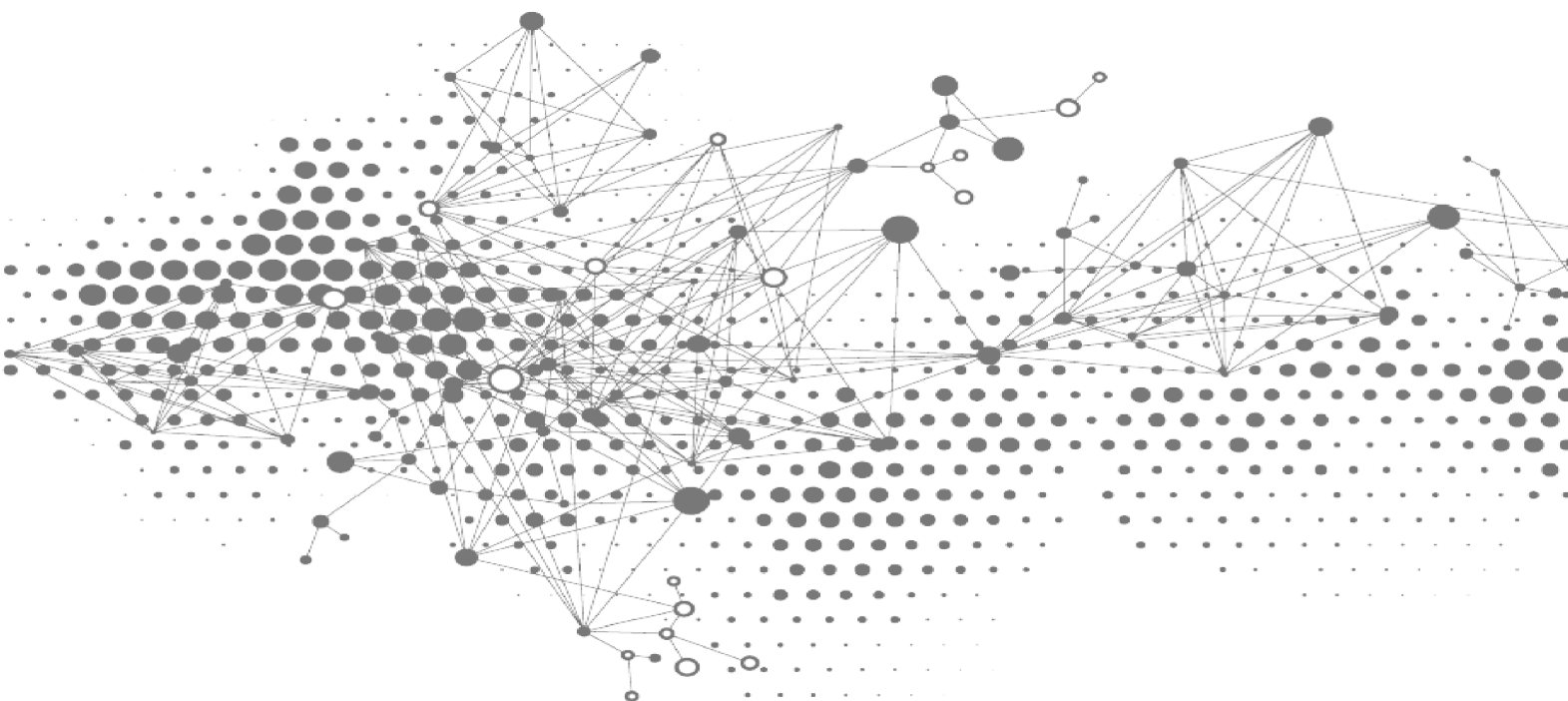


**GUIDE**



**THE COORDINATED DIRECT INVESTMENT  
SURVEY GUIDE - 2015  
Pre-Publication Draft**

**INTERNATIONAL MONETARY FUND**



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## Preface

This *Coordinated Direct Investment Survey Guide (Guide)* has been prepared to assist economies in participating in the Coordinated Direct Investment Survey (CDIS). The CDIS is being conducted under the auspices of the Statistics Department (STA) of the International Monetary Fund (IMF) across a wide range of economies. The survey is conducted simultaneously by all participating economies, uses consistent definitions, and encourages best practices in collecting, compiling, and disseminating data on direct investment positions. The CDIS is thus an important tool in capturing world totals and the geographic distribution of direct investment positions, thereby contributing to important new understandings of the extent of globalization, and improving the overall quality of direct investment data worldwide. As of the writing of this updated *Guide*, more than 100 economies participate in the CDIS.

The *Guide* clarifies and updates (rather than substantially changes) the previous international guidelines on CDIS published by the IMF in 2010. Thus, it maintains the structure of the 2010 *Guide*. This *Guide*, as well as the 2010 *Guide*, is fully consistent with the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual (BPM6)* and the fourth edition of the Organisation for Economic Co-operation and Development (OECD)'s *Benchmark Definition of Foreign Direct Investment (BD4)*. This *Guide* provides and explains simplified methods rather than conceptually ideal methods for economies that do not have fully developed data collection and compilation systems in place. Since the CDIS has become an annual undertaking, STA encourages compilers to refine and improve their direct investment data compilation methods over time, to move them closer to conceptually ideal methods as circumstances may warrant.

The updated *Guide* was prepared by STA's CDIS team comprised by Rita Mesías (primary drafter), Emma Angulo, Alicia Hierro, Padma Hurree Gobin, and Tatsuhiro Hagitani, all economists of the Balance of Payments Division. They were closely supervised by Eduardo Valdivia-Velarde, Deputy Division Chief, under the general direction of Ralph Kozlow, former Division Chief. Manik Shrestha, Division Chief, oversaw the finalization of the *Guide*. Ana Boudreau (Balance of Payments Division) provided administrative support in preparing the *Guide*. This *Guide* has benefited from comments provided by members of the IMF Committee on Balance of Payments Statistics and the Working Group on International Investment Statistics.

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Director  
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## Abbreviations

BIS	Bank for International Settlements
<i>BD4</i>	<i>OECD Benchmark Definition of Foreign Direct Investment, 4th edition</i>
BOPCOM	IMF Committee on Balance of Payments Statistics
<i>BPM6</i>	Sixth edition of the <i>Balance of Payments and International Investment Position Manual</i> , IMF
<i>BPM6 CG</i>	<i>BPM6 Compilation Guide</i> , IMF
BSA	Balance Sheet Approach
CDIS	Coordinated Direct Investment Survey, IMF
<i>Guide</i>	<i>Coordinated Direct Investment Survey Guide</i> , IMF
CPIS	Coordinated Portfolio Investment Survey, IMF
DI	Direct Investor
DIENT	Direct Investment Enterprise
DIIC Method	Direct Influence/Indirect Control Method
ECB	European Central Bank
<i>2013 EDS Guide</i>	<i>2013 External Debt Statistics: Guide for Compilers and Users</i> , IMF
ESOs	Employee Stock Options
EU	European Union
Eurostat	Statistical Office of the European Union
FDIR	Framework of Direct Investment Relationships
IBS	International Banking Statistics, BIS
IIP	International Investment Position
IMF	International Monetary Fund
ITRS	International Transactions Reporting System
LEG	Local Enterprise Groups
<i>MFSM</i>	<i>Monetary and Financial Statistics Manual</i> , IMF
MMFs	Money Market Funds
NPISH	Nonprofit Institutions Serving Households
OECD	Organisation for Economic Co-operation and Development
OFBV	Own Funds at Book Value
PMM	Participation Multiplication Method
Repos	Repurchase Agreements
SDDS	Special Data Dissemination Standard
SDRs	Special Drawing Rights, IMF
SMEs	Small- and Medium-Sized Enterprises
SPEs	Special Purpose Entities
STA	Statistics Department, IMF
<i>2008 SNA</i>	<i>System of National Accounts 2008</i>
UCP	Ultimate Controlling Parent
UIE	Ultimate Investing Economy
UNCTAD	United Nations Conference on Trade and Development

## CHAPTER 1: INTRODUCTION

*The Guide has been prepared to assist economies that participate now or are considering to participate in the Coordinated Direct Investment Survey (CDIS). The Guide is also intended to assist economies already participating in the CDIS by providing statistical guidelines that compilers may find useful for improving the quality of their direct investment data. It updates the CDIS Guide that was released in 2010 to incorporate clarifications based on the International Monetary Fund's experience in conducting the CDIS and in preparing the Balance of Payments and International Investment Position Compilation Guide (BPM6 CG). This chapter covers the purpose, background, and strategy adopted for the implementation of the CDIS, and an overview on how the Guide is organized.*

### A. Purpose of the Coordinated Direct Investment Survey

1.1 The CDIS is a worldwide statistical data collection effort led by the IMF. The purpose of the CDIS is to improve the quality of direct investment position statistics in the international investment position (IIP) and the availability of these statistics by immediate counterpart economy.<sup>1</sup> Therefore, the CDIS supports the objective of developing from-whom-to-whom cross border data, complementing the Coordinated Portfolio Investment Survey (CPIS), and contributes to a better understanding of financial interconnectedness.

1.2 Specifically, the objectives of the CDIS are to collect, compile, and disseminate the following data items:

- Comprehensive and harmonized data on direct investment positions, broken down between equity and debt instruments, and for debt instruments further broken down between assets and liabilities, by economy of direct investor (DI, for inward direct investment), or of direct investment enterprise (DIENT, for outward direct investment).<sup>2</sup>

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<sup>1</sup> Data on both the Asset/Liability basis and the Directional Principle basis are useful for analysis. For example, data on the Asset/Liability basis are consistent with monetary, financial, and other balance sheet data, and thus facilitate comparisons between these data sets. Data on Directional Principle basis assist in understanding the motivation for direct investment and take account of control and influence; in the directional presentation, reverse investment can be seen as equivalent to the withdrawal of investment (see paragraph 6.44 in the sixth edition of the *Balance of Payments Manual and International Investment Position Manual (BPM6)*). Data on direct investment are needed on an immediate counterparty basis to adequately monitor flows and stocks. See more about Asset/Liability and Directional Principle bases in Chapter 4.

<sup>2</sup> Economies are encouraged to provide data separately on debt instrument assets and liabilities. However, it is recognized that, due to the need to preserve the confidentiality of data, in some cases, economies may need to provide data by counterpart economy only on total debt instrument positions (netting assets and liabilities), or perhaps even less detail. For additional information about confidentiality considerations see Chapter 5.

- Data for both inward and outward direct investment positions are sought; nonetheless, for economies where outward direct investment is not material, data on inward direct investment positions are sufficient for participation in the CDIS.
- Additionally, the CDIS collects, on an encouraged basis, data on positions between fellow enterprises, and on net positions of resident financial intermediaries.

1.3 Participation in the CDIS represents a firm commitment to improve data on direct investment positions and to undertake a comprehensive survey or a census, by both those economies that currently produce such estimates as well as by economies that have yet to do so. The results of the CDIS (data and metadata)<sup>3</sup> are to be reported to the IMF, which publishes nonconfidential information on its website (see <http://data.imf.org>).<sup>4</sup>

## B. Background

1.4 From its early beginnings, the IMF has used aggregate balance of payments data in its surveillance work and economic analyses. In the past decade, the IMF has been increasingly focusing on position data<sup>5</sup> and data by individual counterpart economy. For example, the CPIS was launched in 1997 under the auspices of the IMF for economies to collect bilateral data on holdings of external portfolio investment positions in a coordinated manner, and it became an annual exercise starting with data for 2001. The IMF's 2007 Surveillance Decision further reinforced the need for counterpart economy data. As well, the Bank for International Settlements (BIS) has been collecting bilateral banking data for many years,<sup>6</sup> and the United Nations Conference on Trade and Development (UNCTAD) has been collecting bilateral foreign direct investment inflows and stocks (positions) data<sup>7</sup> as have the Organisation for Economic Cooperation and Development (OECD) and Eurostat in jointly collecting bilateral direct investment data from their member countries.

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<sup>3</sup> The CDIS data reporting template and metadata questionnaire are briefly presented in Chapter 4.

<sup>4</sup> Detailed inward and outward data reporting templates and metadata questionnaires used at the moment of writing this update are included in Annex I. The IMF CDIS website (documents section) will include the most up-to-date templates and questionnaires.

<sup>5</sup> The balance sheet approach (BSA) focuses on the examination of "position data" (i.e., assets and liabilities) in an economy. The emerging market crisis in the 1990's and early 2000's highlighted the need for closer attention to vulnerabilities through development of sectoral balance sheets. By carefully examining positions in assets and liabilities (including bilateral positions, which can trigger large adjustment in capital flows), the BSA can be useful complement to the traditional flow analysis.

<sup>6</sup> The BIS compiles and publishes statistics on international debt securities. Its data collections were revised in 2012 to more closely align them with the recommendations in the *Handbook on Securities Statistics*, which sets out an internationally agreed framework for classifying securities. For an explanation of the revisions to the BIS debt securities statistics, see *Enhancements to the BIS Debt Securities Statistics*, Gruić and Wooldridge (2012). The BIS debt securities statistics are available at [www.bis.org/statistics/secstats.htm](http://www.bis.org/statistics/secstats.htm). The *Handbook on Securities Statistics* is available at [www.imf.org/external/np/sta/wgsd/hbook.htm](http://www.imf.org/external/np/sta/wgsd/hbook.htm).

<sup>7</sup> For additional information about this database see <http://unctad.org/en/Pages/DIAE/FDI%20Statistics/FDI-Statistics-Bilateral.aspx>.



1.5 Building on the success of these initiatives, the IMF's Statistics Department (STA) has identified direct investment as an area of large and growing importance, as well as where data can and should be improved. Direct investment brings to the recipient economy not only additional financial resources but also other benefits, such as technology transfer and management expertise, that other forms of cross-border finance lack. Direct investment is, therefore, seen to add to economies' potential for growth in output, value added, and employment while, at the same time, studies indicate that direct investment is a less volatile source of external finance than portfolio or other investments.

1.6 In 2005, the IMF's Executive Board recognized the need for improved direct investment statistics and endorsed the proposal by STA to study the feasibility<sup>8</sup> of conducting a CDIS that would provide direct investment data by counterpart economy. As part of the feasibility study, approximately 80 economies were contacted about their interest in participating in a CDIS for both inward and outward direct investment. There was overwhelming support for a CDIS for inward direct investment and very strong support for conducting a CDIS for outward direct investment.<sup>9</sup> As well, the IMF's Committee on Balance of Payments Statistics (BOPCOM) at its meeting in October 2006 gave approval for the CDIS to proceed. The IMF took the decision to proceed in March 2007.

1.7 The CDIS was initially undertaken for the reference date of end-December 2009. At its meeting in Shanghai, China in November 2009, the BOPCOM endorsed the IMF proposal to conduct the CDIS on an annual basis. In December 2010, the IMF released the results of the 2009 CDIS. Seventy-two economies participated expanding to about 100 economies at the time of preparing this update.

### C. Strategy to Implement the CDIS

1.8 To implement the CDIS, a practical strategy was adopted by the IMF, made up of four main pillars. The *first pillar* was the production of the *CDIS Guide* finalized in 2010 (and now updated by this *Guide*).<sup>10</sup> The *second pillar* was the extension of invitations to participate in the

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<sup>8</sup> A task force was established to examine the feasibility of conducting a CDIS. The members of the task force were: the European Central Bank (ECB), the Statistical Office of the European Union Commission (Eurostat), the OECD, UNCTAD, the World Bank, and the IMF. In addition, representatives from six economies assisted the task force in its work. These economies were: Australia, Belgium, Hong Kong SAR, South Africa, the United Kingdom, and the United States.

<sup>9</sup> A reason for the stronger support for undertaking a CDIS for inward direct investment than for outward is that, for several of the economies surveyed, outward direct investment was not significant and/or more difficult to cover.

<sup>10</sup> The 2010 *Guide* was developed under the guidance and with the input of a task force of selected IMF members and international agencies. The members of the Task Force were Brazil, the People's Republic of China, Hong Kong SAR, France, Japan, Mexico, the Netherlands, Oman, South Africa, the United Kingdom, and the United States, ECB, Eurostat, OECD, UNCTAD, the World Bank, and the IMF.

CDIS to all members of the IMF and some non-members (this step was undertaken in 2007). The *third pillar* involved training and workshops on a broad regional basis over the period 2008-2012, with the goal of facilitating participation in the CDIS of a large number of developed, developing, and emerging market economies around the world. The *fourth pillar* was the involvement of international and regional organizations in actively promoting the CDIS with their member states.

1.9 The CDIS is carried out annually and the IMF is making continuous efforts to broaden participation and improve the quality of reported data. As part of these efforts, STA contacted selected CDIS participants in 2013-2014 to bring to their attention large bilateral asymmetries between CDIS data reported by them and data reported by their main counterpart economies (see more about this initiative in Chapter 6). For the dissemination of CDIS data and metadata, STA released in December 2014 an updated CDIS website featuring maps, tables, and relevant documents as well as new web tools that allow users to customize data downloads. Additionally, the IMF continuously provides advice and training on direct investment through the IMF headquarters and regional courses and workshops, and technical assistance, as part of STA's capacity building work program.

1.10 The Special Data Dissemination Standard (SDDS) Plus<sup>11</sup> was established in 2012. The SDDS Plus includes nine additional data categories that an adhering economy commits to fully observe by the end of 2019. These data categories include, among others, participation in CDIS.<sup>12</sup>

1.11 Currently, participation by economies in the CDIS involves a commitment to submit results of the core data to the IMF within nine months after the end of the reference year; results are to be released by the IMF within twelve months after the end of the reference year. Revised or more detailed core data for the previous year/s should be provided to the IMF at this time as well (see paragraph 4.25). CDIS metadata are also to be provided and updated to reflect the most recent CDIS data submission.

#### **D. Data to be Compiled for the CDIS**

##### **Core data**

1.12 Economies participating in the CDIS have agreed to compile:

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<sup>11</sup> The SDDS Plus is open to all SDDS subscribers but is aimed at economies with systemically important financial sectors. The focus on stronger data dissemination by a narrower range of economies is designed to improve data transparency and help strengthen the international financial system. Adhering to the SDDS Plus is voluntary, but once a country adheres, it undertakes to meet the most rigorous data dissemination and data quality standards within the Fund's Data Standards Initiatives.

<sup>12</sup> The *SDDS Plus Guide for Adherents and Users* elaborates on SDDS Plus requirements (for additional information on SDDS Plus see <http://www.imf.org/external/np/exr/facts/data.htm>).

- *For inward direct investment:* The value of outstanding positions by immediate (first) direct investor, by counterpart economy, for both net equity and net debt instruments (the corresponding debt instrument assets and liabilities reported separately), as of the reference date (end-December).

1.13 In addition, economies are asked to provide the following information on outward direct investment, where significant:

- *For outward direct investment:* The value of outstanding positions by immediate (first) counterpart economy, for both net equity and net debt instruments (the corresponding assets and liabilities reported separately), as of the reference date (end-December).

1.14 The values on the books of the DIENT should be used for both inward and outward direct investment. To the maximum extent possible, the concepts and principles in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual (BPM6)* and the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment (BD4)* are used as the basis for compiling data reported in the CDIS.

1.15 The CDIS seeks to obtain direct investment data by immediate counterpart economy as part of the core datasets. Where bilateral information may be confidential, compilers are asked to report regional breakdowns that would overcome the confidentiality concerns. While such regional data would be of less analytical value than economy detail, they would, nonetheless, be of greater value than including such data in an "all other" category, that is, combining all confidential and unallocated data<sup>13</sup> into a single figure without regional allocation.

### **Additional items**

1.16 Economies may wish to collect the additional items for their own use; however, these data are not requested to be submitted to the IMF. Of particular value are:

- Industry (in addition to the breakout of data for resident enterprises that are financial intermediaries sought on the IMF CDIS Data Reporting Templates);
- Round tripping;
- Income;
- Financial transactions;

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<sup>13</sup> See paragraph 4.21 for definition of confidential and unallocated data.

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- Market values on additional bases (unlisted equity is to be reported on the CDIS using one specific proxy for market value, i.e., “Own Funds at Book Value” – see paragraph 3.12); and
- Ultimate investing economy (UIE)<sup>14</sup>

1.17 Further discussion on industry classification, direct investment income and financial transactions, market valuation of equity, UIE, pass-through funds, and round tripping is presented in Annex III.

### E. **Organization of the CDIS Guide**

1.18 The *Guide* is organized as follows:

- **Chapter 1:** Introduction. This chapter provides general information.
- **Chapter 2:** Units to be surveyed. This chapter helps to establish the survey frame of statistical units involved in direct investment, i.e., DIENTs and DIs.
- **Chapter 3:** Information to be collected in the Survey. This chapter identifies items of information that are to be collected and relevant accounting principles such as valuation.
- **Chapter 4:** Compilation and Reporting of Direct Investment Statistics. This chapter provides detailed guidance on CDIS compilation using assets/liabilities and directional principle presentational bases. This chapter also presents some predefined presentational tables for the dissemination of CDIS results on the IMF website.
- **Chapter 5:** Undertaking the CDIS. This chapter explores some of the practical issues involved in conducting the survey by identifying the main tasks and suggesting a timeframe.
- **Chapter 6:** Validation and Consistency of CDIS Data. The purpose of this chapter is to assist compilers in improving the quality of direct investment data by using some recommended self-assessment tools and by assessing consistency with IIP and CDIS data reported by counterpart economies (new chapter).

1.19 There are five annexes:

- **Annex I** includes the detailed CDIS data reporting template and metadata questionnaire.

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<sup>14</sup> See additional information about UIE in Annex 10 in *BD4*, Annex III, and in paragraphs 4.156 and 4.157 in *BPM6*.

- **Annex II** discusses residence and institutional units in more detail than in Chapter 2.
- **Annex III** describes industry classification and round tripping in more detail.
- **Annex IV** provides model survey forms for inward and outward direct investment. These model survey forms are updated and are fully aligned with international statistical guidelines.<sup>15</sup>
- **Annex V** presents the regional grouping as of the time of writing this *Guide*.

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<sup>15</sup> In the *CDIS Guide* released in 2010, the model survey forms were included in Chapter 3.

## CHAPTER 2: UNITS TO BE SURVEYED

*Direct investment arises when a unit resident in one economy makes an investment that gives control<sup>16</sup> or a significant degree of influence on the management of an enterprise that is resident in another economy. This concept is operationalized where a DI owns equity that entitles it to 10 percent<sup>17</sup> or more of the voting power<sup>18</sup> in the DIENT (which is usually equal to ownership of ordinary shares). Once that threshold has been reached, the units involved are said to be in a direct investment relationship, and the equity and debt instrument positions between the DI and the DIENT, and between all DIENTs of the same DI, are included in direct investment, except for debt between selected affiliated financial corporations.<sup>19</sup> Included in direct investment are units that are under control or influence of the same immediate or indirect investor, but which do not have control or significant influence over one another. These units are known as “fellow enterprises”. Data in the CDIS are recorded by economy based on the location of the immediate counterpart economy to a direct investment position.*

2.1 The purpose of this chapter is to explain how to help establish/update the survey frame, which is made up of the economy’s units that are DIENTs, DIs, and/or fellow enterprises. Delineating the units as DIENTs, DIs, and/or as fellows is important for at least two reasons. First, it helps in determining the type(s) of survey(s) required (e.g., a model survey form for direct investment into the reporting economy, or a model survey form for direct investment abroad by the reporting economy (see Annex IV)). Second, it helps in compiling inward and outward direct investment data. Both DIs and DIENTs have to be institutional units, or constitute a group of institutional units under common ownership, that are residents of the economy in which the survey is conducted.

2.2 This chapter first provides simple examples of institutional units that are involved in a direct investment relationship. This is followed by examples where more than one resident institutional unit is involved, including local enterprise groups (LEG), and other complex examples of direct investment relationships. Finally, an overview is provided of sources that can be used to build a survey frame<sup>20</sup> comprising resident direct investment units.

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<sup>16</sup> Control or significant influence may be achieved directly by owing equity that gives voting power in the enterprise, or indirectly by having voting power in another enterprise that has voting power in the enterprise. See paragraph 6.12 in *BPM6*.

<sup>17</sup> In practice, significant influence may arise in some cases with less than 10 percent of voting power. However, for the CDIS, a threshold of at least 10 percent ownership of voting power is adopted for consistency with other international guidelines and to facilitate international comparability (see paragraph 6.13 in *BPM6*).

<sup>18</sup> Voting power in direct investment is explained in paragraphs 6.12 and 6.19 in *BPM6*.

<sup>19</sup> Debt between selected affiliated financial corporations is not classified as direct investment because it is not considered to be so strongly connected to the direct investment relationship (see paragraphs 2.21-2.23).

<sup>20</sup> The survey frame comprises the set of units subject to the CDIS and the details about those units that can facilitate the conduct of the survey (see more in Chapter 5).

2.3 Compilers, especially those that will conduct a direct investment survey for the first time, may not have sufficient information to identify the most complex cases of institutional units involved in direct investment but nonetheless should proceed with the survey, because information for the more complex cases can often be developed or built up from less complex cases and from repetition of the survey.

#### A. Institutional Units Resident in an Economy

2.4 Units that are to be considered DIs, DIENTs, or fellow enterprises are institutional units in their own right, that is, they meet specific criteria such as having or potentially having their own set of accounts.<sup>21</sup> Institutional units can be corporations (defined in statistical terms to include incorporated or unincorporated, private and public enterprises, investment funds, branches, notional resident units, trusts, and other quasi-corporations), nonprofit institutions, government units, international organizations, individuals, and households. DIs could be any of the units previously mentioned.<sup>22</sup>

2.5 Direct investment institutional units generally involve corporations although nonprofit institutions and government units<sup>23</sup> can also be involved in direct investment, as can households (the latter three as DIs only).<sup>24</sup> It should be stressed that institutional units are not necessarily autonomous, as wholly-owned subsidiaries and branches are recognized as separate institutional units from their parent units. Each institutional unit is a resident of one and only one economic territory determined by its center of predominant economic interest.<sup>25</sup> Although residency is generally established by occupying premises within an economic territory,<sup>26</sup> a fixed location is not necessary so long as it remains within the economic territory. Actual or intended location for one year or more is used as an operational definition; while the choice of at least one year as a specific

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<sup>21</sup> The main attributes of an institutional unit are that: it is entitled to own goods or other assets in its own right; it is, therefore, able to exchange the ownership of goods or other assets in transactions with other institutional units; it is able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law; it is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts; and has a complete set of accounts, including a balance sheet, or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts, if they were to be required. For additional information about units, see paragraphs 4.12-4.56 in *BPM6*.

<sup>22</sup> See paragraphs 6.20 and 6.21 in *BPM6*.

<sup>23</sup> Borrowing for fiscal purposes is described in paragraphs 8.24-8.26 in *BPM6*. The 2013 *External Debt Statistics: Guide for Compilers and Users* (2013 *EDS Guide*) recommends that borrowing for fiscal purposes by the general government through a nonresident entity owned or controlled by government be classified as general government debt and not as Direct Investment: Intercompany lending debt (see paragraph 8 of the Annex 8 in the 2013 *EDS Guide*).

<sup>24</sup> For additional information on these institutional sectors see paragraphs 6.22- 6.24 in *BPM6*.

<sup>25</sup> General principles of residence are included in Section E, Chapter 4 of *BPM6*.

<sup>26</sup> Economic territory is explained in Section B, Chapter 4 of *BPM6*.

period is somewhat arbitrary, it is adopted to avoid uncertainty and facilitate international consistency. Annex II provides more details on residence issues. It also discusses institutional sectors and provides a fuller description of the various types of institutional units, stressing direct investment relationships, such as the special cases of construction, and operators of mobile equipment abroad.

## **B. Direct Investment Institutional Units**

2.6 By definition, there is cross-border ownership among institutional units that are involved in direct investment.<sup>27</sup> This section reviews various cases of corporations (e.g., incorporated enterprises and quasi-corporations including branches) in direct investment relationship. It also makes reference to households, government, and nonprofit institution serving households (NPISHs) to the extent of their possible involvement in direct investment relationships. Annex II (section B) provides further details on institutional units.

2.7 In the case of an incorporated entity (i.e., a legal entity), it is generally straightforward to identify the institutional unit (e.g., incorporated entities such as subsidiaries of foreign companies, investment funds, etc.). Direct investment is based on voting power<sup>28</sup> that arises from ownership of equity (10 percent or more). Voting power often is on a one-share one-vote basis. It may however be greater or less than the percentage of shares held when there are “golden shares” or dual classes of shares (i.e., where some shares have higher weights that allow one or more parties to exercise voting power disproportionately to their share ownership).

2.8 In some cases, voting power may be exercised without commensurate ownership of shares. For instance, for unincorporated entities, covering branches and other quasi-corporations,<sup>29</sup> there are no shares in the sense of a tradable instrument. In such cases, it is important to delineate the units from their owner when the owner is resident of another economy. For instance, branches can be part of a single legal entity that operates in more than one economy; the branch and its nonresident parent should be considered two distinct institutional units, one resident, and the other, nonresident. As a general rule, an entity should not be combined with its owners if one or more owners are resident in another economic territory. The use of an economic territory as the scope of economic statistics means that each member of a group of affiliated enterprises is resident in the economy in which it is located, rather than being attributed to the economy of location of the head office.

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<sup>27</sup> That ownership may be direct or indirect, or it may arise because both units are owned by a common investor that is a DI in at least one of the units.

<sup>28</sup> See paragraph 6.19 in *BPM6*.

<sup>29</sup> For additional information about quasi-corporations see paragraphs 4.16-4.17 in *BPM6*. Types of quasi-corporations are discussed in paragraphs 4.26-4.49 in *BPM6*.



2.9 If possible, the operations of a multiterritory enterprise<sup>30</sup> in each territory should be treated according to the principles for identifying branches. If that is not feasible because operations are so seamless that a separate set of accounts is not maintained, it is necessary to prorate the total operations of the enterprise into the individual economic territories. Contributions to actual operations should be the basis for prorating<sup>31</sup> the enterprise into each component economic territory, a process that compilers may find difficult to implement.

2.10 Financial corporations consist of all corporations and quasicorporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units. The production of financial services is the result of financial intermediation, financial risk management, liquidity transformation, or auxiliary financial services. It is important to identify financial intermediaries separately from other financial corporations, as any debt between financial intermediaries (except insurance corporations and pension funds) is excluded from direct investment (that is both parties are financial intermediaries other than insurance corporations and pension funds).

2.11 The major financial intermediaries covered by the exclusion are deposit-taking corporations, money market funds (MMFs), non-MMF investment funds, and other financial intermediaries, except insurance corporations and pension funds. See Annex II for a fuller description.

### **Recognition of Notional Units in Direct Investment<sup>32</sup>**

#### ***Land and other natural resources owned by nonresidents***

2.12 Owners and purchasers of land and other natural resources within the economic territory are deemed to have a center of economic interest in the economy.<sup>33</sup> If an owner or purchaser would not otherwise qualify as a resident unit, a notional unit is created for this purpose. The notional resident unit is deemed to purchase the land or immovable natural resource while the nonresident is deemed to purchase the equity of the notional unit and thus acquires a financial instead of a nonfinancial asset. The notional resident unit treatment is also applied when a nonresident owns buildings, structures, and other improvements on the land, leases land for long periods, or owns natural resources other than land. As a result of this treatment, the nonresident is the owner of the notional resident unit, rather than the direct owner of the land or other natural

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<sup>30</sup> For additional information about multiterritory enterprises see paragraphs 4.41-4.44 in *BPM6*.

<sup>31</sup> For options in how to prorate, see paragraphs 4.43-4.44 in *BPM6*.

<sup>32</sup> For additional information about notional resident units, see paragraphs 4.34-4.40 in *BPM6*.

<sup>33</sup> The only exception is made for land and buildings in extraterritorial enclaves of foreign governments (such as embassies, consulates, and military bases) that are subject to the laws of the home territory and not those of the territory where they are physically situated.

resources. The notional resident unit has an equity liability to the nonresident, and the land and other natural resources are therefore assets of the economy in which they are physically located.

2.13 Notional resident units are treated in the same manner as quasi-corporations. If the owner of the equity of the notional resident unit fulfills the requirements for controlling or significantly influencing this unit, the transactions between the nonresident owner and the notional resident unit are classified as direct investment. Otherwise, these transactions are included in other investment, other equity in the IIP.<sup>34</sup>

### ***Long-term lease***

2.14 A very long-term lease<sup>35</sup> to use land and other natural resources generally must be held by a resident.<sup>36</sup> As noted above, if a nonresident is involved in long-term lease for the use of this type of asset, a notional resident unit is created, which is treated like a quasi-corporation or branch.<sup>37</sup> The notional resident unit is assumed to lease the asset. Under this recording treatment, the lease is between two residents, and the nonresident is deemed to hold equity ownership in the notional resident unit.

### ***Housing***

2.15 If a resident owns a house in another economy, it is treated as belonging to a notional resident in that economy. The legal owner is regarded as having a financial claim on the notional resident unit. The notional resident unit, therefore, should be treated as a DIENT that is wholly owned by a nonresident. Generally, the only asset of the notional unit is the house.<sup>38</sup>

### ***Preliminary expenses incurred before establishing a legal entity***

2.16 A resident enterprise is identified when preliminary expenses, including acquisitions of mining rights, license fees, site preparation costs, building permits, purchase taxes, local office expenses, and lawyers' fees, are incurred prior to establishing a legal entity. As a result of

<sup>34</sup> See paragraph 5.26 in *BPM6*.

<sup>35</sup> Three leases are recognized by the *System of National Accounts 2008 (2008 SNA)*, operational, financial, and resources leases. A resource lease on land may be considered as a sale of the land if the lease satisfies most or all of the same criteria as those listed for payments for a mobile phone license to be considered a sale of an asset, e.g., the owner may allow the resource to be used for an extended period of time in such a way that, in effect, the user controls the use of the resource during this time with little, if any intervention, from the legal owner. See paragraph 17.314 in *2008 SNA*.

<sup>36</sup> See paragraph 4.50 in *2008 SNA*.

<sup>37</sup> The branch undertakes or intends to undertake production on a significant scale that is based in a territory other than that of its head office for one year or more (see paragraph 4.27 in *BPM6*) and each branch is a DIENT (see paragraph 4.28 in *BPM6*).

<sup>38</sup> See paragraph 11.88 in *BPM6*.

identifying a quasi-corporation, those preparatory expenses are recorded in the economy of the future operations as being resident-to-resident transactions that are funded by a direct investment inflow, rather than as sales of nonproduced assets to nonresidents, exports of legal services, and so on. Because of the limited scale of these activities, assembly of acceptable data for these enterprises is often feasible, despite the lack of incorporation. If the project does not subsequently go into operation, the value of the direct investment is eliminated by an entry for other changes in the volume of assets or liabilities.<sup>39</sup>

### **International financial centers, units involved with “in-transit” or “pass-through” finance, and financial intermediaries**

2.17 Some DIENTs exist solely for the purpose of transferring funds—that is, funds that “pass through”<sup>40</sup> an enterprise resident in an economy to an enterprise in another economy—and may take the form of special purpose entities (SPEs), holding companies, and financial institutions that serve other nonfinancial affiliates.<sup>41</sup> These units are included in direct investment of an economy even though the funds they transfer may have little impact on the local economy. Not only are the units that are engaged in “pass-through” funding classified as direct investment units, but also the funds in-transit are included in direct investment (unless excluded because they represent debt between selected types of affiliated financial corporations). These funds are an integral part of a DI’s financial transactions and positions with affiliated enterprises; excluding these funds from direct investment would distort and substantially understate direct investment financial flows and positions at aggregate levels. On the other hand, the inclusion of these data in direct investment promotes symmetry and consistency among economies. It should also be noted that transactions and positions are commonly transformed by SPEs, from debt to equity, long-term to short-term, local currency to foreign currency, etc., and these transformations alter risk characteristics in important ways. For these reasons, positions with SPEs, and SPE positions with others, are important for analytical purposes. Also, there is, at present, no internationally agreed method to distinguish pass-through funds from other direct investment flows.

2.18 Physical presence in an economy is not a pre-condition for the existence of an institutional unit. For example, banking, insurance, investment funds (as distinct from their managers), securitization vehicles, and some SPEs often operate with little or no physical presence. Similarly, with virtual manufacturing, all the physical processes are outsourced to other units. In the absence of any significant physical dimension to an enterprise, its residence is determined according to the economic territory under whose laws the enterprise is incorporated or registered.<sup>42</sup>

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<sup>39</sup> See paragraph 4.47 in *BPM6*.

<sup>40</sup> See paragraphs 6.33-6.34 for “pass-through” funds and Appendix 4 of the *BPM6 Compilation Guide*.

<sup>41</sup> See the section *Flexible corporate structures with little or no physical presence* in Annex II for a further discussion of these institutional units.

<sup>42</sup> See residence criteria for corporations with little or no physical presence in paragraphs 4.134- 4.135 in *BPM6*.

### **Estates, trusts, and partnerships**

2.19 Estates, trusts, and partnerships are treated as separate institutional units if they are constituted in a different territory from that of their owners or beneficiaries.

### **Special zones**

2.20 It should be noted that sometimes an economy has a separate physical or legal zone that is under its control, but to which, to some degree, separate laws are applied. For example, a free trade zone or offshore financial center may be exempt from certain taxation or other laws. These special zones should always be included in the economic territory, because of the need to view the whole economy, to have comprehensive global data, and to be compatible with counterpart economy data.<sup>43</sup>

### **Selected financial corporations**

2.21 As noted, debt positions between selected types of affiliated financial corporations should be excluded from direct investment and included instead in portfolio investment or other investment, as appropriate.<sup>44</sup> Financial corporations consist of all corporations and quasi-corporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units. The production of financial services is the result of financial intermediation, financial risk management, liquidity transformation, or auxiliary financial services. Financial corporations can be divided in three broad classes, namely, financial intermediaries, financial auxiliaries, and other financial corporations.

2.22 The selected financial intermediaries include deposit-taking corporations (including the central bank), money market funds (MMF), non-MMF investment funds, and other financial intermediaries except insurance corporations and pension funds. All debt instrument positions between these selected types of affiliated financial corporations are excluded from direct investment (but equity positions between all types of affiliated financial corporations should be included in direct investment). For example, deposits and other amounts lent by a parent bank or other financial intermediary to its DIENT located abroad that is also a financial intermediary, and deposits and other borrowings taken from such offices, should not be classified as direct investment. Both affiliated parties must be one of the selected types of financial corporations, but they need not be the same type of financial corporation. In other words, the usual direct

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<sup>43</sup> See paragraph 4.8 in *BPM6*.

<sup>44</sup> Financial derivatives also should be excluded from direct investment and included instead in financial derivatives (other than reserves) and employee stock options (ESOs).

investment definitions apply for insurance corporations, pension funds, financial auxiliaries, and “other” financial corporations.<sup>45</sup>

2.23 Annex II provides a fuller description of five types<sup>46</sup> of financial intermediaries whose debt instrument positions with other financial intermediaries abroad should be excluded. It is suggested that the collection form separately identify those resident entities that meet the definition of any of these five types of financial intermediaries. This will provide a basis for future research by the compilers, because very large debt positions by any of these resident enterprises with a related foreign enterprise may be misrecorded in direct investment.

2.24 Debt instrument positions by financial intermediaries with related nonresident entities that are not financial intermediaries should be included in direct investment. Also, debt instrument positions by resident entities that are not financial intermediaries with related nonresident financial intermediaries should be included in direct investment. Thus, all debt instrument positions by resident corporations with related nonresident nonfinancial corporations, as well as all debt instrument positions by resident nonfinancial corporations with related nonresident corporations, should be included in direct investment.

## **Governments**

2.25 Governments are unique kinds of legal entities established by political processes and have legislative, judicial, or executive authority over other institutional units within a given area. Viewed as institutional units, the principal functions of governments are to assume responsibility for the provision of goods and services to the community or individual households and to finance their provision out of taxation or other incomes; to redistribute income and wealth by means of transfers; and to engage in nonmarket production. Governments can be involved in direct investment operations only as DIs.

## **Households**

2.26 Households are also institutional units. A household is resident in the economic territory in which household members maintain a dwelling or succession of dwellings treated and used by members of the household as their principal dwelling. Similar to the other types of institutional units, households can be DIs by holding voting power over businesses. Also, resident households can own real estate abroad (and nonresident households can own real estate in the compiling economy)<sup>47</sup> that, by convention, is treated as direct investment. However, the data on such

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<sup>45</sup> Other financial corporations include captive financial institutions and money lenders.

<sup>46</sup> These are deposit-taking corporations, MMFs, non-MMF, hedge funds, and other financial intermediaries, except insurance corporations and pension funds.

<sup>47</sup> See notional resident unit in paragraph 2.10.

investments are often difficult to obtain directly from households, and so other means may need to be used to compile the statistics.<sup>48</sup>

### **Nonprofit institutions serving households**

2.27 Nonprofit institutions serving households (NPISHs) are units mainly engaged in providing goods and services to households or the community at large free of charge or at prices that are not economically significant (and thus are classified as nonmarket producers), except those that are controlled and mainly financed by government units. Examples include charities, relief and aid organizations financed by voluntary transfers as well as trade unions, professional or learned societies, consumers' associations, religious institutions, and social, cultural, and recreational clubs, where these do not charge economically significant prices. A NPISH may not be a DIENT, as it is not created with the intention of repatriating earnings to its investor. However, a NPISH may be a DI in a for profit nonresident entity.<sup>49</sup>

### **C. Sources for Identifying Direct Investment Units for the Survey Frame**

2.28 The sources of information on potential survey respondents having foreign ownership and/or investment in enterprises abroad are varied, and the work required to compile an information database will depend on the extent to which such an information database already exists in the compiling agency. For instance, local head offices may report on behalf of all business units that they control in the compiling economy. This group approach for reporting limits the number of units that need to be approached to those that can best provide the information. Where there is reporting for the group, it is important for the respondents to note what units within the enterprise group are covered in their submitted report(s). (See next section Direct investment enterprises and direct investors).

2.29 The following represent some of the sources for compiling a list of enterprises in direct investment relationship:

- *Records of businesses* maintained by the national statistical agency or other government agencies. The businesses can be approached with brief screening surveys, asking whether they have foreign ownership or whether they have investment in enterprises abroad.
- *Business data collections* already run by the statistical agency or other government agencies. Information necessary for a direct investment information database may be

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<sup>48</sup> For example, real estate brokers or dealers, settlement attorneys, and other intermediaries may be able to provide information that would improve the compilation of data on real estate holdings of households.

<sup>49</sup> See paragraph 6.23 in *BPM6*.

elicited from another survey, either by direct inspection of the other survey's register or by adding one or two exploratory questions to that survey.<sup>50</sup>

- *Telephone directories*
- *Government administrative sources*, which might include:
  - information held by foreign investment approval or monitoring boards; statutory company reports and company registration details;
  - records held in a foreign exchange control or an international transactions reporting system (ITRS), e.g., records identifying the originators or recipients of direct investment flows; and
  - taxation records, files, or lists.<sup>51</sup>
- *Other official and regulatory sources* include annual statutory accounts for public companies.
- *Media reports*. Newspapers and periodicals are particularly useful sources for information on potential reporting entities. A high proportion of significant transactions are reported in the media and these may be used not only to update the information database, but also to cross-check data reported in the survey. The use of traditional print media may be supplemented with information obtained electronically from commercial business news services and via the internet.
- *Publicly available databases and reports* may provide a wide variety of information, including the stock exchange register (additional helpful information may also be provided by the stock exchange); commercial equity registry information services; international credit rating agencies' publications; market research reports or services by accounting or brokerage firms; and information on unincorporated DIENTs, including wholly-owned subsidiaries of multinational enterprises.
- *Trade associations* can be a useful source of information. Apart from the positive public relations aspects of a close relationship between the statistical agency and trade associations, many trade associations can make available lists of members, often with

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<sup>50</sup> For SPEs, sources data might be obtained from their legal representative law firms, accounting firms, or tax records (see appendix 4 of the *BPM6 CG*).

<sup>51</sup> Business taxation records may be an important source of information for compiling an information database in some countries. However, such information may be more focused on operating businesses with employees. Moreover, a survey drawn randomly from such a large dataset could be inefficient in terms of reporting load and public resources due to the large numbers of nil responses from organizations with no international investment. Quality assurance is also difficult for direct investment measures drawn from such records.

indications of their financial size. Particularly in the financial sector, their members may be significant users of official statistics and thus have a vested interest in promoting provision of accurate data and in assisting statistical data collection agencies.

- *Information from investment promotion agencies and other government sources* can be used to determine the coverage of the survey, even though not all of the investment intentions may have been carried out. Similarly, reports in the financial press may indicate that discussions have taken place on possible cross border investment but there may be insufficient information to confirm that the investment was consummated. These leads should also be included in the frame, if sizeable. In many instances, the compilers may be familiar with the ownership structures of firms, such as in the oil and gas sector or banking. In other cases, such as in the case of goods/services exporters and importers, it may be difficult to know if there is any foreign ownership links and national compilers should consider surveying the largest firms, based on available information, e.g., based on value of trade flows, balance sheet, etc. In effect, the first survey will partly be an exploratory survey.

2.30 Where a direct investment survey is being conducted for the first time or is a relatively new undertaking, the focus should initially be on all large potential DIENTs and DIs. From there, work to identify other, small- and medium-sized, firms can be progressively developed, as resources permit. The matter of response and compilation burden will also need to be taken into account in deciding coverage and follow-up efforts when firms fail to respond on time or report questionable data.

#### **D. Direct Investment Enterprises and Direct Investors**

2.31 In many cases, notably for economies conducting a direct investment survey for the first time, the survey results will help to establish if a unit is a DIENT and/or a DI or a fellow enterprise. In other cases that are covered in this section, the information on the relationships between units may be available from previous survey results or other sources. This section provides guidance on the reporting units in such cases. In simpler cases, a DIENT may be a single resident institutional unit that has at least 10 percent of its voting power held by a nonresident DI; similarly, a DI may be a single resident institutional unit that has at least 10 percent voting power in a nonresident DIENT.

2.32 The DIENT as well as the DI can also involve several institutional units that are residents in the same economy. When these units are consolidated or combined for statistical purposes into a single DI or DIENT, they are referred to as a local enterprise group (LEG).

2.33 In the case of a resident DI, the LEG includes not only the institutional unit with direct investment abroad, but also the institutional units that it directly or indirectly controls in its own (local) economy. Looking up its ownership chain, the LEG includes the resident institutional units



that directly or indirectly control it; and looking down the ownership chains of each of these enterprises, the LEG includes resident enterprises along an unbroken chain of control. Thus, in the case of a resident DI, LEGs include only controlled resident units.

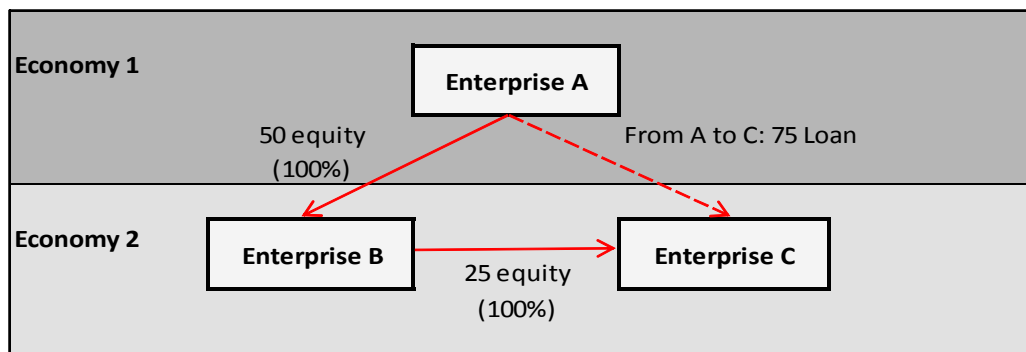
2.34 In the case of a resident DIENT, the LEG includes the resident enterprise that is directly controlled or that has a significant degree of influence by a DI, plus the institutional units that it directly or indirectly controls in its own (local) economy. Thus, two DIENTs in the same economy, directly owned and controlled by the same DI, are not in a LEG.

### Local enterprise groups as DIENT and as DI

#### *Examples of treatment of DIENTs that are residents in the same economy*

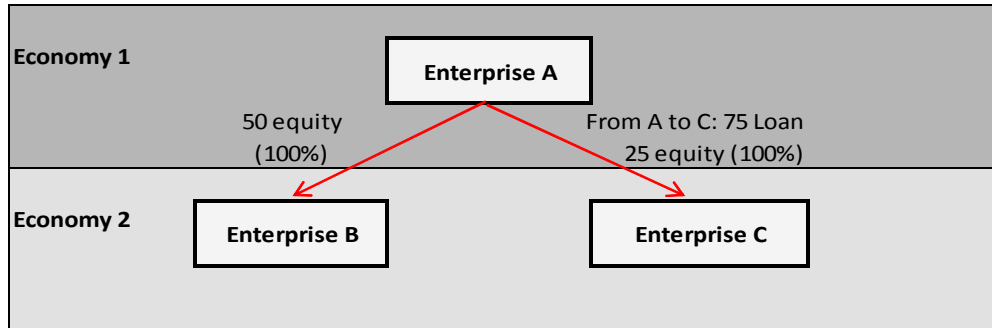
2.35 In Figure 2.1, Enterprise A, resident in Economy 1, owns all the equity in Enterprise B (50), which is resident in Economy 2. Enterprise B owns all the equity in Enterprise C (25), also resident in Economy 2. Enterprise A has lent 75 to Enterprise C. In the above instance, Enterprises B and C represent the LEG, and Enterprises B and C could be reported as a consolidated enterprise or separately, whether Enterprise B is an operating enterprise or a holding company.

**Figure 2.1 Example 1: LEG of inward direct investment**



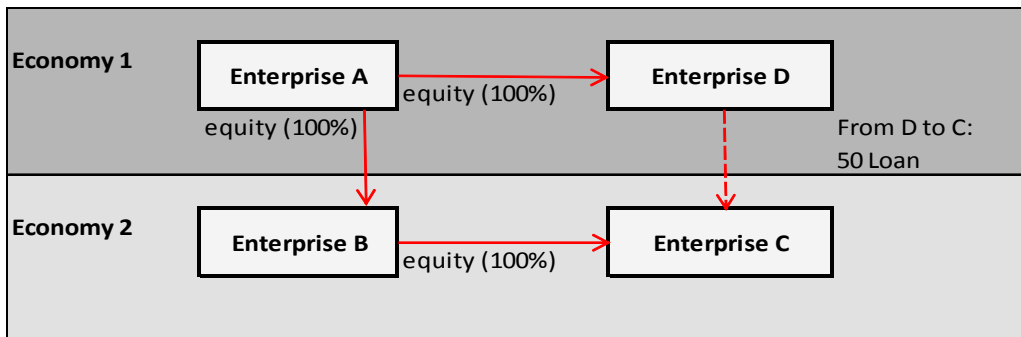
2.36 In Figure 2.2, Enterprise A, resident in Economy 1, owns all the equity in Enterprise B (50), which is resident in Economy 2. Enterprise A also owns all the equity in Enterprise C (25), which is also resident in Economy 2. Enterprise A has lent 75 to Enterprise C. In this instance, B and C Enterprises do not represent a LEG, as Enterprise B does not control Enterprise C, and Enterprise C does not control Enterprise B. It is recommended that these enterprises report separately.

**Figure 2.2 Example 2: Not a LEG for inward direct investment**



2.37 If a DI has several related resident enterprises that invest abroad in other related entities, the whole of the LEG can be regarded as one unit. In figure 2.3, Enterprise A owns 100 percent of Enterprise D and both are residents of the same economy; Enterprise A has a direct investment ownership interest in Enterprise B, and Enterprise D has a direct investment relationship with Enterprise C (because both Enterprises C and D have Enterprise A as a common owner, either directly or indirectly). In this instance, economies may treat Enterprises A and D as one statistical unit, and Enterprises B and C as one statistical unit.

**Figure 2.3 Example 3: LEG for outward direct investment**



**Determining direct investment relationships**

2.38 As can be seen with the LEGs, the underlying ownership links of direct investment can be quite complicated. To understand what is, and what is not, direct investment, different methods have been developed to provide criteria for determining whether cross-border ownership results in a direct investment relationship, based on control and/or a significant degree of influence.

2.39 Control or a significant degree of influence may be achieved directly through direct ownership of equity that gives voting power in the enterprise, or indirectly by having voting power in another enterprise that has voting power in the enterprise. Accordingly, two ways of having control or significant influence are identified:

- (1) Immediate direct investment relationships arise when a DI directly owns equity that entitles it to 10 percent or more of the voting power in the DIENT.
  - a. Control is determined to exist if the DI owns more than 50 percent of the voting power in the DIENT.
  - b. A significant degree of influence is determined to exist if the DI owns from 10 to 50 percent of the voting power in the DIENT.

(2) Indirect direct investment relationships arise through the ownership of voting power in one DIENT that owns voting power in another enterprise or enterprises, that is, an entity is able to exercise *indirect* control or influence through a chain of direct investment relationships. For example, an enterprise may have an immediate direct investment relationship with a second enterprise that has an immediate direct investment relationship with a third enterprise. Although the first enterprise has no direct ownership of equity in the third enterprise, it can exercise indirect control or significant influence (see paragraph 6.14 in *BPM6*).

2.40 In addition to direct investment relationships between two enterprises that arise because one enterprise directly controls or directly significantly influences the other, there are also direct investment relationships between two enterprises that do not control or significantly influence each other, but that are both under the control or significant influence of the same investor.

2.41 This *Guide* presents three methods for determining a direct investment relationship: the Framework of Direct Investment Relationships (FDIR), the Direct Influence/Indirect Control Method (DIIC Method), and the Participation Multiplication Method (PMM). Under *BPM6* and *BD4*, the FDIR is the conceptually preferred method of identifying entities that are in a direct investment relationship. Economies that are not currently collecting data on any of these three different methods should consider initially<sup>52</sup> adopting one of the two simpler methods (the DIIC Method or the PMM) to identify direct investment relationships.

### ***Framework of Direct Investment Relationships***

2.42 The FDIR is a generalized methodology for identifying and determining the extent and type of direct investment relationships. In other words, the FDIR allows compilers to determine the population of DIs and DIENTs to be included in direct investment statistics.

2.43 The FDIR<sup>53</sup> identifies all enterprises affiliated with a DI. For example, it is possible that a DIENT owns 10 percent or more of the voting power of another enterprise, in which case the

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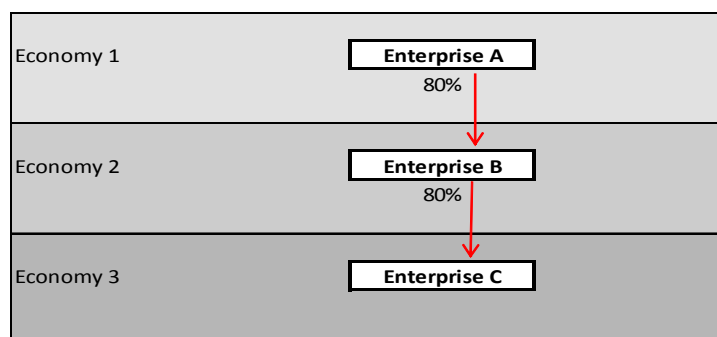
<sup>52</sup> Economies are encouraged to adopt the FDIR over time.

<sup>53</sup> A more comprehensive description of the FDIR appears in paragraphs 127-135 in *BD4*.

DIENT is itself a DI in a further DIENT. The question is – is there a direct investment relationship between the further enterprise and the original enterprise?

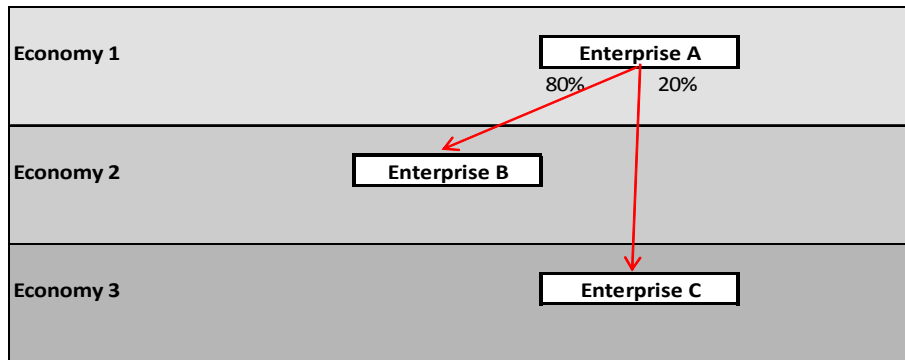
2.44 In Figure 2.4, Enterprises A, B, and C are in different economies. Enterprise A owns 80 percent of the voting power in Enterprise B and is a DI in Enterprise B. Enterprise B, in turn, owns 80 percent of the voting power in Enterprise C and is a DI in Enterprise C. Enterprise A has control over Enterprise B, and through its control over Enterprise B, has control over Enterprise C. As a result, financial transactions between Enterprise A and Enterprise C cannot be considered to be disinterested, even though Enterprise A directly holds no equity in Enterprise C. It is reasonable to consider Enterprises A and C to be in a direct investment relationship in which Enterprise A indirectly is a DI in Enterprise C. Financial transactions and positions between Enterprise A and Enterprise C should be included in direct investment.

**Figure 2.4 FDIR-Continuation of Control**

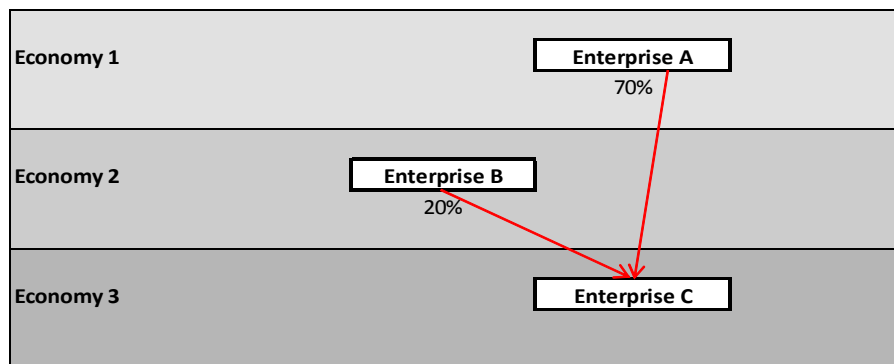


2.45 In relatively simple cases such as that in Figure 2.4, where each link in the ownership chain is a single equity holding and there is majority ownership (control) at each stage, it is clear that the direct investment relationship continues down the chain of ownership. However, when some links are non-controlling links and voting power of an enterprise is held by more than one member of a direct investment relationship, the extent of the relationship may be less obvious.

2.46 It is not uncommon for an entity to be a DI in more than one DIENT. In figure 2.5, Enterprises A, B, and C are each in different economies. Enterprise A owns 80 percent of the voting power in Enterprise B and is a DI in Enterprise B. Enterprise A also owns 20 percent of the voting power in Enterprise C and is a DI in Enterprise C. Enterprise A controls Enterprise B and has significant influence over Enterprise C. As a result, financial transactions and positions between Enterprises B and C are also relevant for direct investment statistics even though there is no equity participation between them. For example, Enterprise B may raise capital which it lends to Enterprise C at a concessional rate due to the control by Enterprise A. It is reasonable to consider Enterprises A, B, and C to be in the same direct investment relationship—Enterprises B and C are considered “fellow enterprises” of one another.

**Figure 2.5 FDIR-Fellow Enterprises**

2.47 In figure 2.6, there are two overlapping direct investment relationships, one with the Enterprise A as the DI and the other with Enterprise B as the DI. The DIENT, Enterprise C, is in a direct investment relationship with Enterprises A and B. Enterprise C is controlled by DI Enterprise A, which owns 70 percent of the voting power of Enterprise C, and Enterprise C is significantly influenced by DI Enterprise B, which owns 20 percent of the voting power of Enterprise C. Despite their common ownership of Enterprise C, Enterprises A and B are not in a direct investment relationship with each other.<sup>54</sup>

**Figure 2.6 FDIR-Multiple Investors**

### ***Direct Influence/Indirect Control Method (DIIC Method)***

2.48 The DIIC Method includes in direct investment all enterprises whose voting power are 10 percent or more directly owned, plus all enterprises that are controlled by them (ownership of more than 50 percent of the voting power), plus all other enterprises in a continuous chain of majority ownership.<sup>55</sup>

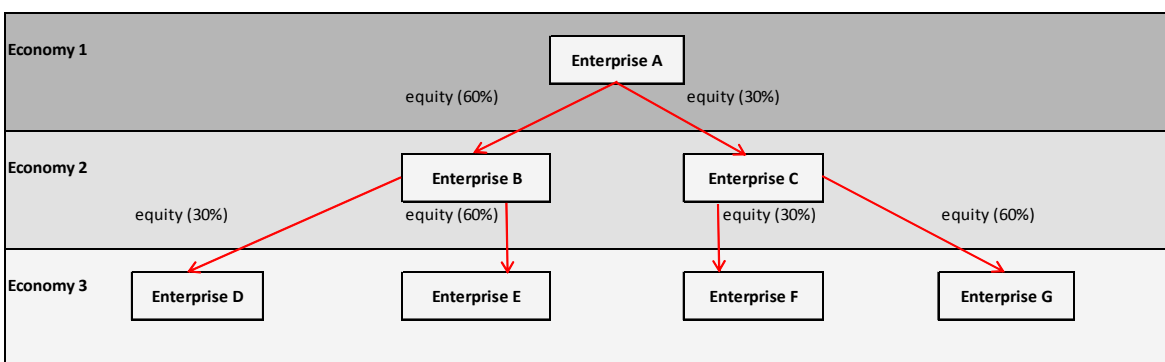
<sup>54</sup> More complex cases are provided in *BD4*, paragraphs 127-145.

<sup>55</sup> Once this group of enterprises is identified, if they reside in the same economy, they may be combined into a LEG

2.49 This method allows the first link in an ownership chain to be a non-controlling (influencing) link, but all subsequent links must be controlling links. In Figure 2.7 according to the DIIC Method, Enterprises B and C are in a direct investment relationship with Enterprise A and with each other; Enterprises E and G are also in a direct investment relationship with enterprise A (indirectly), Enterprises B and C and with each other, while Enterprise D is only in a direct investment relationship with Enterprises B and E, and Enterprise F is in a direct investment relationship with only Enterprises C and G.

2.50 Looking at Figure 2.7 from the perspective of Enterprise A, under the DIIC Method, Enterprise A is in a direct investment relationship with all enterprises below it in the chain except Enterprises D and F (because they are indirectly owned associates; an associate is an enterprise that is owned at least 10 percent but not more than 50 percent).

**Figure 2.7 Direct Influence/Indirect Control Method**



2.51 Thus the DIIC Method breaks the ownership chain at the second influencing link (as in the FDIR). On the other hand (and contrary to the FDIR), the DIIC Method also breaks the ownership chain at the first influencing link where the first link from the DI is a controlling link. As such, the DIIC Method will always identify the enterprises in a direct investment relationship as a subset of those identified by the FDIR.

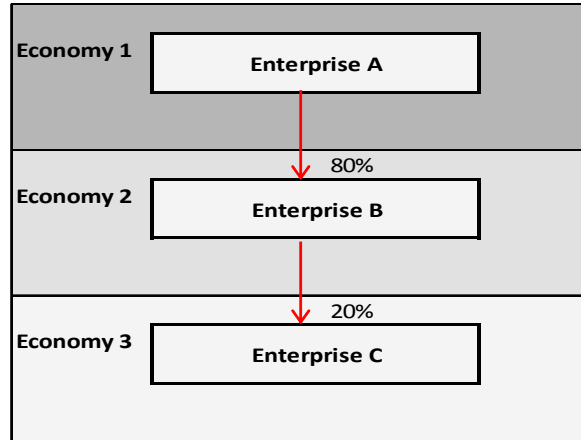
### ***Participation Multiplication Method (PMM)***

2.52 The PMM includes in direct investment all enterprises in which an investor has voting equity participation of at least 10 per cent. The calculation of participation percentage is based on a straight multiplication and summation of direct and indirect participation percentages.

2.53 More specifically, an indirect participation in a given enterprise at the bottom of a chain of ownership is calculated by taking the investor's participation in the first enterprise, multiplied by the first enterprise's participation in the next enterprise, multiplied by the corresponding percentages for all other intervening enterprises in the chain, multiplied by the last intervening enterprise's participation in the given enterprise. In Figure 2.8 according to this method, Enterprise A has a 16 per cent participation in Enterprise C (20 per cent of 80 per cent). Because

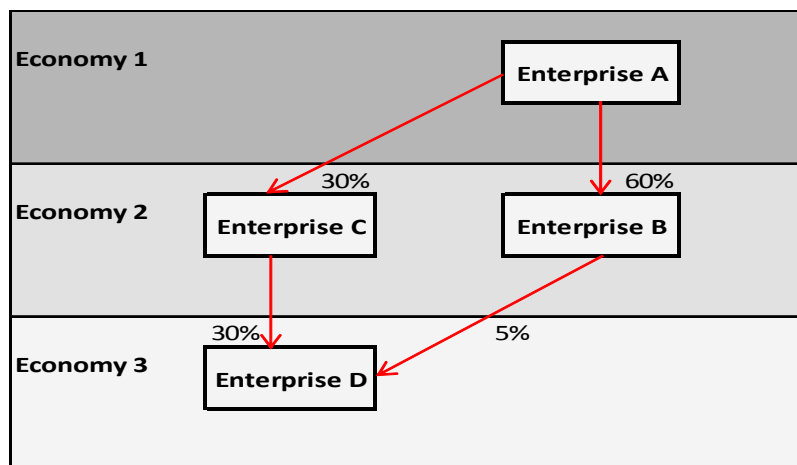
this participation is at least 10 per cent, Enterprises A and C are regarded as being in a direct investment relationship.

**Figure 2.8 Participation Multiplication Method**



2.54 If the investor's interest is held through more than one participation chain, then the percentages of direct and indirect participation in all chains are summed to determine the investor's total participation percentage. If the combined direct and indirect participation percentage is less than 10 per cent in an enterprise in another economy, then that enterprise is not considered to be in a direct investment relationship with the investor. In Figure 2.9, Enterprise A holds 3 per cent of Enterprise D indirectly through Enterprise B and 9 per cent of Enterprise D indirectly through Enterprise C, so Enterprise A holds a total of 12 per cent of Enterprise D from its combined holdings through Enterprises B and C.

**Figure 2.9 Participation Multiplication Method**



**CHAPTER 3: INFORMATION TO BE COLLECTED IN THE SURVEY**

*This chapter first defines equity and investment fund shares, and debt instruments and then explains the valuation methods to be used when requesting data on direct investment positions. As well, a brief introduction to the model survey forms is provided.*

**A. Equity and Investment Fund Shares, and Debt Instruments*****Equity***

3.1 *Equity* consists of all instruments and records that acknowledge claims on the residual value of a corporation or quasi-corporation, after the claims of all creditors have been met. Equity is treated as a liability of the issuing institutional unit (a corporation or other unit) (see paragraph 5.21 in *BPM6*).

3.2 Ownership of equity in legal entities is usually evidenced by shares, stocks, depository receipts, or similar documents. Shares and stocks have the same meaning, while depository receipts are securities that represent ownership of shares listed in other economies. Participating preferred shares are those that provide for participation in the residual value upon the dissolution of an incorporated enterprise. Such shares are also equity securities, whether the income is fixed or determined according to a formula (see paragraph 3.9 for nonparticipating preferred shares, which are treated as debt instruments).

3.3 Equity may be split on a supplementary basis into:

- Listed shares;
- Unlisted shares; and
- Other equity

3.4 *Equity securities* include listed shares. These shares are those listed on stock exchanges and other financial markets and may be sometimes be referred to as quoted shares. Unlisted shares and other equity are not listed on stock exchanges and other financial markets. Unlisted shares may be sometimes referred to as private equity.<sup>56</sup>

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<sup>56</sup> Equity securities have the characteristic feature of negotiability. That is, their legal ownership is readily capable of being transferred from one unit to another unit by delivery or endorsement. While any financial instrument can be potentially be traded, securities (debt and equity securities) are designed to be traded, usually on organized stock exchanges or “over the counter”. Negotiability is a matter of the legal form of the instrument. Some securities may be legally negotiable, but there is not, in fact, a liquid market where they can be readily bought or sold (see paragraph 5.15 in *BPM6*).



3.5 *Other equity* is equity that is not in the form of securities. It can include equity in quasi-corporations, such as branches, trusts, limited liability partnerships, other types of partnerships, unincorporated funds, and notional units created for ownership of real estate and other natural resources. Where significant, cross-border ownership in land and other natural resources should also be included in direct investment (equity) (see paragraphs 2.12 and 2.13). Where capital equipment is provided by a DI to its DIENT without recognition of a counterpart debt claim, this is regarded as the injection of equity (see paragraph 12.13 in *BPM6*).

### ***Investment fund shares or units***

3.6 *Investment funds* are collective investment undertaking through which investors pool funds for investment in financial or nonfinancial assets or both. These funds issue shares (if a corporate structure is used) or units (if a trust structure is used). Investment funds include MMF and non MMFs. Investment funds shares or units refer to the shares issued by mutual funds and unit trusts rather than the shares they may hold (see paragraph 5.28 in *BPM6*).

### **Debt instruments**

3.7 Intercompany lending is used to describe direct investment debt positions between affiliated enterprises. It includes all debt instruments transactions and positions other than those between selected financial corporations (see paragraphs 2.21-2.24). Debt instruments are those that require the payment of principal and/or interest at some point(s) in the future.<sup>57</sup> The term debt instrument is applicable to both the liability and the corresponding debt claim. Debt instruments may comprise deposits, debt securities, and other debt instruments. These instruments may earn/pay interest but this is not a necessary criterion for an instrument to be classified as debt.<sup>58</sup>

### ***Deposits***<sup>59</sup>

3.8 Deposits include all claims that are (1) on deposit-taking corporations and, in some cases, other institutional units; and (2) are represented by evidence of deposit. These deposits may be in the form of transferable balances (on which, for example, checks may be written) or other, less liquid, forms of deposit.

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<sup>57</sup> See paragraph 5.31 in *BPM6*.

<sup>58</sup> As indicated in paragraph 2.22 above, all intercompany lending between affiliated financial intermediaries (except insurance corporations and pension funds) is excluded from direct investment, regardless of the type of debt instrument(s) involved.

<sup>59</sup> For additional information about deposits, see paragraphs 5.39-5.43 in *BPM6*.

***Debt securities***<sup>60</sup>

3.9 Debt securities are negotiable instruments serving as evidence of a debt normally traded in financial markets. They include bills, bonds, certificates of deposit, bankers' acceptances, commercial paper, debentures, asset-backed securities, index-linked securities,<sup>61</sup> and nonparticipating preferred stocks or shares (instruments that pay a fixed income but do not provide for participation in the distribution of the residual value of an incorporated enterprise on dissolution). Bonds that are convertible into equity should also be classified as debt prior to the time that they are converted to equity.

***Other debt instruments***<sup>62</sup>

3.10 Other debt instruments comprise: loans (including financial leases), trade credit and advances, nonlife insurance technical reserves, life insurance and annuity entitlements, pension entitlements, claims of pension funds on pension managers, provision for calls under standardized guarantees, and all other accounts receivable/payable.

- *Loans* are financial assets that (1) are created when a creditor lends funds directly to a debtor, and (2) are evidenced by documents that are not negotiable.<sup>63</sup>
- *Trade credit and advances* consist of (1) direct credit extended by the suppliers of goods and services to the customers and (2) advances for work that is in progress (or is yet to be undertaken) and prepayment by customers for goods and services not yet provided.<sup>64</sup>
- For definition of other debt instruments, see Section 3 of Chapter 5 in *BPM6*.

**B. Excluded instruments**

3.11 *Financial derivatives and employee stock options (ESOs)*<sup>65</sup> and *one-off guarantees*<sup>66</sup> are excluded from direct investment. Financial derivatives and ESOs are excluded largely on practical grounds.

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<sup>60</sup> For additional information about debt securities, see paragraphs 5.44-5.50 in *BPM6*.

<sup>61</sup> These are debt securities whose principal and/or coupons are linked to another item, such as a price index or exchange rate.

<sup>62</sup> For additional information about other debt instruments see Section 3 of Chapter 5 in *BPM6*.

<sup>63</sup> Negotiability is defined in paragraph 5.15 in *BPM6*. Loans may be traded, but their legal form is not designed for negotiability in the same way as debt securities. See additional information about loans in paragraph 5.51 in *BPM6*.

<sup>64</sup> See additional information about trade credit and advances in paragraphs 5.70-5.72 in *BPM6*.

<sup>65</sup> For additional information about financial derivatives and ESOs see paragraphs 5.79-5.98 in *BPM6*.

<sup>66</sup> For additional information about one-off guarantees see paragraph 5.68b in *BPM6*.

- A *financial derivative contract* is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, etc.) can be traded in their own right in financial markets.
- *ESOs* are options to buy the equity of a company, and sometimes are offered to employees of a company as a form of remuneration.
- *One-off guarantees* represent loans or securities that are guaranteed with such particular circumstances that it is not possible for the degree of risk associated with them to be calculated with any degree of precision. They are contingent and recognized as financial assets or liabilities only at activation, that is, when the event occurs that makes the guarantor responsible for the liability (i.e., when the principal debtor defaults).

### C. Valuation Principles

#### Equity and Investment Fund Shares

3.12 Market value is the recommended basis for valuation for equity in *BPM6* and *BD4*. However, several different valuation methods<sup>67</sup> are offered in these manuals as proxies for market values to facilitate implementation. For the purposes of the CDIS, where the focus is on consistency of valuation for bilateral data, unlisted (or unquoted) equity and other equity should be valued using the concept of Own Funds at Book Value (OFBV), and listed<sup>68</sup> (or quoted) equity should be valued at market value; i.e., its most recent bid/ask price (a midpoint should be used) or at the price at which it was last traded.

3.13 OFBV<sup>69</sup> reflects the value of the enterprise recorded in its books,<sup>70</sup> which is the sum of:

- (1) Paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts);
- (2) All types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them company reserves);

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<sup>67</sup> Six alternative methods of approximating market value of shareholders' equity in a DIENT include: (1) recent transaction price, (2) net asset value, (3) present value and price-to-earnings ratios, (4) market capitalization method, (5) OFBV, and (6) apportioning global value. For detailed information see paragraph 7.16 in *BPM6*.

<sup>68</sup> Usually, the equity securities of only a relatively small number of DIENTs are traded on organized stock exchanges.

<sup>69</sup> For additional information about OFBV see paragraph 521 in Annex 5 of *BD4*.

<sup>70</sup> OFBV could be used in any case where there is no observable market price for positions in equity not listed on a stock exchange (see paragraph 7.15 in *BPM6*), including reverse equity investment and equity investment between fellows.

- (3) Cumulated reinvested earnings (which may be negative), which would take into account charges for consumption of fixed capital; and
- (4) Cumulated retained holding gains or losses included in own funds in the accounts, whether as revaluation reserves or profits or losses.<sup>71</sup>

3.14 This valuation principle applies equally to incorporated enterprises and quasi-corporations. Essential features of OFBV that make its use appropriate for measuring direct investment equity positions at market value include: most financial instruments on the DIENT's balance sheet are reflected at an estimate of their current fair values; cumulative reinvested earnings (losses) and cumulative retained holding gains (losses) are included; and depreciation on items of property, plant, and equipment is reflected.

3.15 The CDIS requires that information be collected from the books of the DIENT. First, the books of the DIENT are more likely to take into account the activities of the DIENT than are the books of the DI. This is because the books of the DIENT will typically incorporate current period results in deriving the stock of retained earnings. In contrast, the books of DIs may not reflect the retained earnings of their DIENTs, particularly in the case where the DI does not have a majority ownership in the DIENTs (investments in these DIENTs are sometimes carried at cost on an investor's books). Second, using the valuation in the DIENT also helps to promote comparability and consistency of the information collected between economies. Thus, if Enterprise B, a DIENT resident in economy 1, has Enterprise A, a resident in economy 2, as its DI, the inward direct investment in economy 1 and outward direct investment from economy 2 should be the same. For compilers in economy 1, where the DIENT is resident, obtaining the information required involves direct contact with Enterprise B. However, compilers in economy 2 may not have direct access to the information about Enterprise B, using Enterprise B's accounts. Therefore, indirect access may be necessary – that is, the information should be sought from Enterprise A, but it needs to be stressed when approaching Enterprise A that the information on equity investment in Enterprise B should be that on Enterprise B's accounts, which may not (necessarily) be the same as that held in Enterprise A's accounts.

3.16 It is often the case that the value that the DI will hold in its accounts of its investment in its DIENT(s) will be lower than the value held on the books of the DIENT. One particular circumstance when the investment by the DI may exceed the counterpart investment recorded on the books of the DIENT may arise where there has been a recent takeover of the DIENT from another investor. In that case, the purchase price may be larger than the value recorded on the books of the DIENT due to the value of goodwill. Nonetheless, for the purposes of the CDIS, unless the value on the books of the DIENT has been changed to reflect the purchase, it is

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<sup>71</sup> Consumption of fixed capital is used in this context in preference to depreciation as the latter is often based on the historic cost of fixed capital, whereas the former is a current cost accounting concept. However, it is possible that the direct investment enterprise will not use current cost accounting; in that case, depreciation (historic cost accounting) is an acceptable alternative.

necessary that the values on the books of the DIENT be used to ensure consistency between the data compiled by the DI and the DIENT.

### Debt Instruments

3.17 In the CDIS, debt securities are to be valued at market prices, and all types of debt other than debt securities – that is, loans, deposits, insurance, pension, and standardized guarantee schemes, trade credit and advances, and other accounts payable/receivable-other– are to be valued at nominal value. Nominal value is defined as the amount the debtor owes to the creditor, which comprises the outstanding principal amount including any accrued and unpaid interest. That is, it represents the value of funds advanced less any repayments plus outstanding accrued interest; nominal value also takes into account any adjustments to reflect changes in debt denominated in a foreign currency. The rate of exchange to be used is the mid-point between the buy and sell rates on the reference date. Accordingly, let us assume that DIENT B borrowed \$100 from its DI A, when the exchange rate was 2:1 between the local currency and the dollar. At that point, the debt should be recorded on B's books, in local currency, at 200. However, at a later date, if the exchange rate has changed to 3:1, and assuming there has been no further lending or any repayments, and setting aside any accrual of interest, B should record its liability to A as 300 in local currency (which still equals \$100).

### D. Model Survey Forms for Inward and for Outward Direct Investment

3.18 Model survey forms are provided in the Annex IV. *Forms 1 and 2* are designed to provide core data items for the CDIS and so they mainly cover identification information and direct investment position data. *Forms 3 and 4* are for economies that are exploring changing their collection systems, or those that are starting a survey, that wish to integrate positions, financial transactions, other changes, and income items, into a single comprehensive collection vehicle. *Form 5* is a model form for economies that wish to use a single collection vehicle to collect data on all components of IIP, including data on portfolio investment, financial derivatives, and other investment, as well as for direct investment. All of these forms may need to be modified to meet the circumstances of individual economies.

**Model Survey Form 1** *Collection Form for Inward Direct Investment* collects information on positions between a resident DIENT and its nonresident DI(s). The form also covers positions between resident and nonresident units that are fellow enterprises.

**Model Survey Form 2** *Collection Form for Outward Direct Investment* collects information on positions between a resident DI and its nonresident DIENT(s). The form also covers positions between resident and nonresident units that are fellow enterprises.

**Model Survey Form 3** *Integrated Collection Form for Inward Direct Investment Positions, Transactions and Other Changes* is designed to collect information on financial transactions, income, other changes, as well as positions, between a resident direct investment enterprise and its nonresident direct investor(s). The form also covers financial transactions, income, other change, and positions between resident and nonresident units that are fellow enterprises.

**Model Survey Form 4** *Integrated Collection Form for Outward Direct Investment Positions, Transactions and Other Changes* is designed to collect information on financial transactions, income, other changes, and positions, between a resident direct investor and its nonresident direct investment enterprise(s). The form also covers financial transactions, income, other changes, and positions between resident and nonresident units that are fellow enterprises.

**Model Survey Form 5** *Collection Form for International Investment Positions for Direct Investment and Other Cross Border Positions* is designed to collect positions data for all components of IIP.

3.19 It should be noted that any given unit can simultaneously be a DI, a DIENT, and a fellow enterprise. Therefore, to obtain data on both inward and outward direct investment, the same enterprise may need to complete both forms on inward direct investment and on outward direct investment.

## CHAPTER 4: COMPILATION AND REPORTING OF DIRECT INVESTMENT STATISTICS

*It is important to differentiate between data collection (Chapters 2 and 3) and the compilation and reporting of direct investment data, as each of these steps involves special treatments.*

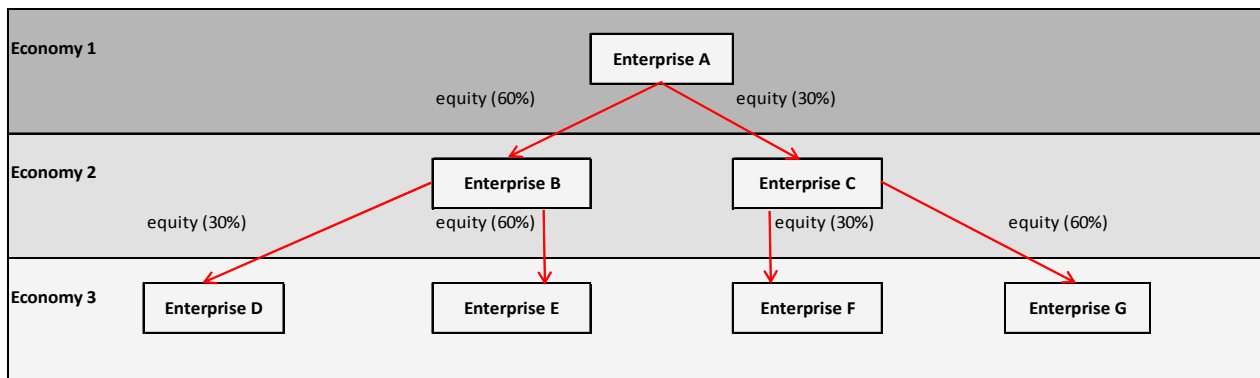
4.1 This chapter provides guidance on the compilation of the data that are collected, on data that should be omitted from direct investment, and on the reporting of direct investment statistics for participation in the IMF’s CDIS.

### A. Data Compilation

4.2 As recommended in *BPM6*, direct investment data should be compiled both on an *Asset/Liability basis* and on a *Directional Principle basis* (see paragraph 6.44 in *BPM6*). The Directional Principle basis should be used for reporting the CDIS survey results.

4.3 Using the example of unit B in Figure 4.1, the following describes data to be collected by compilers in Economy 2. As can be seen from Figure 4.1, B is both a DIENT and a DI. Let’s assume that Enterprise B has equity investment liabilities of 100 to Enterprise A (nonresident DI); and Enterprise B has equity investment assets (reverse investment<sup>72</sup>) in Enterprise A of 5. Also, Enterprise B has debt liabilities of 25 to Enterprise A, and that Enterprise B has debt assets (reverse investment) on Enterprise A of 5. Finally, Enterprise B has equity investment assets in Enterprise D of 10 and equity investment assets in Enterprise E of 14, and there are no debt investments between B and D or E.

**Figure 4.1 Direct Investment of Economies 1, 2, and 3**



<sup>72</sup> See description of reverse investment in paragraph 4.10.

4.4 The Table below presents the information collected from Enterprise B by compilers in Economy 2:

**Table 4.1 Economy 2: Direct Investment Position Data Collected from Enterprise B (Asset/Liability Basis)**

<b>Position of Enterprise B with:</b>	<b>Enterprise A</b>	<b>Enterprise D</b>	<b>Enterprise E</b>
<b>Assets</b>	<b>10</b>	<b>10</b>	<b>14</b>
Debt instruments	5	0	0
Equity	5	10	14
<b>Liabilities</b>	<b>125</b>	<b>0</b>	<b>0</b>
Debt instruments	25	0	0
Equity	100	0	0

4.5 Under the Asset/Liability basis, the data reporting would essentially duplicate the data collection shown above.

4.6 Under the Directional Principle basis, investment by a DI in its DIENT and investment by a DIENT in its DI are both recorded in outward direct investment when the DI is a resident of the compiling economy, and both are recorded in inward direct investment when the DIENT is a resident of the compiling economy. That is, investment by a DIENT in its DI is essentially netted against investment by the DI in the DIENT. Table 4.2 below shows how the data collected from Enterprise B would be rearranged for compilation under the Directional Principle basis.

**Table 4.2 Economy 2: Direct Investment Position Data Compiled for Enterprise B (Directional Principle Basis)**

<b>Position of Enterprise B with:</b>	<b>Enterprise A</b>	<b>Enterprise D</b>	<b>Enterprise E</b>
<b>Outward</b>		<b>10</b>	<b>14</b>
<i>Equity</i>		<i>10</i>	<i>14</i>
Assets		10	14
Liabilities		0	0
<i>Debt instruments</i>			
Assets			
Liabilities			
<b>Inward</b>	<b>115</b>		
<i>Equity</i>	<i>95</i>		
Assets*	- 5		
Liabilities	100		
<i>Debt Instruments</i>	<i>20</i>		
Assets*	- 5		
Liabilities	25		

\*In the Directional Principle basis, reverse investment (see paragraph 4.9) is recorded with negative sign.



## B. Special Cases of Data Compilation

### Mutual direct investment, reverse investment, and investment in a fellow enterprise

4.7 When enterprises in a direct investment relationship have investment in each other, one of three situations arises: mutual direct investment, reverse investment, or investment in a fellow enterprise.

4.8 *Mutual direct investment*: If Enterprise B has 10 percent or more of the voting power in an Enterprise A (which holds 10 percent or more of the voting power in Enterprise B), each is a DI in the other. That is, Enterprise B is both a DIENT of Enterprise A, and a DI in Enterprise A.

4.9 *Reverse investment*: Investment by a resident DIENT in its DI (whether its immediate DI or in a DI that is higher in its ownership chain) provided that it does not own equity comprising of 10 percent or more of the voting power is called “*reverse investment*”. If a DIENT Enterprise B has an investment in its DI (Enterprise A) and that investment represents less than 10 percent of the voting power in DI Enterprise A, then Enterprise B has reverse investment in Enterprise A: Enterprise B is not a DI in Enterprise A. Reverse investment also includes debt instrument claims of a DIENT on its DI.

4.10 *Investment in a fellow enterprise* arises when an enterprise invests in another enterprise with which it has a direct investment relationship, but neither directly or indirectly holds 10 percent or more of the voting power in the other. In *BPM6* and *BD4*, the concepts of inward and outward direct investment were updated for the recording of investment positions between fellow enterprises.<sup>73</sup> In concept, both asset and liability positions between fellow enterprises are to be recorded in outward direct investment where the ultimate controlling parent (UCP) is a resident, and in inward direct investment where the UCP is a nonresident. However, in the cases where the residence of the UCP companies<sup>74</sup> is not known, for CDIS reporting purposes, it is acceptable to record assets of a resident fellow enterprise on a nonresident fellow enterprise in outward direct investment, and to record liabilities of a resident fellow enterprise to a nonresident fellow enterprise in inward direct investment.

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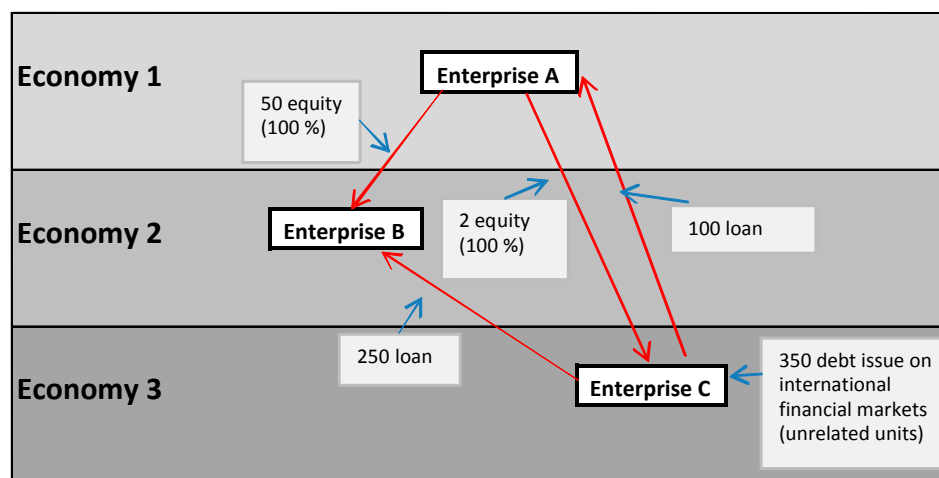
<sup>73</sup> As noted earlier, fellow enterprises are enterprises that have the same direct investor, and the investor must be a DI in at least one of them. Neither fellow enterprise has voting power of 10 percent or more in the other enterprise (or else they are a DI and DIENT instead fellows). The Extended Directional Principle includes both assets and liability positions between a given pair of fellow enterprises entirely in outward direct investment when the UCP is a resident of the compiling economy, and entirely in inward direct investment when the UCP is a nonresident of the compiling economy. This parallels the (net) recording rules for asset and liability positions that apply to positions between a DI and its DIENT. (In contrast, under earlier recording rules (see *OECD Benchmark Definition of Foreign Direct Investment*, third edition), asset positions between fellows were recorded in outward direct investment and liability positions were recorded in inward direct investment, or gross recording instead of net recording of these positions. See also paragraph 452 in *BD4*).

<sup>74</sup> Depending on how an economy treats LEGs, a given position could be recorded in either inward or in outward direct investment, and a given enterprise may be a fellow enterprise instead of a DI or a DIENT.

4.11 Economies are encouraged to provide metadata that describe their treatment of positions between fellow enterprises.<sup>75</sup>

4.12 Figure 4.2 is used to illustrate the direct investment relationship between a DI and DIENT, reverse investment between a DIENT and a DI, and investment between two fellow enterprises with no equity investment between them.

**Figure 4.2 Investments between a DI and DIENT, Reverse Investment, and Investment Between Fellow Enterprises**



4.13 In this example:

- Enterprise A owns all of the equity issued by Enterprise B and by Enterprise C (50 by Enterprise B and 2 by Enterprise C).
- Enterprise C has raised 350 on international capital markets through the issue of debt securities. Enterprise A has guaranteed these securities.
- Of these funds raised by Enterprise C, 100 is lent to Enterprise A and 250 to Enterprise B. Enterprises A, B and C are all in different economies.

4.14 Under the Asset/Liability basis, these positions would be recorded as follows:

<sup>75</sup> At the time of writing this *Guide*, about 50 CDIS participating economies reported data for fellow enterprises for inward direct investment and about 30 reported data for fellow enterprises for outward direct investment.

Table 4.3 Asset/Liability Basis			
<b>For Enterprise A</b>			
<b>Assets</b>	<b>52</b>	<b>Liabilities</b>	<b>100</b>
Of DIs in DIs equity		Of DIs to DIs debt instruments	
in B	50	to C	100
in C	2		
<b>For Enterprise B</b>			
<b>Assets</b>		<b>Liabilities</b>	<b>300</b>
		Of DIs to DIs equity	
		to A	50
		to fellow enterprises debt instruments	
		to C	250
<b>For Enterprise C</b>			
<b>Assets</b>	<b>350</b>	<b>Liabilities</b>	<b>2</b>
Of DIs in DIs debt instruments		Of DIs to DIs equity	
in A	100	to A	2
Of DIs in fellow enterprises debt instruments			
in B	250		
For enterprises A, B, and C		For enterprises A, B, and C	
<b>Total Assets</b>	<b>402</b>	<b>Total Liabilities</b>	<b>402</b>

4.15 Under the Directional Principle basis, using the standard approach for the treatment of fellow enterprises where the UCP is a nonresident of economies 2 and 3, these positions would be recorded as follows:

Table 4.4 Directional Principle Basis with UCP Known 1/			
<b>For Enterprise A</b>			
<b>Outward</b>	<b>-48</b>	<b>Inward</b>	
equity			
assets of DIs in DIs			
in B	50		
in C	2		
debt instrument			
less liabilities of DIs to DIs			
to C	-100		
<b>For Enterprise B</b>			
<b>Outward</b>		<b>Inward</b>	<b>300</b>
		equity	
		liabilities of DIs to DIs	
		to A	50
		debt instruments	
		liabilities of DIs to fellow enterprises	
		to C	250
<b>For Enterprise C</b>			
<b>Outward</b>		<b>Inward</b>	<b>-348</b>
		equity	
		liabilities of DIs to DIs	
		to A	2
		debt instruments	
		less assets of DIs in DIs	
		to A	-100
		less assets of DIs in fellow enterprises	
		to C	-250
For enterprises A, B, and C		For enterprises A, B, and C	
<b>Total Outward</b>	<b>-48</b>	<b>Total Inward</b>	<b>-48</b>

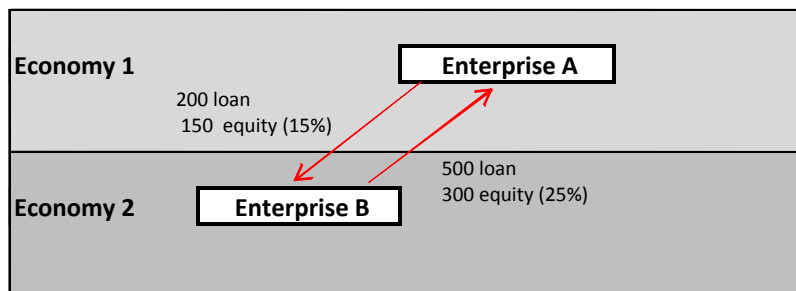
1/ See paragraph 4.11

4.16 Under the Directional Principle basis, where the residence of the UCP is not known, the positions between fellow enterprises are recorded as outward for assets and inward for liabilities. These positions would be recorded as follows:

Table 4.5 Directional Principle Basis with UCP Unknown 1/		
<b>For Enterprise A</b>		
<b>Outward</b>	<b>-48</b>	<b>Inward</b>
equity		
assets of DIs in DIs		
<i>in B</i>	50	
<i>in C</i>	2	
debt instrument		
less liabilities of DIs to DIs		
<i>to C</i>	-100	
<b>For Enterprise B</b>		
<b>Outward</b>		<b>Inward 300</b>
		equity
		liabilities of DIs to DIs
		<i>to A</i>
		50
		debt instruments
		liabilities of DIs to fellow enterprises
		<i>to C</i>
		250
<b>For Enterprise C</b>		
<b>Outward</b>	<b>250</b>	<b>Inward -98</b>
		equity
		liabilities of DIs to DIs
		<i>to A</i>
		2
		debt instruments
		debt instruments
		assets of DIs in fellow enterprises
		less assets of DIs in DIs
		<i>to A</i>
	250	-100
		For enterprises A, B, and C
		For enterprises A, B, and C
<b>Total Outward</b>	<b>202</b>	<b>Total Inward 202</b>
1/ See paragraph 4.11		

4.17 In mutual direct investment, if Enterprise B has 10 percent or more of the voting power in Enterprise A, which holds 10 percent or more of the voting power in Enterprise B, then each is a DI in the other. That is, Enterprise B is both a DIENT of Enterprise A and a DI in Enterprise A and vice versa. Under the Directional Principle basis, Enterprise A should record its investment in Enterprise B in outward (Enterprise A is a DI), and the investment provided by Enterprise B in inward (Enterprise A is a DIENT).

Figure 4.3 Special Case on Mutual Investment



Outward	350	Inward	800
Equity	150	Equity	300
DI in DIENT	150	DI in DIENT	300
Debt Instruments	200	Debt Instruments	500
DI in DIENT	200	DI in DIENT	500

### C. Reporting CDIS Data to the IMF

4.18 The CDIS results are reported to the IMF under two data templates and one metadata questionnaire. The detailed data templates and metadata questionnaires are included in Annex I.

#### Data templates

4.19 The IMF requests that economies provide **inward direct investment** position data as follows:

<b>Data Reporting Template 1: Inward total by individual reporting economy</b>	
(1)	Total Inward Direct Investment for Economy A (= item 2 plus item 3) Of which,
1.a.	Total Inward Direct Investment with fellow enterprises abroad (nonresident)
1.b.	Total equity and debt instrument liabilities (resident fellow enterprises' liabilities to nonresident fellow enterprises)
1.c.	Total equity and debt instrument assets (resident fellow enterprises' assets in nonresident fellow enterprises)
(2)	Equity Inward Net
(3)	Debt Instruments Inward Net (item 3.a plus item 3.b equals item 3, and item 3.c minus item 3.d equals item 3)
3.a.	Resident financial intermediaries (liabilities minus assets)
3.b.	All other residents (not financial intermediaries): (liabilities minus assets)
3.c.	Liabilities
3.d.	Assets

4.20 Economies with significant **outward direct investment** position data are encouraged to report:

<b>Data Reporting Template 2: Outward total by individual reporting economy</b>	
(1)	Total Outward Direct Investment for economy A (= item 2 plus item 3) Of which,
1.a.	Total Outward Direct Investment with fellow enterprises abroad (nonresident)
1.b.	Total equity and debt assets (resident fellow enterprises' assets in nonresident fellow enterprises)
1.c.	Total equity and debt instrument liabilities (resident fellow enterprises' liabilities to nonresident fellow enterprises)
(2)	Equity Outward Net
(3)	Debt Instruments Outward Net (item 3.a plus item 3.b equals item 3, and item 3.c minus item 3.d equals item 3)
3.a.	Resident financial intermediaries (assets minus liabilities)
3.b.	All other residents (not financial intermediaries): (assets minus liabilities)
3.c.	Assets
3.d.	Liabilities

4.21 The data templates include a regional breakdown (see Annex V and <http://data.imf.org/CDIS>). In the eventuality that some bilateral information may be confidential, compilers are asked to report regional breakdowns that would overcome the confidentiality concerns (at the economy level, compilers will use the letter “C” to identify counterpart economies for which direct investment positions are kept confidential). In some cases, data cannot be allocated to a specific economy in the region or to a specific region. In the CDIS data templates, these data are referred as “unallocated” data. Each region includes a “*not specified (including confidential) by region*” data category which captures the total amount of confidential data at an economy level for that region plus unallocated data within that region. Compiling economy’s global totals in the data template include a “*Total not specified (including confidential)*” data category that collects the sum of “*not specified (including confidential) by region*” or the total data reported by compilers when this cannot be presented with a regional breakdown.

4.22 Reporters should indicate the reporting currency and unit of account.

### **Metadata questionnaire**

4.23 In addition to the data in the templates, the IMF seeks descriptive information or metadata from participants. This information is sought on both inward and outward direct investment (if applicable) and should be periodically updated as needed. Particular disclosure should be provided when the reported data deviate from the CDIS recommended standards.

4.24 The CDIS metadata questionnaire provides useful information for data users about compilation methods and practices, and data sources and collection methods of data disseminated. This questionnaire includes, among others, the following CDIS information:

- *Contact information* of the reporting economy and information about the website used for disseminating direct investment data.
- *Data sources and collection methods.* This includes information on whether data sources for direct investment are based on a sample or a census (with detail by sectors); the primary and secondary source(s) of information used in building the sample frame or census of resident DIENs/DIs; the reporting threshold applied, indicating if direct investment data below the threshold were estimated; the source(s) of information used to collect CDIS data; the method, if any, used in estimating data for non-responding units, and whether CDIS data refer to calendar or fiscal year.
- *Valuation principles* for equity investments (listed and unlisted) and for debt instruments (debt securities and other debt instruments). Also, whether accrued interest is included in the valuation of debt instruments.
- *Exchange rate* for financial instrument denominated in a foreign currency.
- *Other specific compilation issues* such as coverage of flexible corporate structures with little or no physical presence; whether the reporting unit is an enterprise or a LEG; whether positions of/with fellow enterprises are recorded on a straight Asset/Liability basis or depending on the residence of the UCP; information on how economies determine UCP; the method used to determine direct investment relationships; whether direct investment in real estate is included or not; and whether debt (including permanent debt) between selected affiliated financial corporations is included in or excluded from direct investment.
- Questions to assess consistency of CDIS data with IIP are also included.

### Reporting dates for the CDIS

4.25 **Reporting date for data:** September of each year.

- Preliminary results for reference date (end-year T), and revised data for previous year/s should be reported to the IMF not later than September of year T+1 (nine months after the reference date for the most recent year).

4.26 Chapter 5 of this *Guide*, Undertaking a Direct Investment Survey, provides a broad framework for a timetable for undertaking an enterprise survey.

## CHAPTER 5: UNDERTAKING A DIRECT INVESTMENT SURVEY

*In undertaking an enterprise survey, it is important to develop a timetable. This chapter may be especially helpful to compilers that intend to conduct a direct investment survey for the first time.*

### A. Timetable

5.1 The timetable serves two main purposes: (1) tasks are identified, and (2) their sequencing is established to meet the objectives of the survey.

5.2 In the CDIS, the economies conducting a direct investment position survey for the first time will have a different timetable from those economies that conduct them regularly. Box 5.1 below sets out a broad framework for a timetable, which can be adapted to national circumstances.

### B. Responsibility for Producing Direct Investment Statistics

5.3 In many economies, a statistics act or formal arrangements exist under which the central bank or statistical agency has the authority to collect information required for participation in the CDIS.<sup>76</sup> In some economies, responsibility for collecting data on direct investment may be split between two or more agencies. For example, central banks may have responsibility for obtaining data from financial institutions, while the national statistical agency may have responsibility for the nonfinancial entities. In other economies, the role of the investment approval agency may be very important. Involving all the relevant agencies will improve the overall coverage and accuracy of the data eventually collected. Any survey questionnaire should make clear which agency(ies) have access to the reported data, and who has the main responsibility for the compilation and dissemination of this information.

### C. Creation/Update of a Survey Frame

5.4 The survey frame comprises the set of units subject to the direct investment survey and the details about those units that can facilitate the conduct of the survey. The survey frame is among the most important determinants of the coverage of the survey and hence of the measurement of direct investment. The survey frame can be used to list direct investment units as well as to facilitate some of the steps involved in conducting the survey, notably through storing and tracking information on the units being surveyed.

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<sup>76</sup> A good legal authority would state whether the reporting of statistical information is mandatory, and it should note that the data are confidential and will not be disclosed to third parties (i.e., other than those identified in the legal authority) without the approval of the respondent.





### D. Information Content of the Survey Frame

5.5 The survey frame should be developed no later than 12 months (preferably 18 months) prior to the launch of the first survey (and updated periodically). The survey frame should include relevant information on each respondent, and may serve as a tracking system for contacts with respondents.

#### *Information relating to respondents*

- Name
- ID code/Registry or Business Number
- Respondent's address
- Contact person/authorized person to sign form
- Designation of contact person/authorized person
- Phone number of contact person/authorized person
- Facsimile number and email address of contact person/authorized person
- Activity code of respondent (i.e., business sector of respondent)
- Institutional sector of the respondent
- Investment code (is respondent involved in inward or outward direct investment?)
- Financial/fiscal year (i.e., accounting period)

#### *Survey log*

- A well-integrated data collection provides comprehensive response logs containing information about the respondent and to track response status.

#### *Response log details*

- Date letters/questionnaires are sent (could be automatically entered by computer)
- Date due
- Response status (responded, liquidated, no response, respondent owned by another business which will respond)
- Date first response received
- Date of first and second follow-up
- Edit date – case edited

### E. Computerizing the Survey Frame

5.6 Computerizing the survey frame may save compilers time and effort and reduce the scope for error in dealing with survey respondents. Careful maintenance of the database is also required; e.g., updating address changes, company name changes, etc. The type of issues and tasks that national compilers need to consider include:

- Taking account of the information flows to and from the database (the use of charts and diagrams may be useful in the planning phase);
- Taking account of the specifications required to query the frame and to generate reports;
- Devising a coding structure that embodies important defining characteristics of each respondent. This allows the sorting and analysis of respondents and the tracking of nonresponse;
- Ensuring that supporting hardware/software is sufficient for the task, for instance, that the memory and processing capabilities are such that response and retrieval times are acceptable;
- Allowing time for a thorough tryout of the system before "live" use;
- Backing up copies of data and software on a regular basis and storing them both on-site and at a remote location so that the files can be restored in the event of a system breakdown;
- Ensuring appropriate systems security and access authorization;
- Producing thorough documentation on the system; and
- Providing for a suitable filing system for associated papers, not least the completed survey forms.

## F. Use of the Survey Frame

5.7 Once the national survey is under way, the benefits of an efficient computerized survey frame become apparent.<sup>77</sup> The benefits accrue both at the initial stage of the mail out of the survey forms and at the follow-up stage and beyond. Some of these benefits are presented below to provide national compilers with an idea of the capabilities of a computerized information database.

5.8 **Dispatching survey forms.** At the initial stage, compilers need to dispatch<sup>78</sup> the survey forms and companion transmittal letters. To do so, they can generate the mailing labels from the computerized information database. At the same time, a record can be written noting which survey respondents will be sent a questionnaire (e.g., mail status to "yes"). Compilers can also perform a quality check to ensure that the right respondent is receiving the right survey form(s).

5.9 **Acknowledging receipt.** This is particularly important if the mailing includes more than one type of survey form. If the statistical office has never previously conducted a direct investment survey, it may be useful to include with the survey form a postcard (or use some similar technique) that respondents use to acknowledge receipt of the questionnaire and identify the person to contact. In this way, compilers can quickly identify problems and initiate follow-up action. The national compiler should note, in the response log, those entities that have returned the postcard. National compilers should record the return of the completed survey form in the

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<sup>77</sup> For a national statistical survey, some economies have found it useful (or are required by law) to publish a public notice about the survey, which announced the survey and stated that any institution meeting the reporting guidelines may be legally required to report, whether or not the institution is sent a survey questionnaire. This approach might bring in some firms that are not on the information database. Such approaches may partly depend on local institutional and legal arrangements.

<sup>78</sup> The dispatching of the survey forms can also be done online if compilers have resources and information technology available.

response log, along with the date of receipt; any changes required to the information database, for instance, name, address, etc., could be made. Compilers could run a report to verify that the correct entries have been made. Thereafter, they could distribute survey forms to the appropriate person for data capture and editing.

5.10 ***Contacting the compilers.*** For a number of reasons, respondents may wish to contact the compiler using the contact information printed on the questionnaires. The compiler should keep a record of significant phone calls and/or correspondence (such as requests for extension of the survey due date) either in a manual file or as a note against the appropriate record in the response log file, along with a notation on how the matter was resolved. If a survey respondent requires more time to complete the survey form, the compiler should note this information so that reminders are not sent. In such a case, the response log status is changed to indicate that contact and follow-up procedures are suspended for a specified period. When new copies of the survey forms are requested, a re-mail is initiated, and additional forms are sent to the respondent with the follow-up procedures kept in place. The compiler must update the information database if updated information is provided and run a check to confirm that correct details have been stored.

5.11 ***Automating available data.*** At the planning stage, it is important to consider which fields will be automatically completed by the computerized system. For example, would the date mailed field be updated directly by the mailing program? Provide sufficient space for addresses, etc.; it may be appropriate to subdivide fields for some items (for example, distinguishing the postal code from the remainder of the address). Take care when assigning default values to fields and (as a safeguard against inputting errors) have an accessible, online, separate file that lists those types of input that are currently acceptable for a specified field, so that unacceptable inputs will be rejected, for instance, entering a letter in a field that can accept only numbers. It is also useful to have a comment area for the respondent's use.

5.12 ***Follow-up with respondents.*** When the closing date for the return of completed survey forms has passed, the national compiler can identify the overdue survey respondents from the response log, and can prepare labels for envelopes and follow-up documents. Of course, appropriate adjustments should be made in follow-up procedures for respondents who were granted extensions in their reporting deadlines.

5.13 ***Assessing progress made.*** A number of reports can be produced on a regular basis to assess the status of the survey:

- *Transaction reports:* Lists of changes to records sorted by name, ID code, date, etc.
- *Response log reports:* Summary counts of survey forms mailed, received, and percentage outstanding; response log listing all survey respondents, survey status sorted by name, ID code, etc.

## G. Determining the Coverage of the Direct Investment Survey

5.14 **Short exploratory survey.** Source information may not indicate whether or not a unit is a DI or a DIENT. One way to identify direct investment relationships is by conducting a short exploratory survey. As one of the prime reasons for undertaking the CDIS is to improve the overall quality of direct investment statistics, participating economies have agreed to provide as comprehensive information as possible. A decision needs to be made as to whether to undertake a census, or compile data from as large a survey as possible.

5.15 **Census.** A census is highly useful for estimation as it provides the benchmark for estimating the universe in subsequent surveys—when samples may be used. For direct investment statistics, it is not necessary to conduct a census every year. Maintaining an up-to-date information database of all additions (and deletions) is an essential part of keeping the estimates as accurate as possible. Of course, not ever having a census survey will make it difficult to gross up the data.

5.16 **Focusing on largest firms.** For economies that have not undertaken a direct investment survey before, it will be highly beneficial to initially focus on the largest firms in their economies, with less attention given to smaller firms. After this experience has been gained in compiling direct investment statistics, consideration may be given to more sophisticated methods of compiling data, such as by conducting a smaller sample survey with estimation for non-sample firms. Undertaking a sample survey without a good understanding of the relative size and importance of the enterprises being surveyed may produce data that cannot be reliably grossed up (see paragraphs 5.29-5.33 on How to Address Low Coverage or Low Response Rates) to a universe total.

5.17 **Coverage and quality of results.** As the CDIS is intended to provide as comprehensive results as possible, those economies already conducting direct investment surveys should make additional efforts to extend their coverage and to ensure that the results are as accurate, timely, and comprehensive as possible. This additional effort will require that the information database is as up-to-date as possible. It is also recommended that compilation practices follow the concepts and compilation practices that are summarized in this *Guide*.

5.18 **Size of the universe.** Conducting a survey<sup>79</sup> requires prior knowledge of the approximate size of the universe. The size of the universe involves two major dimensions: the number of entities in the universe, and the individual value of their direct investment assets and liabilities. As economic statistics are primarily concerned with values, in any survey, the focus of a direct investment survey should be on those entities with substantial amounts. In this regard, it may be appropriate to conduct a census or comprehensive survey of those enterprises that constitute, for

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<sup>79</sup> For discussion about the advantages and disadvantages of a survey as a data source, see paragraphs 2.70-2.79 in *BPM6 CG*.

example, 90 percent of total positions with DIs (or of DIENTs) and to conduct a sample survey or use models to estimate the remaining 10 percent of data. However, it is also important to stress that there are increasing demands for data on small- and medium-size enterprises; therefore, sample surveys may need to be drawn so that estimates of adequate quality may be produced not just for the population as a whole but also for any subsets of particular analytic interest.

## H. Draft Survey Questionnaires

5.19 Annex IV includes model survey forms for both inward and outward direct investment. These could serve as a starting point for the questionnaires to be used to collect the data, and they should be modified for local circumstances. In some instances, where a DIENT is also a DI, it may make sense to combine the information requested into a single form. The basis for much of the information to be collected is the entity's balance sheet, and the information collected should take into account the accounting standards that respondents routinely follow in preparing and maintaining their records.

5.20 *Information based on the books of the DIENT.* The questionnaire should indicate that the information will be collected for statistical purposes and no confidential information will be divulged to third parties without the consent of the individual respondent to which this information pertains. It may be useful to highlight that the survey is being conducted as part of an international initiative coordinated by the IMF. As well, the questionnaire should provide advice on how the information is to be provided, setting out the measurement date, the currency of valuation, the valuation principles, as well as some additional information (such as the contact person's details, and the industry of the entity). For outward direct investment, the questionnaire should also point out that the information to be reported should be that used on the books of the DIENT, rather than that of the DI. This will assist in international comparisons (as the information on inward direct investment would be the same) and it is probable that the information on the books of the DIENT is more current.

## I. Communication with Respondents

### Field test with key respondents

*About the end of December of year T-1 (that is, about 12 months before the reference date of the survey)*

5.21 Having identified many of the major DIENTs (and/or DIs), national compilers need to develop an appropriate survey form, which should be field tested with the key respondents to: (1) inform them that the survey will be undertaken in the next year or so, and (2) to give the respondents an opportunity to provide comments on the survey form and to ask questions.

5.22 Having face-to-face discussions with key respondents is a very efficient way of eliminating potential reporting problems, thereby limiting the extent of the need for follow up and raising the quality of the data. In surveys for the compilation of economic statistics, accounting records are central. It is often the case that accountants and economic statisticians use the same terminology, yet the meanings may not be the same. Equally, economic statisticians may use terms (such as direct investment) that may not be understood in accounting terminology. Such matters can be clarified and the draft reporting instructions improved.

5.23 The survey form would need to identify the agency responsible for conducting the direct investment survey and under which authority the data are being collected, including sanctions for non-reporting, as relevant. See section on Responsibility to produce direct investment statistics (see paragraph 5.3 above) for some additional details on the formal arrangements for conducting a survey.

### **Advance notification to identified respondents**

*At about the same date (that is, about 12 months before the reference date)*

5.24 Resources permitting, compilers could send a notification to all identified respondents to advise them that the survey of direct investment positions will be conducted, the reference date, and a summary of the information that will be requested.

### **Training seminars**

*About the end of March of year T (that is, about 9 months before the reference date of the survey)*

5.25 In addition to having one-on-one meetings with some key respondents, resources permitting, it may be useful for compilers to arrange training seminars for respondents. These seminars could review the survey form and identify any areas where respondents may not be familiar (such as the concept of residence or center of predominant economic interest). The point should be made that the information provided is confidential and only aggregated data will be published. The seminars also help public relations, and allow the compilers to advise respondents of the reasons for the survey. The seminars should serve as another opportunity to fine tune the questionnaire.

### **Trial run**

*About the end of June of year T (that is, about 6 months before the reference date of the survey)*

5.26 Conducting a trial run with a sample of respondents about six months before the reference date may provide many benefits, resources permitting. It may highlight where respondents have problems interpreting the questionnaire, and it may also serve to test the compiler's processing

system. Highlighting and addressing problems at this stage will reduce problems at a later, and more crucial, stage.

### **Re-contact respondents to remind them of the survey**

*About the end of November of year  $T$  (that is, about 1 month before the reference date of the survey)*

5.27 It may help the response rate (at least, initially), if respondents are contacted (by mail or email) to remind them of the survey's reference date and when data are due to be reported.

### **Mail out survey, along with acknowledgement cards**

*About the end of January of year  $T + 1$  (that is, about 1 month after the reference date of the survey)*

5.28 As part of the questionnaire that is sent to the respondents, resources permitting, it may be helpful to include acknowledgement cards. Respondents should be asked to return these cards immediately upon their receipt. For responses that have been received, this should be entered on the information database. For those requiring follow up, this should also be noted on the information database.

### **Reporting date by respondents**

*About the end of March of year  $T + 1$  (that is, about 3 months after the reference date of the survey)*

5.29 It is recommended that data for the survey should be requested within three months of the reference date. If it is later than this, respondents may forget to complete and return the questionnaire. For those respondents that have not reported, compilers should follow-up. For responses that have been received, this should be entered on information database. For those requiring follow up, this should also be noted on the information database.

## **J. How to Address Low Coverage or Low Response Rates**

5.30 As the IMF is seeking the CDIS information to be provided within nine months of the reference date, some economies may find that they do not have complete responses to the survey. In order to report data that approximates the universe, there are various ways that estimates can be provided.

5.31 For economies that have conducted direct investment surveys previously and prepared universe estimates of positions, the previous estimates can be used as a starting point. For example,



if a previous survey requested data on direct investment assets and liabilities, by counterpart economy, from 100 enterprises, and by the cut-off date for submission to the IMF, returns have been obtained from only 50 enterprises, the compiler can take the most recently reported or estimated direct investment position data applicable to those enterprises – presumably the position for end-year  $t$  – and update it for  $t+1$  by adding to them an estimate of balance of payments flows in  $t+1$ . If data permit, adjustments could also take into account changes in exchange rates.

5.32 In some cases, the information database may show that there has been a change in the ownership of some enterprises (for example, they may have been sold to others, resident in different economies, and these sales were reported in the financial press, and were captured in the information database). In such instances, instead of just using the economy breakdowns reported in the previous survey, the compiler can adjust them, based on the information in the database.

5.33 Such approaches may provide reasonably good estimates for data on positions. The methods used to derive universe estimates, when responses have been less than 100 percent, should be described in metadata.

5.34 However, for economies that have not conducted direct investment positions surveys before, alternative approaches may be required.<sup>80</sup> A starting point will be to utilize all data that are reported in time. Any expansion of these data to a universe level will necessarily be based on the judgment of the compiler. Metadata should be provided that explains the technique that is used for expansion. One technique would be to compare the enterprises that did report in time to those that did not – if the enterprises that reported data are believed to be more numerous, larger, and more likely to be involved in direct investment than those that did not report, then perhaps the reported data should be only conservatively increased, if at all.

#### **K. Editing/Validating Collected Data**

5.35 If, despite all the preparations, survey respondents submit poor quality data, then the value of the exercise is undermined.

5.36 Those compilers conducting a national survey for the first time need to be especially vigilant in checking data supplied. The more experience respondents have in completing the survey form, up to a point, the less likely that significant errors will be made.

5.37 National compilers can conduct editing/validation control checks on a number of levels. The compilers can include checks in the survey form, cross-check survey data against other reported data, and devise analytical checks.

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<sup>80</sup> One of these alternative approaches could be the use of information available in the financial statements of the enterprises. These financial statements may include information about the share structure that can provide share percentages held by main resident and nonresident shareholders.

5.38 This section provides some guidance on a range of possible checks. Nonetheless, it should be borne in mind that the more the survey form fits the domestic circumstances, and the more that survey respondents are consulted about what is required of them, then, *inter alia*, the greater the probability of receiving good quality data, and, perhaps just as important, the greater the likelihood of cooperation, if national compilers need to question data supplied by respondents.

5.39 As one of the purposes of the CDIS is for comparable data to be exchanged among participating economies, national compilers will receive data on their residents' direct investment liabilities to, and assets with, nonresidents. Some broad checks on the data received—either by individual counterpart economy or on a global basis (*i.e.*, total liabilities to nonresidents)—should be possible. The following subsections focus on the various checks.

#### 5.40 **Data editing/validation through the questionnaire form**<sup>81</sup>

5.41 The sooner errors are spotted and corrected, the better. For this reason, it is recommended that national compilers consider devising a survey form that explicitly includes quality control checks and/or requires additional information, which can be used as a consistency check. However, if extra information is required, it should be kept to the minimum necessary, and the national compiler should be clear as to the purpose for the collection.

5.42 Among the tools that can help raise data quality are various computer systems that can allow for internal edits, including commercial spreadsheets; relational database management systems; and time series database management systems. Simple computer-checking procedures can be written to process reported data. Edit checks could include some of the following:

- If total assets and liabilities (including shareholders' funds) are reported, do they equal?
- Are the assets with DIENTs (liabilities to DIs) equal to or smaller than total assets (liabilities)?
- Are reported transactions (in the balance of payments) consistent with the reported position data?<sup>82</sup>
- Where income is reported, do the rates of return on assets/liabilities make sense in light of rates of return available for other enterprises in the economy?

5.43 More generally, national compilers could require an official of the reporting company to certify that the information provided is complete and accurate; this could help ensure data quality and promote timely reporting. Similarly, requesting the name of a contact person helps ensure that follow-up enquiries are efficiently directed.

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<sup>81</sup> See also Chapter 6.

<sup>82</sup> To use this particular quality control check, positions data are required for two years.

### **Data editing/validation through analytical checks**

5.44 The degree to which analytical checks can be developed depends on the availability of comparable data. If data are available, the following checks can be devised:

5.45 If position data and flow data are independently assembled, then an attempt could be made to reconcile these data. To do so require consideration of effects caused by different prices, exchange rates, other adjustments like write-offs, or reporting thresholds. Checks can be applied at the individual respondent and aggregate data levels.

5.46 In economies where the position data are being produced for the first time, but transactions data are available, an attempt could be made at reconciling position data, estimated by accumulating transactions data with reported position data. The method of calculating position data from transactions data is illuminated in Chapter 9 of the *BPM6 CG*. The degree of deviation of the cumulated transactions and reported position data could be quite large and may show why accumulating direct investment flows is an unreliable method for estimating positions. However, if sizeable transaction data appear for an economy for which reported positions are small, it should be investigated.

### ***Resident financial intermediary debt positions with nonresident financial intermediaries***

5.47 Among the areas where particular attention should be paid is to the reported debt positions by financial intermediaries. Debt positions between selected types of financial intermediaries should not be included in direct investment. See paragraphs 2.21-2.24 for additional information.

### **Data editing/validation from the viewpoint of the counterpart economy of the direct investor and direct investment enterprise**

5.48 Because comparable data may be exchanged among participating economies (subject to confidentiality constraints), national compilers shall receive data on the positions of the counterparties. While quality control is primarily the responsibility of national compilers, compilers in the counterpart economy may also be in a position to check the data received and to provide useful feedback to the counterpart compiler. See Chapter 6 for additional information in CDIS bilateral asymmetries.

### **Confidentiality considerations**

5.49 Data provided by individual respondents are considered confidential and only aggregated data should be published. For some economies reporting to the IMF total direct investment positions bilaterally (that is, inward and outward totals, without a breakdown between equity and debt instruments) may overcome confidentiality problems that exist at the instrument level. Also, the

Directional Principle basis is used in the CDIS, and so reverse investment between DIENTs and DIs is netted against investment by DIs in DIENTs. The publication of direct investment (net of reverse investment) thus may be allowed, even if reverse investment, by itself, would have to be suppressed (see paragraphs 4.21 and 6.5 for additional information).

## CHAPTER 6: CONSISTENCY AND VALIDATION OF CDIS DATA

*The purpose of this chapter is to assist compilers in improving the quality of direct investment data by using some recommended self-assessment tools for compiling and reporting data, by assessing consistency between IIP and CDIS data, and by assessing data reported by counterpart economies (mirror data).*

### A. CDIS Self-Assessment Tools

6.1 Before reporting CDIS data to the IMF, compilers are encouraged to perform the following recommended steps:

- Confirm with survey respondents significant increases or decreases in amounts reported. The CDIS collects data on positions and these positions should reflect underlying development.
- Check data reported for unlikely counterpart economies.
- Check negative amounts of net equity. Net equity positions could be negative in the following cases:
  - When reverse equity investment is greater than the equity investment of the DI in DIENT. Net equity positions record the value of the equity owned by the DI in the DIENT minus the value of the equity owned by the DIENT in the DI (reverse equity investment). The value of the reverse equity investment is generally smaller than the value of DI's equity investment, and, as a result, net equity positions are usually a positive amount.
  - When cumulated reinvested earnings are negative due to operating losses or holding losses. Negative overall equity positions generally should not persist for many years (possibly eliminated through equity injections from DIs to their DIENTs).
- When the survey respondent is a resident financial intermediary, and it reports large debt instrument positions, check the institutional sector of the nonresident affiliated corporation. If the nonresident is also a financial intermediary, debt instrument positions should be excluded from direct investment, unless the position involves an insurance corporation or pension fund (see paragraphs 2.21–2.24). These debt instrument positions should be included in portfolio or other investment in the IIP.
  - Net debt instrument of resident financial intermediaries (column 4) should record the following data:
    - Net debt instruments of resident insurance corporations and pension funds with nonresident affiliated corporations (financial and nonfinancial).
    - Net debt instruments of other resident financial intermediaries with nonresident affiliated corporations. (In the case where both the resident and nonresident are

a selected type of financial intermediary, such debt positions should be zero – see paragraphs 2.21–2.24 of this *Guide*).

- When you report a debt instruments position for an individual counterpart economy, check that an equity position is also reported. An exception may be for positions with fellow enterprises abroad.
- Verify large revisions in historical data reported for any of the components of the CDIS.

### **Data Reporting Template: Embedded Validations Tools**

6.2 The CDIS data reporting templates (see Annex I) include two types of validations tools: (1) horizontal-checks, which are shown at the far right column, and (2) vertical-checks, which are presented by region (vertical- regional-checks) and also at the bottom of the template (vertical-global-checks).

#### ***Horizontal-checks***

6.3 They are generally used to verify that CDIS components add up totals reported. Thus,

- Total inward (or outward) direct investment positions (column 1) should be equal to net equity positions (column 2) plus net debt instruments positions (column 3).
- Net debt instruments (column 3) should be equal to net debt instruments of resident financial intermediaries (column 4) plus net debt instruments of all other resident enterprises (column 5).
- Net debt instruments (column 3) should be equal to the difference between gross debt instruments assets and liabilities (column 6 – column 7).
- Net direct investment (inward/outward) with fellow enterprises abroad (column 8) should be equal to the difference between direct investment liabilities and assets with fellow enterprises abroad (column 9 – column 10).
- The “residual disclosure” check tests to see whether confidential data (marked with “C”) can be derived as a residual from reported data.

6.4 Horizontal-checks also include these additional validation tools:

- In general, gross debt instruments (columns 6 and 7) should be recorded as positive amounts. Negative amounts reported in these columns should be explained.
- The last three columns of the data reporting template (under the heading of “Of which total Inward/Outward, DI with fellow enterprises abroad”) collect detailed data with

fellow enterprises abroad. Three sets of information are to be provided for fellow enterprises:

- (1) Net inward/outward direct investment with fellow enterprises abroad;
  - (2) Equity plus debt instruments with fellow enterprises abroad, assets; and
  - (3) Equity plus debt instruments with fellow enterprises abroad, liabilities.
- Total assets and liabilities with fellow enterprises abroad mainly include debt instruments positions (equity positions between fellow enterprises are usually very small or nonexistent), such as in general, the amounts recorded under total assets and liabilities with fellow enterprises abroad (columns 9 and 10)
    - Should be equal to or smaller than the total gross debt assets and liabilities (columns 6 and 7), respectively, and
    - Should be positive amounts.<sup>83</sup>
  - No amounts should be reported against the reporting economy (itself).

### ***Vertical-checks***

6.5 Vertical checks are included to check (1) that when data for an economy are confidential, then either an amount or “C” is shown in “*Not specified (including confidential) by region*” category, and (2) at the global level, that an amount is shown in the global category named “*Total not specified (including confidential)*” if any economy’s data are confidential.

6.6 These rules apply to all ten columns of data in the data reporting template.

## **B. Consistency with IIP Data**

6.7 Direct investment inward and outward data collected through the CDIS should be consistent with data compiled for direct investment in the IIP. Both datasets follow the statistical framework for direct investment established in *BPM6*, and both the IIP and CDIS include only position data.

6.8 Direct investment data are compiled under the Asset/Liability basis in the IIP, and under the Directional Principle basis in the CDIS. The IIP and CDIS data should be provided with enough detail so as to facilitate the conversion from the Asset/Liability basis to the Directional Principle basis in order to allow an accurate reconciliation between these two datasets. Direct investment on a

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<sup>83</sup> Unusually, they could be negative since they also include equity between fellows that, as it is explained in paragraph 6.1, could be negative.

Directional Principle basis can be derived from the direct investment in IIP presented on a gross Asset/Liability basis, or vice versa See Box. Table 6.1 for this derivation.<sup>84</sup>

<b>Table 6.1 Assets/Liabilities Presentation Compared to Directional Principle Presentation</b>	
<b>Asset/liability presentation in IIP</b>	<b>Directional principle presentation in CDIS</b>
<b>Direct investment assets</b>	<b>Total outward direct investment</b>
<b>Equity and investment fund shares</b>	<b>Equity (Net) = (a) + (c) + (e) - (g) - (h)</b>
<ul style="list-style-type: none"> <li>• DIs in DIENTs (a)</li> <li>• DIENTs in DIs (reverse investment) (b)</li> <li>• Between fellow enterprises</li> </ul> if ultimate controlling parent is resident (c) if ultimate controlling parent is nonresident (d) if ultimate controlling parent is unknown (e)	
<b>Debt instruments</b>	<b>Debt instruments (Net) = (1) - (2) or (3) + (4)</b>
<ul style="list-style-type: none"> <li>• DIs in DIENTs (k)</li> <li>• DIENTs in DIs (reverse investment) (l)</li> <li>• Between fellow enterprises</li> </ul> if ultimate controlling parent is resident (m) if ultimate controlling parent is nonresident (n) if ultimate controlling parent is unknown (o)	<i>Broken down by:</i> (1) Debt instruments assets of DIs in DIENT= (k) + (m) + (o) (2) Debt instruments liabilities of DIENTs in DIs (reverse investment) = (q) + (r) <i>And by:</i> (3) Debt instruments (net) of resident financial intermediaries (4) Debt instruments (net) of all other resident enterprises
	<b>Of which total outward, DI with nonresident fellow enterprises (Net) = (5) - (6)</b>
	(5) Total equity and debt instrument assets with fellow enterprises = (c) + (e) + (m) + (o) (6) Total equity and debt instrument liabilities with fellow enterprises = (h) + (r)
<b>Direct investment liabilities</b>	<b>Total inward direct investment</b>
<b>Equity and investment fund shares</b>	<b>Equity (Net) = (f) + (i) + (j) - (b) - (d)</b>
<ul style="list-style-type: none"> <li>• DIs in DIENTs (f)</li> <li>• DIENTs in DIs (reverse investment) (g)</li> <li>• Between fellow enterprises</li> </ul> if ultimate controlling parent is resident (h) if ultimate controlling parent is nonresident (i) if ultimate controlling parent is unknown (j)	
<b>Debt instruments</b>	<b>Debt instruments (Net) = (1) - (2) or (3) + (4)</b>
<ul style="list-style-type: none"> <li>• DIs in DIENTs (p)</li> <li>• DIENTs in DIs (reverse investment) (q)</li> <li>• Between fellow enterprises</li> </ul> if ultimate controlling parent is resident (r) if ultimate controlling parent is nonresident (s) if ultimate controlling parent is unknown (t)	<i>Broken down by:</i> (1) Debt instruments liabilities of DIs in DIENT= (p) + (s) + (t) (2) Debt instruments assets of DIENTs in DIs (reverse investment) = (l) + (n) <i>And by:</i> (3) Debt instruments (net) of resident financial intermediaries (4) Debt instruments (net) of all other resident enterprises
	<b>Of which total inward, DI with nonresident fellow enterprises (Net) = (5) - (6)</b>
	(5) Total equity and debt instrument liabilities with fellow enterprises = (i) + (j) + (s) + (t) (6) Total equity and debt instrument assets with fellow enterprises = (d) + (n)

<sup>84</sup> In processing CDIS reported data, STA has included tools to assess consistency of the derived IIP data against



6.9 Discrepancies between these two bases of compiling direct investment data (i.e., Directional Principle basis and Asset/Liability basis) should be understood and explained to data users. Some possible explanations of these discrepancies are identified in Box 6.1 below.

**Box 6.1. Possible Explanations of the Discrepancies between IIP and CDIS data**

- *Institutional arrangements*, e.g., different compiling agencies or compiling systems.
- *Methodological reasons*, for instance:
  - Different valuation methods for unlisted equity. Unlisted equity should be valued at OFBV in the CDIS; however, the *BPM6* describes six methods to value positions for unlisted equity when actual market prices are not available.
  - Different treatment of direct investment positions between fellow enterprises (for example, positions between fellow enterprises may not be included in the direct investment functional category in the IIP, even though they may be reported in the CDIS, if an economy has not fully applied *BPM6* for IIP data compilation).
- *Different timing in compiling CDIS and IIP*.
  - CDIS covers end-year positions and updated data may not be immediately incorporated in IIP (or vice versa).
- *Different coverage*, for instance:
  - SPEs are not included in one of the data sets.<sup>85</sup>
- *Different vintages of CDIS and IIP data* (e.g., IIP data may have been revised, while CDIS data may have not been revised (or vice-versa)).

6.10 In order to improve the consistency of data on direct investment in the CDIS and in the IIP, certain good practices could be carried out by CDIS reporting economies (see Box 6.2 below).

**Box 6.2 Selected good practices**

- Use the same data sources to collect data on direct investment for the CDIS and IIP.
- Reconcile CDIS with direct investment data in the IIP.
- If there are significant discrepancies between direct investment in IIP and CDIS, compilers should seek to determine the main reasons behind these discrepancies. These differences should be explained in the CDIS metadata questionnaire (questions 17 and 18).
- If two or more agencies are responsible for the compilation of CDIS and IIP, they should coordinate and communicate with one another.
- Check valuation methods for unlisted equity and specify valuation method used for IIP and CDIS in their respective metadata.
- Make efforts for fully implementing recommendation of *BPM6* for direct investment; e.g., with all the standard components and encouraged breakdowns for direct investment in the IIP (particularly where data are significant).

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reported CDIS data. When discrepancies are relevant, STA staff may contact the authorities to request review and revision, if it is needed. Explanations of these discrepancies are sometimes also requested. This assessment is performed only for economies that report direct investment in both the IIP and CDIS.

<sup>85</sup> The IIP and CDIS metadata should clearly specify if flexible corporate structures with little or no physical presence are covered (or the extent to which they are covered).

### C. Mirror data

6.11 The CDIS database contains tables that present "mirror" data. Data on inward direct investment positions reported by an economy are shown side-by-side against data on outward direct investment positions reported by the counterpart economy (i.e., mirror data for inward data reported). Similarly, data on outward positions reported by an economy are shown side-by-side against data on inward positions reported by the counterpart economy. This allows data to be easily compared by direct investment partner economies and to identify inconsistencies.

6.12 Mirror data can be useful in various ways. For economies that do not participate in the CDIS, since they do not collect direct investment positions (or the breakdown by counterpart economy of direct investment positions is not available), mirror data as reported by their counterparts can provide insights on their total inward and outward positions.<sup>86</sup> These data can be used as an indicator until data from direct investment surveys are available. For economies that participate in the CDIS, mirror data could be used to cross check and verify their own estimates and may also be very useful in highlighting data gaps or errors at counterpart economy level.

#### **Box 6.3. Example of the use of mirror data to improve the quality of direct investment statistics**

As of December 2014, Economy A reported direct investment assets in the IIP for 2013 amounting to US\$173.5 million. Outward direct investment data (direct investment abroad) calculated from the 2013 IIP amounted to US\$ 142.5 million.<sup>87</sup>

Economy A did not report preliminary CDIS data for 2013; however, by looking at mirror information obtained from the CDIS (Table 3-o: Outward Direct Investment Positions as Reported by Economy A and Inward Direct Investment Positions as Reported by Counterpart Economy as of end-2013), compilers could observe that the total for "Inward Reported by Counterpart Economy" amounted to US\$ 529 million.

This mirror information indicates that Economy A's "derived" outward investment is around US\$529 million, whereas their outward investment based on IIP data are US\$ 142.5 million, suggesting that there might be misreporting. It's possible that the counterpart estimates are incorrect (perhaps they include financial intermediary positions in direct investment that actually should be reclassified to other investment), or that Economy A's estimates are incorrect. Thus, the existence of the discrepancy in mirror data should be viewed as an indicator of a potential estimation problem that should be explored where material or relevant.

6.13 Mirror data should be used with caution as they have limitations. For example, some relevant counterparts of the compiling economy may not participate in the CDIS, or may not provide information because of confidentiality reasons or because the data fall below a reporting

<sup>86</sup> Estimates for all economies (including data reported by each CDIS participant and mirror data reported by each of its direct investment partner economies) are available in CDIS Table 3 at <http://data.imf.org/CDIS>.

<sup>87</sup> IIP data presented in Asset/Liability basis have been converted to the Directional Principle basis (debt instruments assets of DIENT to DI (reverse investment) amounting to US\$31 million have been deducted to the total figure for direct investment assets US\$ 173.5 million, resulting in US\$ 142.5 million of outward direct investment).

threshold. Total mirror data could be lower or higher than CDIS data reported by compiling economy. In circumstances where reported data and mirror data substantially differ, compilers should look into the reasons that could explain the differences.

### **Bilateral Asymmetries<sup>88</sup>**

6.14 As part of ongoing efforts to enhance CDIS data quality, the IMF's Statistics Department initiated in 2013 a project to raise awareness of, and to address to the extent feasible, large bilateral asymmetries. Please see box 6.4 for details about this project.

#### **Box 6.4 Analysis of Bilateral Asymmetries**

##### **Background**

A total of 28 CDIS participating economies were contacted in October 2013<sup>89</sup> to bring information to their attention on large bilateral asymmetries between CDIS data reported by them and mirror CDIS data reported by their main counterpart economies for end-2011.

These economies received an economy-specific excel file, identifying asymmetries that exceeded USD 25 billion and represented at least 25 percent of the total reported bilateral direct investment position with the counterpart economy, for inward and/or outward direct investment, as applicable. They were encouraged to consider the asymmetries and review their estimation techniques, or contact their counterpart economies, as a way to explain or address the asymmetries and to assure that their estimates were robust. To this end, economies were reminded that the CDIS metadata questionnaires provide detailed information on collection and compilation practices adopted by CDIS reporting economies, and include information on contact persons.<sup>90</sup>

The exercise proved to be effective and more than half of the economies approached provided feedback on the specific reasons for asymmetries or indicated that efforts are under way to confirm their data. Furthermore, some economies identified specific actions to address the asymmetries.<sup>91</sup>

<sup>88</sup> Some other initiatives fostered by international organizations, such as the European FDI Network, sponsored by the ECB and Eurostat, or by individual economies to reconcile direct investment data bilaterally, are in place. The FDI Network was launched in June 2009 to reduce asymmetries and increase the internal consistency of the EU and euro area balance of payments statistics. The FDI Network is a secure tool for direct investment compilers to exchange information (micro data) on direct investment transactions and (since 2012) positions. Since its implementation, 27 member states of the EU have joined the FDI Network. For more details, go to: <http://www.imf.org/external/pubs/ft/bop/2014/pdf/14-20.pdf>.

<sup>89</sup> The selected economies included: Australia, Austria, Barbados, Belgium, Brazil, Canada, China P.R. Hong Kong, China P.R. Mainland, Cyprus, France, Germany, Hungary, India, Ireland, Italy, Japan, Luxembourg, Mauritius, Mexico, Netherlands, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, and the United States.

<sup>90</sup> STA offered to provide methodological assistance in identifying and/or resolving data inconsistencies. However, it was recognized that the CDIS participating economies (and not STA) had primary responsibility for resolving the asymmetries to the extent that they considered appropriate.

<sup>91</sup> In response to STA's pilot project, the U.S. Bureau of Economic Analysis (BEA) examined its largest bilateral asymmetries for end-2011. The BEA identified specific actions to further improve data quality. Its explorations focused on five primary areas: (1) inherent inconsistencies in the recommended treatment of fellow enterprises, (2) features of BEA's surveys to collect direct investment statistics that prevent the identification of debt positions

6.15 The bilateral asymmetries exercise provided insights into the reasons for asymmetries and confirmed that methodological differences are a main reason, as well as differences in coverage and confidentiality. In particular the main reasons are identified in Box 6.5 below.

**Box 6.5. Main Identified Reasons for CDIS Bilateral Asymmetries**

Counterpart economies may use different methods in estimating the value of listed and/or unlisted equity.

The application of the directional principle may result in asymmetries in mirror estimates. More specifically, one economy's outward direct investment might be shown in the counterpart economy's data either as inward direct investment or as negative outward direct investment. For example, debt positions between fellow enterprises may result in bilateral asymmetries. As shown in figure 4.2, and table 4.4 a loan of US\$ 250 from an affiliate Enterprise C in Economy 3 to its fellow enterprise B in the economy 2 will be recorded by Enterprise B as positive inward direct investment of US\$ 250 with economy 3. Economy 3 will record this loan as negative inward direct investment with the economy 2 of –US\$250 rather than as a mirror position in its outward investment statistics of US\$ 250. In this case, even though both economies are following established guidelines, a bilateral asymmetry results (i.e., outward direct investment by a given economy would not be mirrored in inward direct investment of its counterpart economy).

Different data collection methods from enterprises versus LEGs.

Different geographic allocation by counterpart economy based on ultimate counterpart rather than immediate counterpart.

Differences in definitions of economy or geographic territory.

Use of different vintages of methodological standards. For example, some economies might include permanent debt between selected financial intermediaries in direct investment (consistent with *BPM5*), and others exclude such debt (consistent with *BPM6*).

Some economies indicated that data for SPEs are reported without economy allocation (unallocated), partly due to confidentiality reasons.

Lack of data coverage, or partial coverage, of data for fellow companies and/or SPEs was mentioned as a factor contributing to asymmetries by some economies.

6.16 Furthermore, the exercise helped some economies to detect errors and to consider taking actions to further improve the quality of their direct investment data. As a result of this work, STA posted a paper: [Coordinated Direct Investment Survey \(CDIS\): Project on Bilateral Asymmetries: June 2014](http://data.imf.org/?sk=D732FC6E-D8C3-44D1-BFEB-F70BA9E13211cdis,imf.org), (see <http://data.imf.org/?sk=D732FC6E-D8C3-44D1-BFEB-F70BA9E13211cdis,imf.org>).

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between some fellow enterprises, (3) uncertainty regarding the treatment of positions involving SPEs, (4) differences in the bases for valuing direct investment positions, such as market value versus historical cost valuation, and (5) differences in geographic definitions. For more details, see <http://www.imf.org/external/pubs/ft/bop/2014/pdf/14-19.pdf>.













JP	Japan										
KP	Korea, Democratic People's Rep.										
KR	Korea, Republic of										
MN	Mongolia										
TW	Taiwan Province of China										
S29	<b>Not Specified (Including Confidential) by Region</b>										
Automatic formula	<b>Sum of Reported Data, excl. Not Specified</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total Reported Data (incl. Not Specified (Including Confidential)) by the East Asia</b>										
	Please check following issues										
<b>Oceania and Polar Region</b>											
AS	American Samoa										
AU	Australia										
BV	Bouvet Island										
CX	Christmas Island										
CC	Cocos (Keeling) Islands										
CK	Cook Islands										
FJ	Fiji										
PF	French Polynesia										
TF	French Southern Territories										
GU	Guam										
HM	Heard Island and McDonald Is.										
KI	Kiribati										
MH	Marshall Islands										
FM	Micronesia, Federated States of										
NR	Nauru										
NC	New Caledonia										
NZ	New Zealand										
NU	Niue										
NF	Norfolk Island										
MP	Northern Mariana Islands										
PW	Palau										
PG	Papua New Guinea										
PN	Pitcairn										
WS	Samoa										
SB	Solomon Islands										
GS	South Georgia and Sandwich Is.										
TK	Tokelau										
TO	Tonga										
TV	Tuvalu										
UM	US Minor Outlying Islands										
VU	Vanuatu										
WF	Wallis and Futuna Islands										
O29	<b>Not Specified (Including Confidential) by Region</b>										
Automatic formula	<b>Sum of Reported Data, excl. Not Specified</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total Reported Data (incl. Not Specified (Including Confidential)) by the Oceania and Polar Region</b>										
	Please check following issues										
<b>Total not Specified (Including Confidential)</b>											

W09	<b>Total not Specified (Including Confidential)<sup>2</sup></b>										
	Please check following issues										
<b>Global Totals</b>											
<b>Automatic formula</b>	Total not Specified (Including Confidential)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Global Total Reported Data</b> (excl. Not Specified (Including Confidential)) <b>(calculated)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Global Total Reported Data</b> (incl. Not Specified (Including Confidential)) <b>(calculated)</b>										

**Footnotes:**

1/ Netherlands Antilles was broken into three separate jurisdictions on October 10, 2010: Curacao, St. Maarten, and Bonaire, St. Eustatius, and Saba (BES).

2/ Total not Specified (Including Confidential) is Total Unallocated plus Total Confidential.

**Notes:**

Type "c" if it is confidential data.















	Please check following issues										
<b>Total not Specified (Including Confidential)</b>											
W09	<b>Total not Specified (Including Confidential)<sup>2</sup></b>										
	Please check following issues										
<b>Global Totals</b>											
Automatic formula	Total not Specified (Including Confidential)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Global Total Reported Data</b> (excl. Not Specified (Including Confidential)) <b>(calculated)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Global Total Reported Data</b> (incl. Not Specified (Including Confidential)) <b>(calculated)</b>										
<p><b>Footnotes:</b>          1/ Netherlands Antilles was broken into three separate jurisdictions on October 10, 2010: Curacao, St. Maarten, and Bonaire, St. Eustatius, and Saba (BES).          2/ Total not Specified (Including Confidential) is Total Unallocated plus Total Confidential.</p> <p><b>Notes:</b>          Type "c" if it is confidential data.</p>											

**Coordinated Direct Investment Survey : Metadata Questionnaire (Annual)**

*Note: Please save your work every 15 minutes.*

Status : Edit

**^ Contact Information**

Please provide contact details that can be disseminated for users to contact your economy about the technical specifications of your metadata with regards to the CDIS data reported to the IMF Statistics Department. If there are different contacts for inward data, outward data, and metadata, please indicate for each separately.

Name:

Designation (Job Title):

Organization:

Email:

Telephone:

Please provide the link to any national publication website of your direct investment data:

**^ Inward Metadata**

i-1) Are the data sources for INWARD direct investment based on a sample or a census for the following: [Definitions](#)

	Census	Sample	Both	Not covered
i-1.1) Deposit- taking corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i-1.2) Other financial corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i-1.3) Non financial corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i-1.4) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments:

i-2.1) For INWARD, what was (were) the primary source(s) of information used in building your sample frame or census of resident direct investment enterprises?

- Information from news media
- Trade associations
- Enterprise lists used as sample frames for other (non-direct investment) data collections
- Telephone directories
- Other Business Register: For supervisory, regulatory or registration purposes
- Other Business Register: Commercial registers
- Other Business Register: Other (please specify in comment box below)
- Tax authorities
- ITRS
- Exchange control records
- Securities and Exchange Commission
- Government agencies for promotion of inward investment
- Combination of the above
- Other (please specify in comment box below)

Comments:

i-2.2) For INWARD, what was (were) the secondary source(s) of information used in building your sample frame or census of resident direct investment enterprises?

- Information from news media
- Trade associations

- Enterprise lists used as sample frames for other (non-direct investment) data collections
- Telephone directories
- Other Business Register: For supervisory, regulatory or registration purposes
- Other Business Register: Commercial registers
- Other Business Register: Other (please specify in comment box below)
- Tax authorities
- ITRS
- Exchange control records
- Securities and Exchange Commission
- Government agencies for promotion of inward investment
- Combination of the above
- Other (please specify in comment box below)

Comments:

**i-3) For INWARD direct investment, was a reporting threshold applied?**

- Yes (please specify in comment box below)
- No
- Mixed (please specify in comment box below)
- Don't know

Comments:

**i-4) For INWARD, if a reporting threshold was applied please indicate if direct investment data below the threshold were estimated.**

- Yes (please specify in comment box below)
- No, because data below threshold are insignificant
- No
- Not applicable (do not apply reporting threshold)
- Don't know

Comments:

**i-5) For INWARD, what was (were) the source(s) of information used to collect CDIS data?**

- Financial statements
- Enterprise surveys
- Approvals of foreign investment
- Accumulation of balance of payments transactions
- Accumulation of flows (Transactions, other changes in volume, and revaluations)
- Partner economy data
- The financial press
- Other (please specify in comment box below)

Comments:

**i-6) For INWARD direct investment, what method, if any, did you use in estimating data for nonresponding units?**

- Based on data for the latest year
- Carry forward unchanged

- Accumulation of transactions
- Applying ratios from reported data (please specify in comment box below)
- Combination of the above
- Other (please specify in comment box below)
- None because the response rate is high
- None

Comments:

i-7) For INWARD, do your CDIS data refer to:

- Calendar year
- Fiscal year -if different than calendar year- (please describe what adjustments were made, if any in comment box below)

Comments:

i-8) Valuation Principles

a) For INWARD, what is the primary valuation principle for equity investment? (Please choose one valuation principle for each type of equity investment)

i-8.a.1) Listed Equity Definitions

- Market value
- Own funds at book value
- Historic cost
- Net asset value
- Present value of future earnings
- Market capitalization method
- Recent transaction price
- Apportioning global value
- Other (please specify in comment box below)
- Not covered
- Don't know

Comments:

i-8.a.2) Unlisted Equity Definitions

- Own funds at book value
- Historic cost
- Net asset value
- Present value of future earnings
- Market capitalization method
- Recent transaction price
- Apportioning global value
- Other (please specify in comment box below)
- Not covered
- Don't know

Comments:

**i-8.b.1) Debt securities** Definitions

- Market value
- Nominal value
- Historic cost
- Amortized value
- Face (par) value
- Issue price
- Fair value
- Other (please specify in comment box below)
- Not covered
- Don't know

Comments:

**i-8.b.2) Other debt instruments** Definitions

- Historic cost
- Nominal value
- Amortized value
- Face (par) value
- Issue price
- Fair value
- Other (please specify in comment box below)
- Not covered
- Don't know

Comments:

**i-9) Is accrued interest included in the valuation of debt instruments (INWARD)?**

	Yes	No	Mixed	Don't know
i-9.1) Debt Securities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
i-9.2) Other debt instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for debt securities:

Comments for other debt instruments:

**i-10) For INWARD direct investment, if a financial instrument (asset or liability), whether equity or debt instruments, is denominated in a foreign currency, has the closing exchange rate for the end of the reference period been used?**

- Yes
- No
- Don't know

Comments:

**i-11) For INWARD, did you include flexible corporate structures with little or no physical presence in your data?**

- Yes, fully covered
- Yes, partially covered
- Not Covered
- Not applicable (do not have them)
- Don't know

**Comments:**

**i-12) Is the reporting unit for INWARD direct investment an enterprise or a local enterprise group? [Definitions and Examples](#)**

- Enterprise
- Local Enterprise Group (please specify levels of consolidation in comment box below)
- Both (please explain in comment box below)
- Don't know

**Comments:**

**i-13) For INWARD direct investment, are asset and liability positions of/with fellow enterprises recorded on a straight asset/liability basis (asset positions recorded in outward direct investment and liability positions recorded in inward direct investment), or are they recorded in outward (inward) direct investment, depending on whether the Ultimate Controlling Parent (UCP) is a resident (nonresident)? [Definitions](#)**

- Straight asset/liability basis
- According to UCP concept
- Both of the above (please explain in comment box below)
- Treat all as INWARD, regardless of residency of UCP
- Don't know
- Not applicable (Do not measure fellows)

**Comments:**

**i-14) For INWARD, how do you make the determination as to what the UCP is? Assume that all the following enterprises (A, B, C, D, E, and N) are in different economies. [See diagram](#)**

- Do you consider the UCP to be the ultimate common controlling parent (in this case N) of both the resident and nonresident fellow enterprises (D) and (E)?
- Do you consider the UCP to be the common controlling parent (in this case A) of both the resident and nonresident fellow enterprises (D) and (E)?
- Do you consider the UCP to be the controlling parent of the resident enterprise (in this case B is the controlling parent of D and C is the controlling parent of E.), even if it does not control the nonresident fellow (or you cannot determine whether it controls the nonresident fellow)?
- Don't know
- Other (please explain in comment box below)
- Not applicable (Do not use the UCP concept)

**Comments:**

**i-15) For INWARD, what method do you use to determine direct investment relationships? [Definitions](#)**

- Framework for Direct Investment Relationships (FDIR)
- Participation Multiplication Method (PMM)
- Direct Influence/Indirect Control Method (DIIC)
- Other (Please explain in comments box below)
- Do not use any such approaches as only capture data for enterprises at the first level in the chain of ownership
- Don't know

**Comments:**

**i-16) For INWARD, please answer the following questions :**

	Yes	No
Do you include direct investment in real estate?	<input type="radio"/>	<input type="radio"/>
Is debt (including permanent debt) between selected affiliated financial corporations (deposit-taking corporations, investment funds; and other financial intermediaries except insurance corporations and pension funds) excluded from direct investment?	<input type="radio"/>	<input type="radio"/>

**Comments:**

**Consistency with IIP**

**i-17) For INWARD, apart from the presentational principles, how consistent are your CDIS data with the direct investment positions included in the International Investment Position (IIP)? (Please provide details in comment box below):**

- Fully consistent
- Largely consistent
- Largely not consistent
- Not consistent
- Not applicable (Do not compile IIP data)
- Don't know

**i-18) If not fully consistent, please indicate main reasons and provide details in comment box below (INWARD):**

- Different methodologies used for compilation
- Different data coverage
- Different data sources
- Different valuation methods
- Different vintages of data/revision policy
- Combination of the above
- Other (please specify in comment box below)

**Comments:**

**Do you report CDIS Outward data to the IMF?**  Yes  No

- Copy answers from Inward Metadata
- Clear Outward Metadata form

**✕ Outward Metadata**

**o-1) Are the data sources for OUTWARD direct investment based on a sample or a census for the following: [Definitions](#)**

	Census	Sample	Both	Not covered
o-1.1) Deposit-taking corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
o-1.2) Other financial corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
o-1.3) Non financial corporations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
o-1.4) Other	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**Comments:**

**o-2.1) For OUTWARD, what was (were) the primary source(s) of information used in building your sample frame or census of resident direct investors?**

- Information from news media
- Trade associations



- Enterprise lists used as sample frames for other (non-direct investment) data collections
- Telephone directories
- Other Business Register: For supervisory, regulatory or registration purposes
- Other Business Register: Commercial registers
- Other Business Register: Other (please specify in comment box below)
- Tax authorities
- ITRS
- Exchange control records
- Securities and Exchange Commission
- Government agencies for promotion of inward investment
- Combination of the above
- Other (please specify in comment box below)

Comments:

**o-2.2) For OUTWARD, what was (were) the secondary source(s) of information used in building your sample frame or census of resident direct investors?**

- Information from news media
- Trade associations
- Enterprise lists used as sample frames for other (non-direct investment) data collections
- Telephone directories
- Other Business Register: For supervisory, regulatory or registration purposes
- Other Business Register: Commercial registers
- Other Business Register: Other (please specify in comment box below)
- Tax authorities
- ITRS
- Exchange control records
- Securities and Exchange Commission
- Government agencies for promotion of inward investment
- Combination of the above
- Other (please specify in comment box below)

Comments:

**o-3) For OUTWARD direct investment, was a reporting threshold applied?**

- Yes (please specify in comment box below)
- No
- Mixed (please specify in comment box below)
- Don't know

Comments:

**o-4) For OUTWARD, if a reporting threshold was applied please indicate if direct investment data below the threshold were estimated.**

- Yes (please specify in comment box below)
- No, because data below threshold are insignificant
- No
- Not applicable (do not apply reporting threshold)
- Don't know

Comments:

**o-5) For OUTWARD, what was (were) the source(s) of information used to collect CDIS data?**

- Financial statements
- Enterprise surveys
- Approvals of foreign investment
- Accumulation of balance of payments transactions
- Accumulation of flows (Transactions, other changes in volume, and revaluations)
- Partner economy data
- The financial press
- Other (please specify in comment box below)

**Comments:**

**o-6) For OUTWARD direct investment, what method, if any, did you use in estimating data for nonresponding units?**

- Based on data for the latest year
- Carry forward unchanged
- Accumulation of transactions
- Applying ratios from reported data (please specify in comment box below)
- Combination of the above
- Other (please specify in comment box below)
- None because the response rate is high
- None

**Comments:**

**o-7) For OUTWARD, do your CDIS data refer to:**

- Calendar year
- Fiscal year -if different than calendar year- (please describe what adjustments were made, if any in comment box below)

**Comments:**

**o-8) Valuation Principles**

**a) For OUTWARD, what is the primary valuation principle for equity investment? (Please choose one valuation principle for each type of equity investment)**

**o-8.a.1) Listed Equity Definitions**

- Market value
- Own funds at book value
- Historic cost
- Net asset value
- Present value of future earnings
- Market capitalization method
- Recent transaction price
- Apportioning global value
- Other (please specify in comment box below)
- Not covered
- Don't know

**Comments:**

**o-8.a.2) Unlisted Equity Definitions**

- Own funds at book value
- Historic cost
- Net asset value
- Present value of future earnings
- Market capitalization method
- Recent transaction price
- Apportioning global value
- Other (please specify in comment box below)
- Not covered
- Don't know

**Comments:**

**b) For OUTWARD, what is the primary valuation principle for debt instruments? (Please choose one valuation principle for each type of debt instrument)**

**o-8.b.1) Debt securities Definitions**

- Market value
- Nominal value
- Historic cost
- Amortized value
- Face (par) value
- Issue price
- Fair value
- Other (please specify in comment box below)
- Not covered
- Don't know

**Comments:**

**o-8.b.2) Other debt instruments Definitions**

- Nominal value
- Historic cost
- Amortized value
- Face (par) value
- Issue price
- Fair value
- Other (please specify in comment box below)
- Not covered
- Don't know

**Comments:**

**o-9) Is accrued interest included in the valuation of debt instruments (OUTWARD)?**

	Yes	No	Mixed	Don't know
o-9.1) Debt Securities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
o-9.2) Other debt instruments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments for debt securities:

Comments for other debt instruments:

**o-10) For OUTWARD direct investment, if a financial instrument (asset or liability), whether equity or debt instruments, is denominated in a foreign currency, has the closing exchange rate for the end of the reference period been used?**

- Yes
- No
- Don't know

Comments:

**o-11) For OUTWARD, did you include flexible corporate structures with little or no physical presence in your data?**

- Yes, fully covered
- Yes, partially covered
- Not Covered
- Not applicable (do not have them)
- Don't know

Comments:

**o-12) Is the reporting unit for OUTWARD direct investment an enterprise or a local enterprise group? [Definitions and Examples](#)**

- Enterprise
- Local Enterprise Group (please specify levels of consolidation in comment box below)
- Both (please explain in comment box below)
- Don't know

Comments:

**o-13) For OUTWARD direct investment, are asset and liability positions of/with fellow enterprises recorded on a straight asset/liability basis (asset positions recorded in outward direct investment and liability positions recorded in inward direct investment), or are they recorded in outward (inward) direct investment, depending on whether the Ultimate Controlling Parent (UCP) is a resident (nonresident)? [Definitions](#)**

- Straight asset/liability basis
- According to UCP concept
- Both of the above (please explain in comment box below)
- Treat all as INWARD, regardless of residency of UCP
- Don't know
- Not applicable (Do not measure fellows)

Comments:

**o-14) For OUTWARD, how do you make the determination as to what the UCP is? Assume that all the following enterprises (A, B, C, D, E, and N) are in different economies. [See diagram](#)**

- Do you consider the UCP to be the ultimate common controlling parent (in this case N) of both the resident and nonresident fellow enterprises (D) and (E)?
- Do you consider the UCP to be the common controlling parent (in this case A) of both the resident and nonresident fellow enterprises (D) and (E)?
- Do you consider the UCP to be the controlling parent of the resident enterprise (in this case B is the controlling parent of D and C is the controlling parent of E.), even if it does not control the nonresident fellow (or you cannot determine whether it controls the nonresident fellow)?
- Don't know
- Other (please explain in comment box below)
- Not applicable (Do not use the UCP concept)

Comments:

**o-15) For OUTWARD, what method do you use to determine direct investment relationships? [Definitions](#)**

- Framework for Direct Investment Relationships (FDIR)
- Participation Multiplication Method (PMM)
- Direct Influence/Indirect Control Method (DIIC)
- Other (Please explain in comments box below)
- Do not use any such approaches as only capture data for enterprises at the first level in the chain of ownership
- Don't know

Comments:

**o-16) For OUTWARD, please answer the following questions :**

	Yes	No
Do you include direct investment in real estate?	<input type="radio"/>	<input type="radio"/>
Is debt (including permanent debt) between selected affiliated financial corporations (deposit-taking corporations, investment funds; and other financial intermediaries except insurance corporations and pension funds) excluded from direct investment?	<input type="radio"/>	<input type="radio"/>

Comments:

**Consistency with IIP**

**o-17) For OUTWARD, apart from the presentational principles, how consistent are your CDIS data with the direct investment positions included in the International Investment Position (IIP)? (Please provide details in comment box below):**

- Fully consistent
- Largely consistent
- Largely not consistent
- Not consistent
- Not applicable (Do not compile IIP data)
- Don't know

**o-18) If not fully consistent, please indicate main reasons and provide details in comment box below (OUTWARD):**

- Different methodologies used for compilation
- Different data coverage
- Different data sources
- Different valuation methods
- Different vintages of data/revision policy
- Combination of the above
- Other (please specify in comment box below)

Comments:

**ANNEX II: RESIDENCE AND INSTITUTIONAL UNITS**

II.1 For the convenience of economies participating in the CDIS, we provide below key definitions and concepts, taken mainly from *BPM6*.

**A. Residence**

II.2 The residence of each institutional unit is the economic territory<sup>92</sup> with which it has the strongest connection. Residence can also be expressed as the center of predominant economic interest. Each institutional unit is a resident of one and only one economic territory determined by its center of predominant economic interest. Definitions for determining residence (given below) are designed to apply the concept of center of predominant economic interest. These definitions should be used in preference to a discretionary choice between different possible aspects of economic interest (see paragraph 4.113 in *BPM6*).

II.3 An institutional unit is resident in an economic territory when there exists, within the economic territory, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale. The location needs not be fixed so long as it remains within the economic territory. Actual or intended location for one year or more is used as an operational definition; while the choice of one year as a specific period is somewhat arbitrary, it is adopted to avoid uncertainty and facilitate international consistency (see paragraph 4.114 in *BPM6*). Additional criteria for cases where there is no actual or intended physical presence for a year or more are discussed in paragraph II.6.

II.4 As a general principle, an enterprise is resident in an economic territory when the enterprise is engaged in a significant amount of production of goods and/or services, or owns assets or incurs liabilities, from a location in the territory (see paragraph 4.131 in *BPM6*).

II.5 Taxation and other legal requirements tend to result in the use of a separate legal entity for operations in each legal jurisdiction. In addition, a separate institutional unit is identified for statistical purposes where a single legal entity has substantial operations in two or more territories (for example, for branches, land ownership, and multiterritory enterprises). As a result of splitting such legal entities, the residence of each of the subsequently identified entities is clear. The introduction of the terminology center of predominant economic interest does not mean that entities with substantial operations in two or more territories no longer need to be split (see paragraph 4.132 in *BPM6*).

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<sup>92</sup> For definition of economic territory, see paragraphs 4.3-4.6 in *BPM6*.

II.6 In some cases, the physical location of an enterprise is not decisive to identify its residence because the corporation has little or no physical presence, for example, if its administration is entirely contracted out to other entities (see paragraph 4.134 in *BPM6*).

II.7 Mobile production involves an enterprise undertaking production from a base in one location, but delivering services in other locations. Mobile production processes include some transport activity, delivery of advice and on-site repair services, and short-term construction. The residence of such enterprises is determined from the base of operations, rather than the point of delivery or location of mobile equipment, unless the activities at the point of delivery are sufficiently substantial to amount to a branch, as defined below (see branches). See also paragraph 4.136 in *BPM6*.

### B. Institutional Units

II.8 The main attributes of an institutional unit are that:

- (1) It is entitled to own goods or assets in its own right; it is, therefore, able to exchange the ownership of goods or assets in transactions with other institutional units.
- (2) It is able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law.
- (3) It is able to incur liabilities on its own behalf, to take on other obligations or future commitments, and to enter into contracts.
- (4) Either a complete set of accounts, including a balance sheet, exists for the unit, or it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if they were to be required.

II.9 Institutional units are recognized in the cases of branches and notional resident units even though they may not fully satisfy criteria (1), (2), and (3).<sup>93</sup>

II.10 There are two main types of units in the real world that may qualify as institutional units:

- (1) Households—persons or groups of persons; and
- (2) Corporations (including quasi-corporations), nonprofit institutions, and government units

II.11 Cases of institutional units that are especially relevant for direct investment are reviewed below.<sup>94</sup>

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<sup>93</sup> For additional information on the general principles for institutional units see paragraph 4.13 in *BPM6*.

## **Quasi-corporations**

II.12 A quasi-corporation is an unincorporated business that operates as if it were an entity separate from its owners. It is treated as if it were a corporation. This treatment is applied whether a branch, limited liability or other type of partnership, or other unincorporated legal structure is used. Types of quasi-corporations may include branches, notional residents for ownership of land, trusts, and so on.<sup>95</sup> The intent behind the concept of a quasi-corporation is to separate from their owners those unincorporated enterprises that are sufficiently self-contained, that is, that behave as if they were corporations.

## ***Branches***

II.13 When a nonresident unit has substantial operations over a significant period in an economic territory, but no separate legal entity, a branch may be identified as an institutional unit. This unit is identified for statistical purposes because the operations have a strong connection to the location of operations in all ways other than incorporation.

II.14 The identification of branches has implications for the statistical reporting of both the parent and branch. The operations of the branch should be excluded from the institutional unit of its head office in its home territory and should be reported consistently in both of the affected economies. Each branch is a DIENT.

## **Special cases involving branches**

II.15 *Construction projects.* Some construction projects undertaken by a nonresident contractor may give rise to a branch. Construction may be carried out or managed by a nonresident enterprise, without the creation of a local legal entity: For major projects (such as bridges, dams, power stations) that take a year or more to complete and that are managed through a local site office, the operations would usually satisfy the criteria for identification of a branch. In other cases, the construction operations may not satisfy the conditions for recognition as a branch, for example, for a short-term project or one based from the home territory rather than a local office.

II.16 *Mobile equipment.* Mobile equipment, including ships, aircraft, drilling platforms, and railway rolling stock, may operate across more than one economic territory. The criteria for recognition of a branch also apply in these cases.

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<sup>94</sup> Additional cases are discussed in *BPM6*. For example, see paragraphs 8.24-8.26 in *BPM6* for guidance on how to report DIENTs that are established for borrowing for fiscal purposes and see paragraphs 6.93-6.98 in *BPM6* for sovereign wealth funds.

<sup>95</sup> Types of quasi-corporations are discussed in paragraphs 4.26-4.49 in *BPM6*.



II.17 A multiterritory pipeline that passes through a territory, but it is not operated by a separate legal entity in that territory, would be recognized as constituting a branch or not, according to whether there is substantial presence, availability of separate accounts, etc.

### **Multiterritory enterprises**

II.18 Some enterprises operate as a seamless operation over more than one economic territory. Although the enterprise has substantial activity in more than one economic territory, it cannot easily be broken up into a parent and branch(es) because it is run as an indivisible operation with no separate accounts or decisions. Such enterprises are typically involved in cross-border activities and include shipping lines, airlines, hydroelectric schemes on border rivers, pipelines, bridges, tunnels, and undersea cables. Some nonprofit institutions serving households may also operate in this way.

II.19 Governments usually require separate entities or branches to be identified in each economic territory for more convenient regulation and taxation. Multiterritory enterprises have usually been exempted from such requirements, but there may be arrangements, such as a formula for payment of taxation to the respective authorities.

II.20 In the case of a multiterritory enterprise, it is preferable that a parent and separate branch(es) be identified separately for each economy. If possible, enterprises would be identified in each territory of operation according to the principles for identification of branches discussed above. If that is not feasible because the operation is so seamless that separate accounts cannot be developed, it is necessary to prorate<sup>96</sup> the total operations of the enterprise into the individual economic territories.

### **Joint ventures**

II.21 A joint venture is a contractual agreement between two or more parties for the purpose of executing a business undertaking in which the parties agree to share in the profits and losses of the enterprise as well as the capital formation and contribution of operating inputs or costs. It is similar to a partnership, but typically differs in that there is generally no intention of a continuing relationship beyond the original purpose. A joint venture does not necessarily involve the creation of a new legal entity.

II.22 Whether a quasi-corporation is identified for the joint venture depends on the arrangements of the parties and legal requirements. The joint venture is a quasi-corporation if it meets the requirements for an institutional unit, particularly by having its own records. Otherwise,

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<sup>96</sup> See paragraphs 4.4.3-4.44 in *BPM6* for recommendations on how to prorate total operations of enterprises into the individual economic territories.

if each of the operations is effectively undertaken by the partners individually, then the joint venture is not the institutional unit and the operations would be seen as being undertaken by the joint venture partners separately. (In that case, there would usually be direct investment enterprises that undertook the joint venture operations of each of the partners.) Because of the ambiguous status of joint ventures, there is a risk that they could be omitted or double-counted, so particular attention needs to be paid to them.

## **Trusts**

II.23 Estates and trusts are not incorporated but are legal arrangements that have aspects of legal identity separate from their owners and trustees. An estate is the legal device to hold the property of a deceased person before that property is distributed to the beneficiaries. A trust is a legal device by which property is held in the name of one party or parties (the administrator or trustee) who is (are) under an obligation to hold assets for the benefit of another party or parties (the beneficiary or beneficiaries). Administrators and trustees are required to keep the trust and estate assets separate from their personal property and they must account to the beneficiaries for the income and assets. These legal arrangements are treated as separate institutional units. This treatment is necessary because it is neither meaningful nor feasible for the trust assets to be allocated to the beneficiaries and then be combined with the assets of beneficiaries who are resident in another economy. Trusts can be used for businesses, asset management, and for nonprofit institutions.

## **Flexible corporate structures with little or no physical presence<sup>97</sup>**

II.24 Multinational enterprises often diversify their investments geographically, through organizational structures. These include certain SPEs which facilitate financing of investments for the multinational enterprise from sources both internal and external to the enterprise group.<sup>98</sup> Additionally, SPEs also serve other functions such as regional administration including management of foreign exchange risks and other activities aimed at profit maximization. SPE is a generic label applicable to these organizational structures, which are also variously referred to as financing subsidiaries, conduits, holding companies, base companies, and regional headquarters. In some instances, multinational enterprises may use existing operational companies to perform functions usually associated with SPEs. While there is no international standard definition of such companies, typical features of these entities are that their owners are

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<sup>97</sup> See paragraphs 4.134-4.135 in *BPM6* for additional information about flexible corporate structures with little or no physical presence.

<sup>98</sup> Some purposes that such structures are used for are holding and managing wealth for individuals or families, holding assets for securitization, issuing debt securities on behalf of related companies (such a company may be called a conduit), as holding companies that own shares in subsidiaries but without actively directing them, securitization vehicles, ancillary companies, and to carry out other financial functions.

not residents of the territory of incorporation, other parts of their balance sheets are also vis-à-vis nonresidents, they have few or no employees, and little or no physical presence.

II.25 SPEs are residents of the economies in which they are incorporated or organized and, therefore, they may be DIs or DIENTs. Even if they are shell companies or pass-through units without any other productive economic activity of their own, they qualify as DIs or as DIENTs by virtue of being resident in one economy and being owned by, or owning, an enterprise in a different economy. Thus, positions between DIs and DIENTs that are SPEs are to be treated in the same way as those with investors and enterprises that are not SPEs. It is important to note that most SPEs do not meet the definition of financial intermediary and so the exclusion from direct investment of debt positions between most SPEs and other financial institutions does not apply.

II.26 Identifying ultimate host and UIEs to determine geographical allocation is helpful for direct investment positions in addressing some of the concerns raised by SPEs. However, given the complexity of some investment structures and the practical difficulties in implementation, only UIE is recommended as part of the additional elements of the CDIS. For details on UIE, see the *BD4*, Annex 10.

### **Financial intermediaries**

II.27 It should be noted that debt positions of financial intermediaries are excluded from direct investment data if they involve both a resident financial intermediary, and a nonresident financial intermediary, other than insurance corporations and pension funds. In cases of external debt of a financial intermediary with a direct investment enterprise or direct investor that is not a financial intermediary, the debt is part of direct investment.

### **Deposit-taking corporations<sup>99</sup>**

II.28 In general, the following financial intermediaries are classified in this sub-sector: central bank, commercial banks, “universal banks”, “all-purpose” banks, savings banks (including trustee savings banks and savings banks and loan associations); post office giro institutions, post banks, giro banks; rural credit banks, agricultural credit banks; cooperative credit banks, credit unions; traveler’s check companies that mainly engage in financial activities, and specialized banks or other financial institutions if they take deposits or issue close substitutes for deposits. The liabilities of deposit-taking corporations are typically included in measures of broad money.

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<sup>99</sup> A more common word for deposit-taking corporations is banks. However, it should be noted that, in some economies, banks may cover a variety of institutions, some of which may not meet the criteria of deposit-taking corporations.

### **Money market funds (MMFs)**

II.29 MMFs are collective investment schemes that raise funds by issuing shares or units to the public. The proceeds are invested primarily in money market instruments, MMF shares and units, transferable debt instruments with a residual maturity of less than one year, bank deposits, and instruments that pursue a rate of return that approaches the interest rates of money market instruments. MMF shares can be transferred by check or other means of direct third-party payments.

### **Non-money market investment funds (non-MMF)**

II.30 Non-MMF investment funds are collective investment schemes that raise funds by issuing shares or units to the public. The proceeds are invested predominantly in long-term financial assets and nonfinancial assets (usually real estate). They are not transferable by means of check or other means of direct third-party payments.

### **Hedge funds**

II.31 Hedge funds are a kind of investment fund. Hedge fund is a term that covers a heterogeneous range of collective investment schemes, typically involving high minimum investments, light regulation, and a wide range of investment strategies.

### **Other financial intermediaries, except insurance corporations and pension funds**

II.32 Other financial intermediaries, except insurance corporations and pension funds consists of: financial corporations engaged in the securitization of assets; underwriters, and securities and derivative dealers (on own account); financial corporations engaged in lending including financial leasing; as well as personal or commercial finance; central clearing counterparties, specialized financial corporations that assist other corporations in raising funds in equity and debt markets, and provide strategic advisory services for mergers, acquisitions, and other type of financial transactions, and any other specialized corporations that provide short-term financing for corporate mergers and takeovers; export/import finance; factoring companies; and venture capital and development capital firms.

## ANNEX III: ADDITIONAL ITEMS

III.1 In addition to respondent identification information and data on direct investment positions that are needed for participating in the IMF's CDIS, compilers may wish to collect additional data items on their direct investment surveys for their own purposes. It is more efficient to collect several items on the same survey than to conduct numerous separate surveys pertaining to the same respondents.

### A. Industry classification

#### General principles to identify industry allocation<sup>100</sup>

III.2 There is significant interest in the industry classification of both DIENTs and their DIs. However, DIENTs and DIs engage in a variety of economic activities. For a comprehensive economic analysis, enterprises should be grouped by type of activity. Under ideal circumstances, data should be available to compilers to classify both inward and outward direct investment on a dual basis to the industry of the DIENT and the industry of its DI.

III.3 If data for both inward and outward direct investment cannot be compiled on both of these bases, it is suggested that data be compiled at least on the activity of the DIENT, for both inward and outward direct investment. In other words, inward direct investment should reflect the industry of the resident DIENT and outward investment should reflect the industry of the non-resident DIENT (i.e. of the foreign affiliate).

III.4 Each DI and each DIENT must be classified to a single industry, even though many DIs and DIENTs are involved in a wide range of activities. The industry classification of the enterprise should be based on its principal activity. Ideally, the principal product or service will be determined with regard to the value added of the enterprise. In some cases, it is recognized that data on value added may not be available and that data on sales, revenues, or payroll or other basis may need to serve as a proxy.

III.5 It is recommended for direct investment statistics that when the enterprise (DI or DIENT) is part of a LEG, the industry classification be that of the LEG's primary activity. This is determined by the local group's principal product or group of products produced or distributed, or services rendered. Again, value added weight is ideal for this determination.

III.6 A DI involved in a wide range of activities may make its overseas investment in each activity through numerous separate domestic subsidiaries specializing in a given activity, or it may make all of its overseas investment through a single domestic subsidiary established to handle overseas investments or a mixture of these approaches. For data that are presented based

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<sup>100</sup> See section 7.3 in the *BD4*.

on the industry of the DI, the industry corresponds to the main activity of the DI, including all of its activities in its own country of residence. This approach avoids distortions due to different organizational arrangements.

III.7 Data that are presented based on the industry of the DIENT should be based on the reporting enterprise. (If the reporting unit is both a DIENT and a DI, its industry classification should be based on the activities that it conducts and should exclude those conducted by its own foreign affiliates.) In general, DIENTs will reflect their operations in a given economy and in this circumstance it is recommended that the industry of the enterprise represent the primary activity of the enterprise (including all of its consolidated subsidiaries, associates, and branches in its economy of residence if a LEG is used as the statistical data reporting unit).

### **International Standard Industry Classification (ISIC)**

III.8 Economies should compile data by industries that correspond to the major tabulation categories in the United Nations' ISIC.<sup>101</sup> The major categories in ISIC Revision 4 are:

- A – Agriculture, forestry, and fishing
- B – Mining and quarrying
- C – Manufacturing
- D – Electricity, gas, steam, and air conditioning supply
- E – Water supply, sewerage, waste management, and remediation activities
- F – Construction
- G – Wholesale and retail trade; repair of motor vehicle and motorcycles
- H – Transportation and storage
- I – Accommodation and food service activities
- J – Information and communication
- K – Financial and insurance activities
- L – Real estate activities
- M – Professional, scientific, and technical activities
- N – Administrative and support service activities
- O – Public administration and defense, compulsory social security
- P – Education
- Q – Human health and social work activities
- R – Arts, entertainment, and recreation
- S – Other service activities
- T – Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
- U – Activities of extraterritorial organizations and bodies

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<sup>101</sup> For additional information see *International Standard Industry Classification of All Economic Activities (ISIC)*, Rev. 4, 2008 (<http://unstats.un.org/unsd/cr/registry/isic-4.asp>).

### B. Direct investment income

III.9 For details on the concepts of direct investment income, see Chapter 11 in *BPM6*. *BPM6* can be found on the IMF website at <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>.

### C. Direct investment financial transactions

III.10 For details on the concepts of direct investment financial transactions, see Chapter 8 in *BPM6*.

### D. Market valuation of equity

III.11 For details on other market valuation principles, see paragraphs 7.16-7.18 in *BPM6*.

### E. Ultimate investing economy

III.12 There are two possible approaches to identify the residence of the DI (for inward direct investment): (1) by immediate counterpart economy, and (2) by UIE.

III.13 The CDIS collects direct investment data by immediate (first) counterpart economy for both inward and outward direct investment. For direct investment, it is possible to determine not only the immediate counterparty economy but also the UIE. For example, the ultimate investor for inward investment is the enterprise that has control over the investment decision to have a direct investment position in the resident DIENT. As such, the ultimate investor controls the immediate DI and is, therefore, the UCP of this investor. It is identified by proceeding up the immediate DI's ownership chain through the controlling links (ownership of more than 50 per cent of the voting power) until an enterprise is reached that is not controlled by another enterprise. If there is no enterprise that controls the immediate DI, then the immediate DI might be considered the ultimate investor in the DIENT. There will be one (and only one) ultimate investor (i.e., UCP), for a given enterprise.

III.14 The economy in which the ultimate investor is resident is the UIE for the investment in the DIENT. It is possible that the UCP is a resident of the same economy as the DIENT.

The UCP (see also paragraph 4.10) might be considered the common ultimate investor of fellow enterprises.

### F. Pass-through funds

III.15 "Pass-through funds" or "funds in transit" are funds that pass through an enterprise resident in one economy to an affiliate in another economy, so that the funds do not stay in the economy of the affiliate. These funds are often associated with direct investment. Such flows often have little impact on the economy they pass through. While SPEs, holding companies and financial institutions that serve other non-financial affiliates are particularly associated with

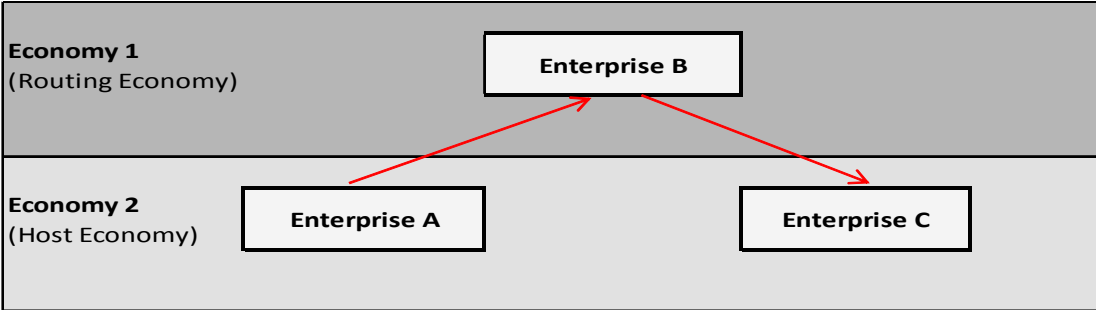
funds in transit, other enterprises may also have pass through funds in direct investment flows.

**G. Round tripping**

III.16 Round tripping is a specific case of pass-through funds that involves funds from an entity in one economy, i.e. host economy, being invested in an entity resident in a second economy, i.e. routing economy, then having them reinvested in an entity in the first economy. The entity in the routing economy often has limited operations of its own.

III.17 From the perspective of the host economy, the simplest example of round tripping occurs when a domestic investment is disguised as direct investment through a non-resident subsidiary or associate in the routing economy. In Figure AIII.1, Enterprise A in the host economy provides direct investment funds to a non-resident related Enterprise B in the routing economy for investing back in another Enterprise C in the host economy. On the other hand, round tripping can also be viewed from the perspective of the routing economy, i.e. Enterprise B in the routing economy receives direct investment funds from Enterprise A in the host economy, and reinvests these funds in Enterprise C in the host economy.

**Figure AIII.1**



III.18 Pass-through funds and round tripping of funds within a direct investment network should be recorded as direct investment transactions/positions. In the example shown in Figure AIII.1, round tripping funds appear as outward direct investment of the host economy for the funds channeled to the routing economy, and as inward direct investment for the subsequent return of the funds to the host economy. For the routing economy, they appear as inward direct investment for the funds received from the host economy, and as outward direct investment for the return of these funds to the host economy.

III.19 Pass-through funds and round tripping of funds may be significant in some economies but not so in other economies. Economies with significant pass-through funds and round tripping are encouraged to publish additional information on such flows and/or positions separately.<sup>102</sup>

<sup>102</sup> For additional information, see paragraphs A4.34-A.4.40 in *BPM6 CG*.



## ANNEX IV: CDIS MODEL SURVEY FORMS

### Model Form 1. Collection Form for Inward Direct Investment Positions

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [name of agency] is conducting this survey to obtain direct investment position data between your enterprise and your foreign direct investors (i.e., foreign enterprises that own 10 percent or more of the voting equity in your enterprise) and investments with nonresident fellow enterprises (i.e., enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise). The survey is conducted as part of a global undertaking, being coordinated by the International Monetary Fund. Your cooperation in completing this survey questionnaire is greatly appreciated.

#### Completing and returning the questionnaire

Please take time to review the questionnaire before completing it. Do not hesitate to contact us if you have any difficulty understanding or completing the questionnaire at [phone number and/or email address of the contact person].

#### Why do we need to collect this information?

Information from this questionnaire is needed to provide reliable and up-to-date information on direct investment in [name of country]. Such information is needed for economic analysis, for constructing the international investment position accounts (that is, the assets and liabilities of [name of country] with the rest of the world), for measuring how investments have grown over time, and in understanding the impact of these investments.

#### Mandate and confidentiality

This questionnaire is being conducted [cite the legislative or other authority for collecting this information]. Any information that you supply will be used for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to anybody other than staff implementing the exercise. They are bound to secrecy: breaches of your confidentiality will be dealt with severely and may result in the perpetrator being fired, fined and/or imprisoned.

#### Dissemination of findings

We want to ensure you receive tabulated data and analytical outputs as soon as possible and expect that this will enrich your own decision-making. The findings will be posted on the [name of agency] website and released through the [name of agency's] publications (such as its Monthly Bulletin and Annual Report).

Signed [Head of agency]

### **How to complete and return this questionnaire**

**Coverage:** This questionnaire collects information on investment positions between your enterprise and your foreign direct investors that directly or indirectly have a 10 percent or more voting ownership in your enterprise, and between your enterprise and nonresident fellow enterprises abroad (that is, enterprises that have a common parent with your enterprise but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise), as of end-December YYYY. The term “enterprise” is used to sometimes refer to the statistical reporting unit. This may be a local enterprise group instead of a single enterprise.

**Due Date:** The due date for submission of your completed questionnaire is MM DD, YYYY.

### **Completing and returning the questionnaire:**

Please submit the questionnaire in paper or electronic form. Questionnaires that are mailed should be delivered to (indicate postal address). Questionnaires that are emailed should be directed to the following email box: (indicate email address). If you have any questions regarding completing and/or returning the questionnaire, please contact us at: [phone number and/or email address of the contact person].

In addition to completing the questionnaire, would you please provide a copy of your enterprise’s YYYY income statement and balance sheet. These financial statements may allow us to review your questionnaire results without troubling you.

### **Content:**

The questionnaire is made up of three sections.

Section A asks for general information about your enterprise (please answer the applicable questions).

Section B provides the reporting instructions, including definitions of terms such as fellow enterprise that should be used for completing Section C.

Section C asks for data on the values outstanding of both assets and liabilities, equity and debt, between your enterprise and your direct investor (Section C1) and asset and liability positions with fellow enterprises abroad (Section C2). If audited data are not available, unaudited estimates are acceptable.

**Section A. General Information on your Enterprise**

1.1. Name of your enterprise		
1.2 Name /position of person completing form	1.3 Name /position of alternative contact person	
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7. E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct.
		Signed (senior enterprise officer or agent)
		Date

1.10. If your enterprise is part of a local group (see definition in Section B), please list the other enterprises in the group that operate in [*name of country*] and indicate if the data in Section C includes these enterprises (please tick the columns below accordingly).

Name of other resident enterprises in your local enterprise group (Please indicate if data for these enterprises is included in section C)	Not included	Included

1.11. Indicate the principal area of activity of the reporting enterprise or local enterprise group, based on turnover (tick one):

A. Agriculture, forestry, and fishing		L. Real estate activities	
B. Mining and quarrying		M. Professional, scientific, and technical activities	
C. Manufacturing		N. Administrative and support services activities	
D. Electricity, gas, steam, and air-conditioning supply		O. Public administration and defense; compulsory social security	
E. Water supply, sewerage, waste management and remediation activities		P. Education	
F. Construction		Q. Human health and social work activities	
G. Wholesale and retail; repair of motor vehicles and motorcycles		R. Arts, entertainment, and recreation	
H. Transport and storage		S. Other services activities	
I. Accommodation and food service activities		T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	
J. Information and communication		U. Activities of extraterritorial organizations and bodies	
K. Finance and insurance activities			

## Section B. Reporting Instructions, Definitions and Guidelines

### The reporting period:

This questionnaire asks for balances with nonresidents as of December 31, YYYY. Data as of a date between November 15, YYYY and February 15, YYYY+1 are acceptable. Please indicate the **date** to which these data relate at the top of the information tables requested in Sections C1 and C2.

### Valuation of data to be reported in section C:

Please report data according to the following guidelines:

#### *Currency:*

Report all data in [*thousands of units of local currency*]. If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is(are) not in [*local currency*], please use the end-year foreign currency exchange rates to convert to [*local currency*].

#### *Listed shares:*

Shares and other equity can be readily valued at their current prices (market price) when they are regularly traded on stock exchanges or other financial markets.

#### *Unlisted shares and other equity:*

When actual market values are not available, please report your foreign direct investor's or fellow enterprise's (see below for definitions) claims on your net worth, consisting of:

- (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
- (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity);
- (iii) cumulated retained earnings (which may be negative); and
- (iv) cumulated retained holding gains and losses.

Similarly, please include the above 4 items in calculating the value of reverse equity investment – that is your enterprise's equity claim on your direct investor(s) or fellow enterprise(s) abroad (see below for definitions).

In determining your net worth (and therefore in determining your foreign direct investor's or fellow enterprise's claims on your net worth), most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings and cumulated retained holding gains and losses should be included; and depreciation on items of property, plant, and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

*Debt instruments:*

Loans and trade credit and other accounts payable

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates).

*Nominal value* represents the value of funds advanced less any repayments plus any outstanding accrued interest.

*Debt securities:*

Please report the market value of the securities, as of the balance sheet date.

***Definitions of entities in the questionnaire: direct investment enterprises, direct investors, fellow enterprises, and local enterprise group***

**Direct investment enterprise:** A direct investment enterprise is an enterprise, *resident* in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the voting equity, either directly or indirectly.

Units are viewed as residents of *[name of economy]* if they have resided (or intend to reside) for a year or more in *[name of economy]*. A direct investment enterprise’s **local enterprise group** includes the resident enterprise that is at least 10 percent directly owned by a foreign direct investor (see below for definition), and the resident enterprises that it directly or indirectly controls in its own economy.

All of these enterprises should be included in inward direct investment whether you report data for them on a single report for the local enterprise group or you report data on separate reports.

A **direct investor** is an enterprise, resident in an economy that directly or indirectly holds 10 percent or more of the equity in a nonresident direct investment enterprise.

A **fellow enterprise** is a nonresident that has a common (immediate or indirect) parent with your enterprise but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise.

Units are viewed as nonresidents of *[name of economy]* if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

**Section C. Asset and liability positions of the direct investment enterprise with its foreign direct investor (Section C1), and of the resident fellow enterprise with its fellow enterprises abroad (Section C2), by country of the foreign units with whom the accounts are held.**

Please report in thousands of *[local currency]*, using the valuation guidelines described in Section B.

**C1: Direct investment enterprise’s positions with its foreign direct investor**

**Positions as of .....** (insert date to which the information refers)  
(in thousands of units of local currency)

Economy of location of foreign direct investor	Equity and debt liabilities to foreign direct investor		Equity and debt claims on foreign direct investor (so-called “reverse	
	Equity owned by direct investor – report the value of your direct investor’s claims on your net worth	Debt liabilities to direct investor	Debt claims on direct investor	Equity claims on direct investor - report your claims on your direct investor’s net

**C.2. Your enterprise’s positions with fellow enterprises abroad.**

If your enterprise has no positions with nonresident fellow enterprises, please indicate “N/A”: \_\_\_\_ and do not complete the section below.

**If you are a fellow enterprise, please indicate below the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain:**

<b>Residence of ultimate controlling parent of your enterprise</b> <i>(please tick one case and see note below)</i>	
Nonresident of your own economy	
Resident of your own economy	
Do not know	

Note: If you are a resident fellow enterprise, and your ultimate controlling parent is a nonresident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as inward direct investment. If your ultimate controlling parent is a resident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as outward direct investment. If it is unknown whether your ultimate controlling parent is a resident or a nonresident of your own economy, then asset positions with fellow enterprises abroad are regarded as outward direct investment, and liability positions with fellow enterprises abroad are regarded as inward direct investment. For convenience, all positions with fellow enterprises abroad may be reported either in report form 1 (inward direct investment), or in report form 2 (outward direct investment), but please do not report such positions in both report forms 1 and 2.

**Positions as of .....** (insert date to which the information refers)  
 (in thousands of units of local currency) **with fellow enterprises abroad**

Economy of location of fellow enterprise abroad	Equity and debt liabilities to fellow enterprise abroad		Equity and debt claims on fellow enterprise abroad	
	Equity owned by fellow enterprise abroad – report the value of your fellow enterprise abroad claims on your enterprise’s net worth	Debt liabilities to fellow enterprise abroad	Debt claims on fellow enterprise abroad	Equity claims on fellow enterprise abroad - report your enterprise’s claims on the net worth of your fellow enterprise abroad

Thank you for your cooperation.

## **Model Form 2. Collection Form for Outward Direct Investment Positions**

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [*name of agency*] is conducting this survey to obtain direct investment position data between your enterprise and your foreign direct investment enterprises (i.e., nonresident enterprises in which your enterprise directly or indirectly holds 10 percent or more of the voting equity) and investments with nonresident fellow enterprises (i.e., enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise). The survey is conducted as part of a global undertaking, being coordinated by the International Monetary Fund. Your cooperation in completing this survey questionnaire is greatly appreciated.

### **Completing and returning the questionnaire**

Please take time to review the questionnaire before completing it. Do not hesitate to contact us if you have any difficulty understanding or completing the questionnaire at: [*phone number and/or email address of the contact person*].

### **Why do we need to collect this information?**

Information from this questionnaire is needed to provide reliable and up-to-date information on direct investment abroad. Such information is needed for economic analysis, for constructing the international investment position accounts (that is, the assets and liabilities of [*name of country*] with the rest of the world), for measuring how investments have grown over time, and in understanding the impact of these investments on our own economy as well as on the economies that are recipients of investment.

### **Mandate and confidentiality**

This questionnaire is being conducted under the [*cite the legislative or other authority for collecting this information*]. Any information you supply will be used for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to **anybody** other than staff implementing the exercise. They are bound to secrecy: breaches of your confidentiality will be dealt with severely and may result in the perpetrator being fired, fined and/or imprisoned.

### **Dissemination of findings**

We want to ensure you receive tabulated data and analytical outputs as soon as possible and expect that this will enrich your own decision-making. The findings will be posted on the [*name of agency*]'s website and released through the [*name of agency*]'s publications (such as its *Monthly Bulletin* and *Annual Report*).

Signed [Head of agency]



## How to complete and return this questionnaire

**Coverage:** This questionnaire collects information on your enterprise’s investment positions with foreign companies in which your enterprise, directly or indirectly, has a 10 percent or more voting ownership, and between your enterprise and fellow enterprises abroad (that is, enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise), as of end-December YYYY. The term “enterprise” is used to sometimes refer to the statistical reporting unit. This may be a local enterprise group instead of a single enterprise.

**Due Date:** The due date for submission of your completed questionnaire is MM, DD, YYYY.

### Completing and returning the questionnaire:

Please submit the questionnaire in paper or electronic form. Questionnaires that are mailed should be delivered to (*indicate postal address*). Questionnaires that are emailed should be directed to the following email box: (*indicate email address*). If you have any questions regarding completing, and/or returning the questionnaire, please contact us at [*phone number and/or email address of contact person*].

In addition to completing the questionnaire, would you please provide a copy of your enterprise’s YYYY income statement and balance sheet. These **financial statements** may allow us to review your questionnaire results without troubling you.

### Content:

The questionnaire is made up of three sections:

Section A asks for general information about your enterprise (please answer all applicable questions).

Section B provides the reporting instructions, including definitions such as fellow enterprise, that should be used for completing Section C.

Section C asks for data on the values outstanding of both assets and liabilities, equity and debt, between your enterprise and your direct investment enterprise(s) located abroad (Section C1) and asset and liability positions with fellow enterprises abroad (Section C2). If audited data are not available, unaudited estimates are acceptable.

**Section A. General Information on your Enterprise**

1.1. Name of your enterprise		
1.2 Name / position of person completing form	1.3. Name / Position of alternative contact person	
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7. E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct.  Signed (senior enterprise officer or agent)  Date

1.10. If your enterprise is part of a local group (see definition in Section B), please list the other enterprises in the group that operate in [*name of country*] and indicate if the data in Section C includes these enterprises (please tick the columns below accordingly).

Name of other resident enterprises in your local enterprise group (Please indicate if data for these enterprises is included in section C)	Not included	Included

1.11. Indicate the principal area of activity of the reporting enterprise or local enterprise group, based on turnover (tick one):

A. Agriculture, forestry, and fishing		L. Real estate activities	
B. Mining and quarrying		M. Professional, scientific, and technical activities	
C. Manufacturing		N. Administrative and support services activities	
D. Electricity, gas, steam, and air-conditioning supply		O. Public administration and defense; compulsory social security	
E. Water supply, sewerage, waste management and remediation activities		P. Education	
F. Construction		Q. Human health and social work activities	
G. Wholesale and retail; repair of motor vehicles and motorcycles		R. Arts, entertainment, and recreation	
H. Transport and storage		S. Other services activities	
I. Accommodation and food service activities		T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	
J. Information and communication		U. Activities of extraterritorial organizations and bodies	
K. Finance and insurance activities			

## Section B. Reporting Instructions, Definitions and Guidelines

### The reporting period:

This questionnaire asks for balances with nonresidents as of December 31, YYYY. Data as of a date between November 15, YYYY and February 15, YYYY+1 are acceptable. Please indicate the **date** to which these data relate at the top of the information tables requested in Sections C1 and C2.

### Valuation of data to be reported in section C:

Please report data according to the following guidelines:

#### *Currency:*

Report all data in [*thousands of units of local currency*]. If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is(are) not in [*local currency*], please use the end-year foreign currency exchange rates to convert to [*local currency*].

#### *Listed shares:*

Shares and other equity can be readily valued at their current prices (market price) when they are regularly traded on stock exchanges and other financial markets.

#### *Unlisted shares and other equity:*

When actual market values are not available, please report your claims on the net worth of your direct investment enterprises abroad (see below for definition), consisting of:

- (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
- (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity); and
- (iii) cumulated retained earnings (which may be negative); and
- (iv) cumulated retained holding gains and losses.

Similarly, please include the above 4 items in calculating the value of reverse equity investment, i.e., of your direct investment enterprise's, or of your fellow enterprise's abroad, claim on your own net worth.

In determining your direct investment enterprise's net worth (and therefore in determining the value of your claims on its net worth), most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings and cumulated retained holdings gains and losses should be included; and depreciation on items of property, plant, and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

*Debt instruments:*

Loans and trade credit and other accounts payable

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates).

*Nominal value* represents the value of funds advanced less any repayments plus any outstanding accrued interest.

*Debt securities:*

Please report the market value of the securities as at the balance sheet date.

***Definitions of entities in the questionnaire: Direct investors, direct investment enterprises, fellow enterprises, and local enterprise group***

**Direct investor:** A **direct investor** is an enterprise, resident in an economy that directly or indirectly holds 10 percent or more of the voting equity in a nonresident direct investment enterprise.

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) for a year or more in [*name of economy*]. A direct investor's **local enterprise group** includes the

resident enterprise that directly owns a foreign direct investment enterprise (see below for definition), the resident enterprises that directly or indirectly control this enterprise, and the resident enterprises that any of these enterprises directly or indirectly control in their own economy.

All of these enterprises should be included in outward direct investment whether you report data for them on a single report for the local enterprise group or you report data on separate reports.

**Direct investment enterprise:** A direct investment enterprise is an enterprise, resident in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the equity, either directly or indirectly.

A **fellow enterprise** is a nonresident that has a common (immediate or indirect) parent with your enterprise but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise.

Units are viewed as nonresidents of [name of economy] if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

**Section C. Asset and liability positions of the direct investor with its foreign direct investment enterprises abroad (Section C1), and of the resident fellow enterprise with its fellow enterprises abroad (Section C2), by economy of the foreign units with whom the accounts are held.**

Please report in thousands of [local currency], using the valuation guidelines described in Section B

**Section C.1. Direct investor’s positions with its direct investment enterprises abroad**  
**Positions as of .....** (insert date to which the information refers)  
 (in thousands of units of local currency)

Economy of location of direct investment enterprise	Equity and debt claims of direct investor		Liabilities of direct investors (so-called “reverse investment”)	
	Equity claims (assets) on direct investment enterprise (for directly owned direct investment enterprises only) - report your enterprise’s claims on the net worth of your direct investment enterprise	Debt claims (assets) on direct investment enterprise	Debt liabilities to direct investment enterprise	Equity liabilities to direct investment enterprise

If your enterprise has no such assets or liabilities, please indicate N/A\_\_ and continue.

**Section C.2. Positions of resident fellow enterprises with fellow enterprises abroad.**

If your enterprise has no positions with fellow enterprises abroad, please indicate N/A: \_\_ and do not complete the section below.

**If you are a fellow enterprise, please indicate below the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain:**

<b>Residence of ultimate controlling parent of your enterprise</b> <i>(please tick one case and see note below)</i>	
Resident of your own economy	
Nonresident of your own economy	
Do not know	

Note: If you are a resident fellow enterprise, and your ultimate controlling parent is a nonresident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as inward direct investment. If your ultimate controlling parent is a resident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as outward direct investment. If it is unknown whether your ultimate controlling parent is a resident or a nonresident of your own economy, then asset positions with fellow enterprises abroad are regarded as outward direct investment, and liability positions with fellow enterprises abroad are regarded as inward direct investment. For convenience, all positions with fellow enterprises abroad may be reported either in report form 1 (inward direct investment), or in report form 2 (outward direct investment), but please do not report such positions in both report forms 1 and 2.

**Positions as of ..... (insert date to which the information refers)  
(in thousands of unit of local currency) with fellow enterprises abroad**

<b>Economy of location of fellow enterprise abroad</b>	<b>Equity and debt claims on fellow enterprise abroad</b>		<b>Equity and debt liabilities to fellow enterprise abroad</b>	
	Equity claims (assets) on fellow enterprise abroad – report the value of your enterprise’s claims on your fellow enterprise’s net worth	Debt claims on fellow enterprise abroad	Debt liabilities to fellow enterprise abroad	Equity liabilities to fellow enterprise abroad – report the value of your fellow enterprise’s claims on your enterprise’s net worth

Thank you for your cooperation.

### **Model Form 3. Form for Inward Direct Investment Positions, Transactions and Other Changes**

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [*name of agency*] is conducting this survey to obtain data on income, financial transactions and assets and liabilities positions between your enterprise and your foreign direct investor(s) (that is, the foreign enterprise(s) that owns (own) 10 percent or more of the voting equity in your enterprise) and with nonresident fellow enterprises (i.e, enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise). The survey is conducted as part of a global undertaking, being coordinated by the International Monetary Fund. Your cooperation in completing this survey is greatly appreciated.

#### **Completing and returning the survey**

Please take time to review the survey questionnaire before completing it. Do not hesitate to contact us at [*phone number and/or email address of the contact person*] if you have any difficulty understanding or completing the survey.

#### **Why do we need to collect this information?**

Information from this survey is needed to provide reliable and up-to-date information on direct investment in [*name of country*]. Such information is needed for economic analysis, for constructing the balance of payments and international investment position accounts (that is, transactions and positions of [*name of country*] with the rest of the world), for measuring how investments have grown over time, and in understanding the impact of these investments.

#### **Mandate and confidentiality**

This survey is being conducted under the [*cite the legislative or other authority for collecting this information*]. Any information that you supply will be used solely for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to **anybody** other than staff implementing the exercise. They are bound to secrecy; breaches of your confidentiality will be dealt with severely and may result in the perpetrator being fired, fined and/or imprisoned.

#### **Dissemination of findings**

Tabulated data and analytical outputs will be posted on the [*name of agency*] website and released through the [*name of agency's*] publications (such as its *Monthly Bulletin* and *Annual Report*).

Signed [Head of agency]

## **How to complete and return this survey**

**Coverage:** This survey collects information on income, financial transactions, and asset and liability positions between your enterprise and your foreign direct investors that directly or indirectly have a 10 percent or more voting ownership in your enterprise, and between your enterprise and fellow enterprises abroad (that is, enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise), for the period ending December YYYY (for transactions) or as of end-December YYYY (for positions). The term “enterprise” is used to sometimes refer to the statistical reporting unit. This may be a local enterprise group instead of a single enterprise.

**Due Date:** The due date for submission of your completed survey is MM DD, YYYY.

### **Completing and returning the survey:**

Please submit the survey in paper or electronic form. Surveys that are mailed should be delivered to (*indicate postal address*). Surveys that are emailed should be directed to the following email box: (*indicate email address*). If you have any questions regarding completing and/or returning the survey, please contact us at: [*phone number and/or email address of the contact person*].

In addition to completing the survey, would you please provide a copy of your enterprise’s YYYY financial statements. These documents may allow us to review your survey results without troubling you should we have any follow up questions.

### **Content:**

The survey is made up of three sections.

Section A asks for general information about your enterprise (please answer the applicable questions).

Section B provides the reporting instructions, including definitions of terms such as fellow enterprise that should be used for completing Section C.

Section C asks for data on the values of YYYY financial transactions, other changes, and of end-year YYYY-1 and YYYY positions (Section C.1), and the associated income items (Section C.2), between your enterprise and your direct investor, and between your enterprise and fellow enterprises abroad. Section C.3 asks for data on net income, realized and unrealized holding gains (losses) of your enterprise and other changes in equity position.

If audited data are not available, careful, unaudited estimates are acceptable.



**Section A. General Information on your Enterprise**

1.1. Name of your enterprise		
1.2 Name / position of person completing form		1.3. Name / Position of alternative contact person
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7. E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct.  Signed (senior enterprise officer or agent)  Date

1.10. If your enterprise is part of a local enterprise group (see definition in Section B), please list the other enterprises in the group that operate in [*name of country*] and indicate if the data in Section C include these enterprises (please tick the columns below accordingly).

Name of other resident enterprises in your local enterprise group <i>(Please indicate if data for these enterprises are included in section</i>	Not included	Included

1.11. Indicate the principal activity of the reporting enterprise or local enterprise group, based on turnover (tick one):

A. Agriculture, forestry, and fishing		L. Real estate activities	
B. Mining and quarrying		M. Professional, scientific, and technical activities	
C. Manufacturing		N. Administrative and support services activities	
D. Electricity, gas, steam, and air-conditioning supply		O. Public administration and defense; compulsory social security	
E. Water supply, sewerage, waste management and remediation activities		P. Education	
F. Construction		Q. Human health and social work activities	
G. Wholesale and retail; repair of motor vehicles and motorcycles		R. Arts, entertainment, and recreation	
H. Transport and storage		S. Other services activities	
I. Accommodation and food service activities		T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	
J. Information and communication		U. Activities of extraterritorial organizations and bodies	
K. Finance and insurance activities			

## Section B. Reporting Instructions, Definitions and Guidelines

### The reporting period:

This survey asks for balances with nonresidents as of December 31, YYYY-1 and YYYY and for financial transactions and income items during YYYY. End-year data as of a date between November 15, YYYY and February 15, YYYY+1 are acceptable, and for financial transactions and income items for the twelve months, ending between November 15, YYYY-1 and February 15, YYYY. Please indicate the **dates** to which these data relate at the top of the information tables requested in Sections C1 and C3.

### *Definitions of entities in the questionnaire: direct investment enterprise, direct investor, fellow enterprises, and local enterprise group*

**Direct investment enterprise:** A direct investment enterprise is an enterprise, *resident* in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the voting equity, either directly or indirectly.

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) for a year or more in [*name of economy*]. A direct investment enterprise's **local enterprise group** includes the resident enterprise that is at least 10 percent directly owned by a foreign direct investor (see below for definition), and the resident enterprises that it directly or indirectly controls in its own economy.

All of these enterprises should be included in direct investment whether you report data for them on a single report for the local enterprise group or you report data on separate reports.

A **direct investor** is an enterprise, resident in an economy that directly or indirectly holds 10 percent or more of the equity in a nonresident direct investment enterprise.

A **fellow enterprise** is a nonresident that has a common (immediate or indirect) parent with your enterprise but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise.

## Residence

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) in [*name of economy*] for a year or more.

Units are viewed as nonresidents of [*name of economy*] if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

## Section C

### Valuation of data to be reported in section C:

Please report data according to the following guidelines: Report all data in [*thousands of units of local currency*]. **Transactions**

*Currency:* A transaction should be recorded at the value at the time it occurs. If the transaction is in a foreign currency, please use the rate of exchange on the day of the transaction, or a weighted average rate for the reporting period if transactions (such as interest receipts and payments) occur continually over the period.

For interest, please report the total value of interest (payable and receivable) that **accrued** during YYYY, even if some payment were made during the year.

For dividends, please record the total value of dividends received and receivable (and paid and payable) during YYYY.

### Positions

*Currency:* If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is (are) not in [*local currency*], please use the end-year foreign currency exchange rates to convert positions to [*local currency*].

*Listed shares:*

Shares and other equity can be readily valued at their current prices (market price) when they are regularly traded on stock exchanges and other financial markets.

*Unlisted shares and other equity:*

When actual market values are not available, please report owners' equity (i.e., net worth) as the sum of your foreign direct investor's or fellow enterprise's (see above for definitions) claims on your net worth, consisting of:

- (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
- (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity); and
- (iii) cumulated retained earnings (which may be negative) ; and
- (iv) cumulated retained holding gains and losses.

Similarly, please include the above 4 items in calculating the value of reverse investment – that is your enterprise's equity claim on your direct investor(s) or fellow enterprise(s) abroad (see above for definitions).

In determining your net worth (and therefore in determining your foreign direct investor's or fellow enterprise's claims on your net worth), most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings and cumulated retained holding gains and losses should be included; and depreciation on items of property, plant, and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

*Debt instruments:*

Loans and trade credit and other accounts payable

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates).

*Nominal value* represents the value of funds advanced less any repayments plus any outstanding accrued interest.

*Debt securities:*

Please report the market value of the securities, as of the balance sheet date.

**“Other changes” during period**

Please specify the amount of changes in equity (items 4 and 9) intercompany debt assets and liabilities (items 15 and 19) in Section C below that did **not** arise from transactions. A transaction is an interaction between two units that occurs by mutual agreement. The following are common examples of changes in balances arising from valuation adjustments: changes in foreign currency exchange rates; write-ups and write-downs, or write-offs of assets (financial and nonfinancial) and debt liabilities.

***Realized and unrealized holding gains (losses): Item 30***

Please specify realized and unrealized holding gains (losses) included in net income resulting from the sale or disposition of financial and nonfinancial assets (such as securities, land, other property, plant, equipment); goodwill impairment; write-downs or write-offs of assets or liabilities; extraordinary, unusual, or infrequently occurring items that are material, such as losses from disasters or accidental damage; and gains and losses resulting from re-measuring foreign currency-denominated assets and liabilities due to changes in foreign exchange rates during the period.

***Other changes in equity investment position: Item 31***

Please specify the amount of the change in the equity investment position in the resident direct investment enterprise or resident fellow enterprise (item 4) or investment in the nonresident direct investor or nonresident fellow enterprise (item 9) that did not arise from transactions and this is **not** reported on item 30 (*certain realized and unrealized gains (losses) of resident enterprise excluded from net income and taken directly to the owners' equity account.*) A common example of a change in equity investment arising from a valuation adjustment that is not reported in item 30 is from the acquisition, or sale, of a direct investment enterprise for an amount that exceeds (or is less than) the value of the direct investment enterprise according to the books of the direct investment enterprise. Report the difference between the transaction value and the carrying amount in the equity investment position in this item.

**Section C.1 Equity and Debt Outstanding Balances, Financial Transactions, and Other Changes in Assets and Liabilities between Your Enterprise and Your Direct Investor(s) and Fellow Enterprise(s) Abroad**

Please report in thousands of [local currency], using the valuation guidelines described in Section B, the opening balances, any transactions during the period, any other changes on the balance sheet that are not the result of transactions, and the closing balances, between your enterprise and your direct investor(s) and fellow enterprises abroad. If none, please report “N/A”, as appropriate.

**Equity and Debt Outstanding Balances, Financial Transactions, and Other Changes in Assets and Liabilities between Your Enterprise and Your Direct Investor(s) and Fellow Enterprise(s) Abroad**

**Equity**

For twelve month period ending ..... (See Section B)

Counterpart economy (list separately)	Equity claims of your enterprise on related enterprises abroad					Equity liabilities by your enterprise to related enterprises abroad				
	Opening balance  (1)	Financial transactions during period		Other changes during period (4)	Closing balance  (5)	Opening balance  (6)	Financial transactions during period		Other changes during period (9)	Closing balance  (10)
		Increases (2)	Decreases (3)				Increases (7)	Decreases (8)		
<b>Direct investor(s)</b>										
<b>Fellow enterprise(s)</b>										

**Percent of your enterprise’s equity held by your direct investor(s)**

Economy of direct investor	Percentage held at the beginning of period (See Section B) (11)	Percentage held at the end of the period (See Section B) (12)

**Debt**

**For twelve month period ending ..... (See Section B)**

Counterpart economy (list separately)	Short and long-term debt claims of your enterprise on related enterprises abroad				Short and long-term debt liabilities by your enterprise to related enterprises abroad			
	Opening balance	Financial transactions (net) during period	Other changes during period	Closing balance	Opening balance	Financial transactions (net) during period	Other changes during period	Closing balance
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
<b>Direct investor(s)</b>								
<b>Fellow enterprise(s)</b>								





**Section C.3 Net income, realized and unrealized holding gains (losses) of your enterprise and other changes in equity investment position**

Please report in thousands of [*local currency*], using the valuation guidelines described in Section B,

**For twelve month period ending ..... (See Section B)**

Net income during period  (29)	Certain realized and unrealized holding gains (losses) included in net income during period  (30)	Other changes in equity investment position during the period  (31)

**If you are a fellow enterprise, please indicate below the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain:**

Residence of ultimate controlling parent of your enterprise <i>(please tick one case and see note below)</i>	
Nonresident of your own economy	
Resident of your own economy	
Do not know	

Note: If you are a resident fellow enterprise, and your ultimate controlling parent is a nonresident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as inward direct investment. If your ultimate controlling parent is a resident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as outward direct investment. If it is unknown whether your ultimate controlling parent is a resident or a nonresident of your own economy, then asset positions with fellow enterprises abroad are regarded as outward direct investment, and liability positions with fellow enterprises abroad are regarded as inward direct investment. For convenience, all positions with fellow enterprises abroad may be reported either in report form 3 (inward direct investment), or in report form 4 (outward direct investment), but please do not report such positions in both report forms 3 and 4.

Thank you for your cooperation.

## **Model Form 4. Form for Outward Direct Investment Positions, Transactions and Other Changes**

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [*name of agency*] is conducting this survey to obtain data on income, financial transactions and assets and liabilities positions between your enterprise and foreign direct investment enterprise(s) abroad ( i.e., nonresident enterprises in which your enterprise owns 10 percent or more of the voting equity), and with nonresident fellow enterprises (i.e., enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise). The survey is conducted as part of a global undertaking, being coordinated by the International Monetary Fund. Your cooperation in completing this survey is greatly appreciated.

### **Completing and returning the survey**

Please take time to review the survey questionnaire before completing it. Do not hesitate to contact us at [phone number and/or email address of the contact person] if you have any difficulty understanding or completing the survey.

### **Why do we need to collect this information?**

Information from this survey is needed to provide reliable and up-to-date information on direct investment in [*name of country*]. Such information is needed for economic analysis, for constructing the balance of payments and international investment position accounts (that is, transactions and positions of [*name of country*] with the rest of the world), for measuring how investments have grown over time, and in understanding the impact of these investments.

### **Mandate and confidentiality**

This survey is being conducted under the [*cite the legislative or other authority for collecting this information*]. Any information that you supply will be used solely for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to **anybody** other than staff implementing the exercise. They are bound to secrecy; breaches of your confidentiality will be dealt with severely and may result in the perpetrator being fired, fined and/or imprisoned.

### **Dissemination of findings**

Tabulated data and analytical outputs will be posted on the [name of agency] website and released through the [name of agency's] publications (such as its *Monthly Bulletin* and *Annual Report*).

Signed [Head of agency]

## How to complete and return this survey

**Coverage:** This survey collects information on income, financial transactions and positions, and asset and liability positions between your enterprise and foreign companies in which your enterprise holds directly or indirectly 10 percent or more of the voting power, and between your enterprise and your fellow enterprises abroad (that is, enterprises that have a common parent with your enterprise, but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise), for the period ending December YYYY (for transactions) or as of end-December YYYY (for positions). (The term “enterprise” is used to sometimes refer to the statistical reporting unit. This may be a local enterprise group instead of a single enterprise.)

**Due Date:** The due date for submission of your completed survey is MM DD, YYYY.

### Completing and returning the survey:

Please submit the survey in paper or electronic form. Surveys that are mailed should be delivered to (*indicate postal address*). Surveys that are emailed should be directed to the following email box: (*indicate email address*). If you have any questions regarding completing and/or returning the survey, please contact us at: [*phone number and/or email address of the contact person*].

In addition to completing the survey, would you please provide a copy of your enterprise’s YYYY financial statements. These documents may allow us to review your survey results without troubling you should we have any follow up questions.

### Content:

The survey is made up of three sections.

Section A asks for general information about your enterprise (please answer the applicable questions).

Section B provides the reporting instructions, including definitions of terms such as fellow enterprise, that should be used for completing Section C.

Section C asks for data on the values of YYYY financial transactions, other changes, and of end-year YYYY-1 and YYYY positions (Section C.1), and the associated income items (Section C.2), between your enterprise and your direct investment enterprise(s), and between your enterprise and fellow enterprise(s) abroad.

Section C.3 asks for data on net income, realized and unrealized holding gains (losses) of your enterprise and other changes in equity position.

**Section A. General Information on your Enterprise**

1.1. Name of your enterprise		
1.2 Name / position of person completing form	1.3. Name / Position of alternative contact person	
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7. E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct.  Signed (senior enterprise officer or agent)  Date

1.10. If your enterprise is part of a local enterprise group (see definition in Section B), please list the other enterprises in the group that operate in [*name of country*] and indicate if the data in Section C include these enterprises (please tick the columns below accordingly).

Name of other resident enterprises in your local enterprise group (Please indicate if data for these enterprises are included in section	Not included	Included

1.11. Indicate the principal activity of the reporting enterprise or local enterprise group, based on turnover (tick one):

A. Agriculture, forestry, and fishing		L. Real estate activities	
B. Mining and quarrying		M. Professional, scientific, and technical activities	
C. Manufacturing		N. Administrative and support services activities	
D. Electricity, gas, steam, and air-conditioning supply		O. Public administration and defense; compulsory social security	
E. Water supply, sewerage, waste management and remediation activities		P. Education	
F. Construction		Q. Human health and social work activities	
G. Wholesale and retail; repair of motor vehicles and motorcycles		R. Arts, entertainment, and recreation	
H. Transport and storage		S. Other services activities	
I. Accommodation and food service activities		T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	
J. Information and communication		U. Activities of extraterritorial organizations and bodies	
K. Finance and insurance activities			

**Section B. Reporting Instructions, Definitions and Guidelines**

**The reporting period:**

This survey asks for balances with nonresidents as of December 31, YYYY-1 and YYYY and for financial transactions and income items during YYYY. End-year data as of a date between November 15, YYYY and February 15, YYYY+1 are acceptable, and for financial transactions and income items for the twelve months, ending between November 15, YYYY-1 and February 15, YYYY. Please indicate the **dates** to which these data relate at the top of the information tables requested in Sections C1 and C3.

***Definitions of entities in the questionnaire: direct investor, direct investment enterprise, fellow enterprises, and local enterprise group***

**Direct investor:** A **direct investor** is an enterprise, resident in an economy that directly or indirectly holds 10 percent or more of the equity in a nonresident direct investment enterprise.

Units are viewed as residents of [name of economy] if they have resided (or intend to reside) for a year or more in [name of economy]. A direct investor’s **local enterprise group** includes the resident enterprise that directly owns a foreign direct investment enterprise (see below for definition), the resident enterprises that directly or indirectly control this enterprise, and the resident enterprises that any of these enterprises directly or indirectly control in their own economy. All of these enterprises should be included in outward direct investment whether you

report data for them on a single report for the local enterprise group or you report data on separate reports.

**Direct investment enterprise:** A direct investment enterprise is an enterprise, resident in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the voting equity, either directly or indirectly.

A **fellow enterprise** is a nonresident that has a common (immediate or indirect) parent with your enterprise but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise.

### **Residence**

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) in [*name of economy*] for a year or more.

Units are viewed as nonresidents of [*name of economy*] if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

### **Section C**

#### **Valuation of data to be reported in section C:**

Please report data according to the following guidelines: Report all data in [thousands of units of *local currency*].

#### ***Transactions***

Transactions should be recorded at the value at the time of the transaction. If the transaction is in a foreign currency, please use the rate of exchange on the day of the transaction, or a weighted average rate for the reporting period if transactions (such as interest receipts and payments) occur continually over the period.

For interest, please report the total value of interest (payable and receivable) that **accrued** during YYYY, even if some payment were made during the year.

For dividends, please record the total value of dividends received and receivable (and paid and payable) during YYYY.

#### ***Positions***

*Currency:*

If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is (are) not in [local currency], please use the end-year foreign currency exchange rates to convert to [local currency].

*Listed shares:*

Shares and other equity can be readily valued at their current prices (market price) when they are regularly traded on stock exchanges and other financial markets.

*Unlisted shares and other equity:*

When actual market values are not available, please report owners' equity (i.e., net worth) as the claims on your foreign direct enterprise's, or fellow enterprise's, net worth consisting of:

- (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
- (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity)
- (iii) cumulated retained earnings (which may be negative); and
- (iv) cumulated retained holding gains and losses

Similarly, please include the above 4 items in calculating the value of reverse equity investment, i.e., of your direct investment enterprise's, or of your fellow enterprise's abroad, claim on your own net worth.

In determining your direct investment enterprise's net worth (and therefore in determining the value of your claims on its net worth), most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings and cumulated retained holdings gains and losses should be included; and depreciation on items of property, plant, and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

*Debt instruments:*

*Loans, trade credit and other accounts payable*

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates).

*Nominal value* represents the value of funds advanced less any repayments plus any outstanding accrued interest.

*Debt securities:*

Please report the market value of the securities, as of the balance sheet date.

**“Other changes” during period**

Please specify the amount of changes in equity (items 4 and 9) intercompany debt assets and liabilities (item 15 and 19) in Section C.1 below that did **not** arise from transactions. A transaction is an interaction between two units that occurs by mutual agreement. The following are common examples of changes in balances arising from valuation adjustments: changes in foreign currency exchange rates; and write-ups, write-downs, or write-offs of assets.

***Realized and unrealized holding gains (losses): Item 30***

Please specify realized and unrealized holding gains (losses) included in net income resulting from the sale or disposition of financial and nonfinancial assets (such as securities, land, other property, plant, equipment); goodwill impairment; write-downs or write-offs of assets or liabilities; extraordinary, unusual, or infrequently occurring items that are material, such as losses from disasters or accidental damage; and gains and losses resulting from re-measuring foreign currency-denominated assets and liabilities due to changes in foreign exchange rates during the period.

***Other changes in equity investment position: Item 31***

Please specify the amount of the change in the equity investment position in your direct investment enterprise or fellow enterprise abroad (item 4) or investment in your enterprise by your direct investment enterprise or fellow enterprise abroad (item 9) that did not arise from transactions and this is **not** reported on item 30 (*certain realized and unrealized gains (losses) of resident enterprise excluded from net income and taken directly to the owners' equity account*). A common example of a change in equity investment arising from a valuation adjustment that is not reported in item 30 is from the acquisition, or sale, of a direct investment enterprise for an amount that exceeds (or is less than) the value of the direct investment enterprise according to the books of the direct investment enterprise. Report the difference between the transaction value and the carrying amount in the equity investment position in this item.

**Section C.1 Equity and Debt Outstanding Balances, Financial Transactions, and Other Changes in Assets and Liabilities between Your Enterprise and Your Direct Investment Enterprise(s) and Fellow Enterprise(s) Abroad**



Please report in thousands of [*local currency*], using the valuation guidelines described in Section B, the opening balances, any transactions during the period, any other changes on the balance sheet that are not the result of transactions, and the closing balances, between your enterprise and your direct investment enterprise(s) and fellow enterprises abroad. If none, please report “N/A”, as appropriate.



**Percent of equity your enterprise holds in your direct investment enterprise(s) and your fellow enterprise(s) abroad**

<b>Economy of direct investment enterprise</b>	<b>Percentage held at the beginning of period (See Section B) (11)</b>	<b>Percentage held at the end of the period (See Section B) (12)</b>
<b>Economy of fellow enterprise</b>		

**Debt**

**For twelve month period ending ..... (See Section B)**

<b>Counterpart economy (list separately)</b>	<b>Short and long-term debt claims of your enterprise on related enterprises abroad</b>				<b>Short and long-term debt liabilities by your enterprise to related enterprises abroad</b>			
	<b>Opening balance (13)</b>	<b>Financial transactions (net) during period (14)</b>	<b>Other changes (15)</b>	<b>Closing balance (16)</b>	<b>Opening balance (17)</b>	<b>Financial transactions (net) (18)</b>	<b>Other Changes during period (19)</b>	<b>Closing balance (20)</b>
<b>Direct investment enterprise(s)</b>								
<b>Fellow enterprise(s)</b>								



**Section C.3 Net income, realized and unrealized holding gains (losses) of your direct investment enterprise or fellow enterprise abroad and other changes in equity investment position**

Please report in thousands of [*local currency*], using the valuation guidelines described in Section B, net income for the period ending ....., and realized and unrealized holding gains (losses) that were included in income and any other changes in equity investment during the period ending .....

**For twelve month period ending ..... (See Section B)**

Net income during period  (29)	Certain realized and unrealized holding gains (losses) included in net income during period  (30)	Other changes in equity investment during the period  (31)
<b>Direct investment</b>		
<b>Fellow enterprise(s)</b>		

**If you are a fellow enterprise, please indicate below the residence of the ultimate controlling parent of your enterprise, that is, the enterprise at the top of the control chain:**

<b>Residence of ultimate controlling parent of your enterprise</b> ( <i>please tick one case and see note below</i> )	
Nonresident of your own economy	
Resident of your own economy	
Do not know	

Note: If you are a resident fellow enterprise, and your ultimate controlling parent is a nonresident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as inward direct investment. If your ultimate controlling parent is a resident of your own economy, asset and liability positions with fellow enterprises abroad are regarded as outward direct investment. If it is unknown whether your ultimate controlling parent is a resident or a nonresident of your own economy, then asset positions with fellow enterprises abroad are regarded as outward direct investment, and liability positions with fellow enterprises abroad are regarded as inward direct investment. For convenience, all positions with fellow enterprises abroad may be reported either on report form 3 (inward direct investment), or on report form 4 (outward direct investment), but please do not report such positions on both report forms 3 and 4.

Thank you for your cooperation.

## **Model Form 5. Form for International Investment Positions**

The following is a model letter for forwarding the form to potential respondents:

Dear Sir/Madam,

The [*name of agency*] is conducting this survey to obtain position data on financial assets and liabilities between your enterprise and nonresident entities. Your cooperation in completing this form is greatly appreciated.

### **Completing and returning the form**

Please take time to review the survey questionnaire before completing it. Do not hesitate to contact us at [*phone number and/or email address of the contact person*] if you have any difficulty understanding or completing the questionnaire.

### **Why do we need to collect this information?**

Information from this questionnaire is needed to provide reliable and up-to-date information on [*name of country's*] external assets and liabilities. Such information is needed for economic analysis, for measuring how investments have grown over time, and in understanding the impact of these investments.

### **Mandate and confidentiality**

This questionnaire is being conducted [*cite the legislative or other authority for collecting this information*]. Any information that you supply will be used for statistical purposes - it will only be published in aggregate form that prevents the disclosure of data by individual respondents. Data relating to individual enterprises will not be made available to **anybody** other than staff implementing the exercise. They are bound to secrecy: breaches of your confidentiality will be dealt with severely and may result in the perpetrator being fired, fined and/or imprisoned.

### **Dissemination of findings**

We want to ensure you receive tabulated data and analytical outputs as soon as possible and expect that this will enrich your own decision-making. The findings will be posted on the [*name of agency's*] website and released through such publications as (*name of agency's Monthly Bulletin and/or Annual Report*).

Signed [Head of agency]

**How to complete and return this questionnaire**

**Coverage:** This questionnaire collects information on positions in financial assets and liabilities between your enterprise and nonresidents, as of 31 December YYYY. The term “enterprise” is used to sometimes refer to the statistical reporting unit. This may be a local enterprise group instead of a single enterprise.

**Due Date:** The due date for submission of your completed questionnaire is MM DD, YYYY.

**Completing and returning the questionnaire:**

Please submit the questionnaire in paper or electronic form. Questionnaires that are mailed should be delivered to (*indicate postal address*). Questionnaires that are emailed should be directed to the following email box: (*indicate email address*). If you have any questions regarding completing and/or returning the questionnaire, please contact us at: [*phone number and/or email address of the contact person*].

In addition to completing the questionnaire, would you please provide a copy of your enterprise’s YYYY financial statements. These may allow us to review your questionnaire results without troubling you further should we have any follow up questions.

**Content:**

The questionnaire is made up of three sections.

Section A asks for general information about your enterprise (please answer the applicable questions). Section B provides the reporting instructions and definitions that should be used for completing Section C.

Section C asks for data on the value of balances outstanding for both equity and debt, between your enterprise and nonresidents. Section C1 covers liabilities (including equity) and Section C2 covers assets. If audited data are not available, unaudited (careful) estimates are acceptable.

**Section A. General Information on your Enterprise**

1.1. Name of your enterprise		
1.2 Name / position of person completing form	1.3. Name / Position of alternative contact person	
1.4. Postal Address		
1.5. Telephone number	1.6. Fax number	1.7. E-mail address
1.8 If the questionnaire is being completed for the enterprise by an agent (such as its accounting firm), please provide the name, postal and email addresses, and phone number.		1.9 The information provided on this form is correct.  Signed (senior enterprise officer or agent)  Date

**Complete Item 1.10 only if your enterprise is a direct investor or a direct investment enterprise. (See Section B for definitions.)**

1.10. If your enterprise is part of a local enterprise group (see definition in Section B), please list the other enterprises in the group that operate in [*name of country*] and indicate if the data in Section C includes these enterprises (please tick the columns below accordingly).

Name of other resident enterprises in your local enterprise group (Please indicate if data for these enterprises is included in section	Not included	Included



1.11. Indicate the principal area of activity of the reporting enterprise or local enterprise group, based on turnover (tick one):

A. Agriculture, forestry, and fishing		L. Real estate activities	
B. Mining and quarrying		M. Professional, scientific, and technical activities	
C. Manufacturing		N. Administrative and support services activities	
D. Electricity, gas, steam, and air- conditioning supply		O. Public administration and defense; compulsory social security	
E. Water supply, sewerage, waste management and remediation activities		P. Education	
F. Construction		Q. Human health and social work activities	
G. Wholesale and retail; repair of motor vehicles and motorcycles		R. Arts, entertainment, and recreation	
H. Transport and storage		S. Other services activities	
I. Accommodation and food service activities		T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	
J. Information and communication		U. Activities of extraterritorial organizations and bodies	
K. Finance and insurance activities			

## Section B. Reporting Instructions, Definitions and Guidelines

### The reporting period:

This questionnaire asks for balances with nonresidents as of December 31, YYYY. Data as of a date between November 15, YYYY and February 15, YYYY+1 are acceptable. Please indicate the **date** to which these data relate at the top of the information tables requested in Section C.

### *Definitions of entities in the questionnaire: direct investment enterprise and direct investor, fellow enterprises, and local enterprise group*

**Direct investment enterprise:** A direct investment enterprise is an enterprise, *resident* in one economy, in which an enterprise, resident in another economy, holds 10 percent or more of the voting equity, either directly or indirectly.

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) for a year or more in [*name of economy*]. A direct investment enterprise's **local enterprise group** includes the resident enterprise that is at least 10 percent directly owned by a foreign direct investor (see below for definition), and the resident enterprises that it directly or indirectly controls in its own economy. Similarly, a direct investor's **local enterprise group** includes the resident enterprise that directly owns a foreign direct investment enterprise (see below for definition), the resident enterprises that directly or indirectly control this enterprise, and the resident enterprises that any of these enterprises directly or indirectly control in their own economy.

All of these enterprises should be included in direct investment whether you report data for them on a single report for the local enterprise group or you report data on separate reports.

A **direct investor** is an enterprise, resident in an economy that directly or indirectly holds 10 percent or more of the equity in a nonresident direct investment enterprise.

A **fellow enterprise** is a nonresident that has a common (immediate or indirect) parent with your enterprise but you do not own 10 percent or more of the voting equity in your fellow enterprises abroad, nor do they own 10 percent or more of the voting equity in your enterprise.

An **unrelated entity** is one that does not meet the above criteria.

### **Residence**

Units are viewed as residents of [*name of economy*] if they have resided (or intend to reside) in [*name of economy*] for a year or more.

Units are viewed as nonresidents of [*name of economy*] if they have resided (or intend to reside) abroad for a year or more. If you are not sure of the residence of an enterprise, please contact us so that we may determine its status.

### **Definitions of equity, securities, financial derivatives, currency and deposits, loans, trade credit and advances, and debt claims/liabilities**

*Equity* comprises all instruments and records that acknowledge claims on the residual value of a corporation or quasicorporation, after the claims of all creditors have been met. Ownership of equity in legal entities is usually evidenced by shares, stocks, participations, depository receipts, or similar documents.

*Other equity* is equity that is not in the form of securities. Equity is treated as a liability of the issuing institutional unit (a corporation or other unit).

*Debt instruments* are those instruments that require the payment of principal and/or interest at some point(s) in the future. Debt instruments comprise:

*Currency*: currency consists of notes and coins that are of fixed nominal values and are issued or authorized by central banks or governments.

*Deposits*: deposits include all claims that are (1) on the central bank, deposit-taking corporations other than the central bank, and, in some cases, other institutional units; and (2) represented by evidence of deposit. A deposit is usually a standard contract,

*Debt securities*: debt securities are negotiable instruments serving as evidence of a debt.

*Loans:* loans are financial assets that (1) are created when a creditor lends funds directly to a debtor, and (2) are evidenced by documents that are not negotiable.

*Insurance, pension, and standardized guarantee schemes:* insurance, pension, and standardized guarantee schemes comprise:

- (a) nonlife insurance technical reserves;
- (b) life insurance and annuity entitlements;
- (c) pension entitlements, claims of pension funds on sponsors, and entitlements to nonpension funds; and
- (d) provisions for calls under standardized guarantees.

*Trade credit and advances:* trade credit and advances comprises (1) credit extended directly by the suppliers of goods and services to their customers and (2) advances for work that is in progress (or is yet to be undertaken) and prepayment by customers for goods and services not yet provided.

*Other accounts receivable/payable:* other accounts receivable/payable include accounts receivable or payable other than those included in trade credit and advances or other instruments.

*A financial derivative contract:* a financial derivative contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, etc.) can be traded in their own right in financial markets.

*Employee stock options:* employee stock options are options to buy the equity of a company, offered to employees of the company as a form of remuneration.

### **Valuation of data to be reported in section C:**

Please report data according to the following guidelines:

#### *Currency:*

Report all data in [*thousands of units of local currency*]. If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is (are) not in [*local currency*], please use the end-year foreign currency exchange rates to convert to [*local currency*].

#### *Owners' equity:*

For related and unrelated listed entities: market value, if available; otherwise, a proxy for market value (such as net asset value)

For related and unrelated unlisted enterprises, please report the value of outstanding owners' equity (i.e., net worth) as at end-year on the following basis:

- For related entities: the sum of your foreign direct investor's or fellow enterprise's (see above for definitions) claims on your net worth, consisting of:
  - (i) paid-up capital (excluding any shares on issue that the enterprise holds in itself and including share premium accounts) or equivalent for unincorporated enterprises;
  - (ii) all types of reserves identified as equity in the enterprise's balance sheet (including investment grants when accounting guidelines consider them a component of owners' equity);
  - (iii) cumulated retained earnings (which may be negative); and
  - (iv) cumulated retained holding gains and losses.

Similarly, please include the above 4 items in calculating the value of reverse investment – that is your enterprise's equity claim on your direct investor, direct investment enterprise, or fellow enterprise abroad (see above for definition). Do not use the carrying value on your books.

In determining your enterprise's net worth, most financial assets should be reflected at an estimate of their current fair values; cumulative reinvested earnings and cumulated retained holding gains and losses should be included; and depreciation on items of property, plant and equipment should be included. If your normal bookkeeping or accounting rules do not value these items as described above, please adjust their values before calculating the amounts to enter in Section C.

*Debt instruments:*

Loans and trade credit and other accounts payable

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates).

*Nominal value* represents the value of funds advanced less any repayments plus any outstanding accrued interest.

*Debt securities:*

Please report the market value of the securities, as of the balance sheet date.











## ANNEX V: REGIONAL GROUPINGS

Europe	North Africa	North and Central America	North Atlantic and Caribbean	Central and South Asia
Total: 53	Total: 5	Total: 10	Total: 29	Total: 24
Albania	Algeria	Belize	Anguilla	Afghanistan, Islamic State of
Andorra	Egypt	Canada	Antigua and Barbuda	Bangladesh
Austria	Libyan Arab Jamahiriya	Costa Rica	Aruba	Bhutan
Belarus	Morocco	El Salvador	Bahamas, The	Brunei Darussalam
Belgium	Tunisia	Guatemala	Barbados	Cambodia
Bosnia and Herzegovina	<b>Sub-Saharan Africa</b>	Honduras	Bermuda	India
Bulgaria	<b>Total: 54</b>	Mexico	Bonaire, Sint Eustatius and Saba	Indonesia
Croatia	Angola	Nicaragua	Cayman Islands	Kazakhstan
Cyprus	Benin	Panama	Cuba	Kyrgyz Republic
Czech Republic	Botswana	United States	Curacao	Lao People's Democratic Republic
Denmark	British Indian Ocean Terr	<b>South America</b>	Dominica	Malaysia
Estonia	Burkina Faso	<b>Total: 14</b>	Dominican Republic	Maldives
Faroe Islands	Burundi	Argentina	Grenada	Myanmar
Finland	Cabo Verde	Bolivia	Guadeloupe	Nepal
France	Cameroon	Brazil	Haiti	Pakistan
Germany	Central African Republic	Chile	Jamaica	Philippines
Gibraltar	Chad	Colombia	Martinique	Singapore
Greece	Comoros	Ecuador	Montserrat	Sri Lanka
Greenland	Congo, Dem. Rep. of	Falkland Islands (Malvinas)	Netherlands Antilles	Tajikistan
Guernsey	Congo, Rep. of	French Guiana	Puerto Rico	Thailand
Hungary	Côte d'Ivoire	Guyana	St. Kitts and Nevis	Timor-Leste
Iceland	Djibouti	Paraguay	St. Lucia	Turkmenistan
Ireland	Equatorial Guinea	Peru	St. Pierre and Miquelon	Uzbekistan
Isle of Man	Eritrea	Suriname	St. Vincent and the Grenadines	Vietnam
Italy	Ethiopia	Uruguay	Sint Maarten	<b>East Asia</b>
Jersey	Gabon	Venezuela, República Bolivariana de	Trinidad and Tobago	<b>Total: 8</b>
Kosovo	Gambia, The	<b>Economies of Persian Gulf</b>	Turks and Caicos Islands	China, P.R.: Mainland
Latvia	Ghana	<b>Total: 8</b>	Virgin Islands, British	China, P.R.: Hong Kong
Liechtenstein	Guinea	Bahrain	Virgin Islands, U.S.	Japan
Lithuania	Guinea-Bissau	Iran, Islamic Republic of	<b>Oceania and Polar Region</b>	Korea, Democratic People's Republic of
Luxembourg	Kenya	Iraq	<b>Total: 32</b>	Korea, Republic of
Macedonia, FYR	Lesotho	Kuwait	American Samoa	China, P.R.: Macao
Malta	Liberia	Oman	Australia	Mongolia
Moldova	Madagascar	Qatar	Bouvet Island	Taiwan Province of China
Monaco	Malawi	Saudi Arabia	Christmas Island	
Montenegro, Republic of	Mali	United Arab Emirates	Cocos (Keeling) Islands	
		<b>Other Near and Middle East</b>		
Netherlands	Mauritania	<b>Economies</b>	Cook Islands	
Norway	Mauritius	<b>Total: 9</b>	Fiji	
Poland	Mayotte	Armenia	French Polynesia	
Portugal	Mozambique	Azerbaijan	French Southern Territories	
Romania	Namibia	Georgia	Guam	
Russian Federation	Niger	Israel	Heard Island and McDonald Islands	
San Marino	Nigeria	Jordan	Kiribati	
Serbia, Republic of	Réunion	Lebanon	Marshall Islands	
Slovak Republic	Rwanda	Syrian Arab Republic	Micronesia, Federated States of	
Slovenia	São Tomé and Príncipe	West Bank and Gaza Strip	Nauru	
Spain	Senegal	Yemen, Republic of	New Caledonia	
Sweden	Seychelles		New Zealand	
Switzerland	Sierra Leone		Niue	
Turkey	Somalia		Norfolk Island	
Ukraine	South Africa		Northern Mariana Islands	
United Kingdom	South Sudan		Palau	
Vatican City State	St. Helena		Papua New Guinea	
	Sudan		Pitcairn	
	Swaziland		Samoa	
	Tanzania		Solomon Islands	
	Togo		South Georgia and Sandwich Islands	
	Uganda		Tokelau	
	Western Sahara		Tonga	
	Zambia		Tuvalu	
	Zimbabwe		US Pacific Islands	