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Russia's Difficulties and Plans in Compiling the CPIS Enhancements

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Currently Bank of Russia submits to the IMF all the required tables which contain CPIS data.

CPIS collection is based on reports from deposit-taking corporations, other financial intermediaries as well as nonfinancial corporations. The statistical information is collected on the «s-b-s» basis and contains all the necessary data for CPIS core items.

One of the problems faced by respondents during the process of report preparation is the calculation of the correct market value of unlisted shares. This matter is exceptionally important for equity securities. In this situation Bank of Russia provides respondents with full methodological assistance.

There are also problems with the treatment of depository receipts which arise in some cases. Respondents often report the country in which the receipts are issued instead of the country of residence of the issuer of the underlying securities. Moreover, there is a question of the currency denomination which can be reported in the form of the currency of a depository receipt or the currency of the underlying stock. Bank of Russia maintains and updates the database of the depository receipts which are popular among Russian investors. This database enables respondents to check the information on the «s-b-s» basis and to make required adjustments.

Another problem for respondents is the correct identification of the sectors of nonresident issuers. In some cases the significant number and variety of securities traded in international markets do not allow Bank of Russia to carry out the high quality checking and data correction. Bank of Russia is currently considering the possibility of requesting access to the Central Securities Database maintained by the European Central Bank in order to get

detailed information on the sectors of nonresident issuers and market prices of securities.

The problem of the full coverage of Russian portfolio investors implies the difficulties with the accounting of foreign securities which are held by nonfinancial corporations and individuals. If securities are purchased via foreign bank accounts and are kept in nonresident custodians, Bank of Russia doesn't have additional information on securities accounts and ITRS about such operations. In some cases this problem is resolved with ITRS data on income payments (coupon or dividend) for the securities held by residents.

During the process of CPIS database preparation Bank of Russia makes maximum effort to extend the coverage of nonfinancial corporations reporting CPIS data. An additional source of data for updating the list of respondents is the information on the nonfinancial corporations which submit FDI data.

Currently Bank of Russia doesn't consider the possibility of reporting portfolio investment liabilities by the country of residence of a nonresident holder since available data cannot be used to prepare a reliable report on portfolio investment in Russian securities. The underlying reasoning is as follows:

- The national custodian system doesn't provide enough information to make a clear portfolio investment classification of liabilities according to the country of residence since a significant volume of Russian securities held by nonresidents is kept in foreign custodians. Particularly for many actively traded depository receipts on underlying Russian securities there is only the information about a nominee acting on behalf of the beneficiary, for example, Deutsche Bank or the Bank of New York.

- ITRS also is not ideal for collecting the information on transactions with Russian securities between nonresidents because the bulk of such operations takes place in foreign stock exchanges (LSE or NYSE) and settlements are undertaken by nonresident deposit-taking corporations.

The format of data submission to the IMF has the following problems with confidential issues. In case of confidential subsector data a Cross-Check fault arises in the reporting form. This error is closely linked to the following:

- If one of the rows contains an indicator of confidentiality «C» for one of the subsectors, the total sum for the whole sector will be automatically set to «C».
- For such subsector confidential data will be reflected in a line «Not specified (&C) ».
- Consequently, the total sum for all subsectors becomes greater than the total sum for all sectors since data on sum for countries doesn't account for data on subsectors that are disclosed, but not reflected in the sum for countries as there are other subsectors marked as confidential.

For the sake of simplicity we suggest to consider a practical example.

	A	B	C	D
		Sector	Subsector 1	Subsector 2
1	Country 1	C (C1+D1)	C (183)	13
2	Country 2	C (C2+D2)	C (249)	11
3	Not specified (& C)	432 (C3+D3)	432	0
4	Total 1 (columns)	456 (C4+D4)	432	24
5	Total 2 (lines)	432 (B1+B2+B3)	432	24
6	Cross-check	24 (B4-B5)	0	0

The same problem arises during the preparation of detailed data for the types and subtypes of securities.

A similar problem takes place while preparing the data for CDIS, confidential information is not included in sums for separate countries and the report looks like the following.

	A	B	C	D
		Sector	Subsector 1	Subsector 2
1	Country 1	13 (C1+D1)	C (183)	13
2	Country 2	11 (C2+D2)	C (249)	11
3	Not specified (& C)	432 (C3+D3)	432	0
4	Total 1 (columns)	456 (C4+D4)	432	24
5	Total 2 (lines)	456 (B1+B2+B3)	432	24
6	Cross-check	0 (B4-B5)	0	0

It is important to ensure consistency for data reporting.

Bank of Russia continues to work on the improvement of its CPIS information base of nonresident securities, of the quality of data, on the extension of the scope of CPIS and on the reduction of the data processing for the refinement of portfolio investment statistics compilation.