circumstances. Box A11.1 below illustrates the issues that may arise under a merchanting arrangement.

A11.21 A more complex situation arises for compilers in a non-merchant economy when dealing with inverse merchanting. In this scenario, a resident unit sells goods to a nonresident merchant, which should be recorded as exports in the BOP. Subsequently, another resident unit purchases these goods from the merchant, and this transaction should be recorded as imports in the BOP. The movement of goods occurs solely between resident units and will not be captured in the IMTS. Compilers need to record both an export and an import of the same goods when identified and significant.

Box A11.1 Partner Economy Attribution: Merchanting

A merchant resident in economy A acquires goods from a producer resident in Economy B for 10. The goods are sold to a resident in Economy C for 17, without the goods passing through Economy A. The table illustrates the flows of goods in the balance of payments.

Reporting Economy	Partner	Exports	Imports
Economy A	Economy B	-10	
Economy A	Economy C	17	
Economy B	Economy A	10	
Economy C	Economy A		17
Global trade in goods		**17**	**17**

These flows would differ in each case from the IMTS.

In the BOP, Economy A records -10 exports (under goods acquired under merchanting) with Economy B, whereas Economy B records +10 exports with Economy A. This situation highlights a conceptual asymmetry between exports from Economy B and imports to Economy A, which arises from the treatment of merchanting in the economy of the merchant. Nevertheless, it is important to note that there is no asymmetry in the net trade or the balance of the goods account between the two economies.

A11.22 In a goods for processing arrangement, the processor does not take ownership of the goods. So, goods that enter and leave the economy of the processor that are owned by the principal would not be shown in the goods account of the processor. However, these goods would be recorded in the IMTS.

A11.23 Furthermore, the material inputs, in a goods for processing arrangement, may be purchased by the principal from a third economy or from the economy of the processor without entering or leaving the economy of the principal. When the goods are finished, they may be sold by the principal to the economy of the processor or to a third economy without entering the economy of the principal (see figure 10.1). In all these cases, the partner economy attribution would refer to the change of ownership and would differ for all economies involved from what is recorded in the IMTS source statistics. In the scenario illustrated in Figure 10.1, the dashed lines represent physical flows of goods and would be recorded in the IMTS and the solid lines show balance of payments transactions. In the balance of payments, Economy C should record exports of goods vis-à-vis Economy A and not vis-à-vis Economy B as would be recorded in IMTS; Economy B should not record any exports and imports of goods, but only show services exports vis-à-vis economy A; and Economy D should record imports of goods vis-à-vis economy A and not vis-à-vis C as would be recorded in the IMTS.

A11.24 Under factoryless goods production, the contractor sells finished goods to the principal and the principal may sell those goods to the economy of the contractor or a third economy without the goods passing through the economy of the principal. As discussed in Chapter 10, this is not treated as merchanting because the principal is considered a manufacturer and not a distributor. In the balance of payments statistics, the contractor should record exports to the principal and the final buyer should record imports from the principal (with corresponding transactions shown for the economy of the principal) even though the goods are dispatched directly from the contractor to the final buyer.

A11.24a A similar situation to inverse merchanting (see paragraph A11.21) can arise with factoryless goods production where the contractor and the final buyer are both resident in the same economy. The economy of the contractor/final buyer should record exports and subsequent imports of the finished goods with the economy of the principal (with corresponding transactions shown for the economy of the principal). The movement of goods would be between residents of the same economy and would not be captured in the IMTS of either economy.

1.2 Services

A11.25 Trade in goods generally benefits from extensive information in customs data, which provides details by product and by partner country as well as other variables. On the other hand, services trade statistics often depend on information obtained from surveys (often of samples of the population) and various estimation techniques. Consequently, many countries still do not report bilateral trade statistics for services, further complicating the analysis of service trade flows.

A11.26 Chapter 11 offers detailed guidance on the classification and reporting of services within the balance of payments framework. It provides a clear overview of the various services categories, including transport, travel, computer and information services, financial services, and technical and other business services. Although the partner economies involved in trade in services is implied in the services account, the standard components are restricted to the services categories (without specifying partner economy). This manual nevertheless strongly recommends that statistics on international trade in services be collected and compiled on an individual trading partner basis. This recommendation is particularly important because, unlike trade in goods, the services account of the BOP is the principal source of information available to users on trade in services.

A11.27 It is recognized that compiling statistics by service category and by trading partner can be complex and challenging. It is resource-intensive; there may be incomplete information; survey design can be difficult; and there is a need to employ sampling and

estimation techniques that are not generally used in other parts of the external accounts. The level of detail may introduce confidentiality issues. This Manual recommends that compilers share practices and, at least, give priority to deriving data on trade in services by services category (see Chapter 11 and Annex 14) and for the main trading partners of their economies.

A11.28 Because most services are traded at the same time as their production, the concept of partner economy of service provision is usually straightforward. Several unavoidable and complex challenges however persist. These include the following.

- The allocation of imports related to transport and insurance services, resulting from the CIF to FOB adjustment, may not accurately reflect the actual services provided to the reporting economy. This discrepancy arises because some transport and insurance costs to be recorded as costs to the importing economy may pertain to payments made by the exporting economy (see also Box 11.1).

- This Manual recommends separating package tours into distinct components, including transport, accommodation, and other services, as well as the services provided by the tour operator and the fees and commissions of the travel agency (see Box 11.2). Estimating the partner economy of the separate components can be challenging due to limitations in source data, such as tourism surveys or payment records.

- Fees charged by service providers to investment funds are considered to be directly provided from the original professional providers to the shareholders of those funds (see paragraphs [11.125-1 and 12.38a]). For compilers of these services (from the point of view of the shareholder or the service provider), information regarding the partner economy may not be readily accessible, especially for investment funds not based in the compiling economy.

- Digital intermediation fees may arise when transactions occur between residents of the same or different economies (See paragraphs [16.xx to 16.yy]. Correctly attributing these fees to the appropriate economy requires an understanding of the payment

arrangements between the parties involved, as well as knowledge of the economy where the intermediation platform is located.

- In the case of crypto assets designed to act as a general medium of exchange without corresponding liability (CAWLM), partner economy attribution of implicit fee (i.e., newly released CAWLM) receivable by the miners for validating transactions in these assets is challenging. The implicit fee is assumed to be collectively consumed by the existing holders of crypto assets, which is difficult to implement in practice since identifying these holders is not straight forward. On the other hand, the explicit fee in crypto assets is payable by the party initiating the transaction and can be identified with some effort. See Box 11.5 for a discussion on the recording of validation services of crypto asset transactions.

- With regards to lending/borrowing of crypto assets through decentralized platforms, it may be challenging to identify the counterparty to the receipt and payment of interest.

- Other services categories that are derived from an implicit measurement or conceptual models present challenges in estimation and accurate assignment to partner economies. Implicit financial services on loans and deposits, financial brokerage, and life insurance services are examples where the services recorded in the balance of payments do not fully capture actual services that are rendered and paid for explicitly between the two economies.

A11.29 Compilers should remain cognizant of these and other challenges arising from conceptual complexities and compilation difficulties, and they should strive to implement best practices to assign partner economy of trade in services effectively.

2. *Remittances*[3]

A11.30 Remittances are often closely related to migration between two economies, and therefore, remittance flows by partner economies are analytically useful. Remittances data by partners do not need to include all partner economies. Instead, data by partner economies should focus on major remittance corridors—that is, pairs of economies with large flows. For most economies, a small number of corridors are likely to cover most remittance flows. Remittance flows to and from major partner economies in balance of payments data may be provided on a supplementary basis, especially for major corridors.

A11.31 Compiling remittances data by partner economies may often require estimations even if aggregate data are available from direct measurement. This is the case because data obtained from an international transactions reporting system or direct reporting by money transfer operators often may not identify the partner economy correctly, but instead show flows with an international settlement center. It is important that compilers adjust these data adequately, such as by basing their estimations of bilateral flows partly on demographic indicators. Many countries and regions compile statistics on migration (e.g., Statistics on migration to Europe) and employment, and these statistics may be used by BOP compilers to help attribute remittances by country.

3. *Financial instruments*

A11.32 Partner data on asset positions are classified to the partner economy according to the residence of the issuer, not other factors such as the place of issue, the residence of a guarantor, or the currency of issue. Similarly, partner data on liability positions are classified according to the residence of the holders. In practice, identification of counterparty for securities positions, income, and transactions is difficult for various reasons, including that (a) the issuer is not always aware of current holders of securities, (b) transactors in securities markets may not be

[3] Discussion on remittances in this sub-section refers to "personal transfers" and not to the broader concept of "personal remittances" (see Table A4.1, for the definitions of remittances).

aware of the identity of the counterparty, and (c) security holders may be unaware that income on securities positions may be payable by a financial intermediary that created a "short" or reverse position in the security rather than by the issuer of the security.

A11.33 Classification of balance of payments transactions in financial instruments by partner raises some issues in addition to those for the IIP, in terms of data availability and user interest. These issues arise when an existing instrument is sold by a holder to another party. Such transactions involve only an exchange of assets, in contrast to the initial issue of a new instrument, which involves the creation of a new liability. This situation applies not only to securities, but also to other instruments that are traded, such as loans, deposits, banknotes, and coin.

A11.34 For balance of payments transactions, the partner attribution could be made on the basis of the parties to the transaction (namely, the buyer and the seller, the so-called transactor approach), or for assets owned, the residence of the issuer (the so-called debtor-creditor approach). In these cases, it is acceptable to adopt a convention for partner attribution of assets owned based on the residence of either the counterparty to the transaction or the issuer. On practical grounds, the information available does not always permit identification of the two parties to the transaction. As noted in paragraph 19.24, both the debtor-creditor and transactor bases could be of analytical interest. (See also paragraphs 3.7–3.8.)

Securities

A11.35 The partner attribution of a liability position or issue of a liability is made on the basis of the residence of the issuer. In cases in which a security is issued in a market other than where the issuer is resident, there is a need for particular attention.

A11.36 The coding systems used by the securities industry to identify securities can help in some cases to ensure consistency of geographic attribution of securities by compilers across economies. For example, for equity/debt securities the first two digits of International Securities Identification Number (ISIN) can sometimes be used to identify the country of the issuer.

However, this cannot be generalized to all equity/debt securities. Compilers should exercise caution when securities are issued in foreign markets using depository receipts (DRs). In such cases, use of the ISIN codes may lead to an inaccurate geographical attribution, because the country code is that of the organization that issued the DR rather than that of the one that issued the underlying security (see paragraph A11.43 for additional details on DRs). For debt securities, the ISIN code does not identify the residence of the issuer, but rather it identifies the depository (i.e., the national numbering agency). Further, securities issued by international organizations (IOs) (e.g., securities of the World Bank) may be assigned a code based on the currency of denomination (when issued as foreign bonds on a particular market, like US for "Yankee" bonds, JP for "Samurai" bonds etc.). Therefore, compilers need to apply caution in identifying the country of the issuer using ISIN codes. Finally, Eurobonds are issued with ISIN beginning with XS and in such cases the residence of issuer cannot be linked to ISIN. For additional details, see paragraph 3.13 and 4.57, *Coordinated Portfolio Investment Survey Guide, third edition (CPIS Guide).*

Stripped securities

A11.37 Stripped securities (or strips) may be treated as the liability of the original issuer if there is no new security, or of the party creating the stripped securities if a new security is created (as discussed in paragraph 5.50). If strips have been issued by an entity in its own name, then the residence of the issuer is that of the entity that issued the strips, and the issuing entity should report its holdings of the existing securities issued by nonresidents. If strips have been created from a nonresident security and remain the direct obligation of the original issuer, then the residence of the issuer remains the same as for the original security.

A11.38 The potential for double counting arises when the strips have replaced the original security, even though the latter has not been redeemed. Effectively, the original security is "dormant" in the settlement or clearing house, until it is reconstituted or redeemed.

Securities repurchase agreements

A11.39 The treatment of securities under reverse transactions, such as repurchase agreements, is discussed in paragraphs 5.52–5.54. Under that treatment, securities under reverse transactions are regarded as still being owned by the security-providing party, because there is no change of economic ownership.

A11.40 As noted in paragraph 7.28, short positions occur when a security subject to a repurchase agreement is sold outright by the security-receiving party. The party with the short position records a negative value for the holding of the asset. While recording of negative positions helps in avoiding double counting at the global level, there might be consistency issues when looking at the allocation by partner economy. The examples in Table A11.1 illustrate how double counting of debt securities assets/liabilities can occur in certain scenarios involving the on-selling of securities under a repurchase agreement.

A11.41 Compilers that collect data from custodians will need to ensure that resident custodians can separately identify securities held under repo or reverse repo agreements when reporting clients' holdings. An additional avenue to ensure consistency across borders in the recording of repos is for national compilers to consult directly with their counterparts in the appropriate foreign economy(ies)—where the issuer(s) of the securities is (are) resident—to assess whether both economies are treating repos in a consistent manner.

A11.42 Furthermore, it is especially important to maintain consistency within an economy regarding the treatment of repos of nonresident-issued securities. This ensures that the overall position of that economy vis-a-vis the issuing economy is accurately represented. If some respondents report on one basis (as collateralized loans or deposits) and others on another basis (as transactions in securities), this could result in a substantial over- or underestimation of the claims on the issuing economy.

Depository receipts

A11.43 Depository receipts are securities that represent ownership of securities held by a depository (see paragraph 5.23 for further information). The economy of issue of the underlying

securities is different from the economy in which the depository receipts are issued. Depository receipts allow investors to acquire an interest in companies in other economies while still using the payment and settlement systems and registration procedures of another economy. Depository receipts should be recorded in a way that "looks through" the depository that issues the receipts; that is, the holder of the receipts should be considered to have a claim on the issuer of the underlying security (equity or debt security), not that of the issuer of the depository receipt. The issuer of the receipt does not record the underlying security or the receipt. on its balance sheet. For instance, American depository receipts (ADR) are liabilities of non-U.S. institutional units whose securities underlie the ADR, not of the U.S. financial institutions issuing the ADR.

A11.43-1 Additionally, identifying partner economy could be challenging for the economy issuing the underlying securities of DRs, when holders of DRs are non-residents of the economy issuing the DRs. For example, a depository in economy A issues a DR for an underlying security issued by a resident of economy B and an investor in economy C holds the DR. The compiler of economy B who obtains information of holders from resident custodians may have a difficulty to identify the holder in economy C by looking through the depository in economy A.

Gold bullion included in monetary gold

A11.44 Gold bullion that has no counterpart liability is shown as unallocated in position data on assets by counterpart. For partner data on transactions, if a convention based on issuer is adopted, the transaction can be assigned to an unallocated or residual partner economy.

Special drawing rights

A11.45 These instruments are discussed in paragraphs 5.34–5.35. SDRs are based on a cooperative arrangement among the members of the SDR Department and other participants. The membership (SDR Department participants) incurs the asset and liability positions unto itself. Given that claims on and liabilities to members in the SDR system are attributed on a cooperative basis, an unallocated or residual partner category is used as the counterparty to SDR

holdings and SDR allocations.

Financial Derivatives

A11.45-1 Recognizing the difficulties in measuring transactions and positions of financial derivatives on a gross basis, *BPM7* allows reporting net figures (assets less liabilities), under assets, by convention. In the absence of reliable data on gross basis for assets and liabilities of financial derivatives, identifying specific partner countries could be challenging. It may depend on secondary sources, estimates, and detailed reports from relevant institutions, etc.

4. *Direct Investment*

A11.46 For direct investment, there can be chains of voting power, such as when a direct investor in Economy A has a subsidiary in Economy B, which in turn has a subsidiary in Economy C. In this case, for the direct investment in Economy C

(a) the economy of **immediate** ownership is Economy B; and

(b) the **ultimate** investing economy is Economy A.

A11.47 As a basic principle, direct investment transactions and positions by partner economy should be reported according to the immediate host or investing economy, based on the direct relationships between the parties rather than based on the residence of the ultimate partner economies or transactors. The partner allocation is based on the economy of the debtor (for transactions in securities, this is the economy of the issuer) rather than that of the counterpart transactor, if different.[4] However, a resident and a nonresident must engage in a transaction with one another for the transaction to be included in the balance of payments.

A11.48 Supplementary data on direct investment positions may be prepared according to ultimate source and host economy (destination). The *OECD Benchmark Definition of Foreign Direct Investment*, fifth edition (*BD5*), provides further information for the identification of

[4] *BD5* recommends the use of the debtor/creditor principle for the compilation of direct investment transactions and positions by partner economy. The *Coordinated Direct Investment Survey Guide 2015* (*CDIS Guide 2015*) and the *BD5* provide recommendations for compiling FDI data on a directional basis by partner economies. The main reasons for bilateral asymmetries of CDIS data reported by economies in the *CDIS Guide 2015* Box 6.5 are equally relevant for discussion in this section.

ultimate source. When direct investment is channeled through intermediate entities, such as holding companies or SPEs, there may be particular interest in supplementary data, such as the following:

(a) in original source economies, data on the basis of the **ultimate host economy**;

(b) in final recipient economies, data on the basis of the **ultimate investing economy** or **ultimate controlling parent**; and

(c) in intermediate economies, data with **pass-through funds** excluded (see paragraph 6.33).

A11.49 *Annex 6. Selected Issues on Direct Investment* provides additional details on these supplementary items. In the case of round tripping, as discussed in paragraph 6.46, the ultimate investing economy and ultimate host economy are the same.

Table A11.1 Examples on the Recording of Short-Positions[5]

Example 1: A and C are residents of Economy X. Nonresident Economy Y issued securities--owned by A. B is nonresident.

	A resident of Economy X			B nonresident			C resident of Economy X	
	Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
1) A owns a nonresident Economy Y-issued debt security								
PI/debt securities	100							
2) B receives the security under a repo transaction with A (let's assume that the cash provided is 95, classified as RA by both countries)-the transaction is recorded as a loan:								
OI/loans		95		95				
RA/currency and deposits	95			-95				

[5] These examples are based on TableA2.1, *EDS Guide 2013*.

3) B sells the security **outright** to C:								
PI/debt securities				-100			100	
RA/currency and deposits				100			-100	
	195	95		0			0	
Net position	100						0	

Net position for Economy X shows no double counting. At global level, no double counting of debt securities observed. However, external assets in debt securities for Economy X (A+C) are double counted (100+100).

Example 2: A and C are nonresidents. B is resident of Economy X. A owns a security issued by X.

	A nonresident			B and D are residents of Economy X			C nonresident	
	Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
1) A owns a debt security issued by D, a resident of economy X								
PI/debt securities	100				100			
2) B receives the security issued by another resident D, provided under a repo transaction with A (let's assume that the cash provided is 95)-the transaction is recorded as a loan and the security does not change ownership:								
OI/loans		95		95				
RA/currency and deposits	95			-95				
3) B sells the security **outright to non-resident C**:								
PI/debt securities					100[1]		100	
RA/currency and deposits				100			-100	
	195	95		95	195		0	
Net position	100				100			

OI: Other Investment; PI: Portfolio Investment; RA: Reserve Assets

1: Sale of domestic securities is seen as increasing Economy X's liability (i.e., as reported in CPIS by economy where C resides).

Net position for Economy X shows no double counting. However, at global level, double counting of debt securities observed (PI assets: 200 and PI liabilities 200) implying that external liabilities in debt securities for Economy X are double counted as assets of A and C (100+100).