
**Mandate of the Joint ECB/Commission (Eurostat)
Task Force on Foreign Direct Investment (TF-FDI)**

Prepared by Eurostat and the European Central Bank

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Directorate B: Economic statistics
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**Unit B-5: International trade in
services, direct investments, balance
of payments**

EUROPEAN CENTRAL BANK
DIRECTORATE GENERAL STATISTICS

**Balance of Payments Statistics and
External Reserves Division**

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Approved by the WG-BP&ER and the BoP WG

1 Introduction

Following previous discussions at the ECB's Working Group on Balance of Payments and External Reserves Statistics (WG-BP&ER) and Eurostat's Balance of Payments Working Group (BoP WG), the work on some issues regarding FDI statistics will take place in a joint ECB/Commission (Eurostat) task force in which also the OECD is invited to participate.

The task force will investigate on the matters included in the mandate, focusing particularly on the practical implementation of the various principles/definitions involved. The information already existing from the IMF/OECD survey (SIMSDI) on the points covered by the task force will be used as a starting point. The core objectives of the TF-FDI will be to identify "best practices" and recommend their implementation in order to minimise asymmetrical treatment within EU Member States, for balance of payments (b.o.p.) flows as well as international investment position (i.i.p.) stocks. In this respect, particular attention will be paid to the accuracy of the geographical allocation (at least to enable a split euro area/non-euro area and EU/non-EU) of the relevant transactions and positions. The task force will report to the WG-BP&ER and BoP WG.

2 Mandate

(i) Valuation of stocks

The TF-FDI should investigate the practicality of the conceptual agreements reached within the WG-BP&ER in this area, i.e. the problems associated with the provision of additional breakdowns required for listed and non-listed companies for the production of memorandum items. More specifically, the TF-FDI should investigate (a) the feasibility of the separate

provision of stock data on listed and non-listed FDI companies and whether stocks on listed (resident and non-resident) FDI companies may be valued on the basis of both market values and book values. It is suggested to explore existing accounting rules (in particular international accounting standards - IAS) when investigating the feasibility of the common methods agreed for the valuation of FDI stocks. (b) The TF-FDI should also investigate the method(s) to compile direct investment stocks related to the previous end-year at end-September.

(ii) “Other capital”

The TF-FDI is mandated to investigate and put forward practical solutions for the problems linked to:

- a) the application of the “directional principle”;
- b) the identification and impact of trade credits, financial leasing, debt securities subscribed by associated companies;
- c) the treatment and classification of transactions/positions on “other capital” when Monetary and Financial Institutions (MFI) are involved, taking into account the case of subordinated loans.

(iii) Reinvested earnings

The TF-FDI will review the practical aspects of the compilation methods for reinvested earnings (declaration by respondents, calculation by the compilers, interim estimations etc.). Eurostat Unit B1 (National Accounts) will be invited to participate.

(iv) Identification and treatment of Special Purpose Entities (SPEs)

The TF-FDI should investigate practical problems associated with the identification and treatment of transactions/positions of SPEs, mainly “other financial intermediaries” or “financial auxiliaries”, in the context of direct investment relationships. Given the recent initiative of the OECD Working Party on Financial Statistics in this respect, the TF-FDI may consider in due course how the EU countries could co-ordinate their response and co-operation with the OECD on this issue.

(v) Treatment of indirect FDI relationships and allocation of FDI inward stocks by country of “ultimate beneficial owner” (UBO).

The TF-FDI will investigate on the practical application of the “fully consolidated system” in Member States. Possible solutions to the problem of obtaining information on group structures should be examined with reference also to the costs that they would entail.

The possibility and implications of classifying inward FDI stocks by the country of UBO will be analysed.

The results and work ongoing in other CMFB (Steering Group on Multinationals) or Eurostat groups (FATS, Business register) will be taken into account. Eurostat Unit D1 (Business register) will be invited to participate.