EUROPEAN CENTRAL BANK

EUROSYSTEM

EUROPEAN UNION BALANCE OF PAYMENTS/ INTERNATIONAL INVESTMENT POSITION STATISTICAL METHODS

MAY 2007

EUROPEAN CENTRAL BANK

EUROSYSTEM

EUROPEAN UNION BALANCE OF PAYMENTS/ INTERNATIONAL INVESTMENT POSITION STATISTICAL METHODS

MAY 2007

In 2007 all ECB publications feature a motif taken from the €20 banknote.

© European Central Bank, 2007

Address
Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone
+49 69 1344 0

Website
http://www.ecb.int

Fax
+49 69 1344 6000

Telex
411 144 ecb d

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

ISSN 1725-3047 (online)

CONTENTS

FOREWORD 7

1 INTRODUCTION 8

2 COMPILATION OF EURO AREA BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS 9
- 2.1 The legal framework of the euro area balance of payments and international investment position statistics 9
- 2.2 Shared responsibility between the European Central Bank (Directorate General Statistics) and the European Commission (Eurostat) 9
- 2.3 Statistical reporting requirements for national compilers 10
- 2.4 The ECB's contribution to the euro area aggregates 15
- 2.5 Methods of compiling the euro area aggregates 15
- 2.6 Geographical breakdown 16
- 2.7 Contribution to other statistics 16
- 2.8 Revision practice 17
- 2.9 Publication 17

3 CONCEPTS, DEFINITIONS AND AGREED PRACTICES 19
- 3.1 General principles of balance of payments and international investment position statistics 19
- 3.2 Goods 25
- 3.3 Services 26
- 3.4 Income 26
- 3.5 Current transfers 35
- 3.6 Capital account 35
- 3.7 Direct investment 37
- 3.8 Portfolio investment 40
- 3.9 Financial derivatives 44
- 3.10 Other investment 51
- 3.11 Reserve assets 56

4 COUNTRY-SPECIFIC DETAILS:
- 4.1 Belgium 63
- 4.2 Bulgaria 85
- 4.3 Czech Republic 105
- 4.4 Denmark 125
- 4.5 Germany 141
- 4.6 Estonia 159
- 4.7 Ireland 177
- 4.8 Greece 205
- 4.9 Spain 219
- 4.10 France 241
- 4.11 Italy 261
- 4.12 Cyprus 277
- 4.13 Latvia 295
- 4.14 Lithuania 313
- 4.15 Luxembourg 335
- 4.16 Hungary 349
- 4.17 Malta 373
- 4.18 Netherlands 391
- 4.19 Austria 405
- 4.20 Poland 447
- 4.21 Portugal 463
- 4.22 Romania 481
- 4.23 Slovenia 501
- 4.24 Slovakia 515
- 4.25 Finland 533
- 4.26 Sweden 553
- 4.27 United Kingdom 569

GLOSSARY 595

LIST OF ABBREVIATIONS AND ACRONYMS

ARIMA	Auto-Regressive Integrated Moving Average
b.o.p.	Balance of payments
BIS	Bank for International Settlements
BPM5	IMF Balance of Payments Manual (5th edition)
BUX	Index of the Budapest Stock Exchange (Hungary)
c.i.f.	Cost, insurance and freight at the importer's border
CBS	Central Bureau of Statistics (Netherlands)
CCIRS	Cross-currency interest rate swaps
CII	Collective investment institution
CMFB	Committee on Monetary, Financial and Balance of Payments Statistics
CNMV	Comisión Nacional del Mercado de Valores (Spanish national stock market Commission – Spain)
COE	External Transaction Report (registers – Portugal)
COPC	Current Operating Performance Concept
CPB	Central Planning Bureau (Netherlands)
CPI	Consumer price index
CPIS	IMF Co-ordinated Portfolio Investment Survey
CREST	Settlement system for UK shares and other corporate securities
CSB	Central Statistical Bureau of Latvia
CSDB	ECB Centralised Securities Database (in progress)
CSE	Cyprus Stock Exchange
CSO	Central Statistical Office (Ireland, Poland)
CSSE	Commission of Securities and Stock Exchanges (Poland)
CZSO	Czech Statistical Office
DMFAS	Debt Management and Financial Analysis System (UNCTAD)
DSBB	Dissemination Standards Bulletin Board
EAGGF	European Agricultural Guidance and Guarantee Fund
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECOSER	A sub-set of GESMES
EDI	Electronic Data Interchange
EDIFACT	EDI for Administration, Commerce and Transportation
EFTA	European Free Trade Association
EMI	European Monetary Institute
EMU	European Economic and Monetary Union
ERDF	European Regional Development Fund
ESA	European System of Accounts
ESA 95	European System of National and Regional Accounts (EC Regulation No. 2223/96 dated 25 June 1996)
ESAF	Enhanced Structural Adjustment Facility
ESCB	European System of Central Banks
EU	European Union
Eurostat	Statistical Office of the European Communities (Commission - DG ESTAT)
Extrastat	System for the collection and compilation of statistics relating to trade in goods between Member States and non-EU countries
f.o.b.	free on board at the exporter's border
FATS	Foreign Affiliates Trade Statistics
FDI	Foreign direct investment
FRA	Forward rate agreements
FSA	Financial Services Authority (United Kingdom)
FSO	Federal Statistical Office (Germany)

GAB	General Arrangements to Borrow (under the umbrella of the IMF)
GDDS	General Data Dissemination System
GESMES	Generic Statistical Message based on EDIFACT Syntax
GESMES/TS	A message (with a GESMES profile) allowing the exchange of statistical time series, related attributes and structural metadata using a standardised format
GNP	Gross national product
IAS	International Accounting Standard
IBRD	International Bank for Reconstruction and Development (World Bank)
IFS	International Financial Statistics (IMF)
IFSC	International Financial Services Centre (Ireland)
i.i.p.	International investment position
IMF	International Monetary Fund
INE	Instituto Nacional de Estatística (National Institute of Statistics - Portugal)
INSEE	French national institute for statistics and economic research
Intrastat	Intra-Community Trade Statistical System
ISIN	International Securities Identification Number
Istat	Istituto nazionale di statistica (National Statistical Institute - Italy)
ITRS	International transactions reporting system
KELER	Central Clearing House and Depository (Budapest) Ltd. (Hungary)
KSH	Hungarian Central Statistical Office
L/C	Letter of credit
LIFFE	London International Financial Futures Exchange
MÁK	Hungarian State Treasury
MFI	Monetary Financial Institution
MFSA	Malta Financial Services Authority
MMIs	Money market instruments
MUMS	(European Economic and) Monetary Union Member State(s)
MSE	Malta Stock Exchange
NAB	New Arrangements to Borrow (see GAB)
NACE	Nomenclature Générale des Activités Economiques dans les Communautés Européennes
NCB	National central bank
NSI	National Statistical Institute
NSSG	National Statistical Service of Greece
NTMA	National Treasury Management Agency (Ireland)
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics (United Kingdom)
OTC	Over-the-counter
PGRF	Poverty Reduction and Growth Facility
PHARE	An EC technical assistance programme for the applicant countries of central Europe in their preparations for joining the European Union
Repo	Repurchase agreement
RISC	Computer system used by the Bank of Greece
ROW	Rest of the World
RTGS	Real-time gross settlement system
SAS	Statistical Analysis Software (trade mark)
SDDS	IMF Special Data Dissemination Standard
SDRs	Special drawing rights
SFI	Special financial institution
SITC	Standard International Trade Classification
SMEs	Small and medium-sized enterprises

SNA 93	System of National Accounts of the United Nations
SORS	Statistical Office of the Republic of Slovenia
SOSR	Statistical Office of the Slovak Republic
SPE	Special-purpose entities
SSO	State Statistical Office (Estonia)
STATEC	Service Central de la Statistique et des Etudes économiques (Luxembourg)
STC	ESCB Statistics Committee
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
UNCTAD	United Nations Commission for Trade and Development
WG-ES	ESCB Working Group on External Statistics
WIG	Warsaw Stock Exchange Index (Poland)
WTO	World Trade Organization

CURRENCIES

EUR	Euro
BGN	Bulgarian lev
CYP	Cyprus pound
CZK	Czech koruna
DKK	Danish Krone
EEK	Estonian kroon
GBP	Pound sterling
HUF	Hungarian forint
LTL	Lithuanian litas
LVL	Latvian lats
MTL	Maltese lira
PLN	Polish zloty
ROL	Romanian leu
SEK	Swedish krona
SIT	Slovenian tolar
SKK	Slovak koruna

Conventions used in tables

n/a information is currently not available

– not applicable (e.g. provision of this information is not a monthly ECB requirement)

FOREWORD

With pleasure I present this ninth edition of the publication entitled "European Union Balance of Payments/ International Investment Position Statistical Methods" that has become familiar to its users as "the B.o.p. Book".

Over the years, the B.o.p. Book has obtained a dual character. Initially, it served a benchmarking purpose whereby the countries implicitly set out plans for improvement by exposing their practices and their deviations from the agreed international standards. Gradually, however, the B.o.p. Book has also become a recognised reference document for compilation methods of external statistics (balance of payments and international investment position). Indeed, it brings together in a single volume the requirements of the European Central Bank in the field of external statistics and detailed information on current practices in all 27 EU-countries.

This book aims at enhancing the transparency of, and thereby the confidence in, these statistics. In addition, it is meant to serve the users that are interested in the external statistics of one of the largest economic areas in the world and compilers that would like to benefit from these documented experiences of the European Union countries.

In comparison with previous editions, this release includes some changes of the methodological part and various recent improvements in countries' compilation systems. Major innovations have taken place in Belgium and Austria, following the implementation of new data collection systems.

I would therefore like to warmly thank all contributors, in particular in the Member States, for their active cooperation in this collective undertaking.

Recent changes in concepts, methods and data collection systems have been less significant and wide-spread than in the early years of the EMU. For that reason, from now on full-fledged updates of this book will be provided at most once every two years, while outdated chapters (e.g. because of the introduction of a new data collection system) may be replaced in the meantime.

Frankfurt am Main, May 2007

José Manuel González-Páramo
Member of the Executive Board

I INTRODUCTION

Economic and monetary unions have a strong impact on the content and the economic interpretation of both national and aggregate balance of payments (b.o.p.) and international investment position (i.i.p.) statistics, as well as on other macroeconomic statistics.

Steps to harmonise definitions and concepts within the euro area are consistent with, but may exceed, the guidelines of international standards. When taking these steps, consideration was also given to issues that may have altered the concepts and definitions, or statistical treatments recommended in the international standards, and that are of relevance for the current updating of the IMF's Balance of Payments Manual. Methodological concepts in some specific fields have been developed and agreed within the European System of Central Banks (ESCB), in consultation with the European Commission (Eurostat). EU Member States not initially participating in the euro area were also involved in the development of the concepts, definitions and agreed practices as described in Chapter 3.

Statistics for the euro area are not the pure sum of the statistics of its components. The ECB is a resident of the euro area, but is a non-resident of Germany where it is located. Additionally, EU institutions such as the Commission are considered as residents of the European Union, but not of the euro area. Moreover, cross-border transactions and positions that are included in national statistics have to be excluded from the statistics for the euro area as a whole when the counterparts to these transactions/positions are residents of other euro area countries.

In accordance with the division of responsibilities in the field of b.o.p./i.i.p. statistics between the European Commission (Eurostat) and the ECB (Directorate General Statistics), the B.o.p. Book focuses mainly on the concepts and definitions for the b.o.p. financial account and related income and i.i.p. statistics. Nevertheless, it also contains a number of references to items falling under the responsibility of the European Commission (i.e. goods, services, compensation of employees, the current account as a whole and the capital account), since the ECB compiles a monthly balance of payments for the euro area.

The ECB Guideline of 16 July 2004 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template (ECB/2004/15) states that the ECB "monitors the compilation methods used for the reporting of balance of payments and international investment position statistics, as well as the concepts and definitions applied on a regular basis by the participating Member States" and also provides for a regular update of the B.o.p. Book.

The B.o.p. Book is released under the responsibility of the ECB's External Statistics Division and published on the ECB's website (www.ecb.int). It is also available in hard copy on request from the ECB's Press and Information Division. Specific enquiries relating to individual countries may be addressed to the countries concerned, whose contributions are gratefully acknowledged. A glossary is provided in annex.

2 COMPILATION OF EURO AREA BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

2.1 THE LEGAL FRAMEWORK OF THE EURO AREA BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

The statistical requirements of the European Central Bank (ECB) with respect to the euro area national central banks (NCBs) and other competent national authorities are based on Council Regulation (EC) No 2533/98 of 23 November 1998[1] and the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template[2] (ECB/2004/15), which replaced the former Guideline of 2 May 2003 (ECB/2003/7). This new Guideline formalises and updates the requirements specified in the "implementation package" ("Statistical requirements for Stage Three of EMU"), July 1996 – see also the updated version "Statistical information collected and compiled by the European System of Central Banks" (May 2000). It also addresses relevant needs specified in other documents formally adopted by the Governing Council of the ECB. Current international standards, such as the IMF Balance of Payments Manual (fifth edition), released in October 1993 (BPM5), the UN System of National Accounts (SNA 93) and the European System of National and Regional Accounts (ESA 95), have been used as a reference in formulating the statistical concepts and definitions.

2.2 SHARED RESPONSIBILITY BETWEEN THE EUROPEAN CENTRAL BANK (DIRECTORATE GENERAL STATISTICS) AND THE EUROPEAN COMMISSION (EUROSTAT)

The European Commission (Eurostat) and the ECB's Directorate General Statistics (DG-S) have laid down the framework for the joint definition and compilation of balance of payments (b.o.p.) and international investment position (i.i.p.) statistics at the European level in the Memorandum of Understanding (MoU) on Economic and Financial Statistics dated 10 March 2003, in particular its Annex 1. This MoU sets out the responsibilities of and cooperation between DG-S and Eurostat, without prejudice to Article 285 of the EC Treaty, which defines the competencies of the Community institutions and the ECB with regard to the provision of statistics, or Article 5 of the Statute of the ESCB. It replaces an earlier MoU between the Statistics Division of the EMI and Eurostat dated 26 July 1995.

Within the area of b.o.p. and i.i.p. statistics, responsibility at the Community level is shared between DG-S and Eurostat. With regard to the conceptual work, DG-S has prime responsibility for issues concerning the b.o.p. financial account and investment income, and the i.i.p., whereas Eurostat has prime responsibility for issues concerning all other parts of the b.o.p. current account (except investment income) and capital account. In view of the joint interest and expertise in foreign direct investment statistics, DG-S and Eurostat share responsibility and tasks in this area. DG-S alone compiles euro area b.o.p. and i.i.p. aggregates, while only Eurostat compiles EU aggregates. Annual detailed services and direct investment data for the euro area are published by Eurostat after validation by DG-S.

Additional information on the items for which the European Commission (Eurostat) is responsible is made available on its website (http://europa.eu.int/en/comm/eurostat/serven/home.htm) or on the European Commission's "CIRCA" homepage (http:/forum.europa.eu.int/Public/irc/dsis/Home/main). Eurostat's documentation contains basic b.o.p. documentation, e.g. the Vademecum, the Compilation Guide, Technical Group reports, as well as a list of the latest publications in the field. Constantly updated BoP Working Group papers are available for both consultation and downloading.

1 OJ L 318, 27.11.1998.
2 OJ L 131, 28.5.2003.

The European Commission and the ECB cooperate closely in order to ensure that b.o.p./i.i.p. statistics are consistent and comply as far as possible with European and international statistical standards.

2.3 STATISTICAL REPORTING REQUIREMENTS FOR NATIONAL COMPILERS

2.3.1 ECB DATA REQUIREMENTS IN BALANCE OF PAYMENTS STATISTICS

Data for the b.o.p. for the euro area as a whole are required; the ECB does not use or require data on cross-border transactions within the euro area, with the important exception of the portfolio investment and portfolio investment income accounts (see Sub-section 2.5 "Methods of compiling the euro area aggregates"). B.o.p. statistics are published at monthly and quarterly frequencies. The scope and instrument and sector breakdowns of monthly and quarterly data have gradually become rather similar. In particular, this makes it possible to regularly disseminate a monthly monetary presentation of the b.o.p. However, the breakdown of the euro area b.o.p. vis-à-vis main partner countries – available from 2003 onwards – is only shown on a quarterly basis (see Sub-section 2.6).

The statistical requirements for the national b.o.p. compilers are outlined below:

2.3.1.1 MONTHLY REQUIREMENTS

The monthly b.o.p. data are required from the Member States six weeks (30 working days) after the end of the reference month. The collection of data from reporting agents is organised by the national authorities with this deadline in mind. Owing to this short period, it is permitted, to some extent, to depart from the international guidelines set out in the BPM5. Permitted are, inter alia, the recording of income on a cash basis, instead of on an accruals basis, and the provision of estimates. Furthermore, no sector breakdown is required for financial derivatives.

The aim of the monthly b.o.p. is to provide a good picture of developments quickly enough to be of use for the analysis of flows affecting monetary conditions and exchange markets. This is notably reflected in the monetary presentation of the b.o.p. (see below and Table 7.2 in the ECB's Monthly Bulletin).

The monthly b.o.p. data are shown on the ECB's website from January 1997 onwards.[3]

Since June 2003, the ECB has published a monthly and quarterly monetary presentation of the b.o.p. This presentation intends to distinguish between those changes in the euro area resident MFIs' external assets and liabilities[4] that reflect the foreign transactions

Monthly euro area balance of payments

- I. **Current account** (credits, debits and net flows)
  - Goods
  - Services
  - Income
    - Compensation of employees
    - Investment income
      - Direct investment
      - Portfolio investment (credits and net flows)
      - Other investment
  - Current transfers
- II. **Capital account** (credits, debits and net flows)
- III. **Financial account**
  - Direct investment (abroad and in the reporting economy)
    - Equity capital
      - MFIs (excluding central banks)
      - Other sectors
    - Reinvested earnings
      - MFIs (excluding central banks)
      - Other sectors
    - Other capital
      - MFIs (excluding central banks)
      - Other sectors

3 In addition, estimated quarterly current account data are available since 1980. For further information on these estimates, see http://www.ecb.int/stats/pdf/ca80_website_final3.pdf.

Portfolio investment (net assets and net liabilities)
- Equity securities
  - Monetary authorities
  - MFIs (excluding central banks)
  - Non-MFIs
- Debt securities
  - Bonds and notes
    - Monetary authorities
    - MFIs (excluding central banks)
    - Non-MFIs
  - Money market instruments
    - Monetary authorities
    - MFIs (excluding central banks)
    - Non-MFIs

Financial derivatives (net)

Other investment (net assets and net liabilities)
- Monetary authorities
- General government
- ***of which currency and deposits***
- MFIs (excluding central banks)
  - Long-term
  - Short-term
- Other sectors
- ***of which currency and deposits***

Reserve assets (only assets)

IV. Errors and omissions

of the non-MFI sector and those changes that relate to the activities of the MFI sector . The following table summarises this approach.

As shown in the table below, the transactions in the net external assets of the MFI sector can be presented as the mirror image of the transactions of non-MFIs with non-euro area residents (shown in the balance of payments).

Monetary presentation of the euro area balance of payments	
	Current account
+	Capital account
+	Balance of financial transactions by the non-MFI sector
+	Errors and omissions
=	Balance of payments of the non-MFI sector
=	- Balance of payments of the MFI sector
=	Transactions in the net external assets of the MFI sector

The main objective for studying the monetary presentation of the euro area b.o.p. is to be able to conduct a deeper analysis of monetary developments. In this respect, changes in the monetary aggregate M3 can be presented as the arithmetic result of changes in its counterparts, namely (i) credit to euro area residents, (ii) net external assets of euro area MFIs, (iii) longer-term financial liabilities and (iv) other counterparts. Hence, the external counterpart of M3, together with the other counterparts, can contribute to the analysis of monetary developments.

2.3.1.2 QUARTERLY REQUIREMENTS

The required breakdown of the quarterly b.o.p. statistics adheres, as far as possible, to the standards set out in the BPM5, which is consistent with the System of National Accounts 1993 (SNA 93) and with the European System of National and Regional Accounts 1995 (ESA 95). Exceptions to the application of BPM5 standards mainly relate to the *other investment account*, which is somewhat simplified as no maturity breakdown is required. There is also a difference in the presentation of the breakdown (i.e. sectors as first priority) which is compatible with, but not identical to, the BPM5 where instruments have priority.

In line with the SNA 93, the BPM5 recommends that interest be recorded on an accruals basis. This recommendation affects the current account (investment income), with a complementary effect on the financial account. For the b.o.p. statistics of the euro area, accrued investment income is required only on a quarterly basis.

The ECB requires quarterly details within three months of the end of the quarter to which the data relate. The detailed quarterly breakdown has been required since June 1999 (starting with first quarter 1999 data). Annual data are

4 As defined in the consolidated MFI balance sheet.

not required separately, but are compiled from the quarterly data reported by the Member States for the corresponding year.

Quarterly balance of payments for the euro area

- **I. Current account** (credits, debits and net flows)
  - Goods
  - Services
  - Income
    - Compensation of employees
    - Investment income
      - Direct investment
        - Income on equity
        - Income on debt (interest)
      - Portfolio investment (credits and net flows)
        - Income on equity (dividend)
        - Income on debt (interest)
          - Bonds and notes
          - Money market instruments
      - Other investment
  - Current transfers
- **II. Capital account** (credits, debits and net flows)
- **III. Financial account**
  - Direct investment (abroad and in the reporting economy)
    - Equity capital
      - MFIs (excluding central banks)
      - Other sectors
    - Reinvested earnings
      - MFIs (excluding central banks)
      - Other sectors
    - Other capital
      - MFIs (excluding central banks)
      - Other sectors
  - Portfolio investment
    - Equity securities
      - Net assets
        - Monetary authorities
        - General government
        - MFIs (excluding central banks)
        - Other sectors
      - Net liabilities
        - MFIs (excluding central banks)
        - Other sectors
    - Debt securities (net assets and net liabilities)
      - Bonds and notes
        - Monetary authorities
        - General government
        - MFIs (excluding central banks)
        - Other sectors
      - Money market instruments
        - Monetary authorities
        - General government
        - MFIs (excluding central banks)
        - Other sectors
  - Financial derivatives (net)
    - Monetary authorities
    - General government
    - MFIs (excluding central banks)
    - Other sectors
  - Other investment (net assets and net liabilities)
    - Monetary authorities
      - Loans/currency and deposits
      - Other assets/liabilities
    - General government
      - Trade credits
      - Loans/currency and deposits
        - Loans
        - Currency and deposits
      - Other assets/liabilities
    - MFIs (excluding central banks)
      - Loans/currency and deposits
      - Other assets/liabilities
    - Other sectors
      - Trade credits
      - Loans/currency and deposits
        - Loans
        - Currency and deposits
      - Other assets/liabilities
  - Reserve assets (assets only)
    - Monetary gold
    - Special drawing rights
    - Reserve position in the International Monetary Fund
    - Foreign exchange
      - Currency and deposits
        - with monetary authorities
        - with MFIs (excluding central banks)
      - Securities
        - Equities
        - Bonds and notes
        - Money market instruments
      - Financial derivatives
    - Other claims
- **IV. Errors and omissions**

2.3.2 ECB DATA REQUIREMENTS FOR INTERNATIONAL INVESTMENT POSITION STATISTICS

The i.i.p. reports the net external positions of direct and portfolio investment, financial derivatives, other investment and reserve assets. In this context, it complements the b.o.p. statistics, which record flows of assets and liabilities, with data on the value of stocks. In the first years of the euro area's existence, the euro area i.i.p. was compiled annually by aggregating, on a net basis only, euro area countries' year-end external positions. However, since December 2002 the euro area i.i.p. data for 1999 year-end positions onwards have enabled a differentiation between the asset and liability sides (in line with the practice applied in the reporting of the euro area b.o.p. flows since 1999) and have been compiled by summing up the positions vis-à-vis counterparts outside the euro area (i.e. on an extra-euro area basis).

End-of-quarter i.i.p. data (from end-March 2004 onwards) are available, with the same details and methodological framework as the annual i.i.p., though without a geographical breakdown, which is only available on an annual basis. However, while annual i.i.p. data are compiled on the basis of stock data, including direct investment positions (i.e. accumulating transactions is no longer an acceptable practice), quarterly i.i.p. data can be partly derived from b.o.p. transactions. As some data sources are not available on a quarterly basis (or are available with a delay), Member States partly estimate their contributions on the basis of transactions, asset price and exchange rate changes, and other adjustments (e.g. revaluations).

Annual international investment position for the euro area

I. **Direct investment** (abroad and in the reporting economy)
- Equity capital and reinvested earnings
  - MFIs (excluding central banks)
  - Other sectors
- *of which:*
  - equity stocks in foreign/euro area listed companies at market values
  - equity stocks in foreign/area area unlisted companies at book values
  - *memorandum item:*
  - equity stocks in foreign/euro area listed companies at book values
- Other capital
  - MFIs (excluding central banks)
  - Other sectors

II. **Portfolio investment**
- Equity securities
  - Assets
    - Monetary authorities
    - General government
    - MFIs (excluding central banks)
    - Other sectors
  - Liabilities
    - MFIs (excluding central banks)
    - Other sectors
- Debt securities (assets and liabilities)
  - Bonds and notes
    - Monetary authorities
    - General government
    - MFIs (excluding central banks)
    - Other sectors
  - Money market instruments
    - Monetary authorities
    - General government
    - MFIs (excluding central banks)
    - Other sectors

III. **Financial derivatives** (assets, liabilities and balance)
- Monetary authorities
- General government
- MFIs (excluding central banks)
- Other sectors

IV. **Other investment (assets and liabilities)**
- Monetary authorities
  - Loans/currency and deposits
  - Other assets/liabilities
- General government
  - Trade credits
  - Loans/currency and deposits
    - Loans
    - Currency and deposits
  - Other assets/liabilities
- MFIs (excluding central banks)
  - Loans/currency and deposits
  - Other assets/liabilities

Other sectors
- Trade credits
- Loans/currency and deposits
  - Loans
  - Currency and deposits
- Other assets/liabilities

V. **Reserve assets** (only assets)
- Monetary gold
- Special drawing rights
- Reserve position in the International Monetary Fund
- Foreign exchange
  - Currency and deposits
    - with monetary authorities
    - with MFIs (excluding central banks)
  - Securities
    - Equities
    - Bonds and notes
    - Money market instruments
  - Financial derivatives
- Other claims

The link between euro area b.o.p. flows and the i.i.p. enables the classification of the total change between two end-of-period positions into (i) changes due to real transactions (b.o.p. flows) and (ii) other changes for each financial account item. "Other changes" include valuation changes due to price and exchange rate effects and other adjustments (for instance write-offs, reclassifications and so on). The euro area i.i.p. is valued at market prices, with the exception of direct investment stocks, for which book values are still used to a large extent.

Member States are required to make their annual i.i.p. data available to the ECB within nine months of the end of the year to which the data relate. Quarterly i.i.p. data are required according to the same timetable as the quarterly b.o.p. data, i.e. three months after the end of the quarter to which the data refer.

2.3.3 ECB DATA REQUIREMENTS FOR THE EUROSYSTEM'S INTERNATIONAL RESERVES POSITION

Since April 1999, the ECB has published monthly data on the stock of international reserves held by the Eurosystem (the ECB and the NCBs of the participating Member States). The definition of the Eurosystem's reserve assets, approved by the ECB Governing Council in March 1999, conforms to the BPM5 (see Section 3.11). Foreign currency-denominated claims (i.e. claims denominated in any currency other than the euro) on euro area residents held by the Eurosystem are shown as a memorandum item in the ECB Monthly Bulletin. This approach supports an analysis for monetary purposes and permits a reconciliation of the Eurosystem's international reserves with its foreign currency liquidity position. From the April 2000 ECB Monthly Bulletin, the same breakdown has been presented for the ECB's reserves (and related assets) pooled in accordance with Article 30 of the Statute of the ESCB. In addition to the information provided in the ECB Monthly Bulletin, the ECB publishes on its website Eurosystem and ECB data in line with the template entitled "International Reserves and Foreign Currency Liquidity", set out in early 2000 in the IMF's Special Data Dissemination Standard[5] (SDDS). This information covers not only data on reserve assets, but also data on the reserve-related liabilities of the Eurosystem, and differs in some respects from the data on international reserves included in the euro area b.o.p.

2.4 THE ECB'S CONTRIBUTION TO THE EURO AREA AGGREGATES

The ECB's own transactions and positions with non-euro area counterparties must also be reflected in the external statistics of the euro area. In other words, the data resulting from the compilation of the ECB's own external statistics

5 The ECB does not formally subscribe to the SDDS; subscriptions are on a country-by-country basis by member countries of the IMF (see http://dsbb.imf.org).

are added to the contributions of the euro area Member States so as to compile the total figures of the euro area aggregates (see Section 2.5 "Methods of compiling the euro area aggregates").

In practice, the ECB's main "external" contributions are confined to the following items:

– *reserve assets:* reserve assets of the ECB are claims on non-residents of the euro area pooled in accordance with Article 30 of the Statute of the ESCB and thus under the direct and effective control of the ECB. As long as no further transfer of ownership takes place, in accordance with Article 30.4, external assets retained by the NCBs are under their direct and effective control and are treated as reserve assets of each individual NCB;

– *other investment:* transactions between the ECB and the NCBs of Member States not participating in the euro area related to the operation of the TARGET system; repo transactions with non-residents of the euro area in euros or in foreign currency (the latter only refers to liabilities, because reverse repos are included in reserve assets); non-euro area participations in the ECB's capital;

– *portfolio investment:* debt securities (mainly bonds and notes) issued in euro by non-residents of the euro area. (The ECB's claims from debt securities in foreign currency which were issued by non-euro area residents are included under the ECB's reserve assets). For reasons explained in Section 2.5 "Methods of compiling the euro area aggregates", data on the ECB's holdings of debt securities issued by other euro area residents are needed for the compilation of the total euro area aggregate figures of portfolio investment liabilities. Since the ECB has not itself issued any debt securities so far, it does not record any liabilities for portfolio investment;

– *income on portfolio investment:* income received by the ECB from the above-mentioned portfolio investment assets. As in the case of the financial account, these data are needed for the compilation of the total euro area aggregate debits of portfolio investment income (see Section 2.5 "Methods of compiling the euro area aggregates");

– *income on other investment:* income received from the management of the ECB's international reserves and from the above-mentioned other investment assets and liabilities .

2.5 METHODS OF COMPILING THE EURO AREA AGGREGATES

Since 1997, each broad category of transaction has been broken down into credits and debits for the current and capital accounts; since 1997, into investment abroad and in the euro area for direct investment; and, since 1998, into assets and liabilities for portfolio investment and other investment. Since October 2002, the same split for direct, portfolio and other investment is applied to the euro area i.i.p. The ECB compiles the figures for the euro area by aggregating the euro area Member States' transactions vis-à-vis non-residents of the euro area for the current and capital accounts, and transactions/holdings relating to non-residents of the euro area for the financial account and the i.i.p., excluding portfolio investment and financial derivatives.

Compilation of portfolio investment (stocks, flows and related income) and financial derivatives follows a different approach, owing to the difficulties in identifying the residency of the holders of securities issued by domestic residents. Portfolio investment flows/stocks relating to non-residents of the euro area should be allocated according to the residency of the

ultimate investor (in case of liabilities of the euro area) and the non-resident debtor (in case of assets of the euro area), respectively. When euro area residents purchase securities issued by non-residents of the euro area, the related flows/stocks can be measured directly, with a sector breakdown of the euro area residents undertaking the transactions/holding the assets.

Classification of non-resident purchases/holdings of securities issued by euro area residents is difficult because these transactions/holdings are often made/held through central securities depositories or other intermediaries located in the euro area (e.g. Euroclear and Clearstream). Such purchases/holdings by non-residents of the euro area may well be incorrectly classified because the first-known counterpart – the custodian or other intermediary – is a euro area resident.

To avoid this risk of misclassification the "liabilities" side of portfolio investment is calculated as transactions in/holdings of total securities issued by euro area residents minus the recorded acquisitions/holdings of such securities by residents of the euro area.

Euro area residents' income on securities issued by non-residents of the euro area can be correctly identified as extra-euro area flows. However, income payments relating to securities issued by euro area residents and held by non-residents are often made through central securities depositories or other intermediaries and are therefore not identifiable for the national compiler as extra-euro area flows. Therefore, the amount of the total euro area payments to non-euro area residents is calculated as total payments made by euro area residents to recipients outside their home country minus receipts recorded by euro area residents from other euro area countries.

The net figures for euro area transactions in *financial derivatives* are compiled by aggregating the national net transactions of the participating Member States. A sector breakdown of this account at the euro area level has not been compiled so far for the b.o.p.; for the i.i.p. this is required for assets and liabilities separately.

As regards the Eurosystem's *international reserves* position, the agreed definition of reserve assets is applied consistently both across the Eurosystem and at the national level. Hence, the reserve assets held by the Eurosystem are compiled by summing up the reserve asset holdings of the participating NCBs and of the ECB.

2.6 GEOGRAPHICAL BREAKDOWN

A geographical breakdown of the euro area b.o.p. and i.i.p. is available vis-à-vis main partner countries (namely Denmark, Sweden, the United Kingdom, Canada, Japan, Switzerland and the United States) and counterpart groupings (namely other EU Member States, offshore financial centres, EU institutions, and other international organisations)[6] are available for the i.i.p. from the end of 2002 and for b.o.p. data from the first quarter of 2003.

2.7 CONTRIBUTION TO OTHER STATISTICS

The euro area b.o.p. and i.i.p. statistics are used in the compilation of the rest-of-the-world account in the quarterly euro area (financial and non-financial) accounts. Additional details on income, current transfers and the capital account have been made available by Member States for this purpose. In respect of the quarterly financial accounts, the i.i.p. is now compiled with a quarterly frequency, loans have been distinguished from currency and deposits, portfolio investment (intra-euro area assets) is broken down by issuer sector and direct investment equity stocks is broken down into

6 The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the ECB Monthly Bulletin.

listed and unlisted companies to enable the necessary instrument breakdowns.

In addition, as a contribution to the annual review of the international role of the euro, data on transactions and positions in debt securities are broken down by currency from 2004 onwards to allow an assessment of the role of the euro as an investment currency.

2.8 REVISION PRACTICE

The euro area b.o.p. and i.i.p. are revised according to the following schedule:

- Monthly b.o.p. data are revised with the publication of the following month's data, as well as with the revisions of the corresponding quarter.
- Quarterly b.o.p. and i.i.p. data are revised with the publication of the following quarter's data and thereafter twice a year, in April and November.
- Annual i.i.p. data are revised in the last quarter of each year for the three previous year-end positions.
- Monthly data on the stock of international reserves are revised whenever relevant.

This schedule allows the publication of consistent euro area b.o.p. and i.i.p. data. EU b.o.p. aggregates (published by Eurostat) are also revised according to this schedule, which increases the comparability of the data and eases the reporting by Member States.

2.9 PUBLICATION

The euro area b.o.p. and i.i.p. are published in the ECB's press releases, Monthly Bulletin and Statistics Pocket Book. More detailed and longer runs of data are available in the "Statistics" section of the ECB's website (www.ecb.int).

3 CONCEPTS, DEFINITIONS AND AGREED PRACTICES

The main purpose of this chapter is:

(i) to provide a comprehensive summary on the methodological standards (such as the BPM5, the SNA 93 or the ESA 95) with which all EU Member States in principle comply;

(ii) to serve as a benchmark to identify any individual country deviations, as currently described in the chapters "Country-specific details"; and

(iii) to supplement the "methodological notes" on the ECB's website.

Most of these methodological standards have already been implemented in line with the ECB Guideline of 16 July 2004 (ECB/2004/15). Further progress is expected using available information or estimates in consultation with the ECB.

This chapter concerns primarily those methodological concepts and definitions which were developed under the responsibility of the ECB. Definitions of items under the responsibility of the European Commission (Eurostat) are limited, in this edition of the B. o.p. Book, to brief and general explanations only.

3.1 GENERAL PRINCIPLES OF BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATISTICS

3.1.1 BALANCE OF PAYMENTS STATISTICS

The *balance of payments* (b.o.p.) is a statistical statement of the economic transactions of an economy with the rest of the world in a specific time period. A transaction is defined as an economic flow that reflects the creation, transformation, exchange, transfer, or extinction of economic value and involves changes in ownership of goods and/or financial assets or liabilities, the provision of services or the provision of labour and capital. *Cross-border transactions of the euro area* are transactions between residents of participating Member States, seen as one economic territory, and residents of EU Member States not participating in the euro area or residents of third countries.

Despite its name, which refers to standards applicable in the past following recommendations of the IMF Manuals up to the 4th edition, the b.o.p. is now less concerned with *payments*, as that term is generally understood, than with *transactions*. This development from a financial towards an economic approach was felt more efficient in order (i) to foster a sound economic interpretation of the figures, and (ii) to make the b.o.p. concepts compliant with the national accounts (the b.o.p. is also the "rest of the world" account). International transactions recorded in the b.o.p. may not involve the transfer of money, and some are not paid for in any sense. The inclusion of these transactions, in addition to those matched by actual payments, constitutes a principal difference between a b.o.p. statement and a record of foreign payments.

3.1.2 INTERNATIONAL INVESTMENT POSITION STATISTICS

Closely related to the flow-oriented b.o.p. framework is the stock-oriented *international investment position* (i.i.p.). Compiled at a specified date, the i.i.p. is a statistical statement of (i) the value and composition of the stock of an economy's financial assets, or the economy's claims on the rest of the world, and (ii) the value and composition of the stock of an economy's liabilities to the rest of the world. *Cross-border positions of the euro area* comprise the participating Member States' stocks of financial claims and financial liabilities vis-à-vis residents of EU Member States not participating in the euro area or residents of third countries. Also encompassed are land, other real property and other immovable assets which are:

– physically located outside the economic territory of the participating Member States and owned by residents of participating Member States (considered as assets, from the euro area perspective); or

– physically located inside the economic territory of the participating Member States and owned by residents of non-participating Member States or residents of third countries (considered as liabilities, from the euro area perspective).

In addition, monetary gold and special drawing rights (SDRs) owned by authorities of participating Member States are included.

The difference between the two sides of the balance sheet (the net position) measures that portion of the euro area's net worth attributable to, or derived from, its relationship with the rest of the world. A change in stocks during any defined period can be attributable to transactions (i.e. b.o.p. flows), to revaluations reflecting changes in exchange rates, prices, etc. or to other adjustments (e.g. reclassifications, corrections, uncompensated seizures).

Since the i.i.p. and the financial account of the b.o.p. share many sources and methods of compilation, these two accounts are dealt with together in the following sections so as to stress their close relationship.

3.1.3 ACCOUNTING PRINCIPLES FOR TRANSACTIONS AND STOCKS

3.1.3.1 DOUBLE-ENTRY SYSTEM

The basic convention applied in constructing a euro area b.o.p. statement is that every recorded transaction is represented by two entries with equal values. One of these entries is designated a *credit*; the other is designated a *debit*. In principle, the sum of all credit entries is identical to the sum of all debit entries, and the net balance of all entries in the statement is zero. In practice, however, the accounts frequently do not balance. Data for b.o.p. estimates are often derived independently from different sources and may be incomplete. Moreover, timing and valuation effects along with a variety of other factors tend to cause imbalances in the information recorded. As a result individual b.o.p. accounts tend to aggregate to a summary net credit or net debit. A separate entry, equal to that amount with the sign reversed and labelled "net errors and omissions", is then included to balance the overall b.o.p. account.

3.1.3.2 TIME OF RECORDING THE TRANSACTIONS

In line with the BPM5, the ECB principally requires recording on a transactions basis ("accruals principle"), meaning that transactions are recorded when economic value is created, transformed, exchanged, transferred or extinguished. Claims and liabilities arise when there is a change in ownership. The change may be legal or economic. In practice, when a change in ownership is not obvious, the change may be assessed at the time that parties to a transaction record it in their books or accounts.

However, for the reporting of the monthly b.o.p., recording on a full accruals or transactions basis is not mandatory, owing to the short deadline for the provision of monthly data. In agreement with the ECB, the NCBs and other national compilers may provide data on the current and financial account in the monthly b.o.p. statistics which are based on full/partial accruals or on settlements (i.e. cash).

3.1.3.3 VALUATION OF TRANSACTIONS AND STOCKS

In principle, market prices should be used as the basis of valuation for both transactions and stocks. Thus, transactions are generally valued at the actual prices agreed upon by transactors, and stocks of assets and liabilities are valued at the market prices in effect at the time to which the balance sheet relates. Market valuation provides the most meaningful measure of the economic value of the resources available to an economy; alternatives to valuation at market price should only be used if absolutely necessary.

In practice, some deviations from the market principle may occur. *Book values* from the reporting agents' balance sheets may, in some cases, be the only readily available source for the valuation of assets and liabilities. For instance, the own funds at book value (OFBV) of non-listed direct investment companies are used to value foreign direct investment stocks (see paragraph 3.7.3.1).

3.1.3.4 RECONCILIATION OF STOCKS AND FLOWS

The reconciliation of changes in stocks and b.o.p. flow data allows sets of data to be validated when they are collected independently and gives possible explanations for the changes in positions over a given period. These factors are:

(i) the transactions that have taken place during the period;

(ii) price changes;

(iii) exchange rate changes; and

(iv) other adjustments reflecting changes in stocks.

The greater the level of detail of the basic information on both stocks and flows, the more precise the reconciliation is. In particular, the following information is necessary:

(i) a currency breakdown to capture the exchange *rate effect*;

(ii) a breakdown of applicable market prices, especially for portfolio investment instruments, to isolate the *market value effect*;

(iii) the *timing of transactions* to select the appropriate price and exchange rate.

3.1.4 EURO AREA RESIDENCE

In general, the terms "resident" and "residing" mean having a centre of economic interest in the economic territory of a country, as described in Annex A of the Council Regulation (EC) No 2533/1998. In the case of the *euro area*, the economic territory comprises (i) the economic territory of the EU Member States which have adopted the euro and (ii) the ECB, which is regarded as a resident unit of the euro area.

The *rest of the world (RoW)* comprises the territories outside the euro area, i.e. EU Member States which have not adopted the euro, all third countries and non-European supranational and international organisations, including those physically located within the euro area. All EU institutions except the ECB are considered to be resident outside the euro area. Consequently, all transactions of participating Member States vis-à-vis EU institutions are recorded and classified as non-euro area transactions in the euro area b.o.p./i.i.p. statistics. A list of supranational and international institutions is given in Eurostat's Balance of Payments Vademecum booklet.

The following are examples of borderline cases in the determination of residence:

(i) staff from embassies and military bases are to be classified as residents of their country of origin, i.e. making a distinction between staff employed from among host country residents and those from the country which the embassy or military base represents;

(ii) when undertaking cross-border transactions in land and/or buildings (e.g. holiday homes), the owner is treated as if he has transferred his ownership to a notional institutional unit that is actually resident in the country where the property is located. The notional unit is to be treated as being owned and controlled by the non-resident owner;

(iii) in the absence of any significant physical dimension to an entity, e.g. investment funds (as distinct from their managers), securitisation vehicles, and some special purpose entities, its residence is determined by the economic territory under whose laws the entity is incorporated. If the entity is not incorporated, legal domicile is used as a criterion, namely the country whose legal system governs the creation and continued existence of the entity.

Some territories belonging to, or countries associated with, euro area Member States might give rise to difficulties in the statistical classification. These can be divided into the following groups:

Territories forming part of the euro area:
- Heligoland: Germany
- Canary Islands, Ceuta and Melilla: Spain;
- Monaco, French Overseas Departments (Guyana, Guadeloupe, Martinique and Réunion), Saint Pierre and Miquelon, Mayotte: France;
- Madeira, the Azores: Portugal;
- The Åland Islands: Finland.

Territories associated with euro area Member States to be included in the RoW:
- Büsingen (not Germany);
- Andorra (neither Spain nor France);
- The Netherlands Antilles and Aruba (not the Netherlands);
- French Overseas Territories (French Polynesia, New Caledonia and the Wallis and Futuna Islands) (not France);
- San Marino and the Vatican City (not Italy).

3.1.5 CLASSIFICATION PRINCIPLES FOR BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATEMENTS

3.1.5.1 STANDARD COMPONENTS OF BALANCE OF PAYMENTS AND INTERNATIONAL INVESTMENT POSITION STATEMENTS

According to the BPM5, the two major classifications of transactions in the b.o.p. statement are the current account and the capital and financial accounts. In brief, the current account shows transactions in the real economy and relates to goods, services, income and current transfers; the capital and financial accounts show (broadly speaking) the transactions in the financial economy.

The major classifications within the current account are:
- goods;
- services;
- income; and
- current transfers.

The capital account records an economy's capital transfers and its transactions in non-produced, non-financial assets (such as patents and copyrights). The financial account records an economy's transactions in external financial assets and liabilities.

The financial account of the euro area b.o.p. and the euro area i.i.p. are structured around five accounts, differentiated by the type of financial assets/liabilities involved in the transaction:
- direct investment;
- portfolio investment;
- financial derivatives;
- other investment; and
- reserve assets.

In addition, transactions within the euro area portfolio investment, financial derivatives and other investment accounts are classified by sector, according to the institutional sector to which the euro area resident undertaking the transaction belongs (see Sub-section 3.1.6

"Sectorisation"). This sectoral analysis also applies to the corresponding stock data requested for the i.i.p.

3.1.5.2 CLASSIFICATION OF FINANCIAL FLOWS BY CREDITS/CHANGE IN ASSETS AND DEBITS/ CHANGE IN LIABILITIES

Economic transactions of the euro area b.o.p. are recorded (i) as credits or debits in the case of all items of the current and capital accounts, and (ii) as changes in assets or liabilities in the case of all items of the financial account. Credits and debits are shown as gross figures, i.e. inflows from non-euro area residents will increase the amount of credits, while outflows to non-euro area residents mean an increase of debits. By contrast, changes in assets and liabilities are shown as net figures: increases (decreases) in assets indicate that a net outflow (inflow) has occurred, since the payments by euro area residents in respect of their acquisitions of assets issued by non-residents of the euro area are larger (smaller) than the receipts derived from their sale or redemption. Increases (decreases) in liabilities indicate a net inflow (outflow), since the receipts from non-residents of the euro area in respect of their acquisitions of assets issued by euro area residents are larger (smaller) than the payments generated by their sale or redemption.

3.1.5.3 GEOGRAPHICAL ALLOCATION PRINCIPLE FOR CHANGE OF OWNERSHIP IN THE CASE OF FINANCIAL TRANSACTIONS AND POSITIONS

For financial transactions/positions, there are two possible means of classification considered to be in accord with the change-of-ownership principle, the *debtor/creditor principle* and the *transactor principle*. In order to achieve a more precise geographical allocation, the ECB requires, in principle, the application of the *debtor/creditor* principle, according to which transactions/positions in a country's external liabilities are classified according to the country of the owner of the claim (the creditor) and transactions/positions in a country's financial assets are classified according to the country that incurs the liability (the debtor). The *transactor principle*, on the other hand, means that transactions/positions are classified according to the country of the non-resident counterparty to the transaction. The latter principle can, in practice, be applied in two different ways, i.e. classification either by country of first-known counterpart or by country of settlement, both of which may not in all cases reflect the residence of the actual owner of the asset/liability acquired/incurred.

3.1.6 SECTORISATION

3.1.6.1 INSTITUTIONAL SECTORS

Four sectors are identified separately for euro area b.o.p./i.i.p. statistics:

(i) monetary authorities;

(ii) general government;

(iii) monetary financial institutions (MFIs);

(iv) other sectors.

Monetary authorities

The "monetary authorities" sector of the euro area b.o.p./i.i.p. and international reserve statistics consists of the Eurosystem, i.e., the ECB and the NCBs from participating Member States.

General government

The "general government" sector is defined as in the ESA 95 (and the SNA 93) and consists of the following units:

– central government: all administrative departments, agencies, foundations, institutes and similar state bodies, the competence of which covers the entire economic territory of one country (with the exception of the administration of social security funds – see below);
– state/regional government: institutional units exercising some of the functions of government at a level below that of central government and above that of local government (with the exception of the

administration of social security funds – see below);

- local government: those types of administrative departments, agencies, etc. of Member States, the competence of which covers only a restricted part of the economic territory of a country (excluding the local agencies for social security funds – see below); and
- social security funds: schemes managed by a central, state/regional or local government, the principal objective of which is to provide social benefits to the population of the country. Certain population groups are obliged to pay contributions to these schemes.

Public non-financial corporations and quasi-corporations which are market producers principally engaged in the production of goods and non-financial services should be classified as "other sectors". This also applies to public producers involved in the aforementioned activities and recognised as independent legal entities by virtue of special legislation. Public sector credit institutions should be included in the "MFI sector" according to both the MFI definition and the ESA 95 definition, and not under "general government".

MFI sector

The "MFI sector" identified in the euro area b.o.p./i.i.p. presentation coincides with the MFI sector for money and banking statistics. Hence, it comprises (i) euro area resident *credit institutions*, as defined in Community law, i.e. institutions whose business is to receive deposits or other repayable funds from the public (including the proceeds arising from the sales of bank bonds to the public) and to grant credit for their own account, and (ii) all other resident *financial institutions* located in the euro area whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or to make investments in securities. The MFI sector includes money market funds. MFIs located in EU Member States that do not participate in the euro area and banks outside the EU comprise:

(i) MFIs located in EU Member States not participating in the euro area, including those subsidiaries and branches, the parent institution of which is an MFI located in the euro area;

(ii) banks located outside the EU, including those subsidiaries and branches, the parent institution of which is an MFI located in the euro area.

Subsidiaries are separate institutional units, with independent legal status, either wholly owned or with majority ownership held by another entity (the parent institution). Branches are entities without independent legal status (they are wholly owned by the parent). However, when branches are located in another country than that in which the company controlling them is located, they are deemed to be separate institutional units.

Other sectors

The "other sectors" category comprises:

(a) other financial institutions not covered by the MFI definition: this sector should include the following institutions:
   - (i) collective investment institutions (CIIs) not considered as money market funds (MMFs) and, therefore, not classified as MFIs;
   - (ii) real estate investment institutions;
   - (iii) securities-dealer companies and agencies;
   - (iv) mortgage credit securitisation funds;
   - (v) insurance companies;
   - (vi) pension funds; and
   - (vii) financial auxiliaries;

(b) non-financial institutions:
   - (i) non-financial enterprises (public and private);
   - (ii) non-profit-making institutions serving households; and
   - (iii) households.

For analytical purposes and with regard to the use of the euro area i.i.p. for the compilation of other euro area statistics, such as the euro area financial accounts, information about the different sub-sectors is useful. However, in general, it is difficult for b.o.p. compilers to split "other sectors" into households, non-financial enterprises and other (non-MFI) financial institutions.

In the field of reserve assets, claims on the Bank for International Settlements (BIS) and the International Monetary Fund (IMF) are classified as claims on other monetary authorities outside the euro area.

3.1.6.2 SECTORISATION CRITERIA FOR FLOWS AND STOCKS

In principle, the sector attribution rules for financial flows and stocks seem to be easy to apply. Transactions and holdings in external financial assets are assigned to the institutional sector to which the resident creditor (owner of the asset) belongs. Transactions in and holdings of external financial liabilities are allocated to the institutional sector to which the resident issuer of the liability belongs.

Securities issued by euro area residents and owned by non-residents of the euro area are euro area liabilities; those issued by non-residents of the euro area and owned by euro area residents are euro area assets. Sectorisation should be carried out according to the above-mentioned principles.

With regard to other investment flows and stocks, it should be added that:

(i) *government-guaranteed and/or bank-insured trade credits* should be treated as private operations rather than as government or bank lending and should, therefore, be included under "other sectors". In these cases the debtors have incurred liabilities, but have not as yet failed to discharge them; liability for such loans would not be transferred to the government or bank that guaranteed them until the loan recipient defaulted in payment. Indeed, guarantees and financial intermediation in which the intermediary is not in fact the legal creditor or debtor should not be taken into account in statistical reporting. In addition, in some Member States it is not always clear whether these loans are insured by the government or by a public insurance company;

(ii) loans and deposits connected to *repo-type agreements* must be classified under the institutional sector to which the resident that extends or receives the financing belongs, regardless of the nature of the issuer of the securities acting as collateral. The residence of the borrower and lender is decisive, not the residence of the issuer of the collateral.

3.1.6.3 PRACTICAL SECTORISATION PROBLEMS

Practical problems related to sectorisation issues may arise.

Transactions between resident sectors

On the asset side – i.e. securities issued by non-residents of the euro area and acquired by euro area residents – flows are assigned to the institutional sector to which the resident subscriber or buyer of the securities belongs. As a result, the securities issued by non-residents, which are initially subscribed by credit institutions and subsequently sold to other residents, appear, in the first place, in the "MFI sector" of the b.o.p. If subsequent sales by the resident MFI sector to resident non-banks are not reflected in the b.o.p., a discrepancy between b.o.p. and i.i.p. data will arise. It may be possible to allow for such onward sales by recourse to balance sheet statistics where MFIs' sales of foreign securities to non-MFIs may be reflected.

Assignment of an institution in a different resident sector

Institutions subject to changes in their legal status (institutional changes) or changes in the definition of the requirements to be considered

for their inclusion in the different sectors (functional changes) may require special treatment in order to avoid discrepancies. The recommendation is to proceed as follows:

(i) in *the flow* statistics, transactions involving an institution whose sector has changed should be allocated to the appropriate new sector from the date of the change;

(ii) in the *stock statistics*, the reclassification of the stocks attributed to the institution in question should be made from the former sector to the new sector by means of an entry in the "other adjustments" column of the reconciliation statement.

3.2 GOODS

The *goods* item of the euro area b.o.p. statistics covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold. In accordance with general b.o.p. principles, change of ownership is the principle determining the coverage and time of recording of international transactions in goods.

Exports and imports of goods are recorded on a f.o.b./f.o.b. basis, i.e. at market value at the customs frontiers of exporting economies, including charges for insurance and transport services up to the frontier of the exporting country. The BPM5 recommends that the geographical allocation for exports should be based on the country of final destination and that of imports should be based on the country of origin.

Nevertheless, goods which are channelled through the euro area are recorded as extra-euro area transactions only by that euro area Member State in which the goods enter/leave the euro area, in order to avoid double-counting or omissions in the euro area b.o.p. statistics. The other Member State(s) involved, including that in which the goods are finally received or from which the goods were originally sent, apply the "country-of-consignment" principle, i.e. record this transaction as intra-euro area trade in goods going to or coming from another euro area Member State. (The "country-of-consignment" principle in fact applies to trade between all *EU* Member States).

3.3 SERVICES

The *services* account of the euro area b.o.p. statistics consists of the following items, which are to be recorded according to their actual delivery:

– *Transportation* covers all transportation services (sea, air, and other – including land, inland waterway, rail, space and pipeline) that are performed by euro area residents for non-residents of the euro area, or vice versa, and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew and related supporting and auxiliary services. Excluded are passenger services provided to non-residents in the euro area by euro area carriers within the euro area economies, or vice versa (these are included under travel).

– *Travel* includes primarily the goods and services which euro area travellers acquire from non-residents of the euro area or which euro area residents provide to travellers resident outside the euro area during visits of less than one year, net of any purchases made with money earned or provided locally. Unlike other services, travel is not a specific type of service, but an assortment of goods and services consumed by travellers. Personal transport (only international transportation) in connection with travel is not included in this item but under transportation.

– *Other services* comprise those service transactions with non-residents of the euro area which are not covered under transportation or travel, such as

communication services, construction services, insurance or financial services.

3.4 INCOME

3.4.1 DEFINITION AND COVERAGE OF INCOME

Income covers two types of transactions between residents and non-residents:

(i) those involving *compensation of employees*, which is paid to non-resident workers or received from non-resident employers and

(ii) those involving *investment income* receipts and payments on external financial assets and liabilities. Income derived from the use of tangible produced assets[1] is excluded from income and classified as appropriate under leasing or rentals, under other business services or under transportation. Income from tangible non-produced assets is, however, classified as income under "other investment income".

3.4.2 DEFINITION OF COMPENSATION OF EMPLOYEES

Compensation of employees comprises wages, salaries, and other benefits (in cash or in kind) earned by individuals – in economies other than the euro area – for work performed for and paid for by residents of those economies. Included are the contributions paid by employers, on behalf of employees, to social security schemes or to private insurance or pension funds to secure benefits for employees.

3.4.3 DEFINITION OF INVESTMENT INCOME

Investment income (property income in the SNA 93 and the ESA 95) is income derived from ownership of external financial assets and payable by residents of one economy to residents of another economy. It includes interest, dividends, remittances of branch profits, and direct investors' shares of the retained earnings of direct investment enterprises. Where separately identifiable, holding (capital) gains and losses are not classified as income on investments but as changes in the value of the investments due to market price developments (for practical reasons, this requirement concerning holding gains and losses is often very difficult to fulfil). Settlement flows in respect of interest rate swaps and forward rate agreements (FRAs) are not regarded as interest income, but

are recorded as transactions in "financial derivatives" in the financial account.

In line with the related financial accounts, the euro area investment income account is classified by direct investment, portfolio investment and other investment components (income on reserve assets is included in other investment income). Income on direct investment and on portfolio investment is broken down further into income on equity and income on debt. In the case of portfolio investment, income on debt is subdivided into income on bonds and notes and income on money market instruments.

3.4.4 MAIN TYPES OF INVESTMENT INCOME

The most common types of investment income are dividends in the case of equity and interest in the case of debt.

3.4.4.1 DIVIDENDS

Dividends represent income that is payable without a binding agreement between the creditor and the debtor. Dividends may be paid out of *normal operating profits* or out of *realised or unrealised capital gains*. In principle, redistributed capital gains should be classified as other capital transfers. In order to be able to estimate the share of dividends paid out of capital gains, separate information on the

1 Tangible assets cover produced and non-produced assets. Tangible non-produced assets consist of assets that occur in nature and over which ownership may be enforced and transferred, such as land and water resources.

net operational profits and capital gains should be available. In practice, however, it appears to be very difficult to separate the dividends payable from operating profits and the dividends payable from capital gains. Therefore, wherever a compiler is unable to distinguish between the two, it is recommended for the compilation of the euro area b.o.p. that both the dividends paid out of normal operating profits and the dividends paid out of realised or unrealised capital gains are included under investment income.

Following the recommendations of the joint ECB/Eurostat Task Force on Foreign Direct Investment, reinvested earnings should also include those reinvested earnings generated by indirectly owned direct investment enterprises in proportion to the percentage of ownership.

The following borderline cases deserve attention: stock dividends, bonus shares and liquidating dividends.

Distribution of earnings in the form of *stock dividends* is a capitalisation of current earnings and an alternative to distributing cash dividends. Distributions of such earnings are recorded in the euro area b.o.p. in the same manner as reinvested earnings (i.e. as investment income in the current account and as offsetting equity investments in the financial account).

General bonus shares, by contrast, represent the substitution of one type of equity (paid-up capital or capital stock) for another (reinvested earnings) and should thus not be recorded in

the euro area b.o.p. Bonus shares reflect the transformation of reserves (which usually consist of accumulated, unremitted earnings) into voting power.

Liquidating dividends refer to the distribution of assets in the form of a dividend from a corporation that is going out of business. Payment of liquidating dividends may take place when a firm goes bankrupt or when a company's assets are sold and the proceeds passed to shareholders. As liquidating dividends represent a return of capital contributions rather than a remittance of earnings, they should be recorded as withdrawals of capital in the financial account and should, consequently, be excluded from investment income.

Dividends are to be recorded on the date they become due for payment. However, when recording dividends under portfolio investment income, the euro area standards have recognised that, owing to practical difficulties, dividends should be recorded on the date they are paid rather than when they become due for payment. According to the BPM5 (paragraph 287), dividends payable to non-resident shareholders (direct investors and portfolio investors) must be recorded gross of any withholding taxes. In practice, it is often the company itself that pays the taxes to the tax authorities of the country in which it operates and, subsequently, distributes the dividends to the non-resident shareholders net of tax. In such cases, a correction should ideally be made by imputing a counter-entry (for the amount of the tax) as a current transfer (credit), so that dividends can be considered as being paid in full to the non-resident shareholders. Likewise, a correction should be made for dividends receivable.

3.4.4.2 INTEREST

Interest is payable in accordance with a binding agreement between the creditor and the debtor. Interest is the amount that the debtor becomes liable, under the terms of the financial instrument agreed between them, to pay to the creditor over a given period of time without reducing the amount of principal outstanding. Interest income should be recorded on an accruals basis, except for the requirements for the monthly b.o.p. (See also Sub-sections 3.4.6.1 and 3.4.6.2 on the concept of recording on an accruals basis and the compilation of accrued interest on debt securities.)

3.4.5 SPECIFIC ISSUES RELATED TO DIRECT INVESTMENT INCOME

3.4.5.1 REINVESTED EARNINGS

Reinvested earnings appear in the context of income on equity and are defined as the direct investor's share of the total consolidated profits earned by the direct investment enterprise in the reference period covered (after allowing for tax, interest and depreciation) less dividends due for payment in the relevant period, even if these dividends relate to profits earned in earlier periods.

Reinvested earnings are to be recorded in the period in which they are earned and included in the (monthly) euro area b.o.p. statistics both (i) in the current account as imputed flows of undistributed income to the direct investor (credit) and (ii) in the financial account as additional equity capital to the direct investment enterprise (debit), the flows being equal and of opposite sign.

The calculation of reinvested earnings should be based on:

- the *net operational profit* which may itself be subject to various estimation methods in case of (i) delays in obtaining the definitive data or (ii) the total absence of a recording procedure to collect them;
- *interpolation* procedures to adjust the data to the required monthly frequency;
- the inclusion of any *uncovered losses* by the direct investor as negative reinvested earnings (and decrease in the claims of the affiliate for the offsetting entry in the financial account).

As to the methods of estimating the net operational profit in the event of *delays* occurring in obtaining the definitive data from any direct collection procedure, such as a direct investment survey or balance sheet reports, the figures related to the results of enterprises for the previous (two) year(s), adjusted by a correction factor to better reflect developments in the global economy and to capture its turning points, may be used as a proxy for the results of the current year. The correction factor should preferably refer to forecasts (i) on general developments in the results of enterprises,

such as those provided by certain private associations and public institutions, or (ii) on the evolution of a variable which is representative of the global trend of the economy, such as GDP.

In the case of a *total absence of a recording procedure* to directly collect data on the net operational profit, estimates may be derived by applying a *rate of return* on the direct investment equity stock data, provided that data on the stock of direct investment equity are available. Direct investment could be considered from the same angle as securities, namely from a purely investment perspective. The estimated yield should be determined according to the direct investment enterprises' future expected income. If other relevant information is lacking, compilers might use the current yield on long-term securities as a proxy and correct it by excluding capital gains and losses from the estimated profits so as to take account (i) of the greater risk and the lower liquidity of direct investments and (ii) of possible enterprises' losses.

This method can also provide a geographical breakdown based on the geographical distribution of the stock of direct investment equity stemming from direct sources, such as foreign direct investment surveys, or from the accumulation of flows from an earlier benchmark level.

3.4.5.2 INCOME ON DEBT

Direct investment income on debt consists of interest payable on inter-company loans granted to or by direct investors from or to associated enterprises outside the euro area. Income on non-participating preference shares is treated as interest, rather than as dividend income, and is also recorded under the euro area direct investment income on debt account.

3.4.6 SPECIFIC ISSUES RELATED TO PORTFOLIO INVESTMENT INCOME[2]

3.4.6.1 THE CONCEPT OF RECORDING INTEREST ON AN ACCRUALS BASIS

In line with the SNA 93 and the BPM5, interest should be recorded on an accruals basis so as to ensure that the cost of capital continually matches the provision of capital. As interest accrues, the amount of the claim must be recorded under investment income in the current account, either as a credit or as a debit, with an off-setting entry to the extent that interest is not paid – under portfolio investment, debt securities – bonds and notes or money market instruments – according to the underlying instrument, in the financial account. When the actual coupon payment occurs, this payment should not be recorded under investment income, but should instead be recorded in the financial account as a debit or credit entry, representing a reduction in liabilities/assets.

For the b.o.p. compiler, accruing interest means that interest is recorded as earned continuously from the date of purchase/acquisition of an instrument to the date of its sale or redemption, with the appropriate amounts being attributed to each b.o.p. compilation reference period. Any estimation methods used to calculate accrued interest should be based (i) on the market value for stocks and (ii) on the prevailing interest rate in the market *at the time of compiling the accrued interest* ("market principle"). The prevailing interest *rate at the time of issuance* ("debtor principle") may be used as a pragmatic approach in the case of bonds at fixed interest rate (e.g. government bonds), if data in accordance with the market principle are difficult to obtain.

Apart from applying more global estimation methods, it is also possible to calculate accrued interest on a security-by-security basis, using information from a securities database. By way of example, this can be done by using nominal values and actual interest rates in combination with actual quotations, actual issue prices and values at maturity for each individual security.

3.4.6.2 COMPILATION OF ACCRUED INTEREST ON DEBT SECURITIES

If stocks of the outstanding amounts of domestic debt instruments held by euro area non-residents and of debt instruments issued by non-residents and held by residents are not available on a monthly basis, the monthly stocks should be built up using annual or, when available, quarterly stock data (such as those from the i.i.p.) and the monthly flows collected for b.o.p. purposes. The stock amount to be used when applying the method is the average of the stock at the beginning and that at the end of the month. To avoid the recording of capital gains/losses, the stocks should be re-valued by applying the *market principle* to the interest rates for the period under calculation. Any difference between the stock data at the end of the period and the stock data calculated should be regarded, as mentioned previously, as valuation changes. Valuation changes can comprise exchange rate and price adjustments as well as other adjustments due to reclassifications.

Furthermore, the results of the estimates should be improved by introducing a *maturity breakdown* for the stocks held by non-residents, thus enabling the compiler to apply a benchmark interest rate to each maturity. If such a breakdown is not available, it could be assumed that non-residents held debt instruments in proportion to the share of each maturity in the total outstanding amount of debt instruments. This would mean applying the same maturity distribution as in the total outstanding amount of debt instruments to the holdings of these financial instruments by non-residents.

As far as foreign debt instruments held by residents are concerned, the stock data should also *be broken down by the currency* of denomination. Consequently, for each currency and for each maturity, the market principle should be taken as the benchmark. The calculation of the accrued income should be

2 For a fuller discussion of measurement issues related to portfolio investment income, see the report of the ESCB Task Force on Portfolio Investment Income 2003 (www.ecb.int/pub/).

made in the currency in which the instrument is denominated.

Special attention will be given in the following sections to specific types of bonds, such as zero coupon bonds and other bonds with a more complicated structure, and to money market instruments.

Zero-coupon bonds
In the case of zero-coupon bonds and other deep-discounted bonds, the substantial difference between the issue price and the value at maturity is treated as interest. In order to filter out possible capital gains/losses, the calculation is done to identify the accruing interest, which is treated as a reinvestment in the parent instrument.

If zero-coupon bonds are traded in the secondary market, the transaction price may include a realised holding gain or loss, in addition to accrued interest. That additional change, i. e. due to valuation, is included in the entries into the financial account for the purchase and sale of the bond at market prices (the market price of these bonds includes accrued interest).

Based on the market prices, the accrued interest can be calculated separately. The discount of these bonds should be split and distributed over the compilation periods. Although the treatment of likely capital gains or losses as accrued interest could be seen as a pragmatic approach, it is recommended that account be taken of the important role of the revaluation of stocks in reconciling flows and stocks in the context of the i.i.p. and not to record the valuation changes as part of the income.

Other bonds
Bonds with more complicated structures are divided into four categories: index-linked bonds, junk bonds, floating-rate notes and convertible bonds. The most difficult issue here is to determine an adequate "benchmark" which could be used as the prevailing interest rate in the market to estimate the accrued interest, following a global approach. As a consequence, it may be necessary in some cases to use information on a security-by-security basis, rather than global data. Moreover, it may be rather difficult to record the investment income on these types of bonds on an accruals basis.

Index-linked bonds
With respect to the interest income on *index-linked bonds*, the accrued income derived from the indexation of the principal value cannot be measured on a cash basis. Calculations of the two parts, indexed coupon and indexation of the principal value, of the accrued income should be made by using the index to which the coupon and the principal value are linked. Due to the variety of indices, problems can appear when a global approach is followed, in particular in determining a benchmark index which is sufficiently representative; it is feasible to estimate the accrued income properly only by using information on a security-by-security basis.

As regards index-linked bonds and riskless index notes, the following requirements are set out. *Index-linked securities* are instruments with coupon and/or principal payments that are linked to commodity prices, interest rates, stock exchange or other price indices.

Interest on index-linked securities should be treated as interest income. If the value of the principal is index-linked, the issue price should be recorded as principal, and any subsequent change in value due to indexation should be treated as interest income. The change in value related to indexation should be estimated and recorded as interest income over the life of the security, and the offsetting entry should be recorded under debt securities in the portfolio investment account.[3]

3 Eurostat has decided that, in the case of index-linked bonds, two distinct treatments should be applied, depending on whether the bond is linked to a consumer price index or to a financial asset such as foreign currency or gold. In the former case, the capital uplift due to the movement of the index is to be regarded as interest. In the latter case, the capital uplift should not be regarded as interest, but as a capital gain/loss (Eurostat news release No 24/97 of 26 March 1997).

Riskless index notes are debt instruments that provide a return which is linked directly to an index over a set period of time. Stock exchange indices are the most commonly used. If, for example, the index doubles over the bond's life, the value of the investment would also double. However, if the index falls below the original level as at the time of issue, the investor is guaranteed to receive back his original stake, and this is the basis for the term "riskless". The issuer pays no coupon interest. In effect, the investor is buying what amounts to a call option on an index, with the cost of the call being the income that the investor would have had if he had invested elsewhere. The issuer receives interest free funds for the life of the bond, but bears the upside exposure risk of the index. In the light of the conceptual framework of the BPM5, the recording of income in the case of riskless index notes should not be handled like interest in the case of other index-linked securities. Arrangements relating to riskless bonds are not deemed to be indexing, because the purpose of indexing is to enhance income flows to preserve real purchasing power. Swapping risk exposures is not a form of indexing, but an embedded derivative. In this connection, the instrument should be valued and classified according to its primary function, such as a security, and no transactions in derivatives are to be recorded.

Junk bonds

As regards high-yield or *junk bonds*, the fact that these bonds are differentiated from other bonds solely on account of their high yield seems to make it unnecessary, in principle, to apply any special b.o.p. treatment. However, problems may arise in the following cases: first, these bonds can be traded with a significant discount on the secondary market and, second, the probability of a default is higher for junk bonds than for other bonds (defaults often take the form of arrears in interest payments). Hence, the benchmark interest rate to be used should adequately reflect the market perception of the risk of the issuer.

Floating-rate notes

Where standard *floating-rate notes* (*FRNs*) are concerned, there is a large variety of FRNs which incorporate a coupon calculation designed to tailor the product to match investors' expectations and needs for income., namely so-called structured FRNs. The most important problem is to find a market interest rate benchmark which is sufficiently representative. The lack of the necessary information about the characteristics of the various FRN issues makes it difficult to find a good benchmark, unless a security-by-security approach is taken. In some cases, however, a more global approach which distinguishes between broad categories of FRNs can also produce good results. As for indexed bonds, there are derivatives embedded in the bond.

Convertible bonds

As the market value of a *convertible bond* not only reflects changes in interest rates, but also changes in the value of the embedded conversion option, a method based on the market value of the stocks and a market interest rate will not produce good results for accrued income. Calculations should be made on the basis of the nominal value of the bond and the interest rate prevailing at the time of issuance. Either an instrument-by-instrument approach or a global approach could be taken.

With regard to the benchmark, the interest rate of the convertible bond would seem to be the most relevant. However, it could also be argued that the interest rate of a comparable bond without a conversion option should be used in order to calculate the (notional) investment income and that the result of this calculation should partially be offset under the underlying financial instrument by the difference between the notional interest income and the income actually paid or received. The entry under the underlying financial instrument would then represent the implicit payment of a premium for the conversion option. In the latter case, the same interest rate could be used as benchmark as for normal bonds, whereas the first approach

would require a specific benchmark for convertible bonds.

Money market instruments
The following method for applying the accruals principle refers to those short-term debt securities which are issued (i) at discount and (ii) with an original maturity of up to one year. As no coupon payments occur, it is necessary to introduce an estimation method for the investment income earned on money market instruments. The difference between the amount paid at the time of acquisition – either the issue or the transaction price – and the amount received when the security is redeemed or sold on the secondary market represents the income and is to be recorded in the current account (with an offsetting entry in the financial account) on an accruals basis.

3.4.6.3 COMPILATION OF ACCRUED INTEREST WITH COLLECTIVE INVESTMENT INSTITUTIONS

Collective investment institutions (CIIs) refer to incorporated (investment companies or investment trusts) and unincorporated undertakings (mutual funds or unit trusts) that collect funds from investors by issuing shares/units. The CIIs invest these funds in financial assets (mainly marketable securities and bank deposits) and in real estate. These institutions permit small investors to spread the risks of their investments through access to a wider variety of markets and financial instruments.

While the treatment of the income of the CII as such (asset side) is covered by the BPM5 and the recommendations about the recording of money market instruments, bonds, zero-coupon bonds and other bonds on an accruals basis, the treatment of the income of investors in the CIIs (liability side) needs some clarification due to the different distribution policies of these institutions (asset and liability here are viewed from the CII's angle).

As regards the treatment of the income of the investors in CIIs, all income accrued by a CII as a result of the investments made (on equities, debt securities, loans, deposits, etc.) is to be attributed to the holders of the shares/units over the period under review. In other words, *it is the amount and the time of recording of the income on the asset side that determine the amount and the time of recording of the income on the liability side*. Application of this method means that all income earned by CIIs is assigned to the investors in the CIIs, regardless of whether it is distributed or not. Dividends distributed by a CII to its shareholders must be recorded in the financial account, thus being considered as a withdrawal of capital.

Stock data can provide the necessary infor*mation concerning (i) the relevant* rates of return earned by the CIIs on their assets, provided that a breakdown by instrument on the asset side is available, and (ii) the investors in resident and non-resident CIIs.

With regard to (i), b.o.p./i.i.p. compilers should make a distinction between the following broad categories of asset in order to be able to match the stocks with the relevant rates of return: bonds and notes, money market instruments and equities. The rates of return should be based on the market rates prevailing at the time of compilation (market principle) and should exclude any capital or exchange gain or loss. For debt securities, the interest rate on the benchmark that is representative for each category of instrument should be used, whereas the dividend yields of the benchmarks are to be used in the case of equity securities.

Concerning (ii), the time of the recording of the debit entries corresponding to the income to be paid to the investors in CIIs should coincide exactly with the time of the recording of the credit entries on the asset side of the CIIs. However, in practice, it is very difficult to apply such symmetrical treatment because of differences in the availability of information from resident and non-resident CIIs. Thus, to further examine this issue, a clear distinction is needed between resident CIIs (or CIIs in the reporting economy) and non-resident CIIs (or CIIs abroad).

The treatment proposed for recording the debit entries corresponding to the income paid by *resident CIIs to non-resident investors* is perhaps the most straightforward. Once the resident b.o.p./i.i.p. compiler has data for the stocks of assets owned by the resident CII, it can then either estimate the income earned on an accruals basis or collect this income data directly through a survey and, thereafter, allocate it directly to the non-resident investor by recording a debit entry.

The treatment by the compiler country of the *resident(s) investing in non-resident CIIs* should be *completely symmetrical* to the treatment by the compiler country of resident CIIs in which non-residents have invested. However, the compiler country of the investor may face difficulties in estimating the income from these investments owing to the possible unavailability of (i) up-to-date stock information on these assets (i.e. the value of shares/units in the non-resident CII), (ii) the aggregate asset allocation of non-resident CIIs and (iii) the country/currency distribution of these assets. For the methods used to estimate income on CII shares, please refer to the recommendations of the ECB Task Force on Portfolio Investment Income[4].

Although the application of the accruals principle is required for quarterly data, this estimation method should be applied with a higher frequency, ideally on a daily basis. The use of monthly stock data and rates of return is recommended.

A clear distinction is to be made between the *investment income earned by the investor* and the *management fee charged* by the CII. The latter should already be recorded separately as a credit entry under the services account, financial services, in the first step. With regard to the estimation of this fee, an average of the percentage applicable to the shareholders' investment can be estimated and must be applied to the estimated stocks of the period under review, in order to estimate the management fee.

3.4.7 SPECIFIC ISSUES RELATED TO OTHER INVESTMENT INCOME

3.4.7.1 COMPONENTS OF OTHER INVESTMENT INCOME

Other investment income refers to income related (i) to the "other investment" account and (ii) to "reserve assets" within the financial account. This treatment is in line with the recording of investment income as a functional category in the same manner as in the financial account of the b.o.p. and in the i.i.p. As there is no separate category for income on reserve assets, it falls under other investment income.

A breakdown by instrument should allow the estimation of accrued interest for other investment income on the basis of the stocks. However, owing to the variety of instruments underlying this income component, recording on a due-for-payment basis is accepted as a proxy for the accruals principle.

3.4.7.2 SPECIFIC ISSUES RELATED TO INCOME ON RESERVE ASSETS

Income on reserve assets, including interest income on reserve holdings of bonds and notes and money market instruments, which should be compiled on an *accruals basis* at least on a quarterly basis, is to be recorded indistinguishably under the "other investment" item of the investment income account.

The major practical problems regarding the compilation of income on portfolio investment within reserve assets on an accruals basis may derive from the discrepancies between the concept of income in the b.o.p./i.i.p. standards and accounting rules, since in many cases national compilers collect information on reserve assets from the accounting departments of their respective NCBs.

Within the ESCB, the accounting rules imply that accrued income, apart from the interest bought/sold and not yet paid (not recorded as

4 Final report, dated August 2003, available on the ECB's website (see www.ecb.int/pub/).

income), encompasses the two following elements when NCBs buy or issue securities:

(i) *accrued interest*: cumulated proportion of the whole nominal value of the coupon minus interest bought/sold from the date of the purchase/issuance of the security to date;

(ii) *amortisation of premium or discount*: when securities are bought (asset side of the balance sheet) or issued and sold (liability side) above or below par value (without taking into account interest sold or bought), the difference between the price of the deal and the nominal value of securities should be amortised until redemption, and is thus considered as income. This premium/discount is updated quarterly according to the market price of securities. At end-year, the book value of securities is adjusted to reflect the market value if the market value is less than the book value; the unrealised loss is then reflected in the profit and loss account.

The combination of these two elements, especially as far as the recognition of unrealised losses is concerned, determines that unrealised losses would be recognised in the profit and loss account only if the market price of a security had moved down at the end of the year. Thus, this accounting practice diverges from the "market principle" (see Sub-section 3.4.6.1 "The concept of recording interest on an accruals basis") in view of the fact that it entails *an asymmetric treatment*: only unrealised losses are incorporated into the price of the instrument and are thus taken into account in the calculation of the accrued interest for subsequent periods. Unrealised *profits*, however, are not considered until the moment they are realised (either at maturity or when securities in the portfolio of an NCB are sold). As a consequence of obtaining information on accrued interest following accounting rules, the overall amount of income on reserve assets could be systematically underestimated. It is therefore recommended also to use information from other available sources (i.e. the operations departments) in order to come closer to a valuation of the underlying financial instruments on a marked-to-market basis.

3.5 CURRENT TRANSFERS

Transfers are offsetting items required to balance unilateral transactions in which one economic entity provides a real resource, such as goods or services, or a financial item, to another entity without receiving any real resource or financial item in exchange.

Current transfers of the euro area consist of all transfers that are not transfers of capital. Current transfers directly affect the level of disposable income of the euro area donor or recipient. They include those of general government, e.g. transfers relating to current international cooperation between different governments, payment of current taxes on income and wealth, etc., and other transfers, e. g. workers' remittances, insurance premiums – less service charges – and claims on non-life insurance.

3.6 CAPITAL ACCOUNT

The capital account covers (i) capital transfers and (ii) the acquisition/disposal of non-produced, non-financial assets.

3.6.1 CAPITAL TRANSFERS AND SUB-COMPONENTS

3.6.1.1 DISTINCTION OF CAPITAL TRANSFERS FROM CURRENT TRANSFERS

The separation of capital and current transfers within the b.o.p. has been introduced for the purpose of achieving compatibility with National Accounts statistics. For b.o.p. statistics, the sum of the current account balance and the balance on capital account corresponds to the net lending/net borrowing

of the total economy. However, the current account balance as such is viewed as an important economic indicator and the classification of transfers as current or capital has an impact on the resulting surplus or deficit on the current account. It is, therefore, vital that transfers are recorded appropriately in the b.o.p. current or capital account.

For the definition of *transfers and current transfers* see Section 3.5.

Capital transfers consist of:
(i) transfers of ownership of fixed assets;
(ii) transfers of funds linked to, or conditional upon, the acquisition or disposal of fixed assets; or
(iii) the cancellation, without any counterpart being received in return, of liabilities by creditors. Capital transfers may be in cash or in kind.

Capital transfers in *cash* are linked to, or conditional upon, the acquisition or disposal of a fixed asset by one or both parties to the transaction and should be recorded when the payment is due to be made.

Capital transfers in *kind* are (i) transfers of ownership of a fixed asset or (ii) the forgiveness, by mutual agreement between creditor and debtor, of the debtor's financial liability when no counterpart is received in return by the creditor.

Capital transfers involve the disposal/acquisition of assets resulting in a change in the stocks of assets of one or both parties to the transaction. They are usually large and occur infrequently, though there are exceptions, as in the case of some public development aid transactions, for instance.

In practice, the distinction between current and capital transfers is to be found in the use of the transfer by the recipient. B.o.p. compilers often encounter classification problems in the case of debits (the recipient is a non-resident) when the use of the transfer is difficult to identify. Some examples are listed below:

(i) public development aid/government aid to developing countries often takes the form of global funding for a public budget without any separation according to the use of the funds as operating expenditure or investment (public equipment or subsidiaries of private firms);

(ii) inheritance tax may be regarded in two different ways: as a transfer of capital by the taxpayer or as a current receipt by the government;

(iii) small instalments;

(iv) the treatment of set-aside payments/subsidies in agriculture for mandatory production cut-backs.

Each case must be considered carefully by b.o.p. compilers. In case of remaining doubt a cash transfer should be classified as a current transfer and should hence appear in the current account.

There is a special difficulty relating to transfers between EU institutions and Member States, which can involve large amounts. Since the use of funds received through transfers of EU institutions (grants, subsidies, etc.) is sometimes difficult to determine, inconsistent recording may occur e.g. the EU institutions making the payment treat the transactions as current transfers and the recipients record them as capital transfers. To help consistency, the European Commission (Eurostat) provides the Member States with a tentative split of each EU fund into current and capital transfers.

3.6.1.2 THE SUB-COMPONENT OF DEBT FORGIVENESS

When a creditor in a euro area Member State formally agrees – via a contractual arrangement – with a debtor country outside the euro area to forgive (extinguish) all, or part, of the debtor's obligations, the amount forgiven is treated as a

capital transfer from the creditor to the debtor. In effect, the b.o.p. statistics reflect a reduction of the liability offset by the transfer. Only cancellations based on *mutual agreements* representing capital transfers should be recorded in the euro area b.o.p. The *writing-off of debts* reflects a capital loss which should not be recorded as a transfer.

Data on general government debt forgiveness should be available from official sources or might be made available to the central bank directly by the general government/Treasury. Data on debt forgiveness by banks are sometimes more difficult to capture, although in some Member States they are available directly from the MFIs.

3.6.1.3 THE SUB-COMPONENT OF INVESTMENT GRANTS

Investment grants consist of capital transfers, in cash or in kind, made by governments to units which are not residents of the euro area, or vice versa, to finance all or part of the costs of acquiring fixed assets. The recipients are obliged to use investment grants received in cash for purposes of gross fixed capital formation, and the grants are often tied to specific investment projects, such as large construction projects. If these projects continue over a long period of time, investment grants (in cash) may be paid in instalments. Payments in instalments are classified as capital transfers, even in cases where they are recorded successively in different accounting periods.

In principle, official records should provide data on investment grants. However, these records are often held by different official bodies and are, in some cases, not easy to translate into b.o.p. items.

3.6.1.4 THE SUB-COMPONENT OF MIGRANTS' TRANSFERS

Migrants are individuals other than students, medical patients and diplomatic, military and similar personnel who move their home from one country to another and who stay in the new country for at least one year. Migrants' transfers refer to the household and personal effects, together with the financial claims and liabilities that migrants transfer at the time they move from one country to another.

The value of the *household and personal effects* of migrants, together with the *movable capital goods* that they actually transfer, should be recorded as transactions in goods, with offsetting entries under migrants' transfers in the capital account. The distinction between *migrants' transfers* and *workers' remittances* may be difficult to make when transfers are made in cash.

Migrants' transfers are often difficult to capture statistically. B.o.p. compilers use various data sources to obtain the data or rely on surveys.

3.6.2 ACQUISITION/DISPOSAL OF NON-PRODUCED NON-FINANCIAL ASSETS

Acquisitions/disposals of non-produced, non-financial assets cover the acquisition/disposal of non-produced tangible assets (land and sub-soil assets) and the acquisition/disposal of non-produced intangible assets, such as patents, copyrights, trademarks, franchises, etc., and leases or other transferable contracts. Only the purchase/sale, but not the use of such assets, is to be recorded in this category of the euro area capital account. Concerning transactions in land, an acquisition/disposal is deemed to occur between resident units, and the non-resident acquires a financial claim on a notional resident unit. Therefore, changes of ownership in land (i.e. real estate) usually are classified as financial transactions under direct investment (see also Sub-section 3.7.1 "Direct investment/ definition and coverage").

3.7 DIRECT INVESTMENT

3.7.1 DEFINITION AND COVERAGE

Direct investment reflects the objective of a resident entity in one economy to obtain a lasting interest in an enterprise resident in

another economy. In line with international standards (IMF/OECD), a "10% ownership criterion" is applied in order to infer a direct investment relationship, i.e. the existence of such a lasting interest, in the case of the euro area b.o.p and i.i.p. Based on this criterion, a direct investment relationship can exist between related enterprises, regardless of whether the linkage involves a single chain or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment has been established, all subsequent financial flows[5] between the related entities are recorded as direct investment transactions, regardless of the financial instrument used, except in the case of transactions between affiliated banks (MFIs) and other financial intermediaries where direct investment transactions are confined to those of a permanent capital nature.

Special-purpose entities (SPEs) are enterprises in the form of holding companies, base companies, regional headquarters or other types of subsidiaries, which are established for the purpose of managing foreign exchange risks, facilitating the financing of investments or otherwise engaging in financial transactions. They are considered to be direct investors and/or direct investment enterprises. However, where SPEs have the sole purpose of acting as a financial intermediary (as is the case for banks and other financial intermediaries, such as brokers), transactions with the parent companies or with direct investment companies that are also financial intermediaries recorded under direct investment are limited to those associated with permanent debt and equity (see above).

The components of direct investment transactions are equity capital, reinvested earnings and other capital associated with various inter-company debt transactions. *Real estate investment* including private, non-business real estate investment should be recorded as well. Private non-business real estate investment relates, in particular, to holiday and other residences owned by non-residents, whether for personal use or leased to others.

Equity capital comprises equity in branches, all shares in subsidiaries and associates (with the exception of non-participating preference shares that are treated as debt securities) and other capital contributions.

Reinvested earnings consist of the offsetting entry to the direct investor's share of earnings not distributed as dividends by subsidiaries or associates and earnings of branches not remitted to the direct investor; a corresponding amount should be recorded under investment income. (See Sub-section 3.4.5.1 "Reinvested earnings").

Other capital covers all inter-company financial transactions (borrowing and lending of funds) – including debt securities and suppliers' credits (i.e. trade credits) – between direct investors and subsidiaries, branches and associates.

3.7.2 RECORDING DIRECT INVESTMENT ON A DIRECTIONAL BASIS

Following the recommendations of the IMF and OECD guidelines, direct investment relationships are recorded in euro area statistics using the *directional principle*, implying that financial transactions between the euro area resident direct investors and the non-euro area direct investment enterprises are classified as direct investment abroad in the euro area b.o.p./i.i.p. (negative or positive, depending on the direction of the flow). Symmetrically, the financial transactions between resident direct investment enterprises and non-euro area direct investors are classified as direct investment in the reporting economy in the euro area.

An exception relates to direct investment flows/positions between companies of the same group

5 Except from those related to financial derivatives between affiliates for which the Working Group on Balance of Payments and External Reserves Statistics (WGBP&ER), in line with an IMF proposal, agreed – for practical reasons – on reporting under the functional category of financial derivatives, rather than under FDI/other capital.

which do not however have any *direct* ownership link to each other (the so-called "fellow" or "sister" companies). In this case, it is recommended that the "asset/liability principle" be applied, i.e. that all assets are recorded as direct investment abroad and all liabilities as direct investment in the reporting economy, in line with recommendations by the OECD and the IMF.

In order to apply the directional principle correctly, it is essential to determine the status of the euro area resident enterprise (i.e. either as a direct investor or as a direct investment enterprise) in relation to its counterparty in each case (likewise for holdings). However, the identities of the parties involved and their positions relative to a group hierarchy, which may change over time, are not always directly available from some collection systems; thus, compliance with the definition may cause problems in practice. The application of the directional principle may be particularly difficult in the case of companies without direct links of ownership, i.e. the so-called "grandmother"/"granddaughter" companies.

Comprehensive registers to determine the relationship of the euro area resident company vis-à-vis each direct investment-related non-euro area resident enterprise are useful. However, since creating and maintaining such comprehensive registers so as to work in a fully automated way is costly, most compilers identify the status of companies by using a combination of:

(i) an *individual selection procedure*, which consists in requesting additional information on the status of the resident company vis-à-vis the non-resident counterparty from the reporting agents for all cross-border flows (and similarly for stocks) above a certain threshold; and

(ii) information from registers, by carrying out cross-checks as far as possible.

The *threshold* aims to ensure that the selection of enterprises is representative. In principle, this threshold is applied to holdings and transactions according to two main selection criteria:

(i) the *importance of the reporting company*: the identity of the non-resident counterparty must be provided for all reported cross-border flows/holdings of the most significant resident direct investors/direct investment enterprises;

(ii) the *amount of transactions/holdings*: in this case, the obligation to identify the non-resident counterparty is restricted to all cross-border flows exceeding the amount of the threshold.

This combined approach, using registers and individual information from reporting agents, allows a correct classification of flows (and stocks) exceeding the threshold according to

the directional principle and can be applied by most euro area countries. It produces reliable results in accordance with the approved methodology, thereby increasing the coherence and compatibility of the euro area b.o.p./i.i.p. statistics.

However, asymmetries at the euro area level can still appear owing to the impossibility of defining a common threshold in terms of an absolute value. In this respect, information on direct investment relationships obtained via the method described above may be used to develop less costly comprehensive registers, which could progressively be used to improve classification.

3.7.3 SPECIAL ISSUES RELATED TO STOCKS

3.7.3.1 VALUATION CRITERIA

With regard to the valuation of direct investment stocks, the internationally recommended approach is to use market prices. Due to the absence of market prices, as an approximation direct investment in non-listed companies is

valued on the basis of the volume of own funds of the direct investment companies involved.

The criteria for the valuation of direct investment stocks in the contribution to the euro area i.i.p. are (a) the stock exchange price for listed companies, (b) for non-listed companies a valuation based on their own funds at book value, using a common definition comprising the following accounting items: (i) paid-up capital (excluding own shares and including share premium accounts); (ii) all types of reserves (including investment grants when accounting guidelines consider them company reserves); and (iii) non-distributed profits net of losses (including results for the current year).

The possibility of publishing in parallel direct investment stocks for the euro area as memorandum items on the basis of other criteria (i.e. marked-to-market or based entirely on own funds at book value) is under consideration.

3.7.3.2 ISSUES RELATED TO THE ACCUMULATION OF FLOWS

In cases, in particular, where the real stocks resulting from surveys are not available within a reasonable time horizon, compilers could consider the use of accumulated flows to supplement the outcome of the latest available surveys. However, the use of accumulated flows for the estimation of direct investment stocks poses several problems. Even if reinvested earnings are captured in transactions and the directional principle is applied to the direct investment flows, significant discrepancies can arise between real stock data and the estimates obtained by means of the accumulation of flows, owing to different valuation schemes. Therefore, the accumulation of flows is not regarded as an acceptable method over the long term for the estimation of direct investment stocks within the euro area. Only in cases where: (i) the basic benchmark stocks are available; (ii) occasional surveys are developed; and (iii) a reconciliation exercise between stocks and flows is carried out, could accumulated flows be used to obtain more frequent and/or initial estimates of the data.

3.8 PORTFOLIO INVESTMENT[6]

3.8.1 DEFINITION AND COVERAGE

The euro area portfolio investment account includes (i) equity securities and (ii) debt securities in the form of bonds and notes and money market instruments, except for those falling into the category of either direct investment or reserve assets. *Financial derivatives* are excluded from portfolio investment and shown in a separate category of the financial account and the i.i.p. (see Section 3.9 "Financial derivatives"), in line with IMF recommendations.

The *equity securitie*s item covers all instruments representing claims on the residual value of incorporated enterprises after the claims of all creditors have been met. Shares, stocks, preferred stock or shares, participation, or similar documents usually denote ownership of equity. Transactions/holdings of shares of collective investment institutions, e.g. investment funds, are also included.

Bonds and notes are securities issued with an initial maturity of more than one year which usually give the holder (i) the unconditional right to a fixed monetary income or contractually determined variable monetary income (payment of interest being independent of the earnings of the debtor) and (ii) the unconditional right to a fixed sum in repayment of principal on a specified date or dates. Transactions and holdings in securities issued with a maturity of more than one year are always classified as bonds and notes in the euro area b.o.p./i.i.p., even though their residual maturity at the time of the investment may be one year or less.

6 For a fuller discussion of measurement issues related to portfolio investment, see the June 2002 report of the ESCB Task Force on Portfolio Investment Collection Systems (see www.ecb.int/pub/).

Unlike bonds and notes, *money market instruments* are securities issued with an initial maturity of one year or less. They generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded, at a discount, in organised markets; the discount is dependent upon the interest rate of the instrument relative to the market interest rate and the time remaining to maturity. Examples of such instruments are Treasury bills, commercial and financial paper and bankers' acceptances.

Collateralised loans and other relevant transactions/holdings related to *repurchase agreements* involving debt securities are recorded in the euro area other investment account.

The recording of portfolio investment transactions in the euro area b.o.p. takes place when the euro area creditors or debtors enter the claim or liability in their books. Transactions should be recorded, in principle, at the effective price paid or received, less commissions and expenses. Thus, in the case of securities with coupon interest, the interest accrued from the last payment of interest is included and, for securities issued at a discount, the interest accumulated since issue is included. Offsetting entries for interest accrued are required in the quarterly b.o.p. financial account and in the i.i.p. (see Sub-section 3.4.6 "Specific issues related to portfolio investment income"); in the monthly b.o.p. items the same treatment is recommended (but not required), in line with the income account.

3.8.2 GEOGRAPHICAL ALLOCATION PRINCIPLE FOR CHANGE OF OWNERSHIP

With regard to *portfolio investment* instruments, whether these are considered to be external depends only on the residence of the issuer in the case of assets and on that of

the beneficiary/holder of the securities in the case of liabilities, regardless of the type of instrument, the currency of denomination or the location of the market on which the securities are issued.

Different institutional features of the financial markets impinge on the ability of the compiler to allocate the flows/stocks in euro area liabilities (and in debits to the related income account) solely according to the creditor principle. Given the participation of various financial intermediaries in international transactions and the presence of an active secondary market for many existing liabilities, the euro area resident issuer (and the b.o.p. compiler) may not be aware of the final destination of the outward income flow or of the residency of the ultimate beneficiaries/holders of securities issued by euro area residents. This is particularly likely when flows occur through international financial centres or clearing houses. Therefore, for portfolio investment, the recording of liabilities (and the related income debits) in many cases in practice follows one variation of the transactor principle, i.e. the first known counterparty. It may be possible, periodically, to reassess the disposition of the euro area's portfolio liabilities by using counterparty data from creditor countries. The IMF's Co-ordinated Portfolio Investment Survey could play a valuable role in this respect.

On the asset side (and for related income credits), the application of the debtor principle should prove more straightforward, as the resident holder should know the identity and country of residence of the debtor (issuer).

3.8.3 SECTORAL BREAKDOWN OF PORTFOLIO INVESTMENT LIABILITIES

From June 2006, euro area countries provide flows and stocks of portfolio investment assets in the form of euro area securities, broken down by issuer sector. In combination with national portfolio investment liabilities, this permits the compilation of euro area portfolio investment liabilities broken down by the sector of the euro area resident issuer.

3.8.4 SPECIFIC TYPES OF DEBT SECURITIES

The following debt instruments have certain specific characteristics which have a bearing on how they are recorded.

Note issuance facilities
A note issued under a note issuance facility (NIF; usually a medium-term arrangement of five to seven years) is a short-term instrument (e.g. three to six months) issued by a borrower in his own name under a contractual commitment with a bank or group of banks either to underwrite the notes and purchase any unsold notes at particular borrowing or rollover dates or to provide stand-by credits. The facility is a form of revolving credit, and the paper issued is often referred to as a Euronote or a promissory note. If the borrower is a bank, the paper is, in effect, a certificate of deposit. (At times, a facility is arranged to issue short-term notes without an underwriting commitment, but usually there is a separate stand-by credit commitment. Notes issued without an underwriting commitment are referred to as Euro commercial paper.)

For the purpose of b.o.p. recording, the creation of NIFs does not require entries in the financial account because the NIFs are contingent. When notes are issued and sold under an NIF, the transaction is recorded in such a way that the sale is entered as a liability for the borrower and as an asset for the buyer (the bank or other investor). Repayments are entered accordingly. Any fees associated with the creation and operation of NIFs or bank placements of notes with other investors are entered as financial services in the current account. As recommended for other debt securities, discounts or premiums on the notes purchased by banks or other investors (apart from the fees paid by the latter to banks) are treated as interest income or negative interest income, respectively, at the time of purchase.

Perpetual bonds
Perpetual bonds are bonds that never mature. This means that such a bond theoretically provides the holder with an infinite stream of income payments. In a number of countries, perpetual bonds are classified as second-tier equity in the balance sheets of the issuing enterprises. Nevertheless, as the income payable on these bonds is normally independent of the earnings of the issuing enterprise, perpetual bonds are classified as bonds and notes, rather than as equity, in the b.o.p. and i.i.p.

Collateralised mortgage obligations/asset-backed securities
Collateralised mortgage obligations and other asset-backed securities are instruments that relate specifically to an asset or a group of assets held by the issuing enterprise. Banks may issue securities based on mortgage loans they grant to households. The income that banks earn from lending activities is used to pay interest on the securities and the mortgages are used as collateral for the securities. The holder of the asset-backed security does not own the asset backing the security; the collateral provided with the security is contingent. Securities based on mortgage obligations are favoured by lending institutions, as it is possible with such securities to match the maturity of an enterprise's assets (its mortgages) with the maturity of its liabilities (the securities). There are other types of asset-backed securities that enable the issuing enterprise to have access to cash before the related assets mature.

3.8.5 BORDERLINE CASES

It is not always easy to distinguish portfolio investment from the other categories of the financial account and the i.i.p. In particular, the distinction between portfolio investment and other investment is less clear-cut than in the case of direct investment, financial derivatives and reserve assets. According to the BPM5, the classification of portfolio investment should be based on *the criterion of tradability*, i.e. all instruments which are traded or tradable in organised and other financial markets are, in principle, considered as portfolio investment, unless they are recorded as direct investment (see Sub-section 3.7.1), financial derivatives

(see Sub-section 3.9.1) or reserve assets (see Sub-section 3.11.1). This definition includes those instruments structured in a form identical to instruments of a negotiable nature, even though they may not actually be traded in organised (secondary) markets and may be placed directly with investors through – publicly announced – private offerings and held to maturity.

As stated above, there are borderline cases between portfolio and other investment. The agreed treatment of these borderline cases within euro area b.o.p./i.i.p. statistics is presented below:

Depository receipts should be recorded according to the underlying instrument. In addition, they should be classified as domestic or foreign securities according to the country of residence of the issuer of the underlying security, and not that of the financial institution which merely acts as an intermediary and does not carry the underlying security on its balance sheet.

Investments in mutual funds and investment trusts should be recorded as equity under portfolio investment.

Negotiable certificates of deposit
Negotiable certificates of deposit are in principle classified as portfolio investment/debt securities – according to their original maturity, they are classified either as bonds and notes (maturity in excess of one year) or as money market instruments (maturity of one year or less). A small minority of certificates of deposit are known to be non-negotiable and, where identified, should be classified as other investment/currency and deposits rather than as money market instruments.

Participating shares
Participating shares are regarded as normal equity and recorded under portfolio investment if they account for less than 10% of the shares of an enterprise and are, therefore, not to be classified as direct investment.

Preference shares
Preference shares are classified under portfolio investment, as equity securities if the shares are participating and as debt securities if the shares are non-participating. If it is not possible to distinguish between types of preference share (i.e. participating or non-participating), all shares should be recorded as equity securities.

Private placements
Two types of private placements can be distinguished. Publicly announced private placements are tradable as from the time of issue and should, therefore, be recorded in portfolio investment. Privately arranged private placements are placements of securities which are not publicly announced at the time of issue and should be recorded under other investment unless or until they become tradable.[7]

Tradable loans (i.e. "Schuldscheine")
"Schuldscheine" are classified as debt instruments as they are negotiable and a type of promissory note. Although the instrument demonstrates the characteristics of both a loan and a security, the BPM5 (paragraph 415) clearly states in its definition of "loans" that the document or instrument which evidences a loan should be non-negotiable. Owing to their tradable nature, "Schuldscheine" are therefore precluded from classification as loans under other investment, and should be classified as debt securities under portfolio investment.

3.8.6 SPECIAL ISSUES RELATED TO STOCKS

3.8.6.1 VALUATION PROPOSALS

Market values should be applied in the case of equity and debt securities, on both the asset and the liability sides, since the i.i.p. must show the economic value of the securities and not the value of redemption. The relevant prices are those prevailing at the end of the reference period to which the reporting relates.

7 In practice, the distinction between public and private private placements may be difficult to make without a security-by-security system.

The market prices of both *equity and debt securities listed in organised markets* or readily tradable are easy to identify as they are the quotation prices. The *equity of enterprises listed on a stock exchange* should be valued using the price prevailing on the main stock exchange concerned at the close of business on the last day of the period. *Equities not quoted on stock exchanges* or not regularly traded should be estimated by using either prices of comparable quoted shares or theoretical prices derived from the enterprises' net asset values. A quoted traded market price, again at the close of business on the last day of the period, should be used for the market value of *listed debt securities*. For debt *securities that are not readily tradable*, the net present value of the expected stream of future payments/receipts could be a good proxy. Otherwise, the market price of a security that closely approximates the tenor, risk and payment characteristics of the unpriced security could be an alternative. Finally, a price index based on similar maturities in the same currency could also be used to approach the market value of these types of securities. In all cases, *closing mid-market exchange rates* prevailing at the end of the period should be applied to the instruments denominated in foreign currency in order to convert them into euro.

3.8.6.2 ISSUES RELATED TO THE ACCUMULATION OF FLOWS

Both price and exchange rate adjustments are necessary for the accumulation of portfolio investment flows to be a good proxy for marked-to-market stocks and, therefore, to be compatible with direct recorded portfolio stock data.

The *perpetual inventory model* is the most common method used to derive *price adjustments*. This model requires a benchmark estimate of the stock data. Such an estimate can be obtained from an occasional collection of stock data. Alternatively a point in time when the stock position of the instrument is known or assumed to be nil can also be used as the base. The model calculates the value of a stock at the end of a period as the value of the stock at the beginning of the period, plus the impact of transaction and non-transaction-related changes in the value of the stock during the period. Calculations should initially be made in the currencies in which the instruments are denominated and converted, by using prevailing exchange rates, to the base currency.

More precise estimates could be obtained by making the required adjustments on a *security-by-security* basis, although much more detailed information would be necessary in order to take factors such as bonus issues or write-offs into account. Adjustments should also be carried out whenever an *issue matures*, if detailed information is available. The availability of ISIN codes for all securities would be very helpful for this approach. Otherwise, market prices and/or indices could be used to estimate the broad effect that these changes in volume may have on the stock outstanding.

Special care is needed in cumulating transactions when exchange rates vary during the period. *Exchange rate adjustments* should be applied for securities data analysed by currency. The actual exchange rates of the transaction and the closing mid-market exchange rates at the end of the period should provide the valid reference necessary to derive exchange rate adjustments. The average exchange rate for the reference period could be used as a proxy for the actual exchange rate at which the transaction was executed, where this is not available or where data are reported in aggregate.

3.8.7 FUTURE COLLECTION OF PORTFOLIO INVESTMENT DATA

Common approaches across the euro area to the collection of portfolio investment statistics on a security-by-security basis have been defined in the Guideline ECB/2004/15. From March 2008 onwards, portfolio investment collection

systems in participating Member States will conform to one of the following models:

Monthly stocks (s-b-s) + monthly flows (s-b-s)
Quarterly stocks (s-b-s) + monthly flows (s-b-s)
Monthly stocks (s-b-s) + derived monthly flows (s-b-s)
Quarterly stocks (s-b-s) + monthly flows (aggregate)

Notes: s-b-s = security-by-security data collection; derived flows = difference of stocks (adjusted for movements in exchange rates and in prices and other identified changes in volume).

Data derived from the security-by-security reporting will be supported by information from the Centralised Securities Database (CSDB). The CSDB is a securities database developed at the ECB that contains data on debt, equity, prices and corporate events from a variety of sources (NCBs, commercial data providers and other international organisations).

3.9 FINANCIAL DERIVATIVES

3.9.1 DEFINITION AND COVERAGE

Financial derivatives are financial instruments that are linked to a specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right. Transactions in financial derivatives are treated as separate transactions, rather than as integral parts of the value of underlying transactions to which they may be linked. The transactions and positions recorded under the item "financial derivatives" in the euro area b.o.p. and i.i.p. are those in *options, futures, swaps, forward foreign exchange contracts and credit derivatives*. For practical reasons relating to measurement, *embedded derivatives* are not separately distinguished from the underlying instruments to which they are linked.

Owing to practical problems involved in separating the asset and liability flows in a meaningful way for some derivative instruments, all financial derivatives transactions in the euro area b.o.p. financial account are recorded on a net basis. By contrast, financial derivative asset and liability positions in the i.i.p. should be recorded on a gross basis.

The recording of transactions in financial derivatives takes place when both creditor and debtor enter the claim and liability, respectively, in their books.

A further important point is to distinguish which flows/stocks associated with financial derivatives are properly recorded in the financial derivatives account in the b.o.p./i.i.p. and which should be recorded elsewhere (e.g. under other investment)[8].

The following sections will introduce the main types of financial derivatives and present practical issues related to their recording in the b.o.p. and i.i.p.

3.9.2 FUTURES

3.9.2.1 GENERAL CHARACTERISTICS OF FUTURES

A futures contract is a form of forward contract in that it conveys the obligation to purchase or sell a specified quantity of an asset at a set price on a fixed future date. The most important characteristics of a futures contract are that the terms of the contract are standardised, that trading must be conducted upon, and regulated by, a centralised exchange, and that futures are subject to regular margining. The contracts usually state the quantity to be delivered, and they are normally traded in a cycle of predetermined delivery dates (e.g. March, June, September and December). The trading of futures contracts takes the form of "open outcry" in trading pits or via automated trading systems, with price movements being expressed in "ticks"; one tick represents 0.01% of the nominal value of the trading unit (e.g. 0.01% of a US cent, or 0.0001% of a US dollar).

8 In this context, it is worth noting that in money and banking statistics repayable margin payments are considered to be deposits only where they are paid to or received by an MFI.

Exchanges use the services of a clearing house to match and settle all transactions between members. Futures contracts are marked-to-market daily, which involves the buyer/seller paying/receiving the difference between the rate at the close of business of the day and the rate on the previous day. In order to operate on an exchange, a trader must have a margin account, into which the trader must pay initial margins (repayable) and variation margins (non-repayable) when they are required.

The *initial margin* requires each party to a contract to deposit a fixed sum with the clearing house as soon as the contract is executed. This amount is set at a level which the exchange considers sufficient to cover the anticipated scale of daily price movements and is used to ensure that each counterparty can meet its potential obligations in the event of losses. While the initial margin can be a cash payment, it is often met by posting collateral. The initial margin is returned to the depositors once the contract is closed out.

The *variation margin* reflects the actual profit or loss realised on the contract from a daily marked-to-market valuation and is used, over the life of the contract, to fund the effective transfer of the asset from one counterparty to the other. Owing to the fact that the transfers to and from both counterparties' accounts take place daily, the contract starts at a risk neutral position each day. Some exchanges, however, choose to retain this daily variation margin until the end of the contract, rather than passing it on each day. In many cases the margining position of each counterparty is calculated on a net basis (netting purchased and sold contracts) by the clearing house. In practice, there might be only one margining account, which makes it more difficult to separate initial margin and variation margin payments.

In all futures deals, the clearing house itself becomes a legal counterparty to the contract. Hence, the creditworthiness of any counterparty is not a factor in exchange-traded contracts, as the clearing house will settle all accounts should one counterparty default. When establishing a futures contract, a counterparty will have to pay commission to a broker for carrying out a transaction, as well as to the clearing house itself.

There are two main ways of liquidating a futures contract. One is to take up an offsetting futures position prior to the value date in order to net off the existing obligation on the clearing house's books. The other is to allow the contract to expire, at which time the buyer can sometimes take physical delivery of the commodity or instrument (where such exist) or choose to accept the cash equivalent. In the most active and developed markets, such as short-term interest rate futures markets, usually only cash settlement is authorised (e.g. three-month contracts on the LIFFE, MATIF, or DTB exchanges). However, long-term contracts (e.g. ten-year contracts) may involve delivery of the securities.

3.9.2.2 PRACTICAL TREATMENT OF FUTURES IN THE B.O.P./I.I.P.

At the start of a futures contract, no transaction is recorded under financial derivatives in the b.o.p. The futures-style variation margin payments that are made during the life of a contract with a non-resident counterparty are non-repayable in nature and should be recorded as transactions in financial derivatives. As is the case for exchange-traded options with futures-style margining (see Sub-section 3.9.3.1 below), the initial margin payments, which are repayable, should be recorded as transactions in the other investment account.

In principle, the market values of futures contracts should be recorded as financial derivative assets and liabilities in the i.i.p. In practice, however, the market values of futures with daily margining, as mentioned earlier, are close to zero at the end of each day, and it is not necessarily cost effective to collect them. The outstanding amounts of initial margins paid are recorded as assets in the other investment account and the outstanding amounts of initial

margins received are recorded as liabilities in the other investment account.

More specifically, the recording of futures should be as follows:

Flows

(i) *Non-repayable margins*: futures-style variation margin payments:
- amounts paid or received during the period are recorded under financial derivatives;
- the inflow (credit) of cash is regarded as a decrease in assets and the outflow (debit) of cash is regarded as a decrease in liabilities.

(ii) *Repayable margins*: initial margin payments:
- amounts paid or received during the period are recorded under loans/currency and deposits in the other investment account;
- the inflow (credit) of cash is regarded as a decrease in assets or increase in liabilities and the outflow (debit) of cash is regarded as a increase in assets or decrease in liabilities.

Stocks

(i) *Assets*:
- the sum of contracts with a positive market value at the end of the period is recorded in the financial derivatives account;
- the outstanding amount of initial margins paid is recorded in the other investment account.

(ii) *Liabilities*:
- the sum of contracts with a negative market value at the end of the period is recorded in the financial derivatives account;
- the outstanding amount of initial margins received is recorded in the other investment account.

3.9.3 OPTIONS

3.9.3.1 GENERAL CHARACTERISTICS OF OPTIONS

An option is an instrument that gives the purchaser the right, but not the obligation, to buy/sell a specified amount of a particular financial instrument, or commodity from/to the writer (seller) of the option within a given period, or at some specific future time, at a specified price. Options can be either exchange-traded or over-the-counter (OTC) instruments. *Exchange-traded options* are packaged in fixed quantities and have a fixed range of dates. Options can be margined *options-style* (where there is an exchange of the initial premium, and daily variation margins may be covered by collateral rather than cash) or *futures-style* (where there is no initial premium and variation margins are settled in cash). OTC options, by contrast, are tailor-made to meet the customer's requirements, and are therefore less suitable for trading on secondary markets.

At the inception of the contract, the purchaser of the option usually pays a premium to the seller. At maturity, the holder (buyer) of the option has the right, but not the obligation, to exercise the option. If the right is not exercised, the option expires and is worthless (the loss incurred by the buyer is equal to the premium paid).

If the option is exercised on the due date ("European style"; or within the specified range of dates, i.e. "American style"), then a net payment (representing the difference between the market price and the contractually agreed strike price) is usually made by the writer to the option holder. However, in some cases, instead of a net payment, a delivery of the underlying instrument or commodity takes place.

The percentage of the contracts reaching maturity (i.e. contracts which are not closed out prior to the expiry date), and the percentage of those that end with the delivery of the underlying instrument, vary considerably from market to market.

Different types of margin payments are made in the exchange-traded markets. The margin is a measure of risk to an institution that is counterparty to a contract. Margining takes two forms; an *initial margin*, to cover potential future adverse price movements, and a *variation margin*, to cover actual past price movements since the previous variation margin settlement. The initial margin is held as a deposit (or by posting collateral) for the duration of the contract which is returned when the contract expires. Variation margining is carried out either options-style or futures-style. The choice depends on the type of instrument and the practice applied by the exchange concerned. For example, equity options are often margined options-style, while interest rate options are usually margined futures-style.

In *options-style* margining, the purchaser of the option pays a premium to the seller and the writer posts an initial margin to the clearing house. Daily variation margin payments are made to the buyer only in proportion to the net liquidation value, since the clearing house covers itself against potential future price changes in favour of the writer. The buyer's margin account can be fully realised only when the deal is closed out or the option exercised.

With *futures-style* variation margining, there is no premium and this is reflected in the price that the contract is quoted at; options that are margined futures-style can be regarded as similar to futures, except that the downside risk for the buyer is capped. Both the buyer and the seller are required to deposit initial margins. The daily variation margin payment is usually collected by the clearing house from one party – and simultaneously paid to the other party – and provides the means for effecting a change in ownership.

3.9.3.2 PRACTICAL TREATMENT OF OPTIONS WITH OPTIONS-STYLE MARGINING OPTIONS IN THE B.O.P./I.I.P.

OTC options and exchange-traded options with *options-style* margining involve a payment of the premium up front. The full premium should be recorded under financial derivatives as the acquisition of a financial asset by the buyer, and as the incurrence of a liability by the seller. At the close of the contract, the net payments that reflect the difference between the underlying market price and the strike price should also be recorded under financial derivatives, regardless of whether the underlying instrument is delivered or not.

Any actual delivery of the underlying instrument should be treated as a separate entry in the financial account, and the transaction should be recorded at the prevailing market price. Both the premium at the start of the contract and net payments at the close of the contract are non-repayable to the payer (buyer or seller).

Initial margin payments, options-style variation margin payments or other collateral-type payments related to option contracts should be recorded as transactions under the other investment account, in currency and deposits. In principle, these are all repayable to the payer and should not therefore be regarded as transactions in financial derivatives. If a repayable margin is made in the form of securities or other non-cash assets, there will be no transaction recorded in the b.o.p., since no change of ownership takes place.

The market values of the option contracts at the end of the reference period should be recorded in the i.i.p. Purchased options are regarded as financial derivative assets and written options are regarded as financial derivative liabilities. The outstanding amounts of initial margins paid are recorded as assets in the other investment account and the outstanding amounts of initial margins received are recorded as liabilities in the other investment account.

More specifically, the recording of options with *options-style* margining (including OTC options) should be as follows:

Flows

(i) *Full premium and net payments at the close of the contract* (difference between the underlying market price and the strike price):
- amounts paid or received are recorded under financial derivatives;
- the purchase of an option (debit) is regarded as an increase in assets and the sale of an option (credit) is regarded as an increase in liabilities.

(ii) *Repayable margins* (exchange-traded options): initial margin payments (writer only) or options-style variation margin payments:
- net amounts paid or received during the period are recorded under loans/currency and deposits in the other investment account;
- the inflow (credit) of cash is regarded as a decrease in assets for the buyer of an option or an increase in liabilities for the writer of an option and the outflow (debit) of cash is regarded as an increase in assets for the buyer of an option or a decrease in liabilities for the writer of an option.

Stocks

(i) *Assets*:
- the market value of the purchased options at the end of the period is recorded in the financial derivatives account;
- the outstanding amount of initial margins paid is recorded in the other investment account.

(ii) *Liabilities*:
- the market value of the written options at the end of the period is recorded in the financial derivatives account;
- the outstanding amount of initial margins received is recorded in the other investment account.

3.9.3.3 PRACTICAL TREATMENT OF FUTURES-STYLE OPTIONS IN THE B.O.P./I.I.P.

In the case of exchange-traded options with *futures-style margining*, payment of the premium does not take place at the start of the contract, and there is thus no transaction in financial derivatives at the start of the contract. Initial margin payments, which are repayable to the payer, should be recorded as transactions in the other investment account. The futures-style variation margin payments that are made during the life of the contract (usually daily) are non-repayable in nature and should be recorded as transactions in financial derivatives.

In principle, the market values of exchange-traded options should be recorded as financial derivative assets and liabilities in the i.i.p. In practice, however, the market values of exchange-traded options with frequent margining are close to zero at the end of each day. (The market value of a futures-style margined contract can be argued to be equivalent to any unsettled variation margin payments, although this may be difficult, in practice, to report for many institutions. However, as the figures are relatively small, the collection of such data is of limited value.) The outstanding amounts of initial margins paid are recorded as assets in the other investment account, and the outstanding amounts of initial margins received are recorded as liabilities in the other investment account.

More specifically, the recording of *futures-style* options should be as follows:

Flows

(i) *Non-repayable margins*: futures-style variation margin payments:
- amounts paid or received are recorded under financial derivatives;
- the inflow (credit) of cash is regarded as a decrease in assets and the outflow (debit) of cash is regarded as a decrease in liabilities.

(ii) *Repayable margins*: initial margin payments:
- amounts paid or received during the period are recorded under loans/currency and deposits in the other investment account;
- the inflow (credit) of cash is regarded as a decrease in assets or an increase in liabilities and the outflow (debit) of cash is regarded as an increase in assets or decrease in liabilities.

Stocks

(i) *Assets*:
- the market value of the purchased options at the end of the period is recorded in the financial derivatives account;
- the outstanding amount of initial margins paid is recorded in the other investment account.

(ii) *Liabilities:*
- the market value of the written options at the end of the period is recorded in the financial derivatives account;
- the outstanding amount of initial margins received is recorded in the other investment account.

3.9.4 SWAPS, FORWARDS AND FORWARD RATE AGREEMENTS

3.9.4.1 GENERAL CHARACTERISTICS OF SWAPS, FORWARDS AND FORWARD RATE AGREEMENTS

Swaps are contractual agreements between two parties who agree to exchange sets of cash flows. Contracts are negotiated by the counterparties themselves and, in principle, the payment arrangements can be tailored to the wishes of the counterparties. However, standard conventions are followed in the most active swap markets, thus helping the b.o.p. compiler to set out instructions for reporting. In many markets, such as the interest rate swap market, the principal is not exchanged at the start of the contract. Nonetheless, in the case of cross-currency interest rate swaps, for instance, the principal is sometimes exchanged at the start of the contract. Interest payments are usually carried out on a net basis. Swaps are mainly OTC contracts, but exchange-traded contracts may also exist.

A *forward contract* is an agreement between two parties to purchase/sell something at a predetermined price at a later date. Forwards are always OTC contracts (by definition, a future is a forward that is traded on an exchange). Forward rate agreements (FRAs) are pure interest rate forward contracts. While the instruments pose the same problems, differing market practices create unique practical issues. For example, most FRAs are settled via a net cash payment at the end of the contract, whereas forward foreign exchange deals usually result in the delivery of the underlying instrument.

Swaps and forwards almost invariably go to maturity. The only way to offset a position is to enter into a new contract reversing the original, although it is rare for contracts to be formally closed out. Swaps, forwards and FRAs are instruments the value of which can switch from positive to negative and vice versa throughout the life of the contract.

3.9.4.2 PRACTICAL TREATMENT OF SWAPS, FORWARDS AND FORWARD RATE AGREEMENTS IN THE B.O.P./I.I.P.

Net payments related to swaps (including net interest) and forwards are recorded as transactions under financial derivatives. Depending upon the contract specifications, net payments relating to swaps can be made during the life of the contract or only when it reaches maturity. If principal is exchanged in a swap (especially in the case of cross-currency swaps), the possible difference between the two legs revalued in the base currency should be recorded under financial derivatives. Transactions relating to forward contracts invariably occur at expiry. Collateral payments are only rarely made from one counterparty to another, but when such cash payments do occur they should be recorded in the other investment account.

For forward foreign exchange contracts it is recommended that the difference between the amount paid on the contract date and the amount that would be paid at the spot rate prevailing at settlement should be allocated to transactions in financial derivatives. In settlement data collection systems in which amounts paid are reported it is, however, difficult or impossible to identify and separate the market price component. A survey data collection system is more practical, but the relatively heavy burden upon the respondents has to be judged according to local circumstances.

The market values of swap and forward contracts should be recorded in the i.i.p. Although the contract is usually negotiated so that it has zero marked-to-market value at inception, a contract will gain value for one party and become a liability for the other as market values change. The value of swap and forward contracts is derived from the difference between the agreed contract price and the prevailing market price, or the expected market price, which is discounted accordingly. Hence the relationship between the agreed contract price and the prevailing market price is a crucial element in the valuation of swap and forward contracts. If the agreed contract price and the prevailing market price are the same, the contract has no value. If the contract price and the prevailing market price differ, the derivatives contract does have a value, which can switch to being positive or negative during the life of the contract.

More specifically, the recording of swaps, forwards and FRAs should be as follows:

Flows
Swaps and *FRAs* (net payments during the period or at the close of the contract) and *forwards* (the difference between the agreed contract price and the market price at the close of the contract):

– amounts paid or received during the period are recorded under financial derivatives;
– the inflow (credit) of cash is regarded as a decrease in assets or increase in liabilities and the outflow (debit) of cash is regarded as an increase in assets or decrease in liabilities.

Stocks
(i) Assets:
– the sum of contracts with a positive market value at the end of the period.

(ii) *Liabilities*:
– the sum of contracts with a negative market value at the end of the period.

3.9.5 CRITERIA FOR THE GEOGRAPHICAL BREAKDOWN

With regard to the geographical allocation of financial derivative transactions and positions, the following cases have to be distinguished:

(i) *For financial derivatives traded in specifically organised markets* (e.g. futures and options, except OTC paper), information on the residency of the ultimate investor is not usually available. The clearing houses search the market for opposite orders which match each other. Since each market participant holds a position vis-à-vis the market, which requires all participants to provide margins for open positions, usually day-by-day, the ultimate risk of the counterpart is determined solely by the central clearer. Therefore, as a practical solution, the country in which the clearing house is located should determine the geographical allocation of assets and liabilities associated with such financial derivatives. Where such practices are significant, it is recommended that the clearing houses themselves are included in the population of reporting agents in order to ensure full coverage and a correct allocation between domestic and external transactions/ positions.

(ii) *Non-negotiable OTC financial derivatives* (e.g. most types of swaps and FRAs) are in principle not traded in organised markets, since they are designed to meet the specific needs of the parties involved. In the case of these kinds of contracts, the counterpart and its actual location can be identified.

(iii) *Other negotiable financial derivatives* (e.g. some types of options, warrants, etc.) are instruments which may be actively traded in secondary markets. Identifying the ultimate holder of liabilities poses the same problem as for financial instruments in the portfolio investment account, meaning that only the first known counterpart to which the financial derivative was initially sold might be determined.

3.10 OTHER INVESTMENT

3.10.1 DEFINITION AND COVERAGE

The other investment item is a residual category that includes all financial transactions not covered under direct investment, portfolio investment, financial derivatives or reserve assets (see also Sub-section 3.8.4 "Borderline cases" for portfolio investment). Other investment can be further subdivided into (i) trade credits, (ii) loans/currency and deposits and (iii) other assets/other liabilities. It also encompasses the offsetting entries for accrued income on instruments classified under other investment.

Trade credits consist of claims or liabilities arising from the direct extension of credit relating to transactions in goods and services and advance payments for work in progress (or to be undertaken) associated with such transactions. There are two types of trade credit assets: (i) prepayments on imports and (ii) trade credit extended on exports. Assets represented by prepayments on imports are extinguished upon delivery of the goods or services and assets represented by trade credit on exports are extinguished by actual payment (post-payment). Trade credit liabilities arise from the pre-payment of exports or trade credit received on imports. Delivery of exports extinguishes the former and actual payment (post-payment) extinguishes the latter.

Loans/currency and deposits comprise transactions in the following financial instruments: loans, i.e. those financial assets created through the direct lending of funds by a creditor (lender) to a debtor (borrower) through an arrangement in which the lender either receives no security evidencing the transaction or receives an effectively non-negotiable document or instrument; deposits; repo-type operations (see Sub-section 3.10.2 "Repurchase agreements, bond lending and other related instruments") and currency (notes and coins which are in circulation and commonly used to make payments). Included are, inter alia, loans to finance trade, other loans and advances (including mortgages). In addition financial leases are covered.

Other assets/other liabilities covers all items other than trade credits, loans and currency and deposits. Examples are: capital subscriptions of the participating Member States to international non-monetary organisations, changes in insurance technical reserves, offsets in respect of unsettled securities transactions.

Compared with BPM5 standard components, the other investment presentation of the euro area b.o.p/i.i.p. is simplified by (i) not requiring any distinction between loans and deposits on each side of the b.o.p./i.i.p., and (ii) the removal of the maturity breakdown for quarterly/annual b.o.p. and i.i.p. statistics. There is also a change in the presentation of the breakdown (i.e. sector as first priority) which is compatible, but not identical, with the BPM5 where instruments have priority. For the monthly b.o.p., a split between short-term and long-term flows in the banking sector is required.

3.10.2 REPURCHASE AGREEMENTS, BOND LENDING AND OTHER RELATED INSTRUMENTS

The statistical treatment of repo-type transactions is a complex issue where standards at the global level are still the subject of debate. Within in the euro area, the following consensus treatment has been agreed.

3.10.2.1 DEFINITION OF REPURCHASE AGREEMENTS

Under a repurchase agreement (repo) the holder of a bond sells the bond for cash but agrees to repurchase the bond, or an equivalent security, at a fixed price on a fixed date. There is a formal contract between the two parties, which sets out the legal standing of the transaction. In London and elsewhere, this is the PSA/ISMA Global Master Repurchase Agreement. The contract allows for margining, marking to market, collateral substitution and manufactured dividends.

If a coupon is paid during the life of the repo it is passed on to the original holder (lender) of the securities.

Under a repo agreement, there is an obligation to return the securities. Such instruments are "genuine" repurchase agreements.

In some Member States there are instruments which appear to be similar to genuine repo agreements or have the same name, but which do not entail an obligation to return the underlying securities; instead, there is an "option" to return them. These instruments are, for example, "unechte Wertpapierpensions-geschäfte" or "spurious repurchase agreements" (Germany, Luxembourg, Austria and Italy), "Réméré" (France) and "outright sale with an option to buy back" (Denmark and Portugal). Such transactions should be recorded under portfolio investment, i.e. the recommendations outlined in this section do not apply to them.

3.10.2.2 DEFINITION OF SELL/BUY-BACK TRANSACTIONS

Like repurchase agreements, sell/buy-back transactions are often a way of raising or lending short-term capital which is secured against securities, sold or purchased. In contrast to repurchase agreements, the transaction is structured in two parts, a spot deal and a forward deal, which are, however, executed simultaneously. As for repurchase agreements the original holder of the securities received benefit of a coupon payment made during the duration of the transaction, but the method of passing it is different. The main difference between repurchase agreements and sell/buy-back transactions revolves around the settlement systems required for the two types of transactions. Repurchase agreements can be considered a technical evolution of sell/buy-back transactions. Under a sell/buy-back transaction, there is an obligation to return the securities.

3.10.2.3 DEFINITION OF BOND LENDING

Bond lending either involves the lending of securities (collateralised by cash or marketable paper) or the payment of the fee for the bonds lent without any capital transfer involved. Under lending of securities collateralised by cash or marketable paper, the borrower can sell or hold these securities, or deliver the securities under a futures or options contract. The collateral, if cash, will most likely be invested and the borrower of the securities will be paid a rate of interest. Coupon payments on the bonds belong to the original owner.

3.10.2.4 RECORDING OF REPURCHASE AGREEMENTS, BOND LENDING AND OTHER RELATED INSTRUMENTS

The treatment recommended by the ECB is based on the notion of transfer of "economic" or "beneficial" ownership as distinct from transfer of "legal" ownership. All repo-type operations, i.e. *"genuine" repurchase agreements, sell/buy-back operations and bond lending (in the case of the latter, only if cash collateral is involved)*, are treated as collateralised loans in the euro area b.o.p./i.i.p.,

not as outright purchases/sales of securities, and are recorded under other investment, within the euro area resident sector that carries out the operation. This treatment, which is also in line with the accounting practices of banks and other financial corporations, is intended to reflect the economic rationale behind these financial instruments. The firm commitment to repurchase the securities implies that the economic ownership remains with the original owner, who retains the risks and rewards associated with that ownership, while not necessarily retaining legal title. Such a procedure is, in addition, consistent with the treatment in money and banking statistics and with the current practice in the MFI sector.

As regards other features of repo-type transactions: (i) fees associated with securities-lending operations should be recorded as financial services, instead of as investment income in the b.o.p., and (ii) repayable (option-style) variation margins provided to cover the value of the securities placed as collateral should be recorded as deposits within the other investment account.

3.10.3 TREATMENT OF INTRA-ESCB TRANSACTIONS

Among the transactions between the members of the European System of Central Banks ("intra-ESCB" transactions), only those involving the NCB of a euro area Member State and the NCB of a non-euro area Member State are in principle relevant to the compilation of the euro area aggregates. However, in some areas, asymmetric statistical treatment even within the Eurosystem would lead to distortions in the euro area b.o.p. as a result of the method used to compile some of the euro area aggregates (e.g. portfolio investment and income on portfolio investment). The harmonised rules are described in detail in Sub-section 3.10.3.1.

All operations described in Sub-section 3.10.3.1 are settled via TARGET. Therefore, the treatment of the required offsetting entries, as required by the double-entry structure of the b.o.p., follows the agreed treatment of changes or positions in TARGET balances as described in Sub-section 3.10.3.2.

3.10.3.1 HARMONISED TREATMENT OF INTRA-ESCB OPERATIONS

The treatment of specific intra-ESCB transactions (and positions where appropriate) is the following:

- *Initial transfer of reserve assets*: EUR claims on the ECB resulting from the initial transfer of international reserves from NCBs to the ECB should be recorded under "other investment/monetary authorities/assets/currency and deposits".
- *Shares of the ECB*: the NCBs should record their participation in the ECB's capital under "other investment/monetary authorities/assets/other assets".
- *Reallocation of monetary income* is treated as an intra-euro area current transfer, either positive or negative, on a gross basis, i.e. identified separately from any other transaction (such as coverage of ECB losses), under "current account/current transfers".
- *Distribution of ECB profit to NCBs and coverage of ECB financial losses by NCBs* are considered as positive or negative income (as appropriate) accruing on the share of each NCB in the capital of the ECB. Thus, they are recorded as intra-euro area transactions under "current account/investment income/income on other investment".
- *Intra-Eurosystem ("technical") balances resulting from the issuance and circulation of euro banknotes* are not considered as "external" and therefore they are not included in the national b.o.p./i.i.p. The remuneration of these technical balances is treated in the national b.o.p. as redistribution transfers and is thus recorded under "current account/current transfers".
- *Remuneration of intra-ESCB balances* is treated as income on deposits and recorded under "current account/investment income/income on other investment".

– *Proceeds from sanctions imposed by the ECB*: in accordance with Article 3.9 of Council Regulation (EC) No 2532/98 of 23 November 1998 concerning the powers of the ECB to impose sanctions, these proceeds belong to the ECB. The NCB which holds the account of the market participant concerned debits the latter's current account for the amount of the financial sanction and transfers this amount to the ECB. In b.o.p. statistics, NCBs consider these transactions as "current account/current transfers".
– *Remuneration of the claims on the ECB resulting from the transfer by NCBs of pooled reserve assets* is considered as an intra-euro area income payment and recorded under "current account/ investment income/income on other investment".
– *Collateral exchanged under the correspondent central banking model (CCBM) in the event of redemption, coupon payments, fees, etc.*: in line with ECB recommendations, the NCBs of the countries of residence of the issuer and the ultimate holder record these b.o.p. transactions as intra-euro area or extra-euro area flows, respectively, and allocate them to the relevant sector under "financial account/portfolio investment". Countries not yet fully applying the accruals principle should record coupon payments under "current account/investment income on portfolio investment".

3.10.3.2 BALANCES FROM TARGET OPERATIONS

Since the start of Stage Three of EMU in 1999, cross-border transactions within the ESCB have largely been executed via TARGET, giving rise to daily intra-ESCB positions/balances. The economic and functional rationale behind these intra-ESCB transactions/balances, which are denominated in euro, is similar to that behind the movements of nostro/vostro accounts.

In order to simplify the recording procedures, it was agreed that, as of 30 November 2000, all TARGET-related bilateral claims and liabilities would be netted at the end of each day within the ESCB in such a way that each participant would hold only one single (net) position exclusively vis-à-vis the ECB. The ECB performs the role of a central clearing house within the Eurosystem and is the sole holder of overnight TARGET balances vis-à-vis the NCBs of the non-euro area Member States. In other words, the TARGET balances of the ECB represent the euro area TARGET balances vis-à-vis those EU Member States which are not participating in the euro area.

Since the TARGET legislation does not allow for granting overnight credit to the NCBs of non-euro area Member States, the Eurosystem may only hold aggregated overnight *debit* balances vis-à-vis these NCBs. Accordingly, the net positions and changes in the TARGET balances of the Eurosystem vis-à-vis the NCBs of non-euro area Member States are recorded under "other investment/liabilities" of the sector "monetary authorities" as "loans, currency and deposits" within the euro area i. i.p. and b.o.p.

3.10.4 NON-EURO AREA RESIDENT HOLDINGS OF EURO BANKNOTES

Both the b.o.p. and the i.i.p. of the euro area incorporate an adjustment for the holdings of euro banknotes by non-euro area residents. This adjustment is recorded under "other investment/ liabilities, loans/currency and deposits of the Eurosystem". Initially, the adjustment was mostly intended to take into account the effect of the euro cash changeover on b.o.p. transactions in 2002 and was based on euro banknote shipments from/to euro area MFIs. Since 2003, holdings of euro banknotes by non-residents have been estimated using a variety of indirect methods.

3.10.5 RECORDING OF MFIS' TRANSACTIONS IN LOANS AND DEPOSITS

In the euro area b.o.p., "other investment" of the MFI sector (excluding the Eurosystem) has proved to be a difficult item, in particular with

regard to the compilation of the geographical breakdown of these flows. A common method to derive extra-euro area b.o.p. flows from MFIs' balance sheet stocks must be applied in those cases where these flows cannot be directly obtained from the b.o.p. collection system in place. This procedure consists of (i) converting the stocks at the beginning of the monthly reporting period and those at the end of period into original currencies by applying the mid-point foreign exchange rate corresponding to the currency proportion of the stock as at the beginning of the quarter and (ii) converting the differences in these stocks into euro by using the average exchange rate of the month.

3.10.5 SPECIAL ISSUES RELATED TO STOCKS

3.10.5.1 VALUATION PROPOSALS

In the case of the *other investment* holdings, the discrepancies between the market value and the nominal or book value can be considered to be rather smaller than for other financial instruments, except in cases where there have been large write-downs or valuations are based on secondary market quotations. For these reasons, *book values* are accepted as the valuation criteria for other investment stocks, except for loans that are negotiable at a discount where market value should be applied.

Valuation problems for applying the proper end-of-period exchange rates may arise if the *currency composition* of the underlying other investment instruments is not well known. This is the case, in particular, for special financing instruments, such as *multi-currency* loans, where the borrower can instantaneously change the optional currency, at his own convenience, for the drawdown, repayment and restatement throughout the duration of the loan. Consequently, movements in these loans can occur in several currencies. In these cases, it is recommended to translate each movement in the loan, irrespective of its currency, into the currency in which the loan was initially extended by using the exchange rate prevailing at the date of the movement. The amount in the basic currency should then be converted into euro at the closing mid-market exchange rate prevailing at the end of the period. The result may be a fairly accurate approach to the real valuation, except when strong fluctuations occur in the value of the currencies in question.

A similar effect occurs when the *borrower arranges exchange rate hedges or swaps on the principal with a non-resident*. Borrowers often receive a loan in one currency and then swap or sell the amount obtained against the equivalent amount in another currency. Since it is not easy to obtain information about the exchange rate involved in the swap, the same valuation problems may arise as those described for multi-currency loans.

3.10.5.2 ISSUES RELATED TO THE ACCUMULATION OF FLOWS

The *unadjusted accumulation* of flows can lead to unrealistic stock estimates for other investment since stock data valuation changes caused by exchange rate fluctuations can be significant, especially if (i) the relevant exchange rates are volatile, (ii) the turnover of the assets is high and (iii) the net movement in the stock is low. Therefore, *exchange rate adjustments* using the actual exchange rates at the time of the transaction and closing mid-market exchange rates at the end of the period are strongly recommended where other investment stocks are derived on the basis of accumulated flows. If the actual exchange rate cannot be applied on a transaction-by-transaction basis, the average exchange rate of the period may be used as a proxy.

Further difficulties may arise in the case of *multi-currency* loans if the loan operation is linked to an additional *swap operation*. In line with the valuation proposals for stocks, the most feasible solution would be to translate each of these loan movements into the basic currency in which the loan was initially extended. Exchange rate adjustments may here be calculated by converting transactions into euro at the average exchange rate in the period.

3.11 RESERVE ASSETS

3.11.1 DEFINITION OF THE EUROSYSTEM'S RESERVE ASSETS

The definition of the Eurosystem's international reserves was approved by the ECB Governing Council in March 1999. The reserve assets of the euro area consist of the Eurosystem's reserve assets, i.e. the ECB's reserve assets and the reserve assets held by the NCBs of

the participating Member States (see also the ECB publication entitled "Statistical treatment of the Eurosystem's international reserves", October 2000, http://euroweb/website/pub/pdf/statintreserves.pdf).

Reserve assets must (i) be under the effective control of the relevant monetary authority, either the ECB or the NCBs of the participating Member States, and (ii) refer to highly liquid, marketable and creditworthy foreign (i.e. non-euro) currency-denominated claims on non-residents of the euro area – plus gold, Special Drawing Rights (SDRs) and the Reserve Positions in the IMF of the participating NCBs. This definition expressly excludes foreign-currency claims on residents of the euro area, and euro claims on non-residents of the euro area, from being considered to be reserve assets either at the national or at the euro area level.

Although governments may hold working balances in foreign currencies, foreign exchange positions of central governments and/or the Treasury are not included in the reserve assets definition for the euro area in accordance with the institutional arrangements in the Treaty establishing the European Community. Article 105 (2) of the Treaty, in conjunction with Article 116 (3), gives the Eurosystem the exclusive right to hold and manage the official foreign reserves of the Member States from the beginning of Stage Three of EMU.

The off-setting entries for accrued interest on reserve assets should be recorded within the relevant reserve assets items.

Reserve assets data are compiled on the basis of the information provided by the accounting or operation departments of the NCBs forming part of the Eurosystem and of the ECB.

3.11.2 CONCEPT OF GROSS RESERVES

Against the background of the financial crisis of the late 1990s, the concept of *usable reserves* has gained importance. This concept supplements data on the gross reserves with information about commitments relating to reserves, i.e. the so-called reserve-related liabilities[9], and might be an important indicator of a country's ability to meet its foreign exchange obligations. However, it was agreed that reserve assets presented on a gross basis without any netting-off of reserve-related liabilities should remain the central indicator of a country's ability to meet its foreign exchange obligations. (The only exception relates to the sub-category of financial derivatives, which are recorded on a net basis; see Sub-section 3.11.8).

3.11.3 VALUATION PRINCIPLES

In principle, the valuation of reserve assets is based on market prices by using (i) the prevailing market prices at the time when the *transaction* takes place for *transactions* and (ii) the closing mid-market prices at the end of the appropriate period for *positions*. Gold should be valued at the closing market price (gold fixing usually quoted in terms of US dollars per fine troy ounce) prevailing at the end of the reference period. Prevailing market exchange rates at the time when the transaction takes place and closing mid-market prices at the end of the appropriate period are respectively used for the conversion of transactions in and holdings of foreign currency-denominated assets into euro.

However, since the information for the compilation of reserve assets statistics is mostly

9 This concept has been developed by the IMF in the context of the Special Data Dissemination Standard.

obtained directly from accounting statements, information on marked-to-market values may not be available each month.

Accordingly, the following practical rules for the valuation of euro area reserves may provide a proxy for a market valuation of international reserves:

(i) taking the stocks of each instrument in the original currency as disclosed in accounting statements on the basis of marked-to-market valuation on a quarterly basis only; and

(ii) converting these stocks into euro using the mid-point foreign exchange rate of the last day of the reporting period (i.e. on a monthly basis).

3.11.4 SPECIFIC ISSUES RELATED TO GOLD

With regard to *outright purchases and sales of gold*, in line with BPM5 recommendations, only gold transactions in which both counterparts belong to the "monetary authorities" institutional sector (including international monetary organisations) should be recorded under reserve assets (sub-item "monetary gold") in the b.o.p. When at least one counterpart is not a monetary authority, gold transactions vis-à-vis non-residents should be recorded under the *goods* item of the b.o.p. *current account*. The consequent monetisation/de-monetisation of the gold would induce increases/decreases in the monetary gold position of the monetary authority involved. However, this reclassification of the gold should only give rise to entries in the "other adjustments" column of the i.i.p., without any recording in the b.o.p.

As regards *reversible transactions in gold (swaps, repos, loans and deposits)*, the statistical treatment of the gold is similar to that of securities: neither lending of gold nor delivery of securities collateral would involve any recording in the b.o.p. or the i.i.p., i.e. holdings of monetary gold would remain unchanged. Only the foreign exchange cash delivered in gold swaps/repos would be recorded under reserve assets (sub-item "foreign exchange/currency and deposits" matched by an entry in "other investment/monetary authorities/liabilities").

3.11.5 SPECIFIC ISSUES RELATED TO THE POSITIONS VIS-À-VIS THE IMF (INCLUDING SDRS)

For statistical purposes, SDR accounts reflect the same rationale as traditional correspondent bank accounts, i.e. variations in these accounts may constitute offsetting entries for the rest of the cross-border b.o.p. flows. Transactions/positions in these accounts should be recorded under reserve assets (sub-item "SDRs"). Allocation/cancellation of SDRs should not give rise to any entry in the b.o.p., although changes in the stock of SDRs would be reflected in the i.i.p., by means of entries in the *other adjustments* column, thus permitting a reconciliation between flows and stocks of SDRs.

The operations related to the *reserve position in the IMF* should be recorded under the sub-item of the same name. Consequently, no entry under sub-item "SDRs" should be derived from movements in this position, despite their being denominated in SDRs.

Purchases of foreign currency *using the* Fund's General Resources Account by drawing on the position in the Fund should be regarded as reclassifications of reserve assets, thus not altering the total level of reserves. Such transactions cause increases in holdings of foreign exchange and symmetrical decreases in the reserve position in the Fund. Repurchases represent reverse transactions and would therefore give rise to similar but reverse entries.

Claims on the IMF arising from Fund financing under the "New Arrangements to Borrow" (NAB) and the "General Arrangements to Borrow" (GAB) should be reflected in the sub-item "Reserve position in the IMF". However,

claims arising from commitments under the "Enhanced Structural-Adjustment Facility" (ESAF)[10] should be treated statistically as deposits, and should thus be allocated to the sub-item "foreign exchange/currency and deposits".

3.11.6 SPECIFIC ISSUES RELATED TO SECURITIES

Only foreign currency-denominated securities issued by non-residents of the euro area can be included in the category of reserve assets. The accruals principle should be applied for all types of securities under reserve assets, including zero coupon bonds (see Sub-section 3.4.7.2 "Specific issues related to income on reserve assets"). Securities lending would not give rise to any entry under securities; only in the event of cash exchanges, would transactions be treated as collateralised loans.

3.11.7 SPECIFIC ISSUES RELATED TO CURRENCY AND DEPOSITS

Only foreign currency-denominated deposits placed with credit institutions located outside the euro area can be considered to belong to the category of reserve assets. This category indistinguishably includes holdings of/ transactions in foreign currency notes and coins, in line with the treatment proposed in the IMF's operational guidelines. It should be noted that foreign currency-denominated deposits placed with branches and/or subsidiaries of euro area resident MFIs which are located outside the euro area are considered to be reserve assets of the euro area.

Deposits and loans should be distinguished in accordance with the economic nature of the counterpart. Transactions in which the counterpart is an NCB or any other financial institution should be treated as deposits, while they should be classified as loans in the case of all other counterparts. In this context, the term "financial institution" should be understood in a broad sense, encompassing any type of counterpart of a financial nature.

Claims on *external portfolio managers* (not necessarily included in the category of credit institutions) arising from funds sent abroad and subsequently invested in other foreign currency financial instruments should, in principle, be classified in each prescribed category. Nevertheless, should NCBs not have access to information on the final destination of these funds, they should be recorded under the sub-item "foreign exchange/currency and deposits" in the b.o.p. and the i.i.p.

Foreign currency loans to non-financial non-residents that fulfil the necessary conditions to be included in the category of reserve assets will be recorded under the sub-item "other claims" in the b.o.p and the i.i.p.

Claims arising from reverse repurchase agreements, securities lending transactions (in the case of the latter, only if cash collateral is involved) and buy/sell-back operations should be treated as collateralised loans/deposits and are, in euro area statistics, recorded either (i) under "foreign exchange/currency and deposits" where the counterpart is a non-resident bank or (ii) under "other claims" where the counterpart is a non-resident non-bank. The treatment (i), where the counterpart is a non-resident bank, differs slightly from IMF recommendations which classify such claims as "other claims".[11] Securities temporarily exchanged as collateral in these types of operations would not give rise to any b.o.p./i.i.p. entry.

10 Replaced from 2000 onwards by "Poverty Reduction and Growth Facility" (PRGF).

11 Reverse repos, which do not differ substantially from normal (non-collateralised) loans/deposits, involve the substitution of one type of reserve asset (i.e. the amount of foreign currency provided) with another (i.e. a claim backed by collateral), provided that the counterpart is highly creditworthy. Therefore, when the non-resident counterpart is a credit institution (including other NCBs), the NCB lending the cash does not register any variation in the total amount of "reserve assets/ currency and deposits". Moreover, in accordance with the treatment of foreign currency loans, if the counterpart of a reverse repo transaction were neither a credit institution nor a financial intermediary/ external manager, a decrease in holdings of "reserve assets/cu rrency and deposits" and an increase in "reserve assets/other claims" would be registered in the b.o.p. reserve assets account, thus not affecting the total level of reserves.

Liquid claims arising from taken-up *credit lines* conceded by monetary authorities could be considered to be in the category of *reserve assets*, provided that the correspondent counterpart is highly creditworthy. Reciprocal currency arrangements among central banks and with the Bank for International Settlements enter into this category, as well as other financing agreements between central banks and consortia of private financial institutions.

3.11.8 SPECIFIC ISSUES RELATED TO FINANCIAL DERIVATIVES

Financial derivatives are recorded and presented as a separate item within reserve assets. All recommendations in this field are fully in line with the ESCB general recommendations on financial derivatives (see Section 3.9 "Financial derivatives").

Both transactions and positions are recorded on a net basis (i.e. including both positive and negative positions) even though, in the case of positions, this constitutes a deviation from the gross reserve assets concept. However, the application of net recording is the only feasible way to reconcile flows and stocks related to financial derivatives transactions in/holdings of reserve assets. Moreover, liquid positions in financial derivatives settled in at least one foreign currency vis-à-vis creditworthy non-resident counterparts would be computed under reserve assets on a marked-to-market basis, i.e. including all unrealised gains and losses associated with changes in prices and foreign exchange rates. The inclusion of both positive and negative stocks under reserve assets on a net basis could result in negative positions, especially in the case of interest rate derivatives.

In line with the general treatment of positions in financial derivatives (see Section 3.9), the net marked-to-market value is recorded in the case of financial derivatives falling into the category of reserve assets. As regards OTC derivatives, each national compiler must decide whether claims arising from such financial derivatives (for instance, swap agreements or some types of options) might be included in the category of reserve assets, which depends especially on whether such a financial instrument may be offset in the market, and whether a prevailing price for the underlying assets permits this.

3.11.8.1 OPTIONS

In the case of *options* margined options-style, the *full premium paid* (i.e. the purchase price plus the implied service charge) would be recorded under the sub-item "foreign exchange/financial derivatives" (accounting for the acquisition of a financial asset). According to the above-mentioned "net-basis" treatment, if a central bank sells an option ("option written" by the NCB), the premium received would then be symmetrically recorded under this sub-item with a negative sign (accounting for a liability). However, in the case of cash margin payments and receipts associated with options, they should be classified under the sub-item "foreign exchange/currency and deposits" in the b.o.p., provided that no real change in ownership occurs before the conclusion of the contract.

If the option is finally exercised and the underlying asset is delivered to the owner of the option, the prevailing market price of the underlying asset should be recorded under the appropriate item in the b.o.p. The difference between the market and the strike price should be recorded under the sub-item "foreign exchange/financial derivatives", irrespective of whether it implies a payment or a receipt. This treatment would be the same for both call and put (either bought or written) options.

3.11.8.2 FUTURES

With regard to *futures*, futures-style variation margin payments should be recorded under the sub-item "foreign exchange/financial derivatives". This is because daily variation margin payments are usually collected by the clearing house from one party and paid to the other, *accounting for an actual change in ownership*. This treatment of variation margins would be consistent with *market stock values*

near to zero at the end of each day (unrealised profits and losses during the day would in the end become realised and be transferred to/ received from the corresponding counterpart). Hence, there should be no recording of stocks of futures with daily margining.

3.11.8.3 INTEREST RATE DERIVATIVES

As regards financial derivatives with an interest rate component (namely *interest rate swaps, cross-currency swaps and forward rate agreements*), the net stream of cash settlement flows associated with this component should be recorded under the sub-item "foreign exchange/ financial derivatives" in the b.o.p. In addition, the difference between the two legs of a *cross-currency swap*, corresponding to the principal exchanged in terms of the base currency, should also be recorded under this sub-item of reserve assets.

3.11.8.4 FORWARD FOREIGN EXCHANGE CONTRACTS

The difference between the amount agreed at the time of the contract and the amount that would be paid at the spot rate prevailing at settlement should be allocated to transactions in reserve assets/foreign exchange/ financial derivatives.

3.11.8.5 SWAPS OF FOREIGN EXCHANGE AGAINST DOMESTIC CURRENCY

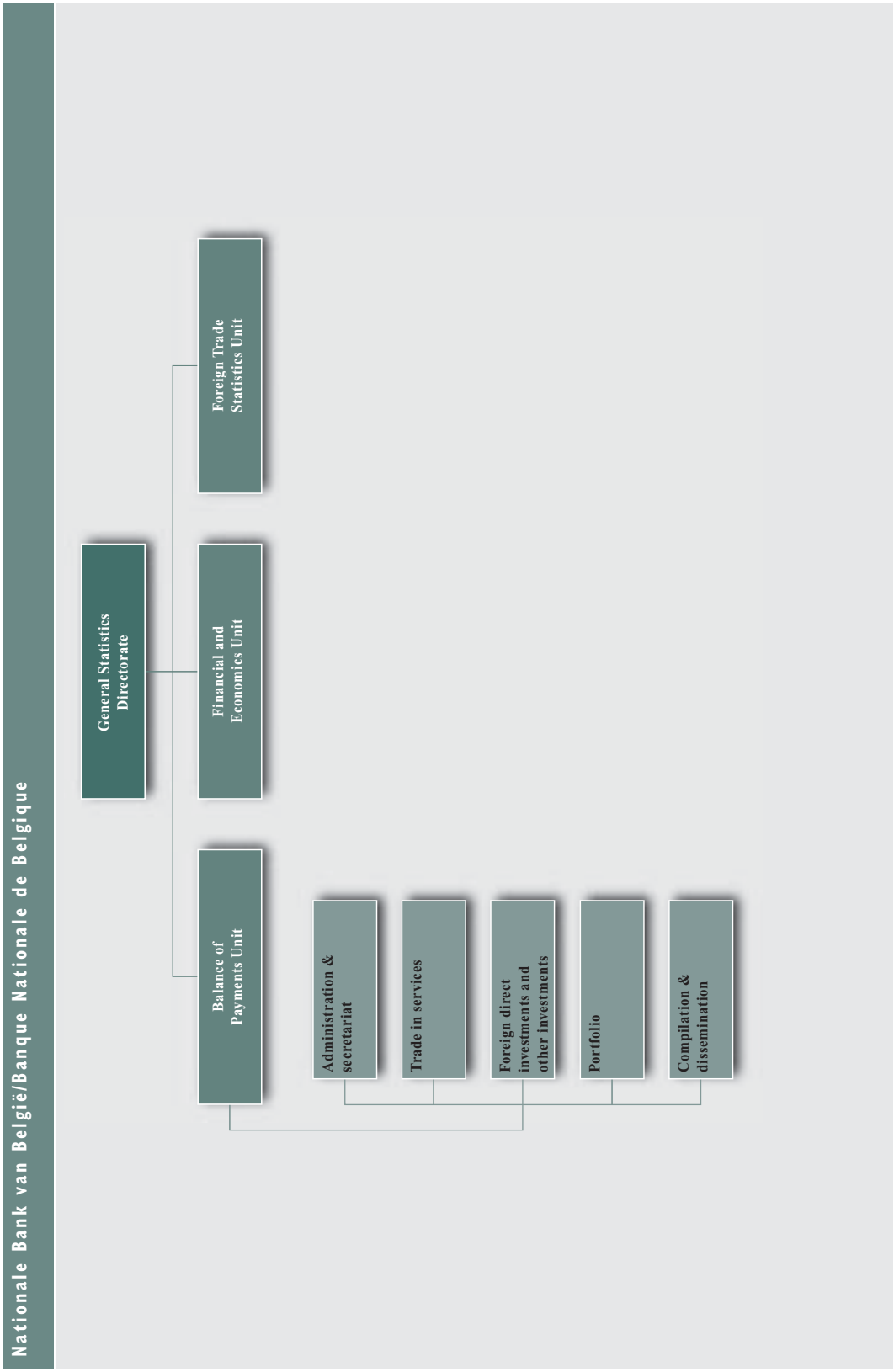
The statistical treatment of these transactions is equivalent to considering independent spot and forward purchases/sales of foreign exchange against domestic currency. At the moment

of delivery, an increase/decrease in foreign exchange should be reflected under the sub-item "foreign exchange/currency and deposits" in the b.o.p. The difference between the actual (agreed) and the market price of the transaction should be reflected under the sub-item "foreign exchange/financial derivatives".

4 COUNTRY-SPECIFIC DETAILS

4.1 BELGIUM

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The Belgian-Luxembourg Economic Union (BLEU) was initiated in 1921 when the official agreement confirming the monetary association between the two countries was signed. In 1944 the Belgian-Luxembourg Exchange Institute (BLEI) was set up for foreign exchange control purposes. From the very outset, the information collected in the framework of the exchange control was used as basic data to produce a joint balance of payments (b.o.p.) for the two countries. Capital movements were gradually liberalised from 1950 onwards. In 1990 the last remaining foreign exchange control, the two-tier foreign exchange market, was abolished. Consequently, the task of the BLEI became a purely statistical one.

Under the intergovernmental agreement, dated 23 November 1998, between Belgium and Luxembourg, the BLEI was in charge of the collection of data until December 2001. *The Nationale Bank van België/Banque Nationale de Belgique* (NBB/BNB) was in charge of the compilation of the BLEU b.o.p. and i.i.p., covering data until 2001, and has been responsible for the Belgian b.o.p. and i.i.p. since January 2002.

The NBB/BNB started implementing a new data collection system in 2006. It is no longer a settlement-based international transaction reporting system (ITRS). Rather, the new system is based on a combination of different surveys conducted by the NBB/BNB covering trade in services, foreign direct investment (FDI), other investment and portfolio investment. The data provided by these surveys are supplemented by foreign trade in goods statistics and data from a variety of external sources.

During 2006, to be considered as a transitory year, the ITRS system has been maintained but limited to a simplified reporting of settlements by the banking sector. However, the publication of figures continues as before and has not been interrupted or delayed.

Banks will report their foreign payments, both for their own account and for the account of their customers, until end-2006. As from January 2007, banks will only report their own activities.

The existing direct reporting of individual payments by enterprises has, however, been completely abolished in order to limit the burden on them to a single reporting obligation. It has already been replaced by the new data collection system, which will be further described later in this chapter. For enterprises, estimates are also made on the basis of past experience.

Data from both the new and the old system are gradually being integrated into the production and publication of the different statistics and as a priority the b.o.p. The first step is to reconcile the different approaches; the former collection system provides the predominant part of the figures for 2006 and is also providing feedback and serving as a control for the new system. Step by step, the data from the new data collection system are being used to adjust or are being incorporated in the present figures.

The Balance of Payments Unit aims to produce the Belgian b.o.p. completely with the new system by the beginning of 2007.

2.2 LEGISLATIVE PROVISIONS

The Law of 28 February 2002 concerning the regulation of the compilation of the balance of payments and the international investment position of Belgium has been amended by a Law dated 1 May 2006. A new Royal Decree is ready for publication and will replace the Royal Decree dated 19 March 2002, necessary for its full application. A similar process is in the process for the different regulations published by Ministerial Decree. The detailed requirements and reporting procedures are described in a set

of manuals, which are posted on the NBB/BNB's website.

2.3 INTERNAL ORGANISATION

The Balance of Payments Unit is part of the General Statistics Directorate of the NBB/BNB.

The Unit has been restructured to take into account the new data collection, processing and compilation system.

At present, the 57 staff members are spread over 5 units:

- Administration & secretariat;
- Trade in services;
- Foreign direct investment and other investment;
- Portfolio investment; and
- Compilation and dissemination.

The Balance of Payments Unit is responsible for:

- the full b.o.p. of the BLEU, covering data until 2001;
- the current account of Belgium for the period from 1995 to 2001;
- the full b.o.p. of Belgium since January 2002;
- the i.i.p. of both the BLEU (until 2001) and Belgium (including external debt statistics);
- the IMF Data Template on International Reserves and Foreign Currency Liquidity;
- the IMF's Co-ordinated Portfolio Investment Survey (CPIS);
- FDI statistics and FATS (Foreign Affiliates Trade Statistics); and
- ITS (International Trade Statistics).

The Balance of Payments Unit and the Research Department of the NBB/BNB liaise closely with one another. The latter was responsible for compiling the b.o.p., on the basis of data collected by the BLEI, from 1947 to 1993. Since 1993, the Balance of Payments Unit has been an autonomous entity, but the Research Department is still responsible for macroeconomic analysis and for producing estimates for the current year, as well as short-term estimates.

In 1999 the Research Department of the NBB/BNB was reorganised to better reflect the new b.o.p. environment resulting from the implementation of EMU and the introduction of the euro.

The current structure of the Research Department is characterised by the priority given to the national dimension of economic analysis. As a result, the former Balance of Payments Unit has disappeared and its activities have been integrated into two, likewise fully reorganised units, one of which is devoted to the real accounts, the other being devoted to the financial accounts, both including the respective rest-of-the-world components. The short-term b.o.p. projections are still made by the Research Department.

2.4 EXTERNAL COOPERATION

The Balance of Payments Unit uses the foreign trade in goods statistics collected and compiled by the Belgian National Accounts Institute (NAI). In practice, the NBB/BNB performs this task as an associated institution to the NAI.

The Belgian national statistical institute (NSI) provides data on travel from the results of specific surveys that it conducts. These data are used, together with the results of NBB/BNB surveys related to travel. In application of an ad hoc legislation, there is an integration of the data collection for supervisory purposes and for statistical purposes. This concerns all financial sectors, but the degree of integration varies from sector to sector. The Balance of Payments Unit makes use of these data when necessary.

An internal coordination between the National Accounts and Foreign Trade Statistics Units, on the one hand, and the Balance of Payments Unit, on the other, takes place to ensure the

Table Reporting scheme for b.o.p. and i.i.p. data collection in Belgium

Target respondent population	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (deadline for submission after the end of the reference period)
MFI's	S01BNK	Services components	Monthly	15 working days
	GRPFDI	Direct investments – group's structure	Monthly	5 months
	F23FDI	Direct investments – flows	Monthly	5 months
	S23FDI	Direct investments – stocks	Yearly	5 months
	R23FDI	Direct investments – income	Yearly	5 months
	S23FAT	FATS data	Yearly	5 months
	F23FOI	Other investments – flows	Monthly	5 months
	S23FOI	Other investments – stocks	Monthly	5 months
	S10PKI	Portfolio and securities	Monthly	11 working days
NBB/BNB	S10NBB	Services components Portfolio and securities	Monthly	15 working days
Insurance & Reinsurance companies	F02INS	Services components (insurance)	Monthly, quarterly	15 working days
	F02RIN	Services components (reinsurance)	Monthly, quarterly	15 working days
	GRPFDI	Direct investments – group's structure	Monthly, yearly	5 months
	F33FDI	Direct investments – flows	Monthly, quarterly	5 months
	S33FDI	Direct investments – stocks	Quarterly, yearly	5 months
	R33FDI	Direct investments – income	Yearly	5 months
	S33FAT	FATS data	Yearly	5 months
	F33FOI	Other investments – flows	Monthly, yearly	5 months
	S33FOI	Other investments – stocks	Quarterly, yearly	5 months
	S10INS S19INS S10RIN	Portfolio and securities	Monthly, quarterly	11 working days
Pension funds	F02PSF	Services components	Yearly	15 working days
	F53FOI	Other investments – flows	Yearly	5 months
	S33FOI	Other investments – stocks	Yearly	5 months
	S10PSF	Portfolio and securities	Monthly, quarterly, yearly	11 working days
Collective investment institution	F02OPC	Services components	Monthly, quarterly	15 working days
	S63FOI	Other investments – stocks	Monthly	5 months
	S10OPC	Portfolio and securities (non-MFI's)	Monthly, quarterly	11 working days
	S10OPM	Portfolio and securities (MFI's)	Monthly	11 working days
Brokerage firms	F02STB	Services components	Yearly	15 working days
	GRPFDI	Direct investments – group's structure	Yearly	5 months
	F43FDI	Direct investments – flows	Yearly	5 months
	S43FDI	Direct investments – stocks	Yearly	5 months
	R43FDI	Direct investments – income	Yearly	5 months
	S43FAT	FATS data	Yearly	5 months
	F43FOI	Other investments – flows	Yearly	5 months
	S43FOI	Other investments – stocks	Yearly	5 months
	S10STB	Portfolio and securities	Monthly, quarterly	11 working days
Asset management companies	F02INV	Services component	Monthly, yearly	15 working days
	GRPFDI	Direct investments – group's structure	Monthly, yearly	5 months
	F43FDI	Direct investments – flows	Monthly, yearly	5 months
	S43FDI	Direct investments – stocks	Quarterly, yearly	5 months
	R43FDI	Direct investments – income	Yearly	5 months
	S43FAT	FATS data	Yearly	5 months
	F43FOI	Other investments – flows	Monthly, yearly	5 months
	S43FOI	Other investments – stocks	Quarterly, yearly	5 motnhs
	S10INV	Portfolio and securities	Monthly, quarterly	11 working days

Table Reporting scheme for b.o.p. and i.i.p. data collection in Belgium (cond't)

Target respondent population	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (deadline for submission after then end of the reference period)
Large non-financial entreprises	F01DGS	Service components	Monthly	15 working days
Coordination centres	F01CDC	Service components	Monthly	15 working days
Insurance brokers	F02BRO	Service components	Monthly, quarterly	15 working days
Building enterprises	F13CON	Service components	Monthly, quarterly	15 working days
Real estate contractors	F23CON	Service components	Monthly, quarterly	15 working days
Tour operators and travel agents	F02TRA	Service components	Monthly, quarterly	15 working days
Audiovisual sector	F03AVS	Service components	Quarterly	15 working days
International trading companies	F03MER	Service components	Monthly, quarterly	15 working days
Transport enterprises	F03TRP	Service components	Monthly, quarterly	15 working days
Credit cards issuers	F02CCI	Service components	Monthly	15 working days
Other commercial enterprises	F03CMS	Service components	Quarterly	15 working days
Enterprises reporting transactions on goods	S03CCR	Trade credit (positions)	Monthly	15 working days
Non-financial entreprises	GRPFDI	Direct investments – group's structure	Monthly, yearly	5 months
	F13FDI	Direct investments – flows	Monthly, yearly	5 months
	S13FDI	Direct investments – stocks	Quarterly, yearly	5 months
	R13FDI	Direct investments – income	Yearly	5 months
	S13FAT	FATS data	Yearly	5 months
	F13FOI	Other investments – flows	Monthly, yearly	5 months
	S13FOI	Other investments – stocks	Quarterly, yearly	5 months
	S10SNF	Portfolio and securities	Monthly, quarterly	11 working days

consistency of the different statistics. The same coordination applies to the financial accounts.

2.5 USERS

The NBB/BNB is responsible for reporting the b.o.p., the i.i.p., FDI statistics, ITS, FATS and external debt statistics to international organisations such as the European Central Bank (ECB), the International Monetary Fund (IMF), the Statistical Office of the European Communities (Eurostat), the Organisation for Economic Co-operation and Development (OECD), the World Bank and the Bank for International Settlements (BIS). It is also responsible for the publication of these statistics at national level.

Domestically, the statistics produced by the Balance of Payments Unit are used for the production of the rest-of-the-world account of the national accounts and for the external sector of the financial accounts.

3 STATISTICAL SYSTEM

The data collection has been fully automated using an in house developed internet tool (Central Server for Statistical Reporting – CSSR) that offers the respondents different possibilities for uploading their data with weak and strong encryption (data entry, CSV files, XML files). The CSSR is used for all kinds of surveys defined by different institutions.

3.1 TYPE OF COLLECTION SYSTEM

The collection system in use since January 2006 to report statistical data for the full b.o.p.,

the i.i.p. and the other above-mentioned outputs is of a matrix type, based on a combination of different surveys on the financial and non-financial sectors and of external sources.

(a) *Goods:* the data collection system is based on the foreign trade in goods data collection organised by the NAI and managed by the NBB/BNB. These data are completed with some ad hoc surveys on specific transactions in goods organised directly by the Balance of Payments Unit on the basis of a cut-off approach or a sampling approach depending on the topic covered.

(b) *Services:* for this b.o.p. component and for ITS, the Balance of Payments Unit organises different surveys. The system is a mixture of cut-off and sampling techniques for the non-financial sector. The system is made up of two main sub-systems:

(i) a full survey of the major enterprises (monthly); and

(ii) a set of specific surveys for the other enterprises (monthly and/or quarterly).

For the financial sector, different surveys are defined, each covering a specific sub-sector (e.g. MFIs, insurance companies, collective investment institutions, etc.), and are mostly addressed to the full population of these sub-sectors.

(c) *Travel:* the NBB/BNB uses the results of two surveys organised by the NSI regarding stays in Belgium and the expenditure of Belgian tourists abroad. These data are combined with data from two specific surveys organised by the NBB/BNB covering credit/payment card companies and tour operators.

(d) *Transfers:* administrative sources are used; these need to be supplemented with data from ad hoc external sources and estimates.

(e) *Investment income and financial account:* the collection system is sub-divided according to:
– the domain covered (functional classification); and
– the group of respondents concerned (mostly sub-sectors).

As a result, the surveys are broken down into three main categories:
– foreign direct investment;
– other investment (including derivatives); and
– portfolio investment and securities.

The first two categories of surveys use cut-off techniques and cover both flows (gross transactions) and positions in financial assets and liabilities broken down by instrument, currency and country. The related income is also covered by the respective surveys (dividends declared, dividends paid and received, interest accrued, interest paid and received, etc.), as well as profit and loss accounts.

The third category of survey gathers data related to securities. It covers the holdings, issues and short positions of residents, as well as the custodian activities of residents. The data only concern positions and are reported on a security-by-security basis with ISIN codes (or some other agreed identification codes).

The Balance of Payments Unit derives the flows from the reported positions, as well as the valuation changes due to fluctuations in prices and exchange rates.

The three categories of surveys may differ according to the group of respondents to take into account specific features and the level of integration with the statistics for supervisory purposes.

Concerning the MFI sector, the data related to other investment and direct investment are provided by the data collection system defined for supervision and money and banking statistics. The Balance of Payments Unit addresses only a yearly detailed survey directly to the MFIs for foreign direct investment, while the survey on securities is organised monthly by this Unit on its own behalf and on behalf of the supervisory authorities.

The frequency of the different surveys may vary according to the activities covered or the group of enterprises concerned, or both, and, as a result, may be monthly, quarterly or yearly.

(f) *Trade credits (positions):* a monthly survey is addressed to a sample of enterprises reporting transactions in goods.

(g) *Other sources:* besides organising its own surveys, the NBB/BNB is authorised to require all necessary information from any public agency if the information available fulfils its needs and the public agency is obliged to deliver the data. The NBB/BNB is also entitled to agree upon a similar process with any representative association so that the NBB/BNB has not to implement a data collection procedure for data available elsewhere, preventing in that way the enterprises to report the same data twice. Administrative sources are also used, e.g. the social security agency provides data on labour income.

For all surveys, the most significant enterprises have to report flows or positions on a monthly basis.

Estimation methods are used for the sampled populations and non-response techniques are applied if necessary.

3.2 REPORTING AGENTS

A general feature of the modular data collection system designed by the NBB/BNB regarding the reporting agents is that a vast majority of the 15,000 respondents responds to only one survey. These 15,000 reporting enterprises are selected from a frame population of more than 300,000 enterprises potentially active abroad.

(a) *MFIs:* all MFIs have a reporting obligation. Data are mostly provided via the supervisory data collection system for direct investment and other investment and via the b.o.p./i.i.p. data collection system for all information regarding securities (security by security) on a monthly basis as well as regarding some categories of transactions on own account a.o. in services. The only survey organised autonomously by the NBB/BNB is a yearly survey on direct investment positions and on the profit and loss accounts. MFIs report transactions for their own account monthly.

(b) *Financial sector other than MFIs:* the population of this sub-sector responds to surveys on transactions in services, on foreign direct investment and other investment, and on securities (on a security-by-security basis).

(c) *Non-financial sector:* this sector comprises all enterprises other than MFIs and non-banking financial enterprises. The population of major non-financial enterprises (approx. 1,300) is concerned by all surveys (full services survey and surveys on foreign direct investment, other investment, trade credits and securities). The smaller enterprises are only concerned by one (services) or a few (services, foreign direct investment and other investment) surveys.

(d) *NBB/BNB:* the NBB/BNB reports, in the same way as the MFIs, its own transactions, as well as the information related to the

official reserves, on a security-by-security basis. For the reserve assets component of the b.o.p., as well as for the international reserves template and the corresponding i.i.p. components, data provided directly by the Accounting Division of the NBB/BNB are used, together with information provided directly by the operational unit in charge of the execution of transactions in these assets.

(e) *General government:* the data regarding the general government are collected from the main ministries and major municipalities. Data provided by international institutions are also used. For the financial accounts, external sources (covered by a specific data collection system managed by the NBB/BNB) are used to gather data on financial assets/liabilities.

(f) *NAI:* monthly data on trade in goods (imports and exports) are provided with a country breakdown.

(g) *NSI:* results from a quarterly survey on the expenditure by Belgian tourists abroad, broken down by country, and from a monthly survey on the number of days foreign tourists stay in Belgium are made available. The latter allows the amount of expenditure by foreign tourists in Belgium to be estimated.

(h) Social Security Agency: provides information regarding compensation of employees.

3.3 THRESHOLDS

Considering that the new data collection system is exclusively based on aggregated transactions provided directly by different sources, no threshold is applied to individual transactions.

3.4 AVAILABILITY OF DATA

The NBB/BNB produces monthly a full b.o.p. on a transaction basis with a limited geographical breakdown. This b.o.p. is based on the following data collected monthly:

- goods (including estimates provided by the NAI);
- transactions in services by the major enterprises;
- transactions in FDI and other investment by the major enterprises;
- transactions in services of MFIs and the other financial sectors;
- transactions in FDI and other investment of MFIs and the other financial sectors; and
- transactions in securities as derived from the positions collected.

These data are supplemented by different estimates for:

- transactions in services by the enterprises participating in the quarterly surveys;
- transactions in FDI and other investment by the enterprises participating in the quarterly and yearly surveys;
- income on other investment and reinvested earnings;
- trade credits (from a monthly sample survey);
- compensation of employees; and
- transfers.

The monthly b.o.p. is available after approximately six weeks.

The quarterly b.o.p. is produced with a full geographical breakdown using the results of the monthly and quarterly surveys, supplemented with some estimates of income, transfers, etc. The quarterly b.o.p. is available after approximately 90 days.

The yearly b.o.p.is produced in the same way as the quarterly one using the results of all surveys, including the yearly ones.

The quarterly and yearly i.i.p. and other statistics on positions are based on the availability of the corresponding surveys on stocks of financial assets/liabilities.

3.5 TIMELINESS

(a) *Flows:* most of the data have to be reported at the latest 15 working days after the month/quarter concerned.

(b) *Positions:* direct investment and other investment data have to be reported within five months.

(c) *Portfolio investment:* data have to be reported within 11 working days.

3.6 COMPILATION FREQUENCY

The Belgian b.o.p. is compiled on a monthly basis. The i.i.p. and external debt statistics are compiled on a quarterly basis. The other external statistics are compiled on a yearly basis.

3.7 DATA CONTROLS

Data are checked at the level of the data collection tool (CSSR) for validation purposes, as well as at the technical level, to verify if their content meets the standards required (e.g. adequacy, completeness, etc.) and to verify their consistency. These controls consist in checking, inter alia, the accuracy of the identification number and in performing certain cross-checks (of transaction, country and currency codes). The respondents receive an electronic error report.

In the monthly production process, top-down quality control is carried out. In the quarterly and yearly production cycle, bottom-up procedures are applied. Specific tools are developed to identify abnormal values/profiles and to monitor further investigation. Similar procedures are applied to the aggregates. Comparisons are made with other statistics/information and consistency analyses are performed.

3.8 REVISION POLICY

Monthly figures are produced within six weeks in order to fulfil the requirements of the ECB. The revision process is carried out at a monthly, a quarterly and an annual frequency. The revision of a year or a quarter involves the revision of every month concerned.

The time periods given for reporting are as from the end of the month, quarter or year concerned.

3.9 PUBLICATION

The current national presentation of the b.o.p. and the i.i.p. is in line with the fifth edition of the IMF Balance of Payments Manual (BPM5).

Publication takes place on a quarterly basis including monthly data (hard copy publication and on the NBB/BNB's website) for the b.o.p. The i.i.p. is published on a yearly basis.

The titles of relevant NBB/BNB publications are listed in Sub-section 15.1.

The b.o.p. figures are available on the NBB/BNB's website (www.nbb.be).

The main internal users of the b.o.p./i.i.p. data are the Research Department and the Statistical Department. Banks, ministries, professional associations, embassies, universities and students are regular external users.

As Belgium subscribes to the IMF's Special Data Dissemination Standard (SDDS), the release dates for the b.o.p./i.i.p. and reserve assets are published in advance.

For ECB purposes, the first version of the monthly b.o.p. data, on a transaction basis, is available within the six-week time period; however, these data have a lower degree of

reliability and coverage and are completed using estimates for missing respondents and extrapolations related to the sample surveys.

The monthly b.o.p. has a limited number of components and only has a euro area/non-euro area breakdown. The full breakdown by component and by country is only available on a quarterly basis.

A technical incident preventing data delivery poses a significant problem in terms of coverage only when it affects major respondents. In such a case, the statistics may be adjusted if one of both types of data is available.

For data provided by surveys different from the sample surveys, as previously for the direct reporting, data for the same period of the year before may be used as a substitute for the missing data. The data incorporated in this way are adjusted for outliers, especially for direct investment.

4 GOODS

From September 2001 onwards, trade statistics compiled by the NAI (including estimates) have been incorporated into the balance of payments. To ensure that the data comply with the requirements of the b.o.p. methodology, a number of adjustments have been made to the data on foreign trade, including data on returned goods, with a view to producing the components goods for processing, non-monetary gold and goods procured in ports by carriers. This does not affect the way the goods are valued.

4.1 AVAILABILITY OF MONTHLY B.O.P. DATA

Since January 2006, in order to replace the settlement information, transactions that are neither recorded in Intrastat for trade with EU countries nor in Extrastat (collected by the customs authorities) for trade with non-EU countries are collected by way of specific (b.o.p.) items in NBB/BNB surveys, which are supplementary to the trade statistics (FTS). This concerns, e.g. purchases of fuel and catering by Belgian vessels in foreign harbours, purchases and sales of aircraft and ships operating under foreign flags, purchases and sales of goods by credit card, goods sent from Belgium to a yard abroad, sales of goods to European institutions established in Belgium, etc.

Transactions concerning the processing of goods crossing borders and imports and exports of non-monetary gold are recorded separately.

For merchanting transactions, an estimate is made based on the difference between the total purchases and sales abroad for a target population (collected via a specific survey) and the realised imports and exports of goods (FTS data) for the same period.

The combination of FTS data and data collected directly within the framework of the b.o.p. enables compliance with the b.o.p. requirements regarding transactions in goods.

As a result, the component general merchandise is compiled as follows:

General merchandise (IMF code 110)

Exports: exports of goods minus returned imports and exports (FTS)
- minus exports of goods before processing abroad (FTS)
- minus exports of goods after processing in Belgium (FTS)
- minus credit sales of goods procured in ports (b.o.p.)
- minus exports of non-monetary gold not held as a store of value (FTS)
- minus credit goods sent from Belgium to a yard abroad, the value of which is included in the total price of the building contract (b.o.p.)
- plus credit sales of aircraft and ships operating under foreign flags (b.o.p.)
- plus credit sales of goods to European institutions established in Belgium (b.o.p.)

Imports: imports of goods minus returned imports and exports (FTS)
- minus imports of goods before processing in Belgium (FTS)
- minus imports of goods after processing abroad (FTS)
- minus imports of non-monetary gold not held as a store of value (FTS)
- plus debit purchases of aircraft and ships operating under foreign flags (b.o.p.)
- plus debit mail orders, direct marketing, telemarketing, e-purchases (b.o.p.)
- minus/plus merchanting stock changes (positive balance between purchases and sales of more than 5%, or negative balance between purchases and sales) (b.o.p.)

The goods item is revised – as are all items – in accordance with the general revision calendar (see Sub-section 3.8). B.o.p. data have been almost compliant with BPM5 standards since 1995. Owing to the data sources used at present and the related registration procedures, the b.o.p. general merchandise item is near to the concept of general trade, because goods stored in bonded warehouses are registered as imports and goods removed from storage in bonded warehouses are registered as exports.

The treatment and geographical breakdown of military goods is the same as for other transactions in goods.

In 2007, in compliance with international recommendations, a method of f.o.b./f.o.b. valuation of goods when incorporating trade statistics into the balance of payments will be elaborated. The procedure differs for intra-Community trade and extra-Community trade.

The Incoterms (contractual terms of delivery) and means of transport declared in intra-Community trade for the top 5% of large companies, considered as representative, in combination with the results of a one-off survey on transport costs for a limited list of countries, enable the calculation of the reference transportation costs, including freight insurance, for each mode of transport. The adjustment is made for both imports from and exports to EU Member States.

For extra-Community trade, only imports are adjusted, not exports, as exports are recorded on an f.o.b. basis in foreign trade. No account is taken of the terms of delivery used, as the declared (statistical) value on the customs documents is a c.i.f. valuation of the goods. This means that the total calculated transport costs are deducted from the declared import value for that country and added to the b.o.p. components transportation and insurance for that country.

4.2 DEFINITION

The definition of services in the different surveys complies with the BPM5.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

The main features of the collection system for services can be described as follows:

(i) cross-border transactions are obtained directly from the residents;

(ii) the system is based partly on exhaustiveness (for the financial sector) and partly on a sample survey method (for the non-financial sector);

(iii) the non-financial sector is divided into several populations in relation to the activities to be measured. Each population has its own questionnaire where the details (e.g. the economic nature) of the transactions are specific to each one (note that some transactions are aggregated); and

(iv) there is a combination of several reporting periodicities.

5.1.1 FINANCIAL SECTOR (EXHAUSTIVENESS)

The financial sector is composed of resident credit institutions and other financial institutions

(insurance and reinsurance companies, pension funds, asset management companies, collective investment institutions and stockbroking firms). The population is exhaustive and comprises approximately 800 companies.

These institutions are required to reply to a monthly, quarterly or yearly questionnaire to provide all the services transactions that they have with non-residents. Each type of institution has its own questionnaire where the details of the transactions are specific to its activity. The surveys include a full breakdown by country and possibly by currency.

The periodicity also depends on the type of institution:

(i) monthly for credit institutions;
(ii) monthly or quarterly for collective investment institutions (the split between both is based on a threshold and is the same as for portfolio investment);
(iii) monthly or quarterly for insurance and reinsurance companies (the split between both is based on a threshold for premiums);
(iv) yearly for stockbroking firms and pension funds; and
(v) monthly or quarterly for asset management companies.

5.1.2 NON-FINANCIAL SECTOR (SAMPLE SURVEY METHOD)

The data collection for services in the non-financial sector developed by the NBB/BNB combines monthly and quarterly sample surveys. The samples have been drawn using a mix of cut-off and stratified sample methods.

The frame population and the samples will be annually updated on the basis of information from administrative sources, such as the VAT register, the Crossroads Bank for Enterprises (*Banque Carrefour des Entreprises*) and the external trade in goods register. The combination of these three sources makes it possible to estimate which enterprises actively trade in services.

Within these surveys, there are several groups of reporting agents defined with different sampling procedures.

The different samples of reporting agents are:

(i) large non-financial enterprises (1,000);
(ii) coordination centres (200);
(iii) building enterprises and real estate contractors (1,600);
(iv) travel agents and tour operators (40);
(v) transport companies (1,000);
(vi) insurance brokers (210);
(vii) audiovisual companies (70); and
(viii) other commercial enterprises (7,000).

Each group of respondents has its own questionnaire in which, depending on the activities covered, the most significant kinds of transactions are detailed. One or more survey questions corresponds to each kind of transaction and each question is broken down by country. The original currency may also be reported.

The largest non-financial companies identified as DGS (survey F01DGS) and the coordination centres (survey F01CDC) have to provide a full monthly report of their transactions in all kinds of services. The DGS are companies with a turnover, i.e. a credit or debit amount for cross-border transactions (from a VAT declaration), exceeding a certain threshold in a given year (Y-2). Their reports provide a detailed geographical breakdown of the transactions.

The other non-financial companies are classified in sub-groups according to the type of business. The system for selecting the respondents in each business group is based on a threshold method or sampling methods.

The threshold method is applied to the group of companies related to the audiovisual sector, the insurance brokers, the travel agents and the tour operators. The surveys covering the last two of these, combined with the surveys organised by the NSI and the information collected from the credit/payment card issuers, provide the statistics for travel.

For the other business sectors (construction and transport), the selection of the sample for each group of non-financial companies is based on the same concept as for the sampling methods, i.e. the "take all-take some" concept. The first sub-group ("take all") is defined on the basis of a threshold for the export or import trade in the VAT declaration and each company of this group has to make a declaration (exhaustiveness). The second sub-group ("take some"), beneath the defined threshold, is stratified by economic activity, size and likelihood of trade. The number of companies selected per stratum is given by the "Neyman allocation", with a fixed minimum number of reporting companies in each stratum. A systematic sampling algorithm is applied to each stratum to select the respondents and each company in a stratum has the same probability of being selected.

The take all-take some method enables the annual updating of the population of respondents and, at the same time, the maintenance of a core of respondents.

A last survey (survey F03CMS) focuses on companies that have less important trade in services with non-residents. A simple random selection of 7,000 companies is made taking into consideration the difference between companies providing services and those only buying services.

5.2 DEFINITION

The definition of services in the different surveys complies with the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

Purchases of services by individuals are not covered by the data collection system and estimates should be made.

5.5 INTENDED HARMONISATION

The codification used for the survey items is derived from the harmonised code list for b.o.p. data collection systems recommended by the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB).

5.6 ESTIMATION METHODS

Monthly data on services based on the data provided by the monthly sample surveys will be estimated for the frame population using an average method.

When quarterly and yearly data are available, final monthly statistics on services are again estimated by a proportional distribution among the different months of the quarterly or yearly extrapolations.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 COMPENSATION OF EMPLOYEES

Different sources are used to compile data on compensation of employees:

(i) *border workers resident in Belgium but working in France, Germany and the Netherlands:* the estimates are based on the number of border workers published by the social security agency and the average remuneration in those counties;

(ii) *border workers resident in Belgium but working in Luxembourg:* partner country data are used;

(iii) *EU workers:* Eurostat data are used;

(iv) *workers in embassies and other international institutions:* reporting is done on a voluntary basis; and

(v) *others:* the data can partly be derived from the trade in services surveys where some

questions posed to enterprises relate to the compensation of employees.

6.1.2 INVESTMENT INCOME

Data are partly collected and partly estimated.

(i) *Direct investment income:* the necessary information is collected. The information related to dividends allocated is attributed to the income account. The dividends paid/received in addition to the profit and loss data collected are used to calculate reinvested earnings. Interest accrued is attributed to the income account, with an offset in the financial account. Interest paid and received is attributed to the financial account to adjust the previous offset. The production of a full geographical and sector breakdown is possible with the data collected.

(ii) *Other investment income:* the data collected on interest are used as trend indicators for the estimation of other investment income.

The following sub-sections only concern investment income.

6.2 DEFINITION

All components of the surveys comply with the international standards (BPM5, BMD3, i.e. the OECD Benchmark Definition of Foreign Direct Investment).

6.3 DEVIATION FROM AGREED DEFINITIONS

None.

6.4 GAPS

None.

6.5 INTENDED HARMONISATION

The codification used for the survey items is derived from the harmonised code list for b.o.p. data collection systems recommended by the CMFB.

6.6 ESTIMATION METHODS

Regarding portfolio income, for both equity and bonds/notes, income is calculated on the basis of stock data. The estimate of dividends is based on the calculation of gross dividend yields for the major partner countries applied to existing stocks of equity capital. For debt instruments, interestrates by major currency are used. For money market instruments, in the estimation of the current year's data, an adjustment of the reference rates is made each quarter. Taking into account the calculation process, all instruments are treated in the same way, i.e. there is no specific treatment for different kinds of bonds (e.g. zero-coupon bonds or indexed bonds).

The calculation procedure results in the production of an overall estimate of portfolio income that can be considered as a first proxy of income.

An estimate of the breakdown into income on intra-euro area assets and income on extra-euro area assets is made.

Income on collective investment institutions is compiled on the basis of the i.i.p., in line with the procedure for other types of income.

For income on other investment, the estimation consists in applying a reference rate, defined by country and currency, to the other investment stocks.

7 CURRENT TRANSFERS

7.1 SPECIFIC FEATURES OF DATA COLLECTION

The most significant government transfers, such as subsidies from and contributions to EU institutions, are collected directly and on a monthly basis from the Ministry of Finance.

Pensions paid abroad are gathered from the social security agency. Other government transfers are based on the general government finances statistics and are collected on a quarterly basis through the National Accounts Unit of the NBB/BNB working on behalf of the NAI.

Data concerning private current transfers are gathered through the surveys on trade in services. Data on workers' remittances are estimated.

Potential supplementary sources are to be identified, such as some financial intermediaries and public agencies.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The necessary information concerning the acquisition/disposal of non-financial assets is gathered by the surveys related to trade in services, allowing a complete country breakdown. The other components of the capital account need to be covered by information gathered from administrative sources or by estimates.

8.2 DEFINITION

In principle, the capital account is defined in accordance with the BPM5 and the harmonisation proposals made by the ECB's Working Group on Balance of Payments and External Reserves Statistics and its predecessor.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

The component other capital transfers is covered only partially and the quality of the available information needs to be permanently checked.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

FDI surveys are used to comply with several obligations, i.e. those of the b.o.p., i.i.p., FATS and FDI statistics.

Data are collected using a set of integrated surveys. The main survey deals with direct investment entities. Based on the identification of individual entities and on the existing percentage of ownership (%) between these entities, the direct investment entities are automatically selected following a predefined direct investment algorithm. The selected entities are all non-resident subsidiaries, associates and branches owned directly or indirectly by the reporting enterprise, as well as the direct and indirect non-resident shareholders. The non-resident companies related to the respondent not having an equity participation or having an equity participation of less than 10% are also selected.

Additional data, e.g. sector of activity, quoted or unquoted, are also gathered in the main survey. This information is used to calculate equity capital at book value for quoted enterprises.

The other direct investment surveys are along the same lines as the main survey:
- *FDI flow survey:* for equity capital, other capital and direct investment income;
- *FDI stock survey:* for equity capital and other capital;
- *FDI profit and loss survey:* for reinvested earnings; and
- *FATS survey.*

The selected resident entities are obliged to report the data. The geographical breakdown is based on the residency of the individual identified direct investment entities or direct investors abroad.

The frequency of surveys on relationships and on FDI flows is monthly or yearly. The survey

on positions is quarterly or yearly. The profit and loss and FATS surveys are yearly.

The data collection system does not record equity capital on a security-by-security basis. Concerning this component, both cash and non-cash transactions are recorded.

The other instruments covered by the surveys are:
- loans (very short-term, short-term, long-term);
- deposits (very short-term, short-term, long-term);
- factoring;
- inter-company bank accounts;
- interest (accrued, paid, received);
- dividends (allocated, paid, received);
- short and long-term debt instruments; and
- trade credits.

The instruments required are also sector-dependent.

Each survey item is precisely formulated and defined as a claim or liability (credit/debit).

The institutional sector breakdown and a detailed industry breakdown for both resident and non-resident enterprises are possible using the information collected.

All data have to be reported in the original currency so that the exchange rate variation and the stock variation can be calculated separately. When reported, real estate data are broken down by currency and country and not by direct investment entity.

The following groups of enterprises are covered exhaustively by the direct investment surveys: credit institutions, insurance companies and investment firms. Concerning the non-financial sector, the reporting companies are selected on a cut-off basis.

9.2 DEFINITION

The direct investment algorithm used in the data collection system applies the 10% principle for direct or indirect voting rights in an enterprise. However, some exceptions to this principle have also been defined, e.g. as long as the intermediate relationship exceeds 50%, the entity is included even if the calculated indirect rate does not reach 10%. This process allows the application of the European alternative to the fully consolidated system (FCS).

The data collected allow the directional principle to be applied in the following cases:
- for equity capital and other capital: when the equity cross-participation is at least 10% in both directions;
- for other capital: when the equity participation is less than 10% or when there is no equity participation; or
- when a full assets/liabilities approach is adopted.

All components covered by the surveys comply with the international standards (BPM5, BMD3).

9.3 DEVIATION FROM AGREED DEFINITIONS

When the equity cross-participation is less than 10% in one direction, no offset to equity capital is recorded. This reverse investment is reported as portfolio investment.

9.4 GAPS

Since only the important enterprises have to report monthly, other sources are monitored (e.g. the press, the Belgian Official Gazette etc.) in order to detect the missing equity capital transactions. A quality check of the received data is also carried out, including a comparison with balance sheet data. When errors or missing data are detected, the respondent is contacted to verify the information or provide the missing information.

9.5 INTENDED HARMONISATION

The codification used for the survey items is derived from the harmonised code list for b.o.p. data collection systems recommended by the CMFB.

9.6 ESTIMATION METHODS

None.

10 PORTFOLIO INVESTMENT

Presently, during the transitory period, data about securities is collected via the settlement reports of the banking sector. In parallel, the new system is operational, collecting data security-by-security, directly with the different sectors of respondents.

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The data collection on portfolio transactions is based since 2006 on a survey system where the declarants transmit monthly or quarterly information about their assets and liabilities on a security-by-security basis.

The data collection used for portfolio surveys covers following reporting agents:
(a) MFIs;
(b) insurance & reinsurance companies;
(c) pension funds;
(d) NBB/BNB;
(e) collective investment institutions;
(f) brokerage firms;
(g) asset management companies;
(h) non-financial enterprises.

The codification used for this information is based on a classification by instrument (debt securities, equities and similar instruments) and by original maturity (short term/up to one year or long-term/more than one year).

The instrument classification is based on the International Securities Identification number (ISIN-number). If unavailable, one of the following alternate security codes must be used:
– COMMON: common code for Euroclear Bank and Clearstream Bank;
– SVM/SRW: old Belgian standard for securities issued in Belgium;
– SEDOL (Stock Exchange Daily Official List) – type 1: identification code for securities in the United Kingdom and Ireland;
– SEDOL (Stock Exchange Daily Official List) – type 2: identification code for securities in the United Kingdom and Ireland;
– CUSIP (Committee on Uniform Securities Identification Procedures): used by the US finance industry for securities issued or traded in the United States and Canada;
– CINS (Cusip International Numbering System): used by the US finance industry for securities issued or traded outside the United States and Canada;
– BLO: Bloomberg, New York coding system;
– ISM: Coding system of ISMA (International Securities Market Association), London;
– RIC: Reuters Identification Code, London;
– TK: Telekurs – Swiss standard for securities issued;
– SIS (Securities Information System): Belgian standard for securities issued;
– WKN (Wertpapierkennummer): German standard for securities issued;
– SVN (Valorennummer): Swiss standard for securities issued.

The geographical and sectoral (issuer) allocation of the assets side is determined on the basis of the description related to the security, identified by the individual code. The basis information collected for the liabilities side is limited to resident/non-resident information, but a further break-down by geographical area is made on basis of additional surveys.

Following additional information is collected together with the individual data:

- balance sheet identification number under which the securities are recorded in the books of the declarant;
- name of the security;
- number of securities (for shares and similar instruments);
- percentage of the voting rights held (for shares and similar instruments);
- currency code (ISO-4217 code);
- face value per security code (for debt securities);
- book value per security code;
- market value per security code;
- identification of the type of market value;
- percentage held by non-residents;
- country identification code of the depositary (ISO-3166/2-digit code);
- enterprise number of the resident depositary.

10.2 DEFINITION

The definition of the portfolio in the different surveys comply with the BPM5 and the ECB Guidelines.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None

10.4 GAPS

The data related to the assets of individuals are not covered directly by the data collection.

10.5 INTENDED HARMONISATION

Since 2006, the security-by-security data collection system has been implemented referring to the ECB model based on monthly stock data.

10.6 ESTIMATION METHODS

Transactions are derived from the collected stock data with an adjustment for fluctuations in prices and exchange rates. Transactions and positions of individuals are estimated indirectly. Liabilities vis-à-vis abroad are estimated using issuers data and data related to holdings of residents.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Financial derivatives are included as separate instruments in the surveys on other investments.

The derivative instruments included in the other investments are:

- options;
- futures;
- swaps and forward contracts;
- other derivatives.

A separate reporting is requested for transaction values (premiums, gains and losses) to be included in the b.o.p and for market values to be included in the i.i.p.

Also the MFI sector reports on options, swaps and forward contracts in their survey on transactions for own account.

11.2 DEFINITIONS

The definitions used for the instruments are in line with the BPM5.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

The NBB/BNB complies with the recommendations of the BPM5 and the harmonisation proposals made by the Working Group on Balance of Payment and External Reserves (the former Task Force on Financial Flows and Stocks). All types of margin are included in financial derivative transactions.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Separate surveys on other investment are conducted to comply with several obligations, i.e. b.o.p. and i.i.p. requirements.

Data are collected using two surveys, broken down by currency and country:
- Other investment flow survey: monthly or yearly frequency; and
- Other investment stock survey: quarterly or yearly frequency.

The instruments included in the surveys are:
- loans (very short-term, short-term, long-term);
- financial leasing (classified as long-term);
- current accounts;
- factoring;
- deposits (very short-term, short-term, long-term); and
- interest (accrued, paid, received).

The instruments required are sector-dependent. Each survey item is also precisely formulated and defined as a claim or liability (credit/debit).

The following groups of enterprises are covered exhaustively by the Other investment surveys:
- insurance and reinsurance companies;
- investment firms;
- pension funds; and
- collective investment institutions.

Concerning the non-financial sector, the reporting companies are selected on a cut-off basis.

Data for trade credits are collected via a monthly or quarterly sample survey. This survey provides information on assets and liabilities related to transactions in goods. The sample is drawn from the frame population (40,000 companies) of the foreign trade in goods survey (of the NAI) and will be updated yearly. The survey covers 1,200 companies, stratified firstly by type of transaction (a distinction has to be made between the companies having transactions in goods with EU Member States only, with non-EU countries only, or with both) and secondly by size. Each stratum has a threshold above which the data collection is exhaustive. Beneath the threshold, the number of selected respondents is given by the "Neyman allocation", with a minimum of ten respondents per stratum. Auxiliary variables (trade in goods figures) are available for extrapolation.

For the MFI sector, the money and banking statistics contain all breakdowns necessary to fulfil the b.o.p./i.i.p. requirements for other investment. For this reason, credit institutions do not have to reply to the surveys on other investment.

12.2 DEFINITION

All data have to be reported in the original currency to allow the exchange rate variation and the stock variation to be calculated separately.

The definitions of all components of other investment are in line with the BPM5/ECB standards.

12.3 DEVIATION FROM AGREED DEFINITIONS

None.

12.4 GAPS

A quality check of the received data is carried out (e.g. flows and stocks are reconciled for some instruments); when errors or missing data are detected, the respondent is contacted to

verify the information or provide the missing information.

I2.5 INTENDED HARMONISATION

The codification used for the survey items is derived from the harmonised code list for b.o.p. data collection systems recommended by the CMFB.

I2.6 ESTIMATION METHODS

None.

I3 RESERVE ASSETS

I3.1 SPECIFIC FEATURES OF DATA COLLECTION

This is part of the general reporting system. Most of the information is provided by the Accounting Unit of the NBB/BNB, including a detailed list of assets on a security-by-security basis.

I3.2 DEFINITION

The information is obtained from the Accounting Unit, where no problems relating to confidentiality are encountered in providing breakdowns.

Financial derivatives are recorded on a net basis. Embedded financial derivatives are recorded together with the underlying financial instruments and are not recorded and valued separately.

All transactions in reserve assets are registered at market price and converted into euro using the market exchange rates at the time of the transaction.

I3.3 DEVIATIONS FROM AGREED DEFINITIONS

No significant deviations.

I3.4 GAPS

Data availability does not pose a problem. The instrument breakdown is not currently available.

I3.5 INTENDED HARMONISATION

None.

I4 INTERNATIONAL INVESTMENT POSITION

At present, the i.i.p. is still mostly produced in the same way as before using the data provided by the previous data collection system. This will be the case for the 2005 i.i.p. Progressively, data from the new surveys regarding positions in financial assets and liabilities will be integrated into the production process, with the aim of producing the 2006 i.i.p. and shifting finally to full production on the basis of the new data collection system.

The following description refers to the present procedures with the necessary adjustments already implemented.

I4.1 SPECIFIC FEATURES OF DATA COLLECTION

The production of an i.i.p. within nine months implies that many data are of a very provisional nature. As long as items are produced by the accumulation of flows, the time available is not an obstacle. Nevertheless, with a view to including stock data from ad hoc surveys, the period of nine months is too short, considering that it takes almost this long to collect the data; for direct investment stocks, for instance, a minimum of 12 months is needed to produce a first set of reliable data.

At present, the following sources are used to compile the i.i.p. data:

(i) *stocks:*
- banking sector: portfolio investment (equities, long-term debt instruments and money market instruments) and

other investment (short-term and long-term loans and deposits);
- general government: portfolio investment (government bonds) and other investment; and
- monetary authorities (reserve assets and other assets);

(ii) *flows:*
- banking sector: direct investment;
- other sectors: all items.

The coverage is currently slightly different for general government, where the stock data which are used for other investment are not fully in line with the similar flow data used in the b.o.p. The concepts are identical in both the i.i.p. and the b.o.p. financial account. As a result, the same weaknesses and gaps can be identified.

Although the IMF's Co-ordinated Portfolio Investment Survey is operational in Belgium, the data provided are not yet used as a full source for the i.i.p. Considering the fact that the survey is repeated each year in Belgium, the data is nevertheless used partly in the i.i.p. Nevertheless, as the response time is in theory set at six months, the results of the survey are only used in a revised version of the corresponding i.i.p.

The breakdowns by sector and by instrument are based on the data sources. With the exception of the banking sector's assets, no euro area/non-euro area breakdown is possible for stock data unless the survey results are used. Moreover, even if the survey results were to be used, these would cover only the assets side.

Price changes are applied to equity capital and shares, using specific stock exchange indices for the main currencies. A reference to the country is not possible owing to the lack of reliable information at present. Different procedures are applied to quoted and unquoted shares. For real estate investment, a price adjustment is made by reference to a domestic index of real estate prices.

Exchange rate changes are calculated on the basis of the data available on foreign currencies. The conversion is calculated using the end-of-year rate by currency, so that the stocks for the previous year are estimated at current rates. The transactions are computed using the monthly average rate for the month of registration. The valuation is based on:
- the book value: banking sector (portfolio investment, where – for the trading portfolio – the book value is mostly based on the marked-to-market value of liquid assets, and other investment);
- the nominal value: general government (portfolio investment); and
- a proxy of the market value: other sectors (portfolio investment).

For the banking sector, equities are adjusted to a proxy of the market value in a similar way to the other sectors by applying a stock market index valuation rate. For all other items, the valuation is applied to the registered accumulated flows.

There are no plans at present to produce quarterly data.

The results of the yearly FDI survey are not included in the i.i.p. Nevertheless, they may be used to make some adjustments. Furthermore, the information included in the survey should make it possible in the near future to compile a first proxy of the reinvested earnings component.

Fully updated methodology and processing are under development and will become fully operational in due course.

14.2 DEFINITIONS

14.2.1 GENERAL

The definitions for the i.i.p. items are in accordance with the BPM5, as are the definitions for the respective b.o.p. items.

The reconciliation process is based either on stocks or on the accumulation of flows, depending on the item concerned.

14.2.2 DIRECT INVESTMENT

For the b.o.p., the directional principle is not applied. Reinvested earnings are estimated on a yearly basis (at Y + 1). At present, no estimation is made for the current year.

14.2.3 PORTFOLIO INVESTMENT

For discounted instruments, the discounted value is usually taken into account, so that the difference in relation to the purchase price is included in the i.i.p.

14.2.4 FINANCIAL DERIVATIVES

There is no recording of financial derivatives on a gross basis. Financial derivatives are computed on the basis of accumulated flows; therefore, no valuation of market prices is carried out for the resulting stocks.

14.2.5 OTHER INVESTMENT

See Sub-section 12.2.1.

14.2.6 RESERVE ASSETS

Stocks of reserve assets are compiled in cooperation with the Accounting Division of the NBB/BNB.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

See the b.o.p. financial account.

14.4 GAPS

See the b.o.p. financial account.

14.5 INTENDED HARMONISATION

See the b.o.p. financial account.

14.6 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Nationale Bank van België/Banque Nationale de Belgique:
"Annual Report"
"Statistical Bulletin" (quarterly)

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Belgium. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Belgium should be addressed to:

Mr Roger De Boeck
Banque Nationale de Belgique
Boulevard de Berlaimont 14
B-1000 Brussels
Belgium

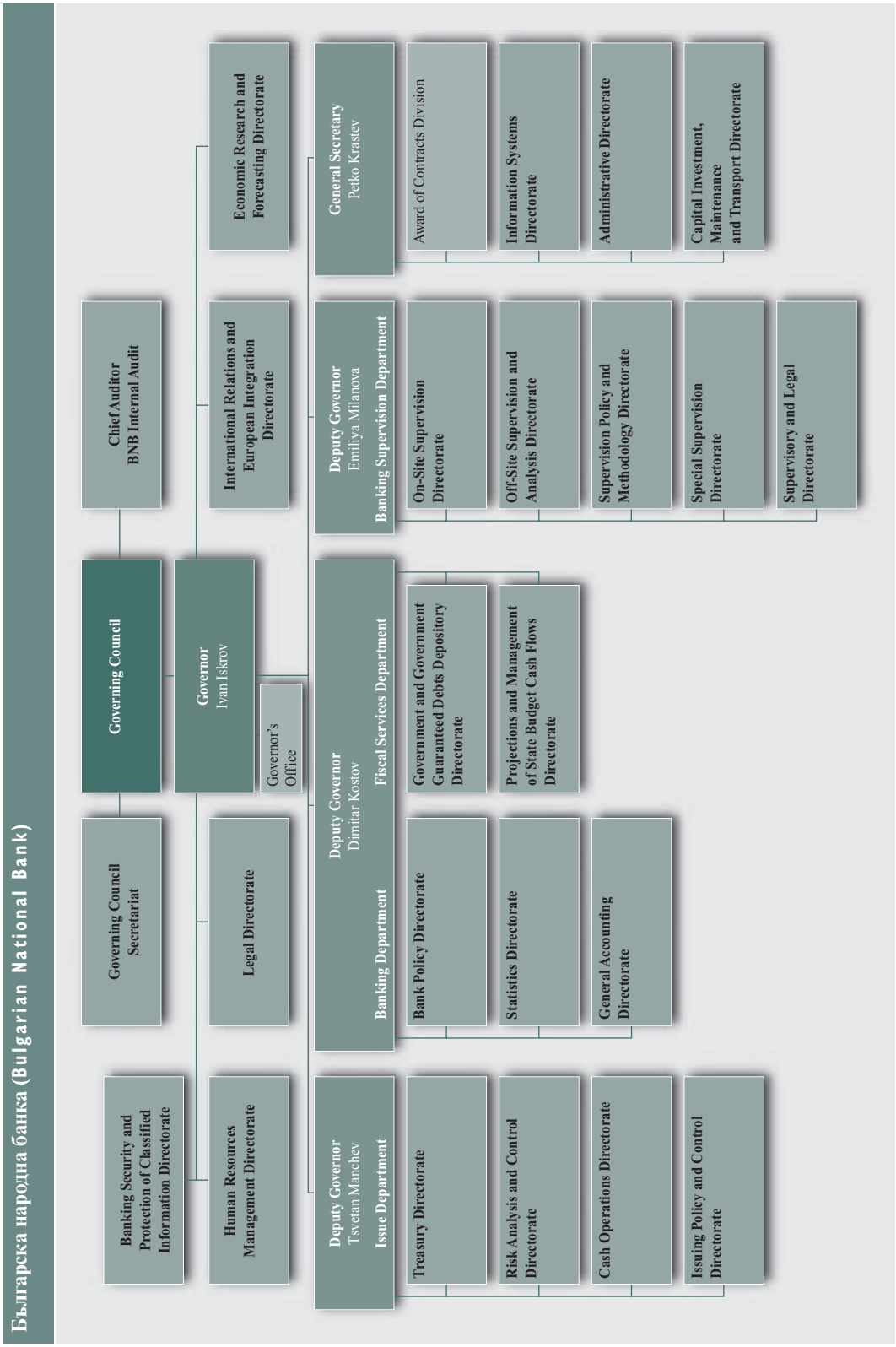
Tel.: 00 32 2 221 4733
Fax: 00 32 2 221 3144
E-mail: roger.deboeck@nbb.be

Mr Philippe Lambot
Banque Nationale de Belgique
Boulevard de Berlaimont 14
B-1000 Brussels
Belgium

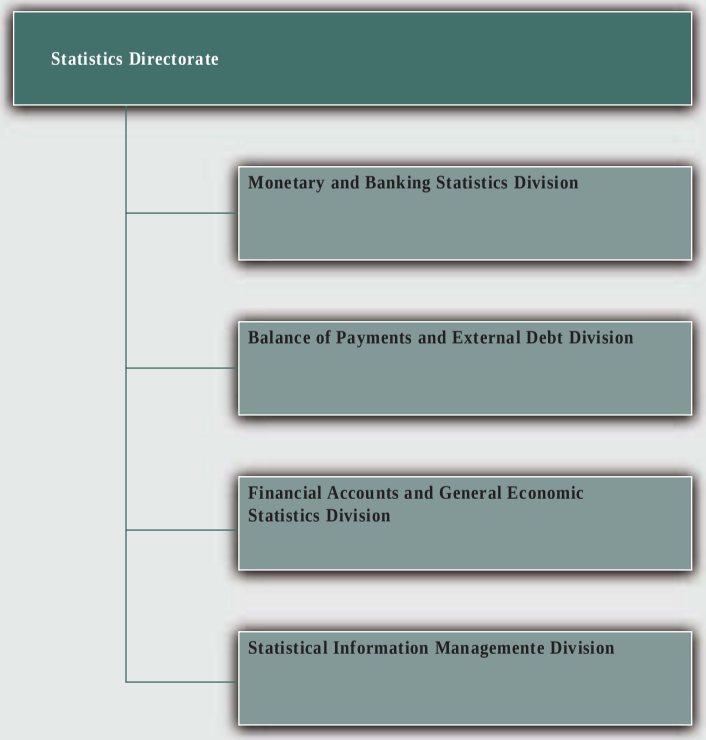
Tel.: 00 32 2 221 2309
Fax: 00 32 2 221 3144
E-mail: philippe.lambot@nbb.be

4.2 BULGARIA

I ORGANISATION CHARTS



Organization Chart of the BNB Statistics Directorate



As of 31 January 2007

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The Bulgarian National Bank has been responsible for compiling the balance of payments since 1991. Data are processed by the Balance of Payments and External Debt (BOPED) Division within the Statistics Directorate of the Bulgarian National Bank. The Bulgarian National Bank compiles and publishes the monthly b.o.p. in accordance with methodological principles of the fifth edition of the IMF Balance of Payments Manual (BPM5), the European Central Bank Guideline ECB/2004/15 and Regulation (EC) No 184/2005 of the European Parliament and of the Council. In compiling the b.o.p., the Bulgarian National Bank is fully independent from the general government and follows the methodological principles of the BPM5.

2.2 LEGISLATIVE PROVISIONS

The Bulgarian National Bank's responsibility for b.o.p. compilation is provided for in Article 42 of the Law on the Bulgarian National Bank. The Foreign Exchange Law, amended in July 2003, specified a number of requirements for different reporting agents with regard to b.o.p. data and strengthened the ability of the Bulgarian National Bank to collect information. In August 2003, Regulation No 27 on Balance of Payments Statistics was issued in compliance with the amended Foreign Exchange Law.

2.3 INTERNAL ORGANISATION

At the Bulgarian National Bank, the b.o.p., the i.i.p., external debt and the IMF Data Template on International Reserves and Foreign Currency Liquidity are compiled in the BOPED Division within the Statistics Directorate. This Directorate has four divisions, namely the BOPED Division, the Monetary and Banking Statistics Division and the Financial Accounts and General Economic Statistics Division and Statistical Information Management Division.

At present, the BOPED Division, which has a total of 17 staff, is made up of the following four sections:

- *Methodology and Analysis*: this section has two staff and is responsible for the development and improvement of the methodology for b.o.p., external debt and i.i.p. statistics, for the maintenance of metadata, as well as for analysis.
- *Compilation*: this section has two members of staff and its responsibilities include the final compilation of b.o.p., i.i.p. and external debt statistics and of the Data Template on International Reserves and Foreign Currency Liquidity.
- *Financial Sector Reporting*: this section also has seven members of staff and is responsible for the collection, processing and checking of flow and stock data from the commercial banks and other financial. institutions.
- *Non-financial Sector Reporting*: this section has six members of staff and is responsible for the collection, processing and checking of flow and stock data from companies and other non-financial institutions.

2.4 EXTERNAL COOPERATION

The Bulgarian National Bank receives customs declarations' trade data from the Bulgarian Customs Agency. These data are supplemented with data from the national statistical institute (NSI) and are further processed by the Bulgarian National Bank.

The data on travel are based on information from the Ministry of Internal Affairs on the number of travellers crossing the borders and on estimates of per capita receipts and expenditure based on the methodology of the Bulgarian National Bank and the Ministry of

the Economy. The Bulgarian National Bank receives information on current transfers from the Ministry of Finance and from other government agencies.

Reporting scheme for b.o.p. and i.i.p. data collection for Bulgaria

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Commercial banks	Reports on a transaction-by-transaction basis	All transactions between residents and non-residents by economic code. Data is reported in BGN and in original currency.	Twice a month	15 calendar days
Commercial banks	Form SPB-1	Information about credits, granted to or received from non-residents to the amount larger than the BGN equivalent of 25000 BGN – creditor and debtor data, type of credit, purpose of the credit, currency, date of disbursement, interest rates, repayment schedule, etc.	After the transaction is executed	15 working days after the transaction is executed
Commercial banks	Form B-4	Information about bonds issued by residents on the international markets and held by local banks (incl. on behalf of their clients). Stocks at the end of the month are reported. Data is reported in original currency.	Monthly	t + 15 calendar days
Commercial banks	Form B-6	Breakdown of transactions between residents and non-residents, by their amount..	Monthly	t + 15 calendar days
Commercial banks	Form B-7	Information about the transactions associated with the financial credits of the bank granted to or received from non-residents during the reporting period – disbursements, principal payments, interest payments, principal in arrears, interest in arrears, repaid arrears, rescheduled principal, accrued interest, restructured debt, etc. Stocks at the beginning and end of the quarter are reported. Data are reported in the original currency.	Monthly	t + 15 calendar days
Commercial banks	Form B-8	Information about portfolio investments in equity and debt securities issued by non-residents and held by local banks. Stocks at the end of the month as well as transactions during the month are reported in part A of the form. The income (accrued and paid) associated with these securities is reported in part B. Data is reported in original currency.	Monthly	t + 15 calendar days
Commercial banks	Form B-9	Information about portfolio investments in equity and debt securities issued by non-residents and held by clients of local banks. Stocks at the end of the month as well as transactions during the month are reported. The income associated with these securities is reported in this form too. Data is reported in original currency.	Monthly	t + 15 calendar days
Primary dealers of Government securities	Form DCK	Information about investments in Bulgarian Government securities issued in domestic market of non-residents. Stocks at the end of the reporting period as well as transactions during the reporting period are reported. Data is reported in original currency.	Quarterly	t + 15 calendar days

Reporting scheme for b.o.p. and i.i.p. data collection for Bulgaria (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Enterprises with bank accounts abroad	Form SPB-5	All transactions between residents and non-residents channelled through these accounts, aggregated by economic code. Transactions are reported in the original currency. Opening and closing balances are also reported. The form is quarterly with monthly breakdown.	Quarterly	t + 15 calendar days
Enterprises with assets other than financial credits with non-residents	Form SPB-6A	Stock data on financial claims of residents to non-residents above threshold of BGN 5,000, aggregated by type of non-resident, by type of assets, by country and by currency. Stocks at the beginning and end of the quarter are also reported.	Quarterly	t + 15 calendar days
Enterprises with liabilities other than financial credits to non-residents	Form SPB-6B	Stock data on financial liabilities of residents to non-residents above threshold of BGN 50,000, aggregated by type of non-resident, by type of liabilities, by country and by currency. Stocks at the beginning and end of the quarter are also reported.	Quarterly	t + 15 calendar days
Enterprises which have received/ extended financial loans from/to non-residents	Declaration - Form SPB-1	Information about the credit – creditor and debtor data, type of credit, currency, date of disbursement, interest rates, repayment schedule, etc.	After the transaction is executed	15 working days after the transaction is executed
Enterprises which have a bank account abroad	Declaration - Form SPB-2	Information about the accountholder (name, address), about the non-resident (name, address, country, type) and about the account (type, date, current amount, number, currency etc.).	After the transaction is executed	15 working days after the transaction is executed
Enterprises with new direct investment abroad	Declaration - Form SPB-3	Information about direct investor (name, address), purpose of the direct investment, direct investment enterprise (name, address, country, share of direct investor and amount of equity capital).	After the transaction is executed	15 working days after the transaction is executed
Enterprises which have received/ disbursed financial credits from non-residents	Form SPB-4	Information about the transactions during the reporting period – disbursements, principal payments, interest payments, principal in arrears, interest in arrears, repaid arrears, rescheduled principals, accrued interest, restructured debt, etc. Stocks at the beginning and end of the quarter are reported. Data are reported in the original currency.	Quarterly	t + 15 calendar days
Enterprises with direct investments abroad	Form SPB-7	Information about the direct investor and the direct investment enterprise. Amount of equity capital at the beginning and of the end of the reporting quarter. Data are reported in BGN.	Quarterly	t + 15 calendar days

Reporting scheme for b.o.p. and i.i.p. data collection for Bulgaria (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Individuals which have received/ disbursed financial loans from/to non-residents	Form SPB-8	Stock data on financial claims/ liabilities of residents to non-residents above threshold of BGN 50,000. Stocks at the beginning and end of the year are reported.	Annualy	31 March of the following year
Central securities depository	Form CD	Information about non-residents direct and portfolio investments in equity and debt securities issued by residents. Stocks at the end of the month as well as transactions during the month are reported. Data is reported in original currency.	Monthly	t + 10 calendar days
Non-bank investment intermediaries	Form IP-1	Information about portfolio investment in equity and debt securities issued by non-residents and held by local investment intermediaries. The form contains data on stocks at the end of the period, transactions during the period and related income in original currency..	Quarterly	t + 15 calendar days
Non-bank investment intermediaries	Form IP-1	Information about portfolio investment in equity and debt securities issued by non-residents and held by local investment intermediaries. The form contains data on stocks at the end of the period, transactions during the period and related income in original currency..	Quarterly	t + 15 calendar days

The Bulgarian National Bank receives monthly data on direct investment in the country from the Privatisation Agency, the central securities depository and from commercial banks' reports. It receives quarterly data from the Agency for Financial Supervision, from the reports on inter-company debt transactions and from the statistical survey carried out by the NSI among non-financial sector enterprises, and annual data from the commercial banks' annual financial statements (balance sheets and profit and loss accounts) and from the NSI.

The Bulgarian National Bank receives monthly data on direct investment abroad from the commercial banks' reports, and quarterly and annual data from reports from direct investment enterprises. The Bulgarian National Bank receives data from 32 commercial banks. They provide monthly reports on their transactions with the rest of the world (on a transaction-by-transaction basis), as well as detailed reports for selected items. The Bulgarian National Bank also receives reports from more than 3,500 companies reporting their external assets and liabilities directly to it.

With respect to the b.o.p. methodology, the Bulgarian National Bank works in close cooperation with the European Central Bank, Eurostat and the International Monetary Fund. Since 1998, experts from the BOPED Division have been participating in the b.o.p. working group meetings organised by Eurostat. The Bulgarian National Bank has also been participating in the b.o.p. meetings organised annually by the ECB for the accession countries and, since May 2005, it has been taking part in the ESCB's Working Group on External Statistics.

2.5 USERS

B.o.p. data are supplied to numerous internal and external users. Within the Bulgarian National Bank, the main users of the b.o.p. are the Managing Board, the Economic Research and Forecasting Directorate, the Financial Accounts and General Economic Statistics Division within the Statistics Directorate, the Issue Department, etc.

Externally, the main users of b.o.p. and external debt data are the President of the Republic of Bulgaria, the Parliament, the Council of Ministers, the Ministry of Finance, the Ministry of the Economy, government agencies, foreign embassies, international financial organisations, international investors and rating agencies. B. o.p. data are used as an input to the Rest of the World account of the System of National Accounts produced by the NSI. The Bulgarian National Bank sends quarterly and annual data to Eurostat in GESMES format. Monthly b.o.p., reserve asset, international reserve and foreign currency liquidity data, as well as quarterly and annual i.i.p. data, are sent to the ECB also in GESMES format. Quarterly b.o.p. data, annual i.i.p. data and monthly trade data are sent via ICS to the IMF.

3 STATISTICAL SYSTEMS

3.1 TYPE OF COLLECTION SYSTEM

The existing mixed compilation system was introduced in 1996 and has since been further developed. At present, it includes: (i) commercial banks' reports; and (ii) reports by enterprises with bank accounts abroad, reports from companies with assets and liabilities vis-à-vis non-residents, as well as surveys of the largest foreign direct investment companies and estimates.

3.2 REPORTING AGENTS

(i) *Financial sector* – in 2005 the Bulgarian National Bank introduced improvements to the collection system. The banks report twice a month all transactions between residents and non-residents above a threshold of 25,000 Bulgarian leva (BGN) (approximately €12,500) on a transaction-by-transaction basis, which allows the geographical breakdown for services and other items to be compiled. In accordance with a regulation, the banks keep a record of all these transactions and are obliged to present the Bulgarian National Bank with detailed information upon request. B.o.p. data also are provided to the Bulgarian National Bank using other reporting forms. For some b.o.p. items, such as *direct investment in the reporting country, portfolio investment – assets* and *loans between residents and non-residents*, the Bulgarian National Bank receives detailed monthly or quarterly information. *Investment intermediaries* – in 2006 the Bulgarian National Bank introduced forms on security-by-security basis. Non-bank investment intermediaries report quarterly data on portfolio investment stocks and transactions in equity and debt securities issued by non-residents and held by residents.

(ii) *Non-financial sector* – partial direct reporting companies provide the Bulgarian National Bank with quarterly reports as follows:
- enterprises with bank accounts abroad are obliged to provide quarterly reports on their transactions with non-residents channelled via those accounts. The Foreign Exchange Law stipulates that all enterprises with accounts abroad are obliged to declare them for statistical purposes to the Bulgarian National Bank;
- enterprises with financial loans with non-residents are obliged to declare them to the Bulgarian National Bank for statistical purposes and to provide quarterly reports on these transactions to the Bank;

– enterprises with other assets and liabilities (trade credits, etc.) provide quarterly reports on the stock of their liabilities/assets other than financial loans vis-à-vis non-residents. Data are provided on the country of the creditor/debtor and in the original currency. Flow data are derived from stocks. A simplification threshold of BGN 50,000 (approximately E25,565) was introduced for trade credits – liabilities by the Foreign Exchange Law; and
– enterprises with direct investments abroad are obliged to declare them for statistical purposes to the Bulgarian National Bank. They also provide quarterly information on their foreign direct investment (FDI) abroad and a selected number of them respond to the annual direct investment survey conducted by the Bulgarian National Bank.

(iii) *Monetary authorities* – the Accounting Directorate of the Bulgarian National Bank provides the BOPED Division with monthly data on reserve assets, its own transactions with non-residents, as well as general government sector transactions with non-residents.

(iv) *General government* – the Ministry of Finance provides the Bulgarian National Bank with monthly information on government and government-guaranteed external debt. Data on transactions made on behalf of the general government and its agencies are also obtained from the reporting forms of the Bulgarian National Bank and the commercial banks. Monthly reports are also received from the central securities depository and from the Privatisation Agency.

3.3 THRESHOLDS

A simplification threshold of BGN 25,000 (approximately €12,500) was introduced by the Regulation 27 on the Balance of Payments Statistics.

3.4 AVAILABILITY OF DATA

The Bulgarian National Bank compiles a monthly b.o.p. Since the first quarter of 2006 a geographical breakdown has been available on a monthly basis. For direct investment abroad, geographical and sectoral breakdowns are available on a quarterly basis.

Since April 2006 the i.i.p. has been compiled quarterly starting with the first quarter of 2004 data. First estimates are available within three months after the end of the reporting period. They are subject to further revisions depending on the availability of additional information. Final i.i.p. data are available within 12 months after the end of the reporting year. Breakdowns by institutional sector and by instrument are available. For other investment and reserve assets, a currency breakdown is available.

3.5 TIMELINESS

The Bulgarian National Bank publishes the b.o.p. data within six weeks of the end of the reference month. The i.i.p. is published within three months of the end of the reporting quarter, and the Data Template on International Reserves and Foreign Currency Liquidity within three weeks of the end of the reporting month.

3.6 COMPILATION FREQUENCY

The Bulgarian National Bank compiles the b.o.p and the international reserves and foreign currency liquidity statistics monthly and the i.i.p. quarterly.

3.7 DATA CONTROLS

At present, there are no built-in computerised data controls, which is mainly due to the software used (Microsoft Excel and Access) for processing the incoming information. However, some systematic quality checks are made by comparing data for previous periods with

current reports. For some b.o.p. items, reports from companies are cross-checked with reports from banks. Checks for consistency with monetary and banking statistics are also made. Checks are also carried out using information obtained through regular contacts with banks and companies or even from newspapers and other media. Data controls are also based on staff knowledge and expertise.

3.8 REVISION POLICY

Revisions of published b.o.p. estimates are a common feature of b.o.p. compilation systems. With the publication of revisions, the users are made aware of the revised data items in a timely manner. The revision policy pursued by the Bulgarian National Bank is based on the following principles:

(i) concerning the most frequent data, each monthly publication includes revisions of the data for the previous three months and each quarterly publication includes revisions of the monthly data for the entire current year;

(ii) when ongoing changes are made as a result of additional information collected and the elimination of errors, the Bulgarian National Bank informs the users in a timely manner through the monthly press releases, as well as through the footnotes in the tables; and

(iii) when significant revisions are made as a result of changes in the methodology for the reporting of certain b.o.p. components or for other reasons, the Bulgarian National Bank publishes information on the changes in advance in order to assist the users of the data.

3.9 PUBLICATION

The advance calendar for data dissemination, including the b.o.p., i.i.p., external debt and the Data Template on International Reserves and Foreign Currency Liquidity, is posted on the Bulgarian National Bank's website at http://www.bnb.bg. A press release is also published on the website. The data are also published in the Bulgarian National Bank's Monthly Bulletin. Data on the country's b.o.p. are also included in the official semi-annual and annual reports of the Bulgarian National Bank.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on imports and exports (f.o.b.) are based on customs declarations from the Customs Agency. Data are processed based on the Harmonised System for the Description and Coding of Commodities of the World Customs Organisation. The Bulgarian National Bank and the NSI receive the export and import data, supplement them with other information and process them. The introduction of the system INTRASTAT led to changes in the deadlines for receiving and processing of the data. The information on exports (dispatches) and imports (arrivals) of goods are to be reported by the INTRASTAT operators (the firms obliged to report) to the National Revenue Agency within 20 days after the close of the reporting month. These data are to be sent to the National Statistical Institute for further processing. The BNB receives aggregated data from the NSI (without breakdowns by trade partners and by type of goods) on the country trade with the other EU member states within 35 days after the close of the reporting month, and these data are to be supplemented by the data of the Customs Agency on trade with third countries. Preliminary detailed data (with breakdowns by trade partners and by type of goods) for the reporting month are to be distributed to users not earlier than 73 days after the close of the reporting month.

In accordance with the common methodology of the Bulgarian National Bank and the NSI, exports and imports have, since 1999, been recorded under the special trade system where the moment of registration of a transaction

coincides with the moment of the clearance of the customs declaration. With the January 2006 data, the Bulgarian National Bank and the NSI jointly introduced a new methodology for the compilation of imports at f.o.b. prices and freight transportation receipts and payments. The methodology is based on an analysis of the c.i.f./f.o.b. correlations for goods imports in different import delivery categories, as well as on the mode of transportation and nationality of the carrier. Data series starting from 2002 were revised.

4.2 DEFINITION

The goods component of the b.o.p. current account covers movable goods for which changes of ownership between residents and non-residents occur. The country's exports are reported f.o.b. and imports c.i.f. as, for the purposes of the b.o.p., total imports are re-calculated on an f.o.b. basis.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

For the time being, there are no estimates of shuttle trade.

4.5 INTENDED HARMONISATION

No harmonisation is necessary.

4.6 ESTIMATION METHODS

None.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

The Bulgarian National Bank derives the data on freight transportation as a percentage of foreign trade data and those on passenger transportation as a percentage of travel receipts and expenditure. With the January 2006 data it introduced a new methodology for the compilation of freight transportation receipts and payments. Receipts are calculated on the basis of estimated receipts of resident carriers in relation to the country's exports of goods. Payments are calculated as an estimation of the payments made by residents on behalf of non-resident carriers in relation to the country's imports of goods. The receipts and payments are estimated according to mode of transportation and nationality of the carrier. Data series starting from 2002 were revised. With the introduction of the system INTRASTAT (introduced with the Law on Statistics of Intercommunity Merchandise Trade, GG. N51 of 2006) with the January 2007 data changes in the way of compilation of receipts and payments regarding the freight transportation of Bulgaria with the rest of the EU member states took place. Due to the delay in receiving the detailed data on trade of Bulgaria with the rest of the EU member states from the NSI, as of the date of publication of the preliminary balance of payments report for the corresponding month (42 days after the close of the reporting period) the preliminary compilation of receipts and payments of freight transportation is based on data for preceding years. For exports of transport services the estimate is 7.5% of goods exports FOB, of which 61.8% are performed by resident carriers and are transactions of the balance of payments. For imports of transport services – 5% of the imports FOB, of which 48% are performed by non-resident carriers and are subject to reporting in the balance of payments. These estimates are subject to revisions after receiving the preliminary detailed data (with breakdown by trade partners and by type of goods) on trade with the rest of the EU member states for the reporting month. The NSI provides the Bulgarian National Bank with monthly data on the receipt of transit fees.

The travel data are based on information from the Ministry of Internal Affairs on the number of travellers crossing the borders and on estimates of per capita receipts and expenditure based on the methodology of the Bulgarian

National Bank and the Ministry of the Economy. Starting from January 2007 data for the number of foreigners who visited the country are based on information from the border police and NSI estimates.

The sources of information used for the other services item are the commercial banks and the corporate sector.

5.2 DEFINITION

Following the BPM5, the services component comprises transportation, travel and other services. Transportation services cover freight and passenger transportation as well as transit fees on the credit side. A breakdown for means of transportation is available. Travel covers goods and services, including those related to health and education, acquired by travellers for business and personal purposes. The other services item covers receipts and payments related to services other than transportation and travel (communication, construction, financial, leasing, insurance, cultural, sport and recreational services, government services n. i.e.,1 etc.).

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

Data availability for certain items is limited.

5.5 INTENDED HARMONISATION

The Bulgarian National Bank is currently working on a project to develop a new methodology to estimate travel receipts and payments.

5.6 ESTIMATION METHODS

No estimations are necessary.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

In line with the BPM5, income consists of two main categories, namely: (i) compensation of employees; and (ii) investment income.

6.1.1 COMPENSATION OF EMPLOYEES

Compensation of employees covers wages, salaries and other benefits paid to non-resident workers in the country or received by resident workers abroad. The sources of information for this sub-item are commercial banks and companies holding bank accounts with non-resident banks. Compensation of employees also includes income due to unofficial employment, estimated in accordance with a methodology developed by the Bulgarian National Bank in 2006. The data have been revised from April 2001. The new methodology is available on the website of the Bulgarian National Bank at http://www.bnb.bg.

Investment income covers receipts and payments of income associated with external financial assets and liabilities. Included are receipts and payments on direct investment, portfolio investment, other investment and receipts on reserve assets.

6.1.2 INCOME ON DIRECT INVESTMENT

In line with the BPM5, the direct investment income item in the Bulgarian b.o.p. comprises income on equity (dividends and reinvested earnings) and income on debt (interest). Breakdowns by country and by sector are available. The sources of information on reinvested earnings (debit side) are the monthly data on commercial banks' net current profit/loss, as well as the results from the annual survey conducted by the NSI among non-financial enterprises and the data from the annual commercial banks' balance sheets and reports. Reinvested earnings (credit side) are recorded annually on the basis of the survey conducted by the Bulgarian National Bank. Income on inter-company loans is recorded

monthly. The source of information on the debit side for non-financial enterprises is the Private Debt Register (in which inter-company loans are also recorded) and, for the banking sector, commercial banks' data. The sources of preliminary information on the credit side are commercial banks' monthly reports and this information is later replaced by data from the quarterly survey on direct investment abroad. Only actual payments are recorded.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income on portfolio investment covers income on equity, income on debt as defined in the BPM5. Data on the credit side are provided by enterprises with bank accounts abroad, commercial banks, the Bulgarian National Bank and the Ministry of Finance.

The main source of information on the debit side is the Ministry of Finance, the Bulgarian National Bank, commercial banks and enterprises with bank accounts abroad.

For portfolio investment income, the accruals principle was applied to only a few instruments (collateral on Bulgarian Brady bonds on the assets side and Bulgarian government securities on the liabilities side). A new monthly reporting form for commercial banks was introduced at the start of 2005. It covers the portfolio investment assets of both commercial banks and their clients. The form gives information allowing the application of the accruals principle to securities held by banks. The central securities depository has reported since January 2004 the portfolio investment liabilities of commercial banks and other sectors. The reported data allows the calculation of accrued interest for the debit side as well. For these cases, an offsetting entry is recorded with respect to the underlying financial instrument.

6.1.4 INCOME ON OTHER INVESTMENT

Income on other investment includes income on loans and income on deposits. Data on the credit side (flows) are received mainly from the commercial banks and through direct reporting from local companies which have extended loans to non-residents. Data on the debit side of the loan item is received from the Ministry of Finance, the Bulgarian National Bank, the commercial banks and directly from the enterprises that have borrowed from non-residents. The accruals principle is not fully applied. Income on trade credits is not included. Income on reserve assets is recorded monthly on an actual basis.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

The accruals principle is not applied to all items. Income on trade credits is not included.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

Further refinement of the compilation techniques is necessary, particularly with regard to the application of the accruals principle where possible. It is also intended to improve the compilation of data for compensation of employees.

6.5 ESTIMATION METHODS

None.

7 CURRENT TRANSFERS

The Bulgarian National Bank receives information on current transfers from the monthly reports of commercial banks for transfers in cash, as well as information from the Ministry of Finance on the respective pre-accession funds received from the EU. For current transfers in kind, quarterly data are obtained from various agencies, ministries, etc.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

None.

8.2 DEFINITION

In line with the definition of the BPM5, the capital account consists of two categories: (i) capital transfers; and (ii) the acquisition or disposal of non-produced, non-financial assets. If in kind, a capital transfer consists of: (i) a transfer of ownership of fixed assets; or (ii) forgiveness of a liability by a creditor when no counterpart is received in return. If in cash, a transfer is a capital transfer when it is linked to, or conditional upon, the acquisition or disposal of fixed assets (e.g. an investment grant).

The main sources of information on private transfers are the banks' and companies' reports. For government transfers, data are obtained directly from the Ministry of Finance and from any other ministry concerned.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

No harmonisation is necessary.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

9.1.1 DIRECT INVESTMENT IN THE COUNTRY

For the compilation of direct investment in the country, the Bulgarian National Bank collects data from the following sources:

- the Privatisation Agency;
- commercial banks;
- the NSI;
- foreign investment enterprises in the non-financial sector;
- the central securities depository;
- the Agency for Financial Supervision; and
- notaries public.

The Privatisation Agency provides monthly data on actual sales of the state's shares in Bulgarian enterprises to non-residents, which are included under the equity capital item.

The Agency for Financial Supervision provides quarterly data on non-residents' participations in the capital of Bulgarian insurance and pension companies. Flows are derived from the stock data and are included under the item equity capital.

Notaries public provide monthly data on non-residents' purchases of real estate in the country. Data are included under equity capital.

The central securities depository provides monthly data on the shares purchased and sold by non-residents, whose participation in the capital of the company is at least 10%, as well as on the average monthly market prices of the shares of the separate issues.

Data from commercial banks are collected through the transaction-by-transaction reporting system, from their reports on non-residents' share of equity capital to the Banking Supervision Department of the Bulgarian National Bank, and from their annual financial statements.

Non-financial enterprises provide quarterly data on their inter-company financial loans through the forms SPB-1 and SPB-4, and data on their inter-company trade loans through the forms SPB-6A and SPB-6B. Quarterly surveys of the largest FDI companies are carried out by the Bulgarian National Bank, providing data on their equity capital, other capital and reinvested earnings.

The NSI provides data on equity stocks and flows from its quarterly and annual statistical surveys on FDI conducted among non-financial sector enterprises. Data from different sources are compared and checked for consistency by the Bulgarian National Bank in order to avoid double-counting.

9.1.2 DIRECT INVESTMENT ABROAD

For the compilation of data on direct investment abroad, the Bulgarian National Bank collects information from the following sources:

- the statistical register for direct investment abroad maintained by the Bulgarian National Bank;
- quarterly reporting forms on equity capital (Form SPB-7);
- reports on inter-company financial loans (Form SPB-4);
- reports on inter-company trade loans (Forms SPB-6A and SPB-6B); and
- commercial banks' reports.

Breakdowns by investment type, by sector and by country are available for direct investment transactions in the country, as they are classified according to the economic activity of the resident enterprise. For direct investment abroad, breakdowns by investment type and by country are available only.

9.2 DEFINITION

When compiling the direct investment in the country, the Bulgarian National Bank adheres to the international conventions and recommendations set out in the BPM5, the OECD Benchmark Definition of Foreign Direct Investment (third edition, 1996) and the ECB's Foreign Direct Investment Task Force Report (March 2004). In accordance with these recommendations, a direct investment in the country is an international investment, in which the direct investor, a resident of a foreign economy, acquires a lasting interest in an enterprise that is resident in the Bulgarian economy (direct investment enterprise). The direct investment includes both the initial transaction through which the relationship between the direct investor and the direct investment enterprise is established and all subsequent transactions between them. The transactions can involve both an increase/decrease in the liabilities of the direct investment enterprise vis-à-vis the direct investor and an increase/decrease in the claims of the direct investment enterprise on the direct investor. The Bulgarian National Bank therefore reports both accomplished investment and disinvestment. The basic principles of the reporting of direct investment in the country are: first, only *actually received* and not contracted amounts are recorded and, second, when financial instruments are used for settlements, they must be recorded at their *market price* and not at their nominal value. The Bulgarian compilation methodology adheres strictly to the rule adopted by the BPM5 that the acquisition of 10% or more of the voting power in the management of the investment enterprise is considered an establishment of a direct investment relationship.

Direct investment in the country and abroad items of the Bulgarian b.o.p. comprise:

(i) *Equity capital* – the acquisition/disposal of shares and equities (in cash and in kind) by direct investors in the share or equity capital of direct investment enterprises. The acquisition of equities and shares in the capital is reported as an increase and the disposal as a decrease in direct investment.

(ii) *Other capital* – the principal received and paid on loans (both short and long-term loans) between the direct investor and the direct investment enterprise. The receipt of a loan from the direct investor is treated as an increase of the direct investment and the repayment of the principal as a decrease. The extension of a loan by the direct investment enterprise to the direct investor is treated as a decrease in the direct investment and the repayment of the principal as an increase.

(iii) *Reinvested earnings* – the share of the direct investors in the undistributed earnings/losses of the enterprise for the reporting period. The share in the undistributed earnings is reported as an increase of the direct investment in the country and the share in the loss as a decrease. In line with requirements, an offsetting entry is recorded in the case of reinvested earnings.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Direct investment covers direct investment abroad, direct investment in the reporting economy and mergers and acquisitions. This latter sub-item was included to eliminate the impact of M&A transactions on the reported foreign direct investment data. In practice, these transactions have hardly any real impact on production capacities and employment. The conclusions drawn from an analysis of foreign direct investment data, which cover mergers and acquisitions, might be misleading with regard to investment flows, developments, and the sectoral and geographical structure.

Reinvested earnings can be derived by deducting the amount of dividends to be paid to shareholders from the net profit/loss for the reporting period.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

No harmonisation is envisaged.

9.6 ESTIMATION METHODS

Reinvested earnings are derived as the net profit for the reporting period less the amount of dividends paid to shareholders. However, the actual amount of dividends to be paid is not available until the next year, when the decision to distribute dividends is made. For this purpose, the net profit/loss of non-residents for the current year is diminished by the amount of projected dividends (based on the net *profit/dividend* ratio in the previous year, which is used as an estimate). That estimation of the net reinvested earnings of the commercial banks data for the current period is included as preliminary data in the b.o.p., and is replaced by final data when the actual amount of dividends paid is available. Net losses are included with a negative sign.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on the assets side of portfolio investment are provided by commercial banks, the *investment intermediaries*, the Bulgarian National Bank and the Ministry of Finance. The main source of information on the liabilities side of portfolio investment is the data provided by the Ministry of Finance, the Bulgarian National Bank, commercial banks and the central securities depository. Since 2005 for both the assets and liabilities sides, data have been collected on a security-by-security basis.

10.2 DEFINITION

In line with the BPM5, the portfolio investment item in the Bulgarian b.o.p. covers transactions in shares and equity if the investor's share in the capital is less than 10%, transactions in bonds, notes, money market and other tradable securities.

A set of new monthly reporting forms for the commercial banks was introduced at the start of 2005 (Form B-8A; Form B-8B; Form 9). These forms cover the portfolio investment assets of both commercial banks and their clients. They provide information on both stocks and flows and allow the accruals principle to be applied to securities held by banks. According to ECB requirements, a breakdown is made by instrument, by investor's economic sector and by issuer's country of residence.

New quarterly reporting forms for non-bank investment intermediaries were introduced in July 2006 (Form IP-1 and Form IP-2). These forms cover portfolio investment assets of both investment intermediaries and their clients. The forms are similar to the reporting forms B-8 and B-9 for the commercial banks.

Since May 2005, the central securities depository has been reporting the portfolio investment liabilities of the commercial banks and other sectors. The reported data allow the calculation of accrued interest for the debit side as well. For these cases, an offsetting entry is recorded with respect to the underlying financial instrument. The central securities depository provides information about both stocks and flows. There is a breakdown by instrument, by issuer's institutional sector and by investor's country of residence.

Due to the existing methodology for compiling the portfolio investment item, service charges and commissions are excluded and are recorded as services where identifiable.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

The accruals principle is not followed for all items.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

For the liabilities side, accruals are estimated on the basis of the discount and interest rates of each separate securities issue.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

There are no specific features for data collection for this item – it is a part of the general reporting system. The sources of information are the commercial banks' monthly reports and the central securities depository.

11.2 DEFINITION

See Sub-section 11.1.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

At present, transactions in financial derivatives are not recorded as a separate item, but are included in the portfolio investment item.

11.4 GAPS

See Sub-section 11.1.

11.5 INTENDED HARMONISATION

The Bulgarian National Bank plans to design and implement a special survey on financial derivatives.

11.6 ESTIMATION METHODS

See Sub-section 11.1.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

For liabilities, the main source of information for financial loans of commercial banks is Form B-7 (monthly) and, for financial loans of companies, Form SPB-4 (quarterly). According to Article 7 of the Foreign Exchange Law and Regulation No 27, all loans received by residents and non-residents (except for households) have to be declared to the Bulgarian National Bank for statistical purposes and reported upon quarterly. The BOPED Division

holds a statistical register of non-guaranteed external debt, which contains detailed information on flows, stocks and income. This register allows a differentiation between intra-company and other debt, as well as sector, instrument, maturity, country and currency breakdowns. The same information is available on government and government-guaranteed loans through the Ministry of Finance.

Regarding the assets side, data are received from commercial bank reports (Form B-7) and through direct reporting from local companies with loans to non-residents (Form SPB-4).

Data on trade credits are reported quarterly by enterprises using Form SPB-6A for their assets with non-residents and Form SPB-6B for their liabilities to non-residents. These forms also gather data on inter-company trade credits.

12.2 DEFINITION

In line with the definitions in the BPM5, other investment covers trade credits, loans, currency and deposits and other assets and liabilities. According to the b.o.p. conventions, trade credits arise from the direct extension of credit from a supplier to a buyer, i.e. this is a credit extended by a trade partner without a tradable security being issued.

The loans item includes received and paid principal on short and long-term loans between residents and non-residents if a tradable security is not issued with these loans.

The currency and deposits component on the assets side lists the changes in the residents' currency and deposits held with non-residents. At present, data from companies with bank accounts abroad and BIS data are used. On the liabilities side, data on the changes in the liabilities of resident commercial banks to non-residents in domestic and foreign currency are obtained directly from the banks' reports. Following the basic accounting principles and conventions laid down in the BPM5, the Bulgarian National Bank excludes any fluctuations in the exchange rate when compiling this item.

The other assets and other liabilities items include all transactions receivable and payable on miscellaneous accounts not included elsewhere, as well as transactions in arrears.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

None.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The entries under this category pertain to transactions in the Bulgarian National Bank's external holdings that are administered by the Issue Department. The data on reserve assets exclude exchange rate fluctuations.

13.2 DEFINITION

Reserve assets include those external assets that are readily available to and controlled by the central bank (government) for the direct financing of b.o.p. imbalances. The reserve assets comprise monetary gold, special drawing rights (SDRs), the reserve position in the IMF, foreign exchange assets (consisting of currency and deposits and securities) and other claims.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The i.i.p. statement is compiled in general conformity with the international standards prescribed by the BPM5 and the "International Investment Position – A Guide to Data Sources" (IMF, 2002). The i.i.p. statement is compiled and published quarterly.

The i.i.p. is the balance sheet of the country's stocks of external financial assets and liabilities at the end of a specific period. The external financial assets consist of direct investment, portfolio investment, financial derivatives, other investment and reserve assets. The external financial liabilities consist of direct investment, portfolio investment, financial derivatives and other investment and, therefore, they are a broader concept than the liabilities that constitute the country's gross external debt. The primary type of classification in the i.i.p. statement is the distinction between assets and liabilities. The second level of classification by function is fully consistent with the b.o.p. financial account. The functional types of assets and liabilities are (i) direct investment, (ii) portfolio investment, (iii) financial derivatives and (iv) other investment. Included in assets are also the reserve assets held by the monetary authorities. The third level of classification is by investment instrument; instruments recorded as portfolio investment and other investment are further sub-divided by domestic sector, while the components of other investment are also cross-classified by original maturity.

14.1.2 DIRECT INVESTMENT

Direct investment is a category of international investment in which a resident of one economy – a direct investor – holds a lasting interest (at least 10% of the ordinary shares or voting power) in an enterprise resident in another economy – a direct investment enterprise. It is recorded on a directional basis: direct investment abroad as an asset and direct investment in the reporting country as a liability. The direct investment stocks covers claims and liabilities in equity capital and reinvested earnings, as well as other capital (inter-company debt).

Preliminary data on FDI stocks are estimated as stocks at the end of previous year plus b.o.p. flows. Later, the stocks of Bulgarian direct investment abroad are replaced with data from an annual survey. The stocks of direct investment in Bulgaria are replaced with information provided by the NSI on direct investment in the non-banking sector, information provided by the commercial banks on direct investment in the banking sector and data from the Bulgarian National Bank surveys regarding major FDI non-financial sector companies. Breakdowns by sector and by country for both FDI in Bulgaria and abroad are available. For direct investment abroad, a breakdown by currency is also available.

14.1.3 PORTFOLIO INVESTMENT

Portfolio investment stocks comprise holdings of and liabilities on equity securities and debt securities; the latter are subdivided into bonds and notes (with an original maturity of one year or more) and money market instruments (with an original maturity of less than one year). The portfolio investment assets of the monetary authorities and the general government are compiled on the basis of information provided by the Fiscal Services Department of the Bulgarian National Bank and the Ministry of Finance. These holdings of securities do not constitute a part of the reserve assets. The commercial banks' holdings of securities are compiled on the basis of balance sheet data, while the other sectors' portfolio investment

assets are estimated as the cumulative sum of the flows recorded in the b.o.p. statement.

The stocks of portfolio investment liabilities cover securities issued by residents and held by non-residents. The main sources of information on the portfolio investment liabilities in equity securities are (i) the commercial banks' balance sheets on portfolio investment in the banking sector and (ii) the central securities depository which provides flow and stock information on the portfolio investment in the banking and in the non-banking sector. The Ministry of Finance, the Bulgarian National Bank and the commercial banks are the main sources of information on the portfolio investment liabilities in debt securities of the monetary authorities and the general government.

14.1.4 FINANCIAL DERIVATIVES

Assets and liabilities in *financial derivatives* cover financial derivative instruments such as forwards, futures, swaps, options, etc. The source of information is the central securities depository.

14.1.5 OTHER INVESTMENT

Other investment covers the stocks of assets and liabilities relating to short and long-term trade credits and loans, currency and deposits and other accounts receivable and payable.

According to the BPM5, *trade credits* consist of claims and liabilities arising from the direct extension of credit by suppliers and buyers for transactions in goods and services and advance payments for work in progress (or to be undertaken) that is associated with such transactions. The source of information for trade credit assets is Form SPB-6A, while for trade credit liabilities it is Form SPB-6B.

The Bulgarian National Bank compiles stock data on loans extended by resident entities to non-residents, i.e. assets, on the basis of information in the Bulgarian National Bank's balance sheet and commercial banks' reports. These data cover the monetary authorities, general government and commercial banks; data for the other sectors for the 2000 i.i.p. and onwards are available from Form SPB-4. On the liabilities side, the Bulgarian National Bank compiles data on loans received by the monetary authorities and the general government on the basis of information from the Ministry of Finance, from the Bulgarian National Bank, from non-financial sector reporting agents through Form SPB-4 and from commercial banks for their financial loans using Form B-7. In accordance with the BPM5, the credit and loans from the IMF are recorded as liabilities of the Bulgarian National Bank in both the b.o.p. and the i.i.p., regardless of whether they are extended to the Bulgarian National Bank or to the Ministry of Finance. Commercial banks, enterprises and individuals provide data on the banks and other sectors.

On the assets side, the currency and deposits component represents the stock of foreign currency and deposits held by residents. For the banking sector, data are obtained from the commercial banks' balance sheets; for the other sectors, information is provided by companies with bank accounts abroad and by the BIS. On the liabilities side, the deposits of non-residents held with domestic banks in both national and foreign currency are recorded on the basis of information from the commercial banks' reports.

The other assets and other liabilities components cover miscellaneous claims and liabilities vis-à-vis non-residents not included in the other items. Included in these components are also arrears on both (i) loans provided by residents to non-residents, which are recorded under assets, and (ii) loans received by residents from abroad, which are recorded as liabilities.

14.1.6 RESERVE ASSETS

According to the BPM5, reserve assets consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate

and/or for other purposes. The reserve assets comprise monetary gold, SDRs, the reserve position in the Fund, foreign exchange assets (consisting of currency and deposits and securities) and other claims. Under the provisions of the currency board, the reserve assets of the Bulgarian National Bank are equal to the assets of the Issue Department as presented in its balance sheet.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

Reserve assets are valued in accordance with the National Accounting Standards and the Law on the Bulgarian National Bank. Up to January 2005, according to Article 28 (3), item 6, of the Law on the Bulgarian National Bank, the stock of monetary gold was valued at DEM 500 per troy ounce, or at the market value, whichever was lower. Since February 2005 gold has been valued at market prices. For statistical purposes gold has been valued at market prices since 2000.

14.4 GAPS

None.

14.5 INTENDED HARMONISATION

The Bulgarian National Bank plans to elaborate and implement a special survey on financial derivatives.

14.6 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Monthly Bulletin

Bulgarian National Bank Annual Reports

Bulgarian National Bank Semi-annual Reports

15.2 CONTRIBUTORS

This country information was drafted by Bulgaria in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Bulgaria should be addressed to:

Mr Emil Dimitrov
Director
Statistics Directorate
Balance of Payments and External Debt Division
Bulgarian National Bank
1, Alexander Battenberg Square
1000 Sofia
Bulgaria

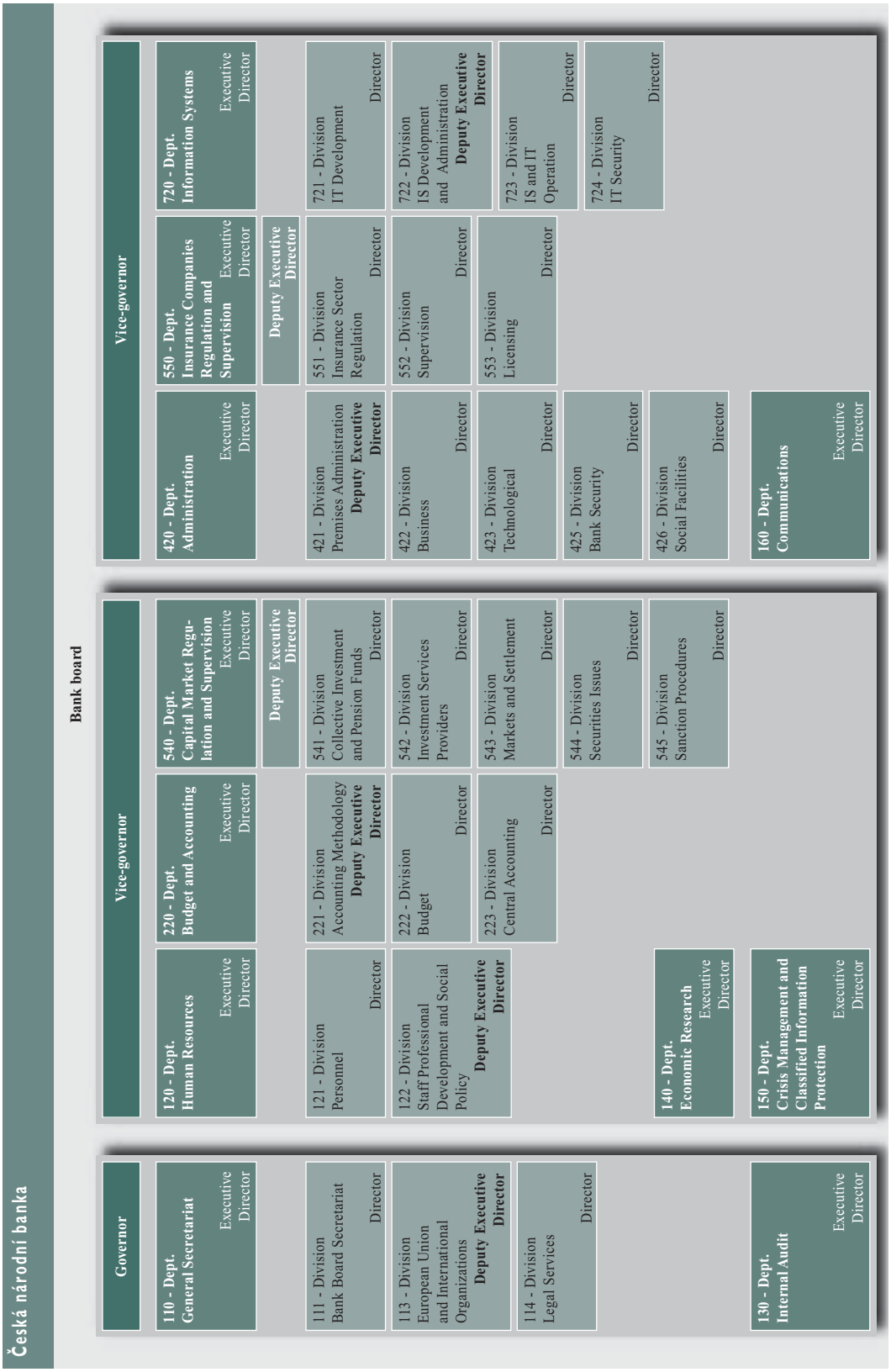
Tel.: 00 359 2 9145 1243
Fax: 00 359 2 980 2425 or 980 6493
E-mail: dimitrov.e@bnbank.org

Mrs Liliana El Haddad
Head of Division
Balance of Payments and External Debt Division
Bulgarian National Bank
1, Alexander Battenberg Square
1000 Sofia
Bulgaria

Tel.: 00 359 2 9145 1439
Fax: 00 359 2 980 2425 or 980 6493
E-mail: elhaddad.l@bnbank.org

4.3 CZECH REPUBLIC

I ORGANISATION CHARTS



Česká národní banka

Bank board

Chief Executive Director

410 - Dept. Monetary and Statistics — Executive Director

Deputy Executive Director

- 411 - Division Monetary Policy and Strategy — Director
- 412 - Division Macroeconomic Forecasting — Director
- 413 - Division Fiscal Analyses and Financial Accounts Statistics — Director
- 414 - Division External Economic Relation — Director
- 416 - Division Money and Banking Statistics — Director
- 417 - Division Balance of Payments — Director
- 418 - Division Statistical Data Processing — Director

Chief Executive Director

530 - Dept. Banking Regulation and Supervision — Executive Director

Deputy Executive Director

- 531 - Division Regulation — Director
- 532 - Division Off-Site Banking Supervision — Director
- 533 - Division On-Site Banking Supervision — Director
- 534 - Division Licensing and Enforcement — Director
- 535 - Division Supervisory Support — Director

Chief Executive Director

610 - Dept. Financial Markets — Executive Director

620 - Dept. Risk Management and Transaction Support — Executive Director

- 611 - Division Operations Analyses — Director
- 612 - Division Interventions — **Deputy Executive Director**
- 613 - Division Reserves Management — Director
- 621 - Division Transactions Systems — Director
- 622 - Division Risk Management — **Deputy Executive Director**
- 623 - Division Transactions Settlement — Director

Chief Executive Director

320 - Dept. Cash and Payment Systems — Executive Directors

Deputy Executive Director

- 321- Division Cash Circulation — Director
- 322 - Division Payment Media Protection — Director
- 323 - Division Payment Systems Policy and Development — Director

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Following the division of the former Czechoslovakia into the Czech and Slovak Republics on 1 January 1993, *Česká národní banka* (CNB) continued in its responsibility as the central bank of the Czech Republic for compiling balance of payments and international investment position statistics. The Balance of Payments Division of the CNB's Monetary and Statistics Department collects data from a variety of sources, including foreign trade statistics, the banking sector, the Czech Statistical Office, government ministries (Ministry of Finance), government agencies (e.g. the National Property Fund), securities traders/brokers and a large number of corporate sector units, including specialised units (services, etc.).

The b.o.p. and the i.i.p. are compiled quarterly and are published on the CNB website, in printed publications and also annually in the yearbooks of the Czech Statistical Office (CZSO). The data are compiled in Czech koruna (CZK) but are also published in euro and US dollars. The collection and compilation methods are being adjusted to comply with the recommendations of the fifth edition of the IMF Balance of Payments Manual (BPM5).

Since January 2003, the CNB has also published monthly estimates (i.e. key items in accordance with ECB requirements). These figures are based on monthly figures from the banking sector and the CZSO, as well as on current information from non-monetary financial institutions and estimates.

When compiling and publishing the b.o.p., i.i.p. and reserve assets, the CNB acts independently from the general government.

2.2 LEGISLATIVE PROVISIONS

Under Act No 6/1993 Coll.[1] on the Czech National Bank, as amended, all banks – including branches of foreign banks and other entities holding information necessary for the compilation of the b.o.p. – are obliged to report this information to the CNB (Article 41). The CNB defines the population of entities covered by this obligation as well as the content, form, dates and manner of submitting the information and documents required from them. Pursuant to Article 46, non-compliance with the rules laid down in the Act can result in a fine of up to CZK 1 million.

Article 5 of Act No 219/1995 Coll. (the *Foreign Exchange Act*), as amended, lays down the reporting obligations for residents regarding financial claims and liabilities vis-à-vis non-residents and residents abroad, foreign direct investment, financial credits, securities and associated collections, payments and transfers vis-à-vis non-residents and residents abroad, financial market operations, including operations performed through non-residents, and the establishment of and balances on their accounts abroad. The terms and manner of the reporting obligation are stipulated by Decree of the CNB, or when required by a foreign exchange authority.[2] A threshold of CZK 1 million has been set for the reporting obligation (since 1 January 2004).

2.3 INTERNAL ORGANISATION

A new organisational structure of the CNB came into effect on 1 July 2006. The CNB is managed by the Bank Board, of which there are seven members. The CNB head office is divided into departments and divisions:

– The *Monetary and Statistics Department* was restructured into four monetary and three statistics divisions in March 2004. In the area of statistics, it is responsible for methodological management, the collection of and accurate and comprehensive processing of monetary and banking statistics, statistical data on economic

1 Collection of Laws.
2 These authorities are the Ministry of Finance and the CNB.

development, b.o.p. compilation and administration, and for the development of statistical data systems.

- The *Money and Banking Statistics Division* is responsible for the concept, methodology and processing of money and banking statistics statements submitted by commercial banks and other monetary institutions. This Division provides banking statistical information to the Monetary Department, the Banking Supervision Department and other users in the CNB and to the general public.
- The *Balance of Payments (BoP) Division* is responsible for the concept, methodology and compilation of b.o.p. statistics, foreign direct investment and portfolio investment statistics and the i.i.p. It is also responsible for providing data to international institutions and for coordinating the IMF's Special Data Dissemination Standard (SDDS) system. In order to compile the b.o.p. and i.i.p., statistical information from the banking sector, corporate sector and government institutions is used.
- The *Statistical Data Processing Division* is responsible for collecting and processing statistical data for CNB purposes. It also manages the development of the banking information system, including the meta-information system. In cooperation with the Czech Statistical Office and the Ministry of Finance, this division collects and processes information to enable the compilation of statistics on the real economy.

The BoP Division is responsible for the b.o.p., FDI, the i.i.p., external debt and related statistical data compilation. Data collection, control and processing are carried out in close cooperation with the other divisions in the department. BoP Division staff (around 20 in number) are responsible for data collection, compilation, analyses and publications and for providing data to international institutions and domestic users.

Economic analysis of b.o.p. data is also performed by the monetary divisions of the Monetary and Statistics Department. Additionally, since May 2005 the *Fiscal Analysis and Financial Accounts Statistics Division* has been involved in compiling the quarterly financial accounts and government financial statistics required by the ECB.

2.4 EXTERNAL COOPERATION

The Czech Statistical Office (CZSO) is the most important external partner of the BoP Division, both as a provider and as a user of the data. The monthly foreign trade statistics, based on data provided by the CZSO, are a keystone for compilation of the b.o.p. goods item. The CZSO also provides some other complementary data for the b.o.p. and, reciprocally, CNB data are used by the CZSO for the compilation of the national accounts.

The CNB uses its own information on government assets and liabilities and also obtains information from other governmental institutions, in particular from the Czech Statistical Office, the National Property Fund (non-resident investment in the Czech Republic) and the Securities Centre of the Czech Republic (ownership of securities by non-residents).

Outside the Czech Republic, the BoP Division maintains contacts with several central banks (e.g. Austria and Germany), mostly to consult on methodological, collection and compilation issues.

The BoP Division takes part in several b.o.p. working groups and has close contacts with Eurostat, the European Central Bank and the Organisation for Economic Co-operation and Development. The International Monetary Fund is also consulted regarding the BPM5 and the SDDS.

2.5 USERS

B.o.p. data are published for the general public on a monthly and quarterly basis by issuing a press release. The data are also disseminated on the CNB's website. For all interested parties, the data are published in the following publications: the quarterly "Inflation Report",

the annual "Balance of Payments Report" (since 2005 available only in electronic form on the CNB's website), the "CNB Annual Report" and the "Statistical Yearbook of the Czech Republic". The data are used and analysed in the monetary divisions in particular.

As for international institutions, b.o.p., i.i.p. and FDI data are dispatched to:

- the IMF, to be published in the "International Financial Statistics", the SDDS system, the external reserves database, the "BoP Yearbook", etc.;
- the ECB and Eurostat, to be published according to their requirements;
- the OECD; and
- other institutions and research institutes on request or via the internet.

3 STATISTICAL SYSTEMS

3.1 TYPE OF COLLECTION SYSTEM

B.o.p. compilation is based on a mixed system, i.e. a combination of surveys and settlements. The system based on settlements reported by the banking sector can be considered semi-open, covering transactions between residents and non-residents It does not include a full explanation of the changes in the level of external positions of either the banking sector or the non-banking sector. The settlements are complemented with surveys from government, banks and the corporate sector. This part of data reporting is receiving more importance over time. Only some reports include the recording of all credit and debit transactions and a country and currency breakdown. In some cases, flows are derived from stock statistics and vice versa.

This reporting system is also complemented by other statistics provided by the CZSO (the trade balance and other information necessary for the compilation of the current account), the MoF, other ministries and direct reporting institutions. Other sources are also used, e.g. newspapers and official information (for FDI and portfolio investment). On the basis of this information, internal databases are also kept.

3.2 REPORTING AGENTS

(i) The *monetary authorities sector*: the CNB provides data on reserve assets, liabilities and other transactions of monetary authorities (stock and flow data).

(ii) The *banking sector* fully coincides with the ESCB definition of monetary financial institutions – the sectoral breakdown of the ESA 95 is applied. Banks are required to report external transactions on behalf of residents and non-residents and on their own account (stock and flow data). The CNB is the sole agent in the Czech Republic that collects data from the banking sector. It is also authorised to request more detailed information or an explanation if the information submitted by a bank does not comply with the required methodology. For the purposes of b.o.p. compilation, the banks submit statements on their foreign currency and CZK assets and liabilities, surveys of foreign currency payments and collections, securities statistics, etc.

(iii) The *general government sector:* data are provided on assets (including subscriptions to international non-monetary organisations) and liabilities.

(iv) The *corporate sector – direct reporting institutions:* data on assets and liabilities of enterprises and transactions resulting from the export and import of goods, data on FDI abroad and in the Czech Republic, data on stocks and transactions in securities realised between residents and non-residents. Since 2005, a new sample-based survey collecting information on data mentioned above (with exception of securities), i.e. FDI, financial accounts held abroad, trade credits and financial credits received and extended has been used. The response rates to surveys are 100% in the banking and government sector and approximately 85% in the corporate sector.

Table Reporting scheme for b.o.p. and i.i.p. data collection in the Czech Republic

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Exporting and importing enterprises reports to General Directorate of Customs (GDC)	Intrastat forms Single Administrative Document Czech Statistical Office (CZSO) survey	Export/import transactions Data survey – territorial and commodity structure	Ongoing basis Monthly	37 days
	CZSO survey on foreign trade – classification of product by activities (CPA)	Data on exports/imports on outward and inward processing	Quarterly	37 days
	CZSO website	Combined nomenclature of goods	Monthly	37 days
	CD database of foreign trade	Foreign trade by products and countries	Monthly	37 days
MFIs – banks Czech National Bank	Monthly report on collections and payments	Collections and payments – purpose/, sectors and currency breakdown	Monthly	18 days 31 days for December data
MFIs – banks Czech National Bank Insurance institutions	Monthly report on collection and payments	Collections and payments – purpose/ currency breakdown	Monthly	18 days 36 days for December data
	Monthly report on collections and payments	Collection and payments – territorial breakdown	Monthly	20 days 31 days for December data
	Quarterly report on insurance and reinsurance	Claims/collections and Payments/ liabilities on life, pensions, goods and other insurance and reinsurance	Quarterly	30 days
	Quarterly report on reinsurance	Reinsurance broken down by countries	Quarterly	30 days
Transport operators (reports to CZSO) Air transport companies	Quarterly report on collections and payments for air transport services	Collections and payments on passenger, freight and other transport services	Quarterly	18 days 31 days for December data
Enterprises, Insurance institutions Financial institutions	Report on outward/ inward direct investment stocks Survey of CNB banking Supervision – FDI stocks	Data on direct investment stocks for equity, reinvested earnings and other capital Data on direct investment income, FATS data	Annually	240 days
Enterprises through a branch of CNB	FDI flows reporting form	FDI flows	Continuously after each transaction	15 days after the transaction
MFI – banks	Statements on FDI outward/inward flows	FDI flows realised by banks	Quarterly	20 days
Ministry of finance	NPF report	FDI payments from abroad	Monthly	20 days
Czech Securities Centre	Portions of 10% and more in listed shares	Changes in 10% and more ownership	Monthly	20 days
Press information		FDI flows	Ongoing basis	

Table Reporting scheme for b.o.p. and i.i.p. data collection in the Czech Republic (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Enterprises	Sample survey on assets and liabilities vis-à-vis nonresidents	Stocks, flows and income on trade credits, loans, accounts held abroad, FDI flows and stocks Claims and obligations resulting from foreign trade, debt service payment schedule	Quarterly	30 days
Enterprises	Report on financial loans	Loans received from non residents	Continuously after each transaction	15 days after the transaction
MFI – banks Non bank custodians	Monthly report on securities held on behalf of clients	Stocks, flows and income on domestic securities held by non-residents Stocks, flows and income on foreign securities held by residents	Monthly	20 days
Banks and non bank securities traders and other financial institutions	Report on portfolio investment – foreign securities	Stocks, flows and income on foreign securities held on own account	Monthly	20 days
	PI Survey on securities issued by non residents	Foreign securities held by residents broken down by the country of the issuer	Monthly	20 days
The Securities Centre	PI survey broken down by ISIN	List of all equity securities and long term debt securities issued in the Czech Republic (in case of shares-only listed shares)	Monthly	20 days
CNB – Short-Term Bond System	Short term Bond Report	Short term bonds	Monthly	20 days
Czech National Bank	The CNB foreign exchange and CZK assets and liabilities	Assets and liabilities in currency breakdown – international reserves	Monthly	17 days
Czech National Bank MFI – banks	CNB Balance Sheet	Balance sheet data of the central bank	Monthly	15 days
	The banking foreign exchange and CZK assets and liabilities	Assets and liabilities in currency breakdown Off-balance-sheet assets and liabilities	Monthly	17 days
Československá obchodní banka (ČSOB)	Special report on claims and obligations included in state financial assets and liabilities	Assets and liabilities adopted by the government in territorial breakdown	Monthly	15 days
Československá obchodní banka (ČSOB)	Special report on government credits	Outstanding balances of granted and accepted credits	Monthly	15 days

The response rates to surveys are 100% in the banking and government sector and approximately 85% in the corporate sector.

3.3 THRESHOLDS

For transactions in euro made by banks and other institutions to EU countries and countries belonging to the European Economic Area, a threshold of €12,500 has been fixed.

3.4 AVAILABILITY OF DATA

B.o.p. – the data are compiled quarterly within 65 days of the end of the quarter. Since January 2003, monthly estimates (i.e. of key items in accordance with the ECB requirements) are published within 45 days (30 working days) after the end of the reference month.

I.i.p. – data are compiled quarterly and are published within one quarter of the end of the reference quarter.

External reserves are compiled monthly and are published approximately one week after the reference month.

Only some categories of the b.o.p. and i.i.p. (e.g. FDI) have breakdowns by sector and by country.

3.5 DATA CONTROLS

A validation procedure is incorporated into the electronic data collection system – the report is not accepted unless it is both valid and consistent.

For other types of collection, checks for completeness and plausibility are carried out by the BoP Division. Unusual fluctuations in the data reported are monitored and the reporting agents are asked for an explanation.

Checks at the aggregate level are aimed at ensuring data quality and consistency with other statistics and time series. Any discrepancies are analysed and the source of the data is thoroughly checked again to uncover possible errors at a lower level of aggregation.

3.6 REVISION POLICY

B.o.p. and i.i.p. data are revised and corrected every time new information becomes available. The revisions are usually made on an ongoing basis and are published in the subsequent quarterly and yearly issues. Most of the revisions and corrections to the b.o.p. result from trade balance and FDI data – when these data are final, all b.o.p. data can also be considered final. Monthly estimates are revised on a quarterly basis according to the results of quarterly surveys.

3.7 DISSEMINATION

The CNB publishes monthly data on external reserve assets and key b.o.p. items, and quarterly data on the b.o.p. and i.i.p.

B.o.p. and i.i.p. data appear in the following regular publications:

- the "Inflation Report" – available in Czech and English, free of charge;
- the "Balance of Payments Report" – in Czech and English (only available in electronic form on the CNB's website), free of charge;
- the "CNB Annual Report" – in Czech and English, free of charge; and
- the "Statistical Yearbook of the Czech Republic" – in Czech and English, for a fee (published by the CZSO's Information Service Division).

All the data on the b.o.p., i.i.p. and external reserves, including time series, are posted on the CNB's website: http://www.cnb.cz/en/statistics/bop_stat.

As a SDDS subscriber, the Czech Republic disseminates metadata on the IMF's Data Dissemination Bulletin Board with a direct hyperlink to the real data in the national statistics (internet address:http://dsbb.imf.org/

Applications/web/sddscountrycategorylist/?strcode=CZE).

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

Since accession to the EU on 1 May 2004, a new system for the registration of trade with EU Member States (Intrastat) has been in force. The special Intrastat forms completed by exporters and importers are checked by customs offices in the course of primary processing, with their subsequently forwarding the data to the Czech Statistical Office for final processing.

Trade with third countries (Extrastat) is still recorded via the common system based on customs statistics data. The relevant document is the Single Administrative Document (SAD) completed by exporters (importers). The processing is the same – primary data from customs documents are processed by the General Directorate of Customs and the CZSO undertakes the final processing.

The CZSO publishes monthly data on exports and imports 37 days after the end of the month under review, which is also when the CNB receives the data. The definitive data for the year under review are usually published by the CZSO in September of the following year. In previous years, the trade data on imports in the b.o.p. deviated from those officially reported by the CZSO, owing to the application of market prices to imports of natural gas.

4.2 DEFINITION

Goods in the Intrastat and Extrastat statistics are monitored in a way that allows them to be broken down into:

- general merchandise (including goods procured in ports by carriers on the credit side only);
- goods for processing; and
- non-monetary gold.

Data on the export and import of goods (in accordance with the BPM5) cover the following:

- any change of ownership;
- the market value of goods;
- mostly f.o.b. prices; and
- a geographical breakdown.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

The b.o.p. of the Czech Republic deviates from the BPM5 in that it is not able to report separately on goods procured in ports by carriers.

4.4 GAPS

Goods procured in ports by carriers are included under general goods and are not monitored separately in the customs statistics; from the point of view of the Czech Republic's trade, however, the volumes in this item are insignificant.

4.5 INTENDED HARMONISATION

Conceptual adjustments to the bop item Goods will be made in cooperation with the CZSO.

4.6 ESTIMATION METHODS

Conceptual adjustments to the bop item Goods will be estimated in cooperation with the CZSO.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

(i) *Transportation*

The data are taken from the banking foreign exchange statistics (the Monthly Statement of Foreign Exchange and CZK Collections and Payments, which records collections and payments effected to and from abroad through domestic banks in foreign currencies and in CZK, as well as payments

effected between residents and non-residents in foreign currencies in the Czech Republic) and from the CZSO for major carriers and pipeline operators. They are supplemented by an estimate in the area of the transportation of goods for exports.

(ii) *Travel*

Credits and debits are measured by means of the instruments used to make travel-related payments. The data are taken from the banking foreign exchange statistics (bureau de change operations, settlements of entities operating in the travel area, settlements of payment cards) and are supplemented with information from non-bank bureaux de change and issuers of payment cards. When determining the travel item, we assume that all transactions by bureaux de change and executed using payment cards are related exclusively to travel. The travel item is supplemented by estimates of personal expenditure on goods and services by seasonal, border and other workers employed in the host country.

(iii) *Other services*

The data are taken from the banking foreign exchange statistics. Services are recorded in the b.o.p. at the time when payment for the services provided is credited or payment for the services received is made (no potential receivables and payables from services are assumed). Enterprise surveys are the data source for the compilation of insurance and reinsurance items.

5.2 DEFINITION

Payment items (transaction codes) are assigned to the collections and payments effected to and from abroad through domestic banks; these items are set in such a way as to cover all types of services according to the BPM5 (including financial services) and to correspond with it as regards content.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

Where transport costs form part of the price of imported goods (the c.i.f. value of imports), these costs are reported in the b.o.p. under the import item within the balance of trade.

5.4 GAPS

The difference between the transaction codes used in domestic and foreign payment systems complicates the recording of payments in CZK effected between residents and non-residents in the Czech Republic. Transactions effected through residents' accounts at foreign banks are not recorded. In the case of travel, only the credits and debits which can be registered statistically are recorded.

5.5 INTENDED HARMONISATION

It is envisaged that for the collection of data on the compilation of transport services connected with the export and import of goods, the conclusions and recommendations of the Eurostat Balance of Payments Working Party will be used.

Since 2005, the Czech Statistical Office has been testing a new survey-based data collection system for transport and other services. The new system is envisaged to be operational starting in 2008 at the latest.

5.6 ESTIMATION METHODS

The costs connected with the transportation of goods on export (including insurance, storage, etc.), which form part of the export price, are estimated using surveys carried out among selected exporters. The share of these costs in overall exports is estimated on the basis of the final data of previous years. The threshold fixed for payments in euro requires additional estimates for some services items.

No estimates are made for foreign travel and other services (excluding insurance).

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

The source of the compensation of employees item is data compiled by the CZSO; it comprises wages and salaries earned by individuals for work performed in the host country. Contributions paid by employers to social security scheme, etc. are included.

Credits from the work of Czech citizens abroad are estimated using information on the number of Czech citizens who work abroad in the short term and their average income.

To determine labour costs of foreigners in the Czech Republic, administrative data on the number of foreigners employed are used (work permits issued, registered foreigners for whom no work permit is required); these are supplemented with an estimate of the number of foreigners employed illegally and with information on the average wage.

6.1.2 INCOME ON DIRECT INVESTMENT

Income on direct investment is recorded in the b.o.p., broken down into income on equity (dividends and reinvested earnings) and income on debt (interest on credits between direct investors and direct investment enterprises).

For the preliminary version of the b.o.p., data from the quarterly direct reporting system for selected enterprises, preliminary data on dividends from currently processed annual FDI surveys, data from the money and banking statistics and data on dividends from the stock exchange are the sources of information on *dividends*. The calculation of *reinvested earnings* is based on data from the most recent annual questionnaire on direct investment (for more information see Sub-section 9.6.). Interest on inter-company debt is estimated according to the level in the preceding periods or according to the predicted stock of credits between direct investors and affiliated companies in the reference period and the average interest rate.

For the revised version of the b.o.p., information on direct investment income is taken from an annual statistical survey of companies with ownership holdings abroad and companies owned completely or partly by non-residents. All components of direct investment income are available with a breakdown by country and economic sector.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income on portfolio investment is recorded in the b.o.p., broken down into income on equity and income on debt securities (bonds, notes and money market instruments).

On the credit side, *income on debt securities* is obtained from the reports of end-investors, i.e. banks, securities dealers and institutional investors (e.g. investment companies and funds, insurance companies, pension funds, etc.). On the debit side, in the case of domestic securities denominated in CZK, this is obtained from statements compiled by securities traders, and in the case of domestic securities denominated in foreign currencies it is taken directly from issuers or calculated according to the interest rate and maturity of the instrument (broken down by currency and sector).

The income on debt securities taken from the brokers' statements consists partly of real transfers of interest and partly of calculated interest (on an accruals basis).

The same sources of information as for interest are used for *dividends*.

A breakdown by the sector of the domestic issuer and by the country of the registered office of the non-resident is available. Income on investment funds is included.

6.1.4 INCOME ON OTHER INVESTMENT

Interest on central bank assets (reserves) and liabilities is taken from the accounting records, where it is recorded on an accruals basis.

Information on interest on government credits granted and received is taken from surveys conducted by banks responsible for the administration of the government's foreign assets and liabilities, from the Ministry of Finance and from other entities within the government sector. These data reflect real transfers of funds.

Interest on deposits and loans of commercial banks is estimated. In the b.o.p., it is recorded on an accruals basis, with the assumption that interest will be paid at maturity.

In the case of other sectors, interest on trade credits and loans is estimated.

Since 2005, the CNB has been reporting the estimates for exports and imports of FISIM (financial intermediation services indirectly measured).

6.2 DEVIATIONS FROM AGREED DEFINITIONS

In the case of wages and salaries it is not possible to differentiate consistently between income resulting from a short-term stay in a host country and income connected with a long-term stay (potential transfers of which are to be recorded under current transfers according to the BPM5). The accruals principle is not fully applied for interest.

6.3 GAPS

Insufficient coverage of the household sector.

6.4 INTENDED HARMONISATION

The accruals principle will be used for all items of the income balance where it is possible to create the prerequisites for it.

6.5 ESTIMATION METHODS

Interest on loans received by other sectors from abroad is estimated on the basis of the average level of the loans and credits received and granted in the reporting period and the average interest rates.

The estimate of interest on deposits and credits of commercial banks is based on the average level of the deposits and credits granted (or received) in the reporting period and the average interest rates (broken down by maturity of the deposits and credits).

When estimating interest on trade credits, information gathered from selected exporters (importers) of machinery and investment goods is used.

7 CURRENT TRANSFERS

See Section 8 on the capital account.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The data for *current transfers* and the *capital account* are taken from the administrative sources, the CZSO and the banking foreign exchange statistics. Transfers from EU institutions linked to development aid and social policy and transfers to the EU budget are recorded under current transfers. Transfers linked to structural measures and agricultural policy are recorded partly under current transfers and partly under capital transfers.

Transfers are broken down into government (public) and private domains according to the institutional sector of the resident. All transfers from the European Union (previously provided under pre-accession programmes) have been included in government transfers.

Since 2006, the CNB has been reporting government and public estimates for Quarterly Sector Accounts needs based on the CZSO data sources.

8.2 DEFINITION

The *capital transfers* item includes debt forgiveness (by contractual agreement), transfers of funds connected with the migration of the population, and transfers (purchases and sales) of non-produced, non-financial assets (licences, etc.). In accordance with the BPM5, any acquisitions and disposals of land by representative offices of foreign governments are recorded under capital transfers.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

The banking foreign exchange statistics do not allow consistent differentiation between current and capital transfers – for example, gifts and grants of a capital nature are included in current transfers together with other gifts.

8.4 GAPS

Non-financial transfers such as transfers of migrants' movable assets and gifts and grants in kind (an offsetting entry to goods) are not recorded.

8.5 INTENDED HARMONISATION

In close cooperation with the CZSO is envisaged to report transfers according to the requirements for QSA needs.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Information on direct investment is obtained primarily from the reports submitted by non-banks pursuant to the reporting obligation ensuing from the Foreign Exchange Act and from the quarterly sample-based survey. The reports on FDI are effected through one branch of the CNB upon each transaction. These data are further revised on the basis of annual direct investment reports from non-banks.

Supplementary sources of information are:
- statements from banks;
- Ministry of Finance reports on foreign payments;
- the Czech Consolidation Agency;
- the courts and the Companies Register;
- information from the stock exchange;
- the commercial bulletin; and
- information from the press.

Information on inter-company loans and trade credits is obtained from the reports submitted by non-banks under the reporting obligation.

Preliminary data on direct investment flows are published monthly, and stock data derived from flows are published quarterly. The monthly flows of direct investment are available within 45 days (30 working days) after the end of the reference month, and the quarterly flows are available within 65 days after the end of the reference quarter. The data are revised with a 15-month delay on the basis of annual reports on the stocks of assets and liabilities of companies. The data are published on the CNB's website.

Direct investments are reported broken down as follows:

(i) by instrument into equity capital, other capital and reinvested earnings;

(ii) by territory and by sector; and

(iii) by foreign direct investment in the Czech Republic and Czech direct investment abroad.

9.2 DEFINITION

The definition of foreign direct investment is in line with the recommendations of the IMF (BPM5) and with the directives of both Eurostat and the OECD. This means that the following points are observed:

- 10% ownership criterion;
- directional principle for FDI;

– the data include inter-company financial debt transactions (borrowings and loans and trade credits and debt securities);
– special-purpose entities are not monitored separately;
– reinvested earnings form part of FDI.

When recording direct investment transactions, the actual operation concept is applied.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Estimates are made only in the case of reinvested earnings with quarterly periodicity. They are based on data from the most recent questionnaires on direct investment. The calculation of reinvested earnings for new companies is based on the average rate of return in a given economic sector. The estimated reinvested earnings are calculated for each individual company. The data are revised on the basis of annual FDI surveys.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection system on cross-border transactions with traded securities has been modified continuously in order to enhance the quality of the statistics on portfolio investment. The primary source of information comprises statements from banks, supplemented by surveys both from non-bank custodians and brokers, and from other financial institutions such as insurance companies, pension funds or investment companies. The changes effective from January 2004 include, in particular, a higher reporting frequency. The data on portfolio investment (stock, flows, incomes) are in principle collected on an aggregated basis. The data on purchases and sales are reported at the purchasing and selling prices realised. The data on stock are reported at market prices.

Banks and non-bank custodians submit monthly reports on (i) transactions with domestic securities carried out on behalf of their non-resident clients, broken down by sector of the issuer and by country of the holder, and (ii) transactions with foreign securities carried out on behalf of their resident clients, broken down by sector of the holder and by country of the issuer. Brokers and financial institutions (e.g. insurance companies, pension funds and investment companies) report transactions with securities issued abroad that they have carried out on their own account on a monthly basis. These data are supplemented with monthly information on the geographical allocation of the stocks of foreign securities. The classification by type of instrument (equity securities, long-term debt securities and short-term debt securities) is always applied.

The BoP Division obtains information on short-term securities issued by the Czech Republic (i.e. by the Ministry of Finance) or by the CNB and on other bonds with a maturity of up to one year from the Short-Term Bond System (SKD) maintained by the CNB. All the bonds recorded in the SKD are issued in CZK and in book-entry form.

Residents who issue debt securities abroad are obliged to report the necessary data on these issues directly to the CNB. Domestic investors who buy foreign securities either directly or by using the services of non-resident brokers or custodians are obliged (effective from March 2003) to submit quarterly statements with the necessary information to the CNB.

In addition, the Securities Centre provides the BoP Division with a monthly list of all securities issued in the Czech Republic and held by non-residents (based on the ISIN codes).

The CNB obtains data on foreign securities transactions from the banks' monthly statements on payments and collections, in which the operations executed on the bank's own account and the operations executed on the account of clients, broken down by sector, are recorded separately. The data on purchases and sales are reported at the purchasing and selling prices realised. Operations effected in foreign currencies are converted, using the average exchange rate for the reporting period.

10.2 DEFINITION

The CNB defines portfolio investment in line with the BPM5. Portfolio investment includes equity securities (shares, participation certificates, interim certificates) and debt securities (bonds, bills of exchange, money market instruments), except for those included under direct investment or reserve assets. Neither financial derivatives nor repo operations (transactions in repurchase agreements) are included in portfolio investment. Service charges and brokerage fees are recorded as services. The breakdown of portfolio investment by country is based, in the case of assets, on the principle of the country of the registered office of the issuer (debtor) and, in the case of liabilities, on the country of the registered office of the owner (creditor) of the domestic security.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

Certain problems in data collection may occur if residents' assets are administered directly by a foreign securities trader (non-resident custodian).

10.5 INTENDED HARMONISATION

The development of the current data collection system will be heading towards reporting on a security-by-security basis, i.e. on the basis of individual securities using the ISIN or similar codes.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The CNB began to report data on financial derivatives' transactions on a net basis as a separate financial account item at quarterly intervals from 2000. These data are derived from the differences in the stocks of financial derivatives in banks' positions between the beginning and the end of the period under review. Breakdowns of these transactions by sector and by country are not yet available.

Financial derivatives are recorded off the balance sheet in nominal values and in real values in the balance sheets of domestic banks.

Real values, either positive or negative, are monitored in the case of forward operations broken down by interest, currency, share, commodity and credit instrument. Positive or negative real values are also monitored in the case of options, the breakdown of which is identical to that used for forward operations; options are broken down further into receivables from the margins on stock exchange derivatives.

For the time being, these values are projected into the financial derivatives' transactions for positive real value and negative real value as a whole.

11.2 DEFINITIONS

The CNB defines financial derivatives in line with the BPM5, i.e. it records transactions relating to options, futures, swaps, forward foreign exchange contracts and credit derivatives in the b.o.p. Accounting for these operations within the banking sector is fully harmonised with the IAS 32 and IAS 39. The identification of residents is fully in keeping with the ESA 95 methodology.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

The system of data collection used until now does not cover transactions in financial derivatives that residents execute with entities other than domestic banks. The present system of accounting for transactions in financial derivatives in the corporate sector does not fully comply with the required accounting standards.

11.5 INTENDED HARMONISATION

It is planned to break down financial derivatives' transactions by instrument. The MoF is preparing a new methodology for calculating and accounting for transactions in financial derivatives in the corporate sector.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment is broken down into assets and liabilities, into long-term and short-term investment, and by basic sector into central bank, government, commercial banks and other sectors. A breakdown by instrument (trade credits, currency and deposits, loans, other assets and liabilities) is available. Data allowing for a breakdown by territory and currency are reported only for the government sector.

Data sources:

(i) *Central bank* – statement on foreign exchange and CZK assets and liabilities; information from relevant units within the CNB on draw-downs and repayments of credits received.

(ii) *Commercial banks* – statement on foreign exchange and CZK assets and liabilities; monthly statement on foreign exchange and CZK collections and payments (draw-downs and repayments of long-term credits received).

(iii) *Government* – monthly specification of government credits; survey of receivables and payables taken over by the Czech MoF; information from the MoF on capital subscriptions to international non-monetary organisations.

(iv) *Other sectors* – quarterly statement on the foreign assets and liabilities of companies (buyer and supplier credits, financial leasing, movements on accounts abroad); information taken from the reports submitted under the reporting obligation pursuant to the Foreign Exchange Act (collections and payments relating to financial credits).

The b.o.p. includes records of flows for long-term central bank liabilities, for government and corporate sector assets and liabilities, and for long-term credits received by commercial banks. In the case of short-term central bank liabilities and assets and liabilities of commercial banks (except for long-term credits), the flows are derived from the changes between the opening and closing stocks (from the statement on foreign exchange and CZK assets and liabilities).

12.2 DEFINITION

The other investment item is basically in line with the BPM5. Both repo operations and trade credits are included.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

During the revision of the b.o.p. in March 2001, credits (loans and supplier credits) between direct investors and direct investment enterprises were transferred from other investment to direct investment (other capital) for the years 1998 to 2000.

12.4 GAPS

The statement from which the data on credits linked with exports and imports of goods are drawn covers a selection of the most important exporters and importers only. Data are not collected from the household sector, which means that information on changes in technical life insurance reserves is not available. Transactions implemented through private accounts abroad are not adequately recorded.

12.5 INTENDED HARMONISATION

Within the framework of cooperation with the CZSO and the Ministry of Finance, available information will be acquired for the household sector.

12.6 ESTIMATION METHODS

Based on administrative data sources estimation methods are envisaged for calculating the household sector assets.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The sole source for compiling CNB reserve asset transactions is the monthly data of the CNB's Accounting Division. The analytical accounts comprise all breakdowns – by instrument, maturity, country and currency.

13.2 DEFINITION

The definition of reserve assets is fully in line with the BPM5 and the operational guidelines of the IMF Data Template on International Reserves and Foreign Currency Liquidity within the SDDS. All of these assets are under the effective control of the CNB. The accounts of central government are not included in the reserve asset position.

The reserve assets refer to the CNB's highly liquid, market-valued claims on non-residents denominated in convertible foreign currencies (deposits, securities, cash). Claims on residents and domestic currency deposits are not included in the CNB's reserve assets.

In addition to foreign exchange, the financial instruments in the reserve assets include gold, special drawing rights and the reserve position in the IMF.

The reserve assets are compiled in accordance with the gross concept, i.e. there is no netting with CNB assets and liabilities with the exception of repo operations.

Data on asset yields are included on an accruals basis.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The i.i.p. includes the stocks of financial assets and liabilities vis-à-vis non-residents corresponding to all financial account items. Stocks on the assets and liabilities sides of the position are recorded separately. The i.i.p. is compiled and disseminated with quarterly periodicity. The already published quarterly and annual data are updated at the end of the year (within 15 months of the end of the reporting period) on the basis of the processing of definitive data on the i.i.p.

14.1.2 DIRECT INVESTMENT

The stocks of active and passive direct investments are compiled and disseminated quarterly. Direct investment data are broken down by instrument, sector of the economy and country of origin or of the recipient. A breakdown by currency is not available.

The data sources for the quarterly and annual data are different. In the case of the quarterly data, the direct investment stocks are derived using the accumulated flows method. The basis for this is the data reported under the reporting obligation for companies, the banking statistics and the periodical reports of the National Property Fund. The quarterly data on direct investment stocks are published within three months of the end of the reporting period.

The data source used for the compilation of the i.i.p. at the end of the reporting year, and for the verification of the quarterly data, is the reports on the stocks of assets and liabilities of companies submitted at the end of the year, which are included in the direct investment database established and administered by the CNB. The direct investment database is updated on an ongoing basis through the addition of verified information obtained from the data subject to a reporting obligation, banking statistics data, commercial registers, stock exchange data, etc. Together with data on the extent and nature of the direct investment, these reports contain data on economic activity (for example, exports and imports of goods and services, the number of employees). The data on annual direct investment stocks are available within 15 months of the end of the reporting period.

The methodological deviations between the quarterly and annual stocks compiled on the basis of surveys consist in the valuation method employed. For the quarterly stocks, the valuation is based on a summation of the market-valued transactions in the relevant period. In the case of the annual data obtained from company surveys, the basis is the valuation in book values – the own funds book value.

The material definition of the stocks of individual direct investment items is in line with the definition of the corresponding individual categories of direct investment transactions within the financial account.

The calculation of preliminary positions is based on flow data (perpetual inventory method), with adjustments for exchange rate changes. The source of the most comprehensive annual data is the yearly enterprise survey. When data from the yearly enterprise survey are available, the difference between the preliminary and the final positions is attributed equally to the four quarters, and the quarterly data are then adjusted by these amounts.

14.1.3 PORTFOLIO INVESTMENT

The data on portfolio investment stocks are compiled and disseminated quarterly.

Portfolio investment is broken down by instrument, sector, country and maturity. A breakdown by currency is not yet available.

The basic data source is data acquired quarterly directly from securities traders and major investors in the form of statements. The data are based on real stocks. Another source is data

on short-term bond stocks from the database of the Short-Term Bond System held at the CNB.

The data on portfolio investment stocks are published in the i.i.p. within three months of the end of the reporting period. The methodological definition of portfolio investment stocks is identical to that applied to the relevant financial account transactions.

Portfolio investments are valued using the market prices valid on the date to which the statement relates.

14.1.4 FINANCIAL DERIVATIVES

As in the financial account, the stocks of receivables and payables from financial derivatives in the i.i.p. are recorded only when a resident commercial bank participates in the transaction. In the other cases, financial derivatives are not monitored.

The monthly position of commercial banks vis-à-vis non-residents show the real stocks of financial derivatives which are recorded quarterly in the i.i.p. A more detailed breakdown by instrument is available and a breakdown by sector is in preparation. Data on the territorial and currency structure of these levels are not yet available. The levels of financial derivatives are available within 20 days of the last day of the reporting period.

Market price valuation is provided for in the banks' balance sheets.

14.1.5 OTHER INVESTMENT

The stocks of financial assets and liabilities in the other capital item are compiled and disseminated monthly for commercial banks and quarterly for other sectors. The financial assets and liabilities of commercial banks and other monetary institutions and the positions of the government and corporate sector, including households, are reported quarterly within the i.i.p.

The stocks of other investments are broken down by instrument, sector and maturity. Breakdowns by country and by currency are not being recorded for the time, but are available for selected sectors (commercial banks and the government sector).

The following data sources are used:

- for the position of banks including the central bank: monthly statements on foreign exchange and CZK assets and liabilities;
- for the government sector position: surveys of the stocks of assets and liabilities of the government sector prepared for the needs of the Czech MoF by the CNB and by the commercial bank designated for the administration of government foreign assets and liabilities;
- for the position of other sectors: outputs from the fulfilment of the residents' reporting obligations prepared by the CNB on draw-downs and repayments of financial credits granted to residents from abroad and on turnovers of funds on residents' accounts maintained abroad, and the quarterly foreign assets and liabilities statements submitted by companies to the CNB.

In the case of the banking and government position, and partly also the position of other sectors, real stocks of receivables and payables are collected; in the case of selected items (for example, financial credits drawn down by companies from abroad), the accumulated flows method is used.

14.1.6 RESERVE ASSETS

Data on reserve asset stocks are compiled and disseminated monthly in accordance with the SDDS system within seven days of the reference month in preliminary form, based on data sources from the Accounting and Dealing Divisions of the CNB. The data become final approximately one month later in accordance with the CNB accounting data. The CNB reserve assets are broken down by type of instrument.

The coverage and concept of the reserve assets is in line with the BPM5 and the operational guidelines of the IMF Data Template on

International Reserves and Foreign Currency Liquidity, and all components, including gold, are valued in market prices monthly.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.3 GAPS

At present, there is incomplete statistical coverage of the financial derivatives item. Stocks held by sectors other than commercial banks and other monetary institutions are not reported. In the area of other investment, the household sector is not sufficiently covered statistically.

14.4 INTENDED HARMONISATION

In order to enhance the quality of the statistics of *portfolio investment*, the development of the current data collection system will be headed towards reporting on security-by-security basis, i.e. by individual securities using ISIN or similar codes.

A preliminary phase is currently running which involves the reporting of the i.i.p. *broken down by country*.

An improvement to the statistical coverage of the economic activities of the *household sector* is being prepared in cooperation with the CZSO and the Ministry of Finance.

14.5 ESTIMATION METHODS

Estimates are currently used for the intra-year stocks of reinvested earnings for the direct investment item.

15 CONTACTS

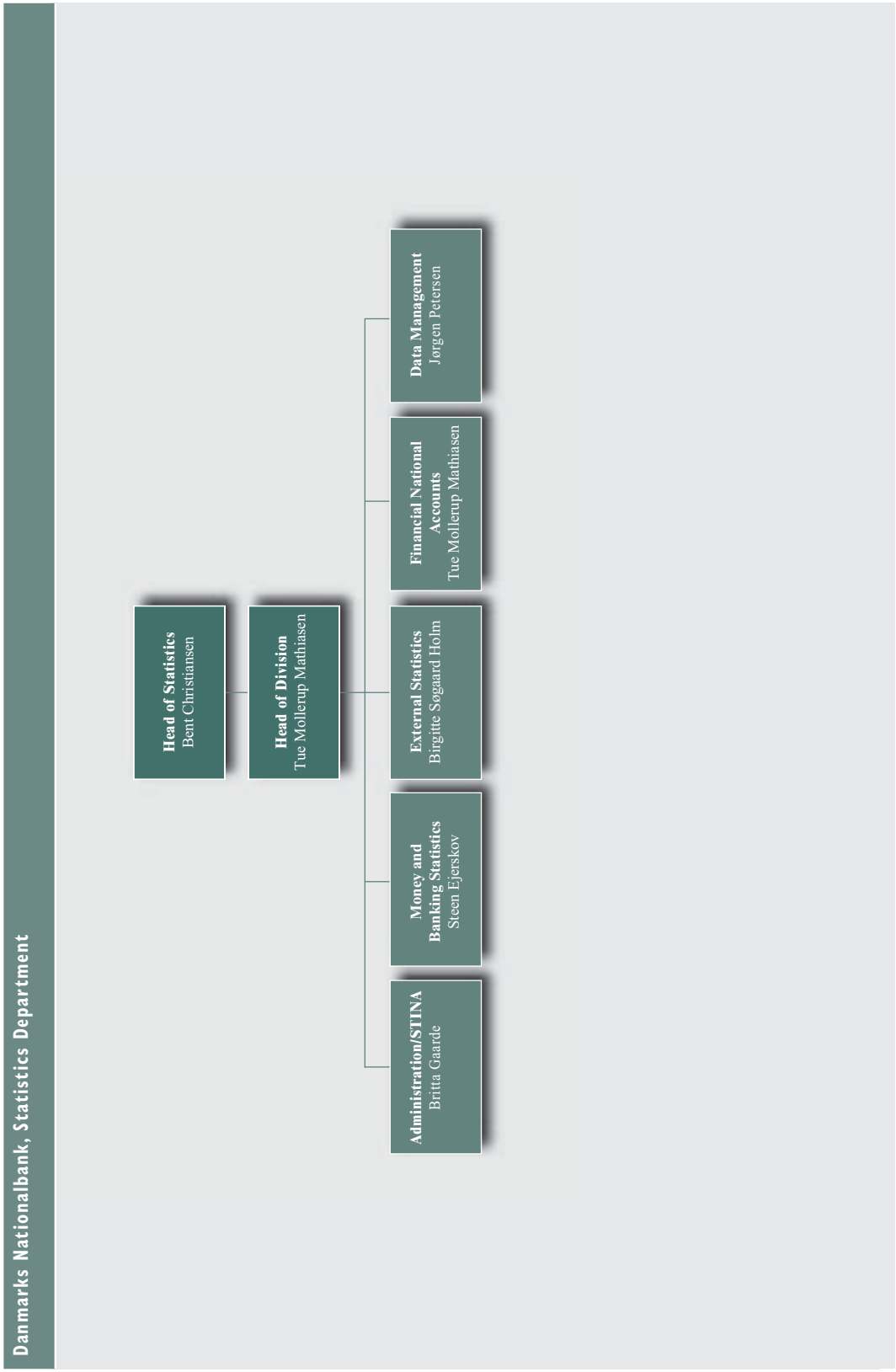
This country information was drafted by the Czech Republic and agreed with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to the Czech Republic should be addressed to:

Mr Rudolf Olšovský
Director, Balance of Payments Division
Monetary and Statistics Department
Czech National Bank
Na Příkopě 28
11503 Praha 1
Czech Republic

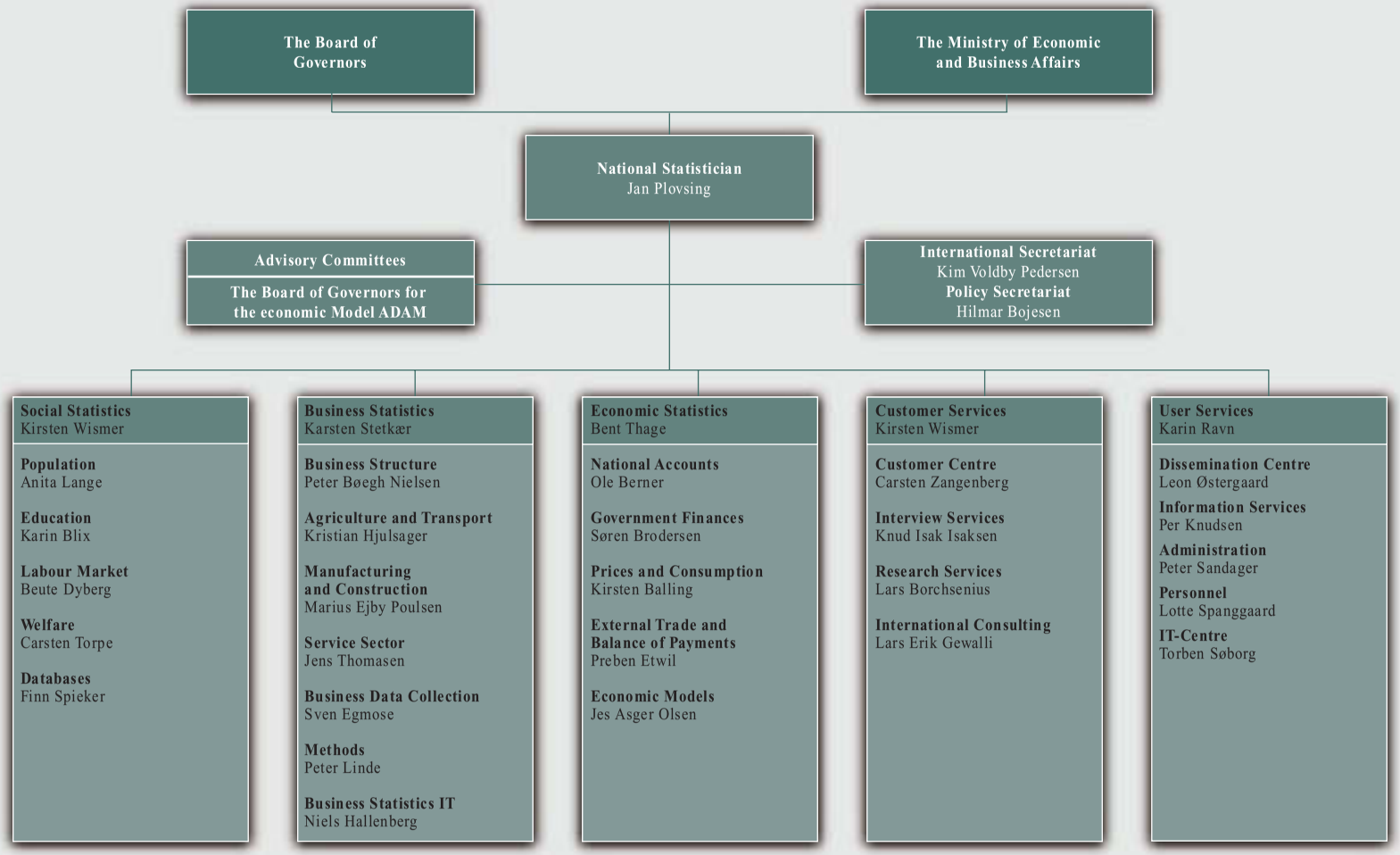
Tel.: 00 420 2 2441 4433
Fax: 00 420 2 2441 2136
E-mail: rudolf.olsovsky@cnb.cz

4.4 DENMARK

1 ORGANISATION CHARTS



Statistics Danmarks



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Statistics Denmark is the official compiler of the Danish b.o.p. However, responsibility for the compilation of b.o.p. statistics is shared between Statistics Denmark and *Danmarks Nationalbank* in much the same way as responsibility is shared between Eurostat and the ECB.

Statistics Denmark has drawn up the b.o.p. statement since 1934, mainly based on surveys. At the same time, *Danmarks Nationalbank* has collected settlement data in order to verify that cross-border payments were in accordance with foreign exchange restrictions. During the 1970s, settlement data became one of the most important sources for the b.o.p. statement, alongside statistics on foreign trade in goods. However, at the end of 2004, the reporting of settlements was abandoned.

Since the beginning of 2005, the b.o.p. reporting system has been based on statistics on foreign trade in goods, surveys and supplementary sources.

Since 1991, *Danmarks Nationalbank* has been responsible for statistics on the i.i.p. and direct investment.

2.2 LEGISLATIVE PROVISIONS

The legal basis for the collection of b.o.p./i.i.p. statistics is formed by the following legal texts:

(i) Law No 599 of 22 June 2000 on Statistics Denmark. The detailed reporting requirements concerning the services item are based on Statistics Denmark's October 2005 Guideline on foreign trade in services. uideline on foreign trade in services.

(ii) Law No 372 of 23 December 1964 on Foreign Exchange Regulations and the Executive Order No 658 of 11 July 1994 on Foreign Exchange Regulations, issued by the Ministry of Economic Affairs. The detailed reporting requirements for the b.o.p. financial account and investment income item and for the i.i.p. are based on *Danmarks Nationalbank's* "New Balance of Payments – Reporting Guidelines and Forms" (June 2004; monthly reporting) and "New Balance of Payments – Reporting Guidelines and Forms" (June 2005; yearly reporting). There is a shorter version of the yearly reporting guidelines/forms for enterprises which report monthly and a full version for enterprises which only report yearly.

2.3 INTERNAL ORGANISATION

(i) *Statistics Denmark*
The External Trade and Balance of Payments Division is part of Statistics Denmark's Economic Statistics Department. The b.o.p. section, which has 10-11 staff members, deals mainly with trade in services and b.o.p. in general. Some items are compiled by other divisions in the Economic Statistics and Business Statistics Departments.

(ii) *Danmarks Nationalbank*
In the Statistics Department of Danmarks Nationalbank, the b.o.p./i.i.p. area has 16 staff members. Some items are compiled by Money and Banking Statistics and Financial National Accounts, cf. organisation chart.

2.4 EXTERNAL COOPERATION

Statistics Denmark compiles data for the current account, except investment income, and the capital account. In addition, it compiles part of the public sector's financial account and sends these data to *Danmarks Nationalbank*.

Danmarks Nationalbank compiles data for the financial account and for investment income. The investment income data are sent to Statistics Denmark. Statistics Denmark draws up inward

FATS based on *Danmarks Nationalbank's* register on enterprises in Denmark owned by non-residents.

Meetings between the two institutions on data and methodology are held regularly.

At the international level, b.o.p. and i.i.p. statistics are discussed with other central banks and NSIs, particularly those in the Scandinavian countries.

2.5 USERS

Statistics on the b.o.p., the i.i.p. and direct investment are sent to the European Commission (Eurostat), the ECB, the OECD and the IMF. Domestically, the data are used by Statistics Denmark to produce statistics for the external sector in the national accounts, and by *Danmarks Nationalbank* to produce statistics for the external sector in the quarterly financial accounts. Other important users are various ministries, private banks, universities, etc.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

(i) *Statistics Denmark* (current account, except investment income, and capital account)

The collection system is based on statistics on foreign trade in goods, surveys on foreign trade in services and data from administrative sources.

(ii) *Danmarks Nationalbank* (financial transactions, positions and investment income)

The collection system follows a matrix approach using supplementary indirect sources whenever it is more cost-efficient, e.g. for portfolio investment. Overall, the system can be divided into three main blocks: (i) MFI statistics; (ii) reports from custodians and VP Securities Services (the Danish central securities depository); and (iii) a survey of large non-MFI enterprises (hereafter referred to simply as enterprises). Each of these accounts for roughly one-third of the b.o.p. and i.i.p. output. The collection system is illustrated in Table 1.

The MFI statistics fully cover the MFI population. The coverage for portfolio investment is close to 100%. A cut-off survey for enterprises implies coverage of about 90% calculated on the basis of settlement data for 2004. The reported data are grossed up using different grossing-up factors for different instruments and sectors.

The reporting set-up for all three blocks requires stock data at market prices at the beginning and end of the reporting period. For MFIs and enterprises, transactions and valuation changes also have to be reported (including for securities without ISIN codes). This implies that the identity *beginning-of-period position + financial transactions + valuation changes = end-of-period position* is fulfilled at the micro level. For securities with ISIN codes, Danmarks Nationalbank calculates the valuation changes

Table 1 The collection system

	Portfolio Investment	Direct Investment	Derivatives	Other Investment
MFI (*)	sec-by-sec	Integrated into MFI reporting		
Public Sector		Statistics Denmark/Danmarks Nationalbank		
Enterprises		Survey		
Households		Not colletced		

(*) Only liabilities on a security-by-security basis.

due to the observed changes in prices and exchange rates and accrued interest. Net transactions are derived residually. Interest on other instruments and dividends are reported to *Danmarks Nationalbank*.

The reporting forms for enterprises gather information on the main instruments in business accounts and enable a maturity breakdown into short-term and long-term. In addition, the standard reporting form requires that data be broken down by country and currency and, to some extent, by sector of the non-resident counterpart. Overall, this information, together with information on the sector of the resident respondents, enables *Danmarks Nationalbank* to fulfil the b.o.p./i.i.p. requirements of the IMF and the ECB.

All the reporting mentioned above is monthly. The methods and sources used to produce monthly and quarterly data are the same.

In addition, *yearly* reporting as part of the new survey system was implemented in the second half of 2005 for data related to 2004 and onwards. The yearly reporting focuses partly on direct investment (transactions, stocks, income, etc.; see Section 9) and partly on smaller enterprises, which have relatively large stocks and relatively small transactions (see Section 14). Except for equities, the yearly forms are simpler than the monthly forms, e.g. transactions are not reported, but instead are derived from changes in stocks adjusted for valuation changes, which are calculated by *Danmarks Nationalbank* based on the reported currency.

3.2 REPORTING AGENTS

See Table 2, which specifies the reporting agents in relation to *Danmarks Nationalbank*.

(i) *MFIs*
B.o.p./i.i.p. statistics use the external part of the MFI statistics, which are collected in accordance with ECB Regulation ECB/2001/13.

Danmarks Nationalbank reports in the same way as private MFIs. The coverage for the external part is 100%. The largest 40 private MFIs report all required details each month and the coverage is about 97%. The remaining MFIs report fewer details or quarterly. The data not reported each month are estimated. Data on holdings of foreign securities are not reported security by security, but are aggregated.

(ii) *Portfolio investment*
VP Securities Services reports security by security non-resident holdings of Danish securities issued in Denmark (large amounts) and resident holdings of foreign securities (small amounts) issued in Denmark. 19 custodians in Denmark report foreign securities held by residents (large amounts) and Danish securities issued in Denmark not registered with VP Securities Services held by non-residents (small amounts).

These indirect sources are supplemented by direct reporting from 40 residents issuing securities abroad held by non-residents (liabilities) and from about 47 residents holding foreign securities with custodians abroad (assets). In addition, two types of direct reporting by residents have been implemented for adjustments of the indirect reporting (for repos and holdings of Danish securities deposited with custodians abroad).

A full description of the securities reporting system is presented in Sub-section 10.1.

(iii) *Public sector*
The b.o.p./i.i.p. statistics for central government's external assets are collected from four ministries by Statistics Denmark. The central government's liabilities are administrated by *Danmarks Nationalbank*. Data are provided on the same forms as those used by enterprises. A few municipalities have taken out bank loans abroad (reported on the same forms as enterprises) or issued debt securities

Table 2 Reporting scheme for b.o.p. and i.i.p. data collection for Denmark

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
MFIs[1] (full coverage)		External assets and liabilities (flows, stocks and income)	Monthly	8 banking days
Central securities depository (VP) (1 respondent, full coverage)	VP	Danish securities issued in Denmark held by non-residents (flows, stocks and income)	Monthly	4 banking days
Enterprises issuing securities abroad (40 respondents[2], full coverage)	VPU	Danish securities issued abroad (flows, stocks and income)	Monthly	12 banking days
Custodians in Denmark (19 respondents, coverage more than 99%)	KDE2	Foreign securities held by residents; Danish securities issued in Denmark not registrated in VP held by non-residents (flows, stocks and income)	Monthly	4 banking days
Enterprises,[3] (650 respondents, cut-off survey, coverage app. 90%)	A1-14 (assets), P1-8 (liabilities), F1-2 (24 insurance companies and pension funds), S1 (institutional investors)	Direct investment and derivatives[4], foreign securities held with non-resident custodians, other investments, securities used as collateral, etc.[5], (flows, stocks and income)	Monthly	10 banking days
Enterprises (650 respondents)	A1A (assets), P1A (liabilities)	Direct investment, equity (stocks, income)	Annually	4 months
Enterprises (650 respondents)	A14A	Derivatives (stocks)	Annually	4 months
Insurance companies and pension funds (24 respondents[6], cut-off survey)	F1A, F2A, F3A	Provisions (stocks)	Annually	4 months
Enterprises (450 respondents, cut-off survey)	A1AY (assets), P1AY (liabilities)	Direct investment, equity (flows, stocks and income)	Annually	4 months
Enterprises (450 respondents, cut-off survey)	A1Y (assets), P1Y (liabilities)	Portfolio equity (flows, stocks and income)	Annually	4 months
Enterprises (450 respondents, cut-off survey)	A3Y, A4Y	Foreign debt securities (Stocks and income)	Annually	4 months
Enterprises (450 respondents, cut-off survey)	A5Y-A12Y (assets), P2Y-P8Y (liabilities)	Other investment and derivatives (stocks and income)	Annually	4 months
Insurances companies and pension funds (24 respondent[7], cut-off survey)	F1A, F2A, F3A	Provisions (stocks)	Annually	4 months

1) Including Danmarks Nationalbank.
2) Part of the 710 enterprises mentioned below.
3) Include public sector, full coverage.
4) Not stock data.
5) Residents' holdings of Danish securities deposited with custodians abroad, used to adjust VP-data.
6) Part of the 710 respondents.
7) Part of the 440 respondents.

abroad (these data are collected via the securities reporting system).

(iv) *Non-MFI enterprises*
These comprise mainly non-financial enterprises, some financial enterprises and 24 insurance companies.

About 650 respondents report monthly their external assets and liabilities, except portfolio investment held with Danish custodians who report on behalf of all residents. The population is generated using a cut-off survey based on settlement statistics. The number of respondents is derived with the aim of reaching a coverage of about 90% on average. The coverage differs across instruments and sectors. For example, the coverage is below 90% for loans taken out abroad by non-financial enterprises. The grossing-up procedure adjusts for these differences.

In addition to the monthly reporting, about 450 respondents report yearly (see Table 1).

The total number of enterprise respondents is close to 1,100. Some of these respondents report on behalf of a group of enterprises, meaning that the number of institutional units covered by the surveys is larger than 1,100.

3.3 THRESHOLDS

None.

3.4 AVAILABILITY OF DATA

The official quarterly and annual b.o.p. figures as of 1988 released by Statistics Denmark comply with the BPM5, with some minor exceptions. Statistics Denmark and *Danmarks Nationalbank* compile monthly b.o.p. data, which have been since January 1997 to a large extent in line with the harmonisation proposals agreed within the former Task Force on Financial Flows and Stocks.

Statistics Denmark and *Danmarks Nationalbank* are able to compile a country-by-country geographical breakdown for nearly all b.o.p. items. Danmarks Nationalbank has published a geographical split for the financial account items since January 2003.

3.5 TIMELINESS

Data for financial account items are published on the 20th banking day following the end of the month. The complete b.o.p. statement is published approximately 30 working days after the end of the month and the data are sent to the ECB.

3.6 COMPILATION FREQUENCY

The Danish b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

Danmarks Nationalbank's reporting system facilitates several types of data control.

Validation procedures are incorporated into the electronic data collection system and include objective as well as analytical control measures. Objective controls are carried out to ensure that data meet reporting standards. For instance, the system will reject reported data if they do not contain currency and country codes. The system also checks that the difference between opening and closing stocks can be explained by transactions and valuation adjustments. If the objective controls detect a problem, the respondent will instantly receive an electronic error message with an indication of the type and location of the error. In this way, only valid and consistent data can be transmitted to *Danmarks Nationalbank*.

The role of the analytical controls is to point out potential sources of error. When objectively correct data are received, they undergo the analytical controls. These controls identify data that need further investigation. An analytical control will, for example, detect fluctuating data. This does not necessarily mean that reported data are incorrect, but special attention will be given to these data in the manual validation process.

The last data control is manual validation. Besides going through data singled out by the analytical controls, data are compared with information from other sources. For instance, if a large direct investment has been mentioned in the media, External Statistics makes sure that this is reflected in the compiled data.

3.8 REVISION POLICY

All revisions since 1998 are included in the month to which they relate. At present, revisions are published in the first subsequent release.

In November 2006 a new revision practice for Danmarks Nationalbank's statistical publications was implemented. According to this revision practice, monthly b.o.p. (the financial account) will be revised with the publication of the following two months' b.o.p. and quarterly i.i.p. will be revised with the publication of the following quarter's i.i.p. Furthermore, retrospective revision of 28 months' b.o.p. takes place once a year (released with the publication of September b.o.p.). Quarterly i.i.p. will be revised accordingly.

3.9 PUBLICATION

Statistics Denmark publishes monthly b.o.p. data in "*Nyt fra Danmarks Statistik*" and more detailed quarterly data in "*Statistiske Efterretninger*", which focuses on the current and capital accounts. Further data are released by Statistics Denmark on the internet at http://www.dst.dk.

Danmarks Nationalbank publishes monthly b.o.p. data for financial account items in "*Nyt*" and the "Tables supplements". "*Nyt*" is published in accordance with the above-mentioned time schedule and contains data of limited detail covering a limited period. The "Tables supplements" contain more detailed figures.

The "*Nyt*" publications and "Tables supplements" are only issued electronically as pdf files on *Danmarks Nationalbank's* website at http://www.nationalbanken.dk (Statistics/ Download statistics – Publications). Further details can be found under Download statistics – Database.

Two other publications of *Danmarks Nationalbank*, the "Monetary Review" and the "Annual Report", contain extracts of data from the "Tables supplements" and the database.

The titles of the publications produced by Statistics Denmark and *Danmarks Nationalbank* on b.o.p. statistics are listed in Sub-section 15.1.

4 GOODS

The merchandise trade data are compiled in two systems: Intrastat (for trade with EU countries) and Extrastat (for trade with non-EU countries). These data comply with the international requirements for timeliness.

Extrastat data are collected continuously by the Customs as the goods cross the Danish border and provide complete coverage of the trade with non-EU countries. Intrastat data are collected on a monthly basis by Statistics Denmark from approximately 10,000 enterprises. The coverage for the Intrastat data is between 65% of EU trade (first release month) and 90% (final data). Non-reported merchandise trade is estimated at the most detailed level, obtaining a full correspondence between the detailed trade figures and the totals.

Under Extrastat, imports are classified according to the country of origin, whereas exports are classified according to the country of final destination. Under Intrastat, imports are classified according to the country of consignment and exports are classified according to the country of final destination.

In compliance with international recommendations, the valuation of merchandise imports is converted from a c.i.f. to an f.o.b.

basis, the difference being considered as services (transportation items and freight insurance).

Data on procurements (debits) are collected through Statistics Denmark's survey on trade in services.

5 SERVICES

Statistics Denmark conducts a combined monthly (covering approximately 400 enterprises) and quarterly (covering approximately 1,200 enterprises) sample survey on trade in services and transfers. The sample has been drawn on the basis of the settlement system, partly using a cut-off method (for monthly reporters) and partly a stratified sample method (for quarterly reporters).

The sample is considered fixed, but will be summarily updated each year to ensure representativity by excluding certain enterprises and including others. A new major initiative in updating the sample is being prepared.

The survey allows a full breakdown by country.

The import of travel is primarily based on a separate survey on holiday and business journeys. The export of travel is partly based on accommodation statistics combined with a survey on overnight travellers' spending in Denmark and partly on different border surveys covering travellers on same-day visits. The rest of the travel item is based on the general survey of trade in services.

Monthly data on services are estimated by grossing up figures from the monthly reporters using monthly extrapolations for the quarterly reporters to the survey of trade in services and adding estimates for the travel item.

5.1 DEFINITIONS

The definitions of services comply with the BPM5. The definitions for construction and insurance services are, however, in line with the ESA 95.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 COMPENSATION OF EMPLOYEES

Different sources are used to compile data on compensation of employees. For debits, the data are compiled monthly. These data are derived from the Salary Information Register (COR) and the Central Population Register (CPR). For credits, income tax returns are compared with the COR register. The previous year's data are extrapolated to give monthly figures for the current year. For both credits and debits, statistics on seasonal and border workers in Sweden, Norway and Denmark are used to validate and enhance the geographical distribution.

6.1.2 INVESTMENT INCOME

See Sub-section 3.1 for a description of the data collection system.

Data on investment income are partly calculated and partly reported. Investment income (net profits) from direct investment/equity capital is reported yearly and dividends and interest from inter-company loans are reported monthly. *Danmarks Nationalbank* applies the debtor approach to calculate monthly accrued income on portfolio investments for all sectors, except for the MFI sector's accrued interest payable/receivable, which is reported monthly. Investment income on other investments is reported monthly.

The following concerns investment income only.

6.2 DEFINITIONS

Data fulfil the requirements of the ECB. This includes: (i) full geographical, currency and sector breakdowns; (ii) discounts/premiums on all debt securities where data are available (in

the future, this implies all debt securities in the CSDB); and (iii) reinvested earnings (see Sub-section 14 on the i.i.p.).

6.3 DEVIATIONS FROM AGREED DEFINITIONS

Non-MFI enterprises have the choice between reporting interest on other investments either as accruals or as payments.

6.4 GAPS

None.

6.5 INTENDED HARMONISATION

None.

6.6 ESTIMATION METHODS

Danmarks Nationalbank calculates investment income from portfolio investment in debt securities. This ensures that investment income is recorded identically on the assets and the liabilities sides. Investment income is calculated using a linear version of the debtor approach (discounts/premiums are recorded at the time of issue).

For direct investment, *Danmarks Nationalbank* estimates income minus extraordinary items on the basis of the return on direct investment in earlier years (separately for inward and outward investments). Monthly data are calculated as one-twelfth of the estimated income for the year. Reinvested earnings are estimated by subtracting the recorded distributed dividends in the months they are paid. Revisions are carried out yearly by replacing estimated data with recorded data collected through a yearly survey.

7 CURRENT TRANSFERS

7.1 SPECIFIC FEATURES OF DATA COLLECTION

Current transfers, such as subsidies, taxes, social benefits, public transfers and aid, are based on general government finances statistics and detailed information gathered from, among others, the Ministry of Foreign Affairs and the Ministry of Defence.

Data on taxes on compensation of employees, both into and out of Denmark, and similarly on social contributions from non-residents working in Denmark and social benefits received from abroad, are primarily compiled using information from registers held by the Danish tax authorities.

Data concerning non-life insurance claims and premiums and private current transfers, such as aid and gifts, are gathered through Statistics Denmark's survey on trade in services.

Other current transfers such as social contributions from residents working abroad and workers' remittances are estimated.

Geographical breakdowns are available for most of the data, except for social contributions from residents working abroad and workers' remittances where estimates are used.

Information on transfers (current and capital) is essentially available on a monthly or a quarterly basis.

7.2 DEFINITIONS

The definitions of current transfers are consistent with the BPM5.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The information concerning the acquisition or disposal of non-produced, non-financial assets is gathered through Statistics Denmark's survey on trade in services, which allows for a complete geographical breakdown.

Capital transfers such as debt forgiveness, investment grants and other capital transfers

are primarily compiled from the general government finances statistics. Estimations are made in other cases such as legacies and migrants' transfers of deposits/loans.

8.2 DEFINITIONS

The definitions are in line with the BPM5.

The change of residency caused by the statistical omission of the Faroe Islands and Greenland from the economic territory of Denmark was included as a capital transfer in July 2000.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The components of direct investment are equity, reinvested earnings and other capital. Data on each of the components are collected using separate forms.

Monthly outward flow data for equity are reported on two different forms: A1 and A2 covering transactions in equity issued by foreign enterprises with and without ISIN codes, respectively. More information is required in A2 because the lack of an ISIN code makes it impossible for *Danmarks Nationalbank* to get information on the country and sector of the foreign enterprise. Monthly inward flow data for equity are reported in form P1 covering transactions in equity issued by the reporting enterprise without an ISIN code. If the reporting enterprise has equity/shares with an ISIN code, the equity/shares are registered with VP Securities Services and information on non-resident holdings are available from that source. Both for outward and inward flows, the reporting requirements are limited to equity not deposited with a custodian in Denmark because custodians in Denmark report these equities security by security (see Section 10). *Danmarks Nationalbank* identifies direct investment equity via a register established on the basis of annual surveys. Enterprises are requested to identify and report direct investments in accordance with the business accounting rules, where the threshold is 20% (associated enterprises).

Reinvested earnings are included in the monthly data as a contra-entry to the investment income item (see Sub-section 6.6).

Other capital consists of trade credits between affiliated enterprises, inter-company loans and other accounts.

The geographical breakdown is based on the residency of the issuer of the equity, i.e. the debtor/creditor principle is used. Furthermore, a change in ownership of a resident enterprise from a non-resident in one country to a non-resident in another country is revealed by the reporting.

9.2 DEFINITIONS

Danmarks Nationalbank applies the 10% principle for direct or indirect voting rights in an enterprise. *Danmarks Nationalbank* intends to estimate the amounts between 10% and 20% (see Sub-section 9.6).

Direct investment flows into and out of special-purpose entities ("pass-through investments") in Denmark are recorded separately.

Transactions settled via an exchange of shares, as well as the acquisition of equity using real assets (non-cash transactions), are recorded.

The directional principle is followed for other capital, but not for equity cross-participations of less than 10%. The previous (settlement-based) collection system revealed that these transactions were few and small. In addition, transactions in inter-company debt securities are insignificant.

Transactions in equity cross-participations of less than 10% and transactions in inter-company debt securities are difficult to detect in the securities reporting system. Furthermore, due to the small amounts involved, these transactions

are not recorded as direct investment, but as portfolio investment.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no significant deviations (see Sub-section 9.2).

9.4 GAPS

The complexity of direct investment results in reporting errors and missing reports. To cope with this, *Danmarks Nationalbank* monitors newspapers and other sources. Where it appears that errors may have been made or data may not have been reported, the enterprise in question is contacted to verify the information.

Investment in private, non-commercial real estate was based on settlement data until end-2004. At the moment, estimates are based on transactions from 2004, but the intention is to develop a more sophisticated estimation method.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

The settlement data (before 2005) showed that transactions in direct investment equity between 10% and 20% amounted to about 1% of total equity transactions. *Danmarks Nationalbank* is contemplating reducing portfolio investment equity and increasing direct investment equity by approximately 1%.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

When the settlement-based reporting system was abandoned, an existing source of data, i.e. VP Securities Services for foreign holdings of domestic securities on a security-by-security basis, was incorporated into the new balance of payments compilation system. In addition, security-by-security reporting for custodians concerning residents' holdings of foreign securities was introduced.

Basically, the reports contain information on the individual holders of the securities with ISIN codes. *Danmarks Nationalbank* then calculates transactions and accrued investment income for each security. By combining the results with supplementary information on the specific characteristics of the securities (reference data) from a commercial data provider, *Danmarks Nationalbank* can compile the b.o.p./i.i.p. items broken down by type of security, sector (holders and issuers) and country. The model is illustrated in detail in Figure 2 below. This indirect reporting is supplemented by direct reporting, i.e. the b.o.p. survey on resident holdings of foreign securities with custodians abroad (assets) and reporting by a limited number of residents issuing securities abroad held by non-residents (liabilities).

In addition to using these security-by-security data for the b.o.p. and the i.i.p., they are used for financial accounts and securities statistics, thereby enhancing the consistency between these statistics.

10.2 DEFINITIONS

The definition of portfolio investment is in line with the BPM5/ECB guidelines. Equities include quoted shares, unquoted shares (and other equities) and mutual fund shares. Debt securities include bond and money market instruments and mortgage deeds, which in Denmark are liquid instruments. The split between bonds and money market instruments is according to original maturity. Accrued interest on debt securities is calculated (see Sub-section 6.6) and recorded as a contra-entry in portfolio investment.

The geographical allocation is according to the country of the issuer of the security, i.e. it follows the debtor/creditor principle.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

See Sub-section 3.1.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of financial derivatives data is based partly on the MFI statistics and partly on monthly and yearly surveys of non-MFI enterprises. The monthly survey of enterprises covers transactions in derivatives issued on a foreign stock exchange and transactions in derivatives traded directly with a non-resident counterpart. There are three reporting forms, one for options, one for futures and one for OTC derivatives. Stock data for OTC derivatives are not required in the monthly reporting form, but rather in the yearly reporting form.

11.2 DEFINITIONS

The definition of financial derivatives is in accordance with the BPM5/ECB guidelines. All kinds of derivatives are included. The reporting form for options covers both options traded on the stock exchange and OTC options. Options transactions are recorded as premiums paid/received when the contract is established (equal to the price), with the value of the contract being included if the option is called.

The reporting form for futures only covers contracts traded on a foreign stock exchange where daily variation margin payments (accumulated over the reporting month) have to be reported as transactions.

The reporting form for OTC derivatives covers all derivatives not traded on stock exchanges. Transactions in OTC derivatives are registered as the difference between the spot price when the contract expires and the agreed price of the underlying instrument. This is the typical situation for OTC derivatives, but any part settlements during the life of the contract could also be recorded as transactions.

If initial margin payments are made as collateral (and are therefore repayable), respondents are requested to classify such payments under other investment/deposits.

The geographical allocation is determined by the residency of the counterpart, except for exchange-traded derivatives where the residency of the stock exchange is used as the criterion.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on other investment are collected via the general survey system and the MFI statistics (see Sub-section 3.1). The survey comprises reporting forms for trade credits, loans and

deposits, and other investment/other. Each form is broken down by maturity (into short-term and long-term). Financial leasing is reported separately and classified as long-term. For both assets and liabilities, the foreign counterparts are broken down into credit institutions (a proxy for MFIs) and non-credit institutions.

All forms, except for the form for trade credits, use the general reporting model (stocks at the beginning and end of the month, and transactions and valuation changes during the month, broken down by currency and country). For trade credits, respondents are only required to report stocks at the beginning and end of the month broken down by currency. Transactions in trade credits are calculated as the changes in stocks adjusted for exchange rate changes. Consequently, the calculated transactions in trade credits comprise other valuation changes (price changes are regarded as insignificant) and losses.

An enterprise which takes out a syndicated loan is requested to report the tranches of the syndicated loans when (and only when) the lender/holder is a non-resident.

Provisions by Danish insurance companies and pension funds related to non-residents are recorded under other liabilities, based on yearly reporting.

The MFI statistics contain all breakdowns necessary to fulfil the b.o.p./i.i.p. requirements for other investment.

12.2 DEFINITIONS

The definition of other investment is in line with the BPM5/ECB guidelines. The split between foreign counterparts in the reporting forms is used to divide assets into deposits (credit institutions) and lending/loans (non-credit institutions).

12.3 DEVIATIONS FROM AGREED DEFINITIONS

No significant deviations.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

None, except for the geographical allocation of trade credits. This geographical allocation is estimated using the relative geographical allocation of trade in goods.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Data collection for reserve assets is part of the general MFI reporting system because *Danmarks Nationalbank* reports as an MFI (see Sub-section 3.1). This implies that transactions are reported (as well as valuation changes and stocks).

13.2 DEFINITION

The definition of reserve assets used by the IMF and the ECB is applied. This means, in practice, that reserve assets are compiled on a gross basis, and liabilities are registered under other investment. Holdings of foreign shares which are not tradable are registered under portfolio investment/equity securities.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None. However, in the national statistics, "reserves" are defined as *Danmarks Nationalbank's* net position in all external assets and liabilities at book value.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIAL FEATURES OF DATA COLLECTION

End-2003 i.i.p. data and data for earlier years are based on pure stock data. Quarterly i.i.p. data are based partly on stock data and partly on accumulated flow data from the settlement system, which was abolished at the end of 2004.

The new collection system (see Sub-section 3.1) provides monthly stock data for all items, except direct investment equity and derivatives. Consequently, it is possible, in principle, to produce for most items a monthly i.i.p., which can even be reconciled with flows and valuation changes. Stock data for direct investment equity and derivatives are reported yearly. Monthly stock data for direct investment equity and derivatives are estimated by accumulating reported flows. Stocks can be broken down by the same criteria as flows, e.g. instrument/ maturity, sector, country and currency.

Stock data from enterprises which only report yearly are added.

The yearly reporting forms for direct investment equity gather supplementary information such as percentage ownership, economic activity of affiliates abroad and the country of ultimate beneficial ownership.

14.2 DEFINITIONS

14.2.1 GENERAL

The concepts and definitions used are in accordance with the BPM5/ECB guidelines with some minor exceptions (see Sub-section 9.2).

14.2.2 DIRECT INVESTMENT

Direct investment data are recorded according to the directional principle, but published as assets and liabilities. They include reinvested earnings. Direct investment is valued at market prices if the enterprise is listed on a stock exchange. Unlisted enterprises have to report the valuation principle that they apply. Those enterprises using the equity method have to specify the reserves generated from using that method. Against this background, it is possible to adjust the value of the enterprises using cost prices.

14.2.3 PORTFOLIO INVESTMENT

Portfolio investment is valued at market prices.

14.2.4 FINANCIAL DERIVATIVES

Data on financial derivatives are recorded on a gross basis, but published on a net basis. Financial derivatives are valued at market prices in accordance with the recommendations of the IMF and the ECB.

14.2.5 OTHER INVESTMENT

Trade credits, loans and deposits are recorded at book values, which are normally equal to their nominal values.

14.2.6 RESERVE ASSETS

See Section 13.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

Apart from deviations as regards the publication of data on derivatives and direct investment, there are no significant deviations.

14.4 GAPS

Small enterprises' and households' holdings of securities in custody abroad, as well as their loans and deposits with foreign-owned banks abroad, are not covered by the sample survey. Non-residents' holdings of equity securities issued by Danish enterprises which are held in custody abroad and not re-deposited in Danish banks are not covered either.

14.5 INTENDED HARMONISATION

None.

14.6 ESTIMATION METHODS

Investment in private, non-commercial real estate has been estimated based on accumulated settlement data inflated using a price index. At the moment, the estimation is based on the stock as of end-2004 inflated by a price index, but the intention is to develop a more sophisticated method.

Methods to gross up the reported i.i.p. data are under review.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

The titles of the b.o.p. statistical publications produced by Statistics Denmark are:
"Nyt fra Danmarks Statistik" (focuses on main current account items, net amount only monthly); and
"Statistiske Efterretninger fra Danmarks Statistik" (focuses on current account items, quarterly).
The titles of the b.o.p. statistical publications produced by *Danmarks Nationalbank* are:
"Nyt" (provides monthly financial account data and quarterly and annual direct investment and i.i.p. data);
"Monetary Review" (monthly and annual data); and
"Annual Report" (annual data).

An overall presentation of the collection and compilation of data is given in the book "Denmark's balance of payments and international investment position" – available under publications at Danmarks Nationalbank's homepage www.nationalbanken.dk.

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Denmark. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Denmark should be addressed to:

Mrs Birgitte Søgaard Holm
Danmarks Nationalbank
Statistics
Havnegade 5
DK-1093 Copenhagen K
Denmark

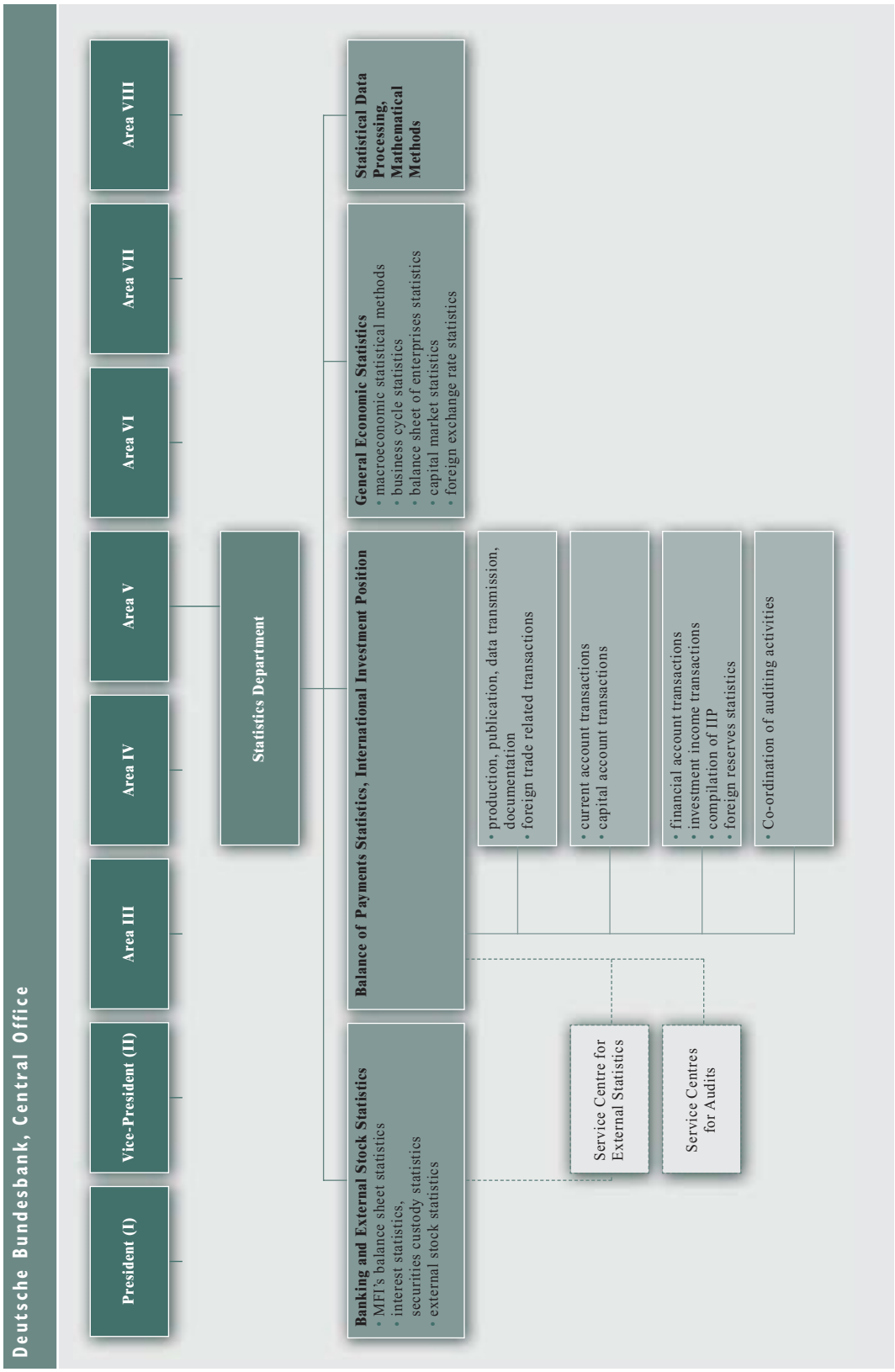
Tel.: 00 45 33 63 68 56
Fax: 00 45 33 63 71 24
E-mail: bsh@nationalbanken.dk

Mr Jens Hald
Danmarks Nationalbank
Statistics
Havnegade 5
DK-1093 Copenhagen K
Denmark

Tel.: 00 45 33 63 68 10
Fax: 00 45 33 63 71 24
E-mail: jh@nationalbanken.dk

4.5 GERMANY

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The *Deutsche Bundesbank* (named the *Bank Deutscher Länder* prior to 1957) has been responsible for drawing up the balance of payments for the Federal Republic of Germany since 1949. In the early years the reporting was linked to the foreign exchange control system in place until the end of the 1950s. The gradual relaxation of the external controls and the transition to full convertibility of the Deutsche Mark at the end of 1958, associated with a rapid rise in Germany's external transactions, necessitated the development of a consistent reporting system. Data, which had previously been derived from the foreign exchange controls and the multiplicity of individual reports existing in the mid-1950s, were replaced by a statutory system which came into force in 1961 with the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*).

2.2 LEGISLATIVE PROVISIONS

The Foreign Trade and Payments Act (in particular Section 26 thereof) provides the legal framework for the collection of b.o.p. data. The Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung*) sets out the data reporting requirements in greater detail. It forms the legal basis for the core of the German data collection system for the b.o.p. It also allows the *Deutsche Bundesbank* to request more detailed information on direct investment stocks and on the external positions of non-MFIs. Furthermore, Section 18 of the Bundesbank Act allows the *Deutsche Bundesbank* to demand and collect statistics in the field of banking and the monetary system from all credit institutions in order to fulfil its tasks. These data are partly also used for b.o.p. purposes.

The statistical compilation of foreign trade data lies within the competence of the Federal Statistical Office (*Statistisches Bundesamt*; FSO). The legal framework is set by EU regulations relating to statistics on intra-Community trade and on trade with third countries. Complementing national legislation, namely the Act on Statistics on Cross-Border Trade in Goods (*Gesetz über die Statistik des grenzüberschreitenden Warenverkehrs*) and the appropriate regulation for its implementation, governs those elements of the external trade data collection that are of national interest and are not regulated by EU legislation.

The Federal Statistics Act (*Bundesstatistik-gesetz*) of 1987 applies to all federal statistics, including b.o.p. statistics, as appropriate.

2.3 INTERNAL ORGANISATION

The *Deutsche Bundesbank* is responsible for several sets of statistics. The Statistics Department of the Central Office of the *Deutsche Bundesbank* consists of the following four divisions: the Banking and External Stock Statistics Division; the Balance of Payments Statistics and International Investment Position Division; the General Economic Statistics Division; and the Statistical Data Processing and Mathematical Methods Division. Apart from MFIs' balance sheet statistics and special statistics on the banking sector, the first of these divisions is also responsible for collecting and compiling most of the external stock statistics. The overall compilation of the international investment position is carried out by the Balance of Payments Statistics and International Investment Position Division, which is in charge of the compilation of the German b.o.p. and related external statistics.

The General Economic Statistics Division deals with methodological issues relating to business cycle statistics. A variety of other statistics are also compiled by this division, namely statistics on the balance sheets of enterprises, capital market statistics and foreign exchange rate statistics insofar as the ECB has not taken over responsibilities in these fields. The calculations for the financial accounts within the framework of the national accounts are carried out within the Economics Department.

The Balance of Payments Statistics and International Investment Position Division is divided into three sections. Section one is responsible for compiling, publishing and documenting the b.o.p. statistics, as well as for all contacts with users. This section also deals with integrating foreign trade statistics into the b.o.p. and with reconciling the b.o.p. with the Rest of the World Account. All other current account transactions (excluding income from financial assets) and capital account transactions are processed by section two. Financial account transactions, income from financial assets, the *Deutsche Bundesbank*'s external reserves and the i.i.p. are compiled by section three.

The compilation of b.o.p. and related external statistics is undertaken by the Balance of Payments Statistics and International Investment Position Division of the Central Office in cooperation with a service centre for external statistics. While the service centre is in charge of collecting all statistical reports, processing the reports of smaller respondents and carrying out some administrative tasks, the Balance of Payments Statistics and International Investment Position Division of the Central Office checks and processes the data of the larger respondents and compiles the overall German b.o.p. and related external statistics.

Four regional service centres are conducting audits of financial institutions with respect to their compliance with the Foreign Trade and Payments Act and the corresponding regulation (including statistical reporting). Coordination of these audits is done by a small group within the Balance of Payments Statistics and International Investment Position Division of the Central Office.

The Balance of Payments Statistics and International Investment Position Division of the Central Office has around 80 staff members. The statistical service centre has around 50 staff members and the four audit service centres have a total of 47 staff members.

2.4 EXTERNAL COOPERATION

The FSO is the most important external partner of the Balance of Payments Statistics and International Investment Position Division, both as a provider and as a user of data. The foreign trade statistics provided by the FSO are used as the basis for ascertaining transactions in goods for the German b.o.p. The FSO also provides some complementary data for estimation purposes. Survey information from a private research institute is also used as an external data source for estimating travel debits.

The *Deutsche Bundesbank* attempts to involve – to the greatest extent possible – associations of banks and other enterprises in discussions prior to important changes to the reporting requirements and procedures. This cooperation is aimed at improving the acceptance of statistical requirements, and thus at increasing the reliability of reported data. The Central Office and the above-mentioned service centres are maintaining direct contacts with the major reporting companies, including the provision of training and addressing any other requests of respondents.

In addition to multilateral cooperation within the numerous working groups of various European and international organisations, the Balance of Payments Statistics and International Investment Position Division also maintains bilateral contacts with other central banks in order to exchange views on issues of common interest.

2.5 USERS

B.o.p. data are used for the RoW account in the national accounts statistics, which are produced by the FSO as far as current account transactions are concerned (whereas financial accounts statistics are covered by the *Deutsche Bundesbank*). Information is also exchanged continuously with the internal users of the b.o.p. and i.i.p. data, i.e. the division responsible for analysing external economic relations and

the section responsible for compiling the national financial accounts.

The Federal Ministry of Economics and Technology (*Bundesministerium für Wirtschaft und Technologie*) is an important user of information on direct investment data.

Other important users are private and public research institutes and universities; banks, associations of banks and enterprises address the bulk of enquiries to the Balance of Payments Statistics and International Investment Position Division.

B.o.p. data compiled according to the fifth edition of the IMF Balance of Payments Manual (BPM5) are supplied to the ECB and to other European and international organisations, such as the European Commission (Eurostat), the Organisation for Economic Co-operation and Development, the International Monetary Fund and the Bank for International Settlements, on a regular basis via electronic data transmission procedures.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The German b.o.p. data collection system is classified as an open international transactions reporting system (ITRS); much of the data is collected directly from companies.

The entity responsible for the delivery of reports is the resident economic entity, MFI or non-MFI, which carries out a transaction with a non-resident and/or the resident economic entity where the change of ownership occurs. Certain items (e.g. securities, travel) are reported by MFIs on behalf of their customers.

Where necessary, the data gained from this general reporting framework are supplemented with data from various other sources (e.g. a household survey to compile the debit side of the travel account) and with estimates.

Short-term financial transactions in loans and deposits (as well as MFIs' long-term transactions) are excluded from the German ITRS; instead, they are derived from end-month stock data on the outstanding external assets and liabilities of MFIs and non-MFIs.

3.2 REPORTING AGENTS

(i) *All economic agents, enterprises, MFIs* (see below for MFIs' special reporting obligations), *individuals and public authorities* must report all external transactions on a monthly basis. Only outgoing payments settled by payment order through domestic bank accounts are reported when they are carried out by forwarding a copy of the payment order form to the *Deutsche Bundesbank*.

(ii) Foreign assets and liabilities of resident *non-MFIs* are also reported on a monthly basis. The figures are used to derive the short-term financial transactions of non-MFIs for the b.o.p. (including trade credits). In addition, there is an annual survey on direct investment stocks which covers non-MFIs and MFIs.

(iii) *MFIs* have the same reporting obligations as enterprises, individuals and public authorities, but are also subject to special reporting requirements. For travel, MFIs must report the purchase and sale of the means of payment. Interest and dividends paid to non-residents on domestic securities (without an exemption threshold) should be reported on a monthly basis. With regard to financial transactions, MFIs have to report securities transactions with non-residents for their own account and on behalf of other residents on a monthly basis. The cross-border loans and deposits transactions of MFIs are derived from their monthly balance sheets.

(iv) *Public sector*: information on reserve assets is derived from the *Deutsche Bundesbank*'s accounts. In addition, the

Reporting scheme for b.o.p. and i.i.p. data collection for Germany

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Non-MFIs	Payment order for cross-border transactions (Z 1)	Debits for, inter alia, service transactions, income, capital transactions, financial transactions (excluding short-term loans and deposits), if conducted via domestic bank accounts	Simultaneously (reporting form is copy of payment order addressed to the resident bank)	–
MFIs and non-MFIs	Payments for cross-border transactions (Z 4)	Debits and credits not covered by Z 1 for, inter alia, service transactions, income, capital transactions, financial transactions (excluding loans and deposits of MFIs, short-term loans and deposits of non-MFIs, and securities transactions)	Monthly	7 days
MFIs and non-MFIs	Payments for cross-border securities transactions (Z 10)	Transactions in securities with non-residents on own account and (for MFIs) on account of customers	Monthly	5 days
MFIs and other financial institutions	Debits for dividends and interest on domestic securities (Z 11)	See column to the left	Monthly	5 days
MFIs	Interest on cross-border loans and deposits received or paid (Z 14/Z 15)	See column to the left	Monthly	7 days
MFIs and other financial institutions	Debits/credits travel (Z 12/Z 13)	Purchase and sale of banknotes and other means of payments from/to non-MFIs	Monthly	5 days
Non-MFIs except collective investment institutions	Claims and liabilities vis-à-vis non-resident MFIs (Z 5)	– short and long-term loans and deposits, – for assets: money market paper issued by non-resident MFIs	Monthly	10 days
Non-MFIs except collective investment institutions	Claims and liabilities vis-à-vis non-resident non-MFIs (Z 5a)	broken down between positions vis-a vis affiliated and non-affiliated companies: – short and long-term loans, – trade credits, – for assets: money market paper issued by non-resident non-MFIs	Monthly	20 days
MFIs except money market funds	Monthly external position (assets and liabilities) (10 310/ 10 320)	Detailed balance sheet positions (stocks) vis-à-vis non-residents (excluding securities liabilities)	Monthly	8 days

Reporting scheme for b.o.p. and i.i.p. data collection for Germany (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Investment funds (incl. both money market funds and other collective investment institutions not considered as MFIs)	Assets and liabilities (V. 10380-V.10383)	for each fund: – name, type and maturity for each fund: – amount, composition of assets and liabilities, – shares sold and in circulation, share prices, – distributed earnings, – activities related to financial derivatives – deposits with foreign banks broken down by maturity, country of issuer and currency in addition for MMFs: – assets broken down by type of investment and issuer – loans by non-euro/euro area/ domestic and currency (euro non/euro) split	– Monthly	When the fund is created or modified 12 days
Money market funds	Assets (V. 10384)	assets broken down by type, issuer country and maturity,	Quarterly	12 days
MFIs and non-MFIs	Residents' assets abroad (K 3)	Balance sheet of non- resident subsidiaries and associates of resident direct investors	Annually	6 months
MFIs and non-MFIs	Non-residents' assets in the domestic territory (K 4)	Balance sheet of resident subsidiaries and associates of non-resident direct investors	Annually	6 months

government sector is subject to the regular reporting requirements described above.

3.3 THRESHOLDS

A general exemption threshold of € 12,500 (DEM 5,000 before January 2001) is applied to the transactions of all economic agents, enterprises, MFIs, individuals and public authorities.

For resident non-MFIs, any foreign assets or any liabilities exceeding EUR 5 million in total are reported on a monthly basis.

MFIs have to report all their stocks of foreign assets and liabilities on a monthly basis without applying any threshold.

3.4 AVAILABILITY OF DATA

Only quarterly and annual data on major items are available for the years from 1949 to 1955. Monthly figures are available from 1956 onwards. The breakdown of the b.o.p. was extended until 1971, when it essentially took on its present form. As a result of new developments and changing needs, however, additional items were recorded and the available components were combined in a different form. From the outset, the *Deutsche Bundesbank* has adhered in its statistical work to the recommendations made by the IMF. A complete b.o.p. is available on a monthly basis, in principle with a full geographical breakdown by country. For some countries, however, bilateral data are not available for travel and, depending on the sampling error, no bilateral data for services or even the current account can be made available.

3.5 TIMELINESS

Data become available within six weeks. Trade data also become available within six weeks for intra-euro area trade, intra-EU/non-euro area trade and trade with third countries. Country-by-country trade in goods data are only available after a further five weeks.

3.6 COMPILATION FREQUENCY

The German b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

Data controls are done either by the Balance of Payments Statistics and International Investment Position Division of the Central Office (for large enterprises) or by the statistical service centre (for small enterprises). All major transactions are checked individually for plausibility. Reporting agents are contacted, if necessary, for the clarification of doubtful elements of the reports. Unusual fluctuations in the monthly data reported by large enterprises (including MFIs) are monitored and the reporters are asked for an explanation.

Internal checks with other statistics, e.g. custodian statistics for portfolio investment transactions, are carried out. The media are used to detect possible reporting gaps. Stock and flow data are available for direct investment and can thus be matched for each individual reporting enterprise. A cross-check of aggregates on stocks and flows from the i.i.p. and the b.o.p. is performed quarterly when the i.i.p. is compiled.

Alternative data sources can be used for some items to evaluate the quality of data recorded in the b.o.p. (travel, for instance), although such sources are usually only available with a long delay. Moreover, the *Deutsche Bundesbank* attempts to assess the quality of German b.o.p. data by performing bilateral comparisons with other EU countries for specific items. In the context of the national accounts statistics, b.o.p. data are subject to further plausibility checks, as the results of the b.o.p. statistics should be compatible with other data on the general economic situation.

Finally, the reporting MFIs are audited at regular intervals. Four service centres in four regional main offices are responsible for conducting these audits. Non-MFIs are audited by the public authorities responsible for ensuring the observance of regulations on external transactions (*Oberfinanzdirektionen*). Special audits can be arranged if an enterprise is suspected of repeatedly or deliberately failing to meet the reporting requirements.

3.8 REVISION POLICY

Revisions of the previous month's figures are published, together with the (provisional) data for the current reporting month. Revised data for the past four years are published in March and, if necessary, in the Special Statistical Publication 11 "Balance of payments by region" at the end of July. B.o.p. figures for these periods are revised one last time in connection with the compilation of the i.i.p. at end-September, when new i.i.p. data for the last year are compiled and i.i.p. revisions for the three years before are carried out. Apart from these regular revisions, additional ad hoc revisions are undertaken in order to take into account major corrections affecting the b.o.p. analysis. The corrections result from detected reporting and processing errors or from corrections to foreign trade data by the FSO.

In the case of an important methodological change, revisions of historical data usually take place in March. In that event, time series are recalculated backwards as far as possible so as to avoid breaks and to ensure the comparability of data over time. Such major recalculations were necessary following the implementation of the BPM5 recommendations. Services time series have been recalculated following changes in the basic data sources used to estimate travel services. More recently, the recording of interest income in the current account has been revised

as a result of the changeover to the accruals principle.

3.9 PUBLICATION

The first monthly b.o.p. data are published six to seven weeks after the end of the reference period. The preliminary results for the annual b.o.p. are therefore available in mid-February of the following year. A full regional breakdown is published on a quarterly basis only. The annual b.o.p., together with a regional breakdown for the past year and the previous three years, is published in July of the following year.

The titles of the publications produced by the *Deutsche Bundesbank* on b.o.p. statistics are listed in Sub-section 13.1.

All data, as well as a one-year calendar including the "not later than" dates on which press releases are to be issued, are published on the internet (http://www.bundesbank.de). The actual dates of dissemination are released on the Friday of the preceding week.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The sources for data on trade in goods are the foreign trade statistics (Intrastat and trade with third countries) compiled by the FSO. The data are available monthly and correspond to a transaction basis. Adjustments based on fiscal data are made by the FSO for non-responses.

Monthly data for imports are valued on an f.o.b. basis. All data are seasonally adjusted by applying a Census X-based procedure.

The geographical breakdown of data is derived from Intrastat and customs documents. Imports within the euro area are allocated according to the country-of-consignment principle. Transactions with residents of non-participating Member States can be identified separately. The provision of the intra/extra-euro area breakdown by the FSO is essential.

4.2 DEFINITION

Data for trade in goods are compliant with BPM5 standards as far back as 1971. Time series breaks were caused by German reunification (1990) and changes in trade statistics (1988 and 1993).

Trade data are calculated on the basis of the special trade principle. However, warehouse transactions with non-residents are included.

Military goods are, in principle, included in the goods item of the b.o.p. with the same geographical breakdown.

Transactions under the special Community programmes (Satellite, Airbus and others) are recorded in the foreign trade item, and the geographical allocation is performed the same way as for the other transactions in this item.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

As a result of the implementation of Intrastat in the foreign trade statistics compiled by the FSO as of the beginning of 1993, the information necessary for the estimation of the f.o.b. value of imported goods is no longer available. Therefore, 1992 relations have been assumed to be constant and have been applied to current figures since 1993. The ratios are broken down by mode of supply and by country.

4.5 INTENDED HARMONISATION

The interim method described in Sub-section 4.4 will be replaced with the so-called "Modified Invoice-Based Approach" following the recommendations of the European Task Force on Transportation. Implementation is envisaged in due course..

4.6 ESTIMATION METHODS

Monthly and quarterly b.o.p. data are fully consistent. They are derived from the same set of (monthly) data. No special estimation methods are used to ensure the timeliness of the monthly b.o.p. data, except for trade in goods. For trade in goods, a euro area/non-euro area split is applied by the FSO prior to the availability of a full country-by-country breakdown. For imports, the monthly conversion of the data to an f.o.b. basis is based on preliminary estimates.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Monthly survey results on travel expenditure are only available with a delay of five months. For that reason, provisional figures are estimated using an ARIMA estimate.

5.2 DEFINITION

Definitions are in line with the BPM5. Financial services are included in the services item of the b.o.p. For further information, please see Sub-section 10.3.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

None.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 COMPENSATION OF EMPLOYEES

Part of the general reporting system.

6.1.2 INCOME ON DIRECT INVESTMENT

In the case of direct investment income on equity, annual earnings according to the current operating performance concept are derived from balance sheet information on assets and liabilities of direct investment enterprises in Germany and abroad, available with a time-lag of 15 to 18 months. The survey on balance sheet data provides information on profits on an all-inclusive basis and on ordinary profits since the reporting year 2004. Until the balance sheet data become available, the current operating profits are estimated for the current year and allocated pro rata temporis. Reinvested earnings are calculated as a residual of the current operating profit and dividends. In addition, publicly available balance sheet information is used or reporting enterprises are contacted directly.

Distributed earnings are based on settlement data. Dividends are recorded as of the date they are paid.

Interest income on direct investment loans is recorded according to the accruals principle (see also Sub-section 6.1.3).

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Since March 2005, income on bonds and notes and money market instruments has been recorded on an accruals basis by applying reference interest rates to aggregated stocks of securities derived from the annual i.i.p. and monthly b.o.p. transactions. This interim solution will remain in place until the compilation system allows accrued interest income to be calculated security by security.

For income of collective investment institutions (CIIs), all income raised as a result of investments made by the CIIs (i.e. on their

assets side), regardless of the financial instrument, is attributed to the holders of the units of the CIIs. According to the SNA and the ESA, these units are treated as shares and other equity in the b.o.p. Therefore, the amount of the income on the assets side determines the amount of the income on the liabilities side. The income is assigned to the investors regardless of whether it is distributed or not.

The geographical allocation of income on foreign securities is based on the debtor principle, i.e. allocation is according to the country of issuer. In the case of income paid to non-residents on domestic securities, debits are allocated according to the residency of the first-known counterpart.

6.1.4 INCOME ON OTHER INVESTMENT

Interest income on other investment, which includes income on reserve assets, is recorded according to the accruals principle. See also Sub-section 6.1.3.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

Accrued interest is estimated using an aggregate approach. Currently, no offsetting entries are made in the financial account for income accrued but not paid. Payments for income on trade credits are reported only in very rare cases; no estimations are made.

6.3 GAPS

See Sub-sections 6.1 and 6.3.

6.4 INTENDED HARMONISATION

A detailed computation of accrued interest on a security-by-security basis for portfolio investment is planned.

6.5 ESTIMATION METHODS

Income data are reported on a settlement basis. In cases where these data are not comprehensive, in particular for credits, estimates are made. Estimated figures are derived from stock data and information on interest rates.

Interest is calculated according to the accruals principle (see Sub-section 6.1.3), while reported settlement data are used to make subsequent adjustments.

A breakdown of investment income into its sub-components (direct investment, portfolio investment and other investment income), as required for quarterly figures, is also available for monthly data.

7 CURRENT TRANSFERS

See Section 8.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

8.2 DEFINITION

In principle, the definition of the capital account is in accordance with the recommendations set out in the BPM5 and the harmonisation proposals of the ESCB's Working Group on External Statistics (WG-ES) and its predecessors.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

It is not possible to receive any information on migrants' transfers. The acquisition/disposal of non-produced, non-financial assets (patents, copyrights) cannot be separated from fees for licences, patents or copyrights in the current account. However, in cases where significant individual transactions are involved, these are

shown in the capital account rather than in the current account.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2). In particular, use is made of reported transactions for equity capital, monthly stock statistics of affiliated companies for inter-company loans and annual balance sheet statistics on direct investment enterprises in the reporting country and abroad.

Data from 1996 onwards are not distorted by breaks resulting from methodological changes, except in the case of securities lending between affiliated companies.

The geographical breakdown is based on the debtor/creditor principle and is also available for historical data. However, if ownership of a resident direct investment enterprise is transferred from one non-resident direct investor to another, this transfer is not always reflected in the b.o.p. figures.

Transactions settled via an exchange of shares are recorded when the exchange takes place. The valuation is based on stock exchange-quoted prices if the company is listed, and otherwise on book values.

9.2 DEFINITION

The definition follows in principle the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES and its predecessors. Special-purpose entities are regarded as direct investment enterprises. Furthermore, all cross-border transactions in real estate are covered.

Equity contributions without payment (i.e. providing real assets or financial assets) have to be reported.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

All long-term and short-term loans between affiliates are included. In some special cases, however, short-term credits are treated according to the assets/liabilities principle instead of the directional principle. Transactions in securities between affiliates are not included here, but are recorded under portfolio investment.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Until the balance sheet data become available, the current operating profits are estimated for the current year and allocated pro rata temporis. Reinvested earnings are calculated as a residual of the current operating profit and dividends distributed (see Sub-section 6.1.2). There are no other estimations for direct investment.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2). The main data sources are:

(i) reports from MFIs on securities transactions executed on their own behalf and on behalf of their clients (these transactions are indistinguishable from a b.o.p. perspective); and

(ii) reports from other institutions on transactions executed on their own behalf which involve either the purchase or sale of securities directly from or to a foreign counterpart.

Reporting agents use the securities database of the national numbering agency (*Wertpapier-Mitteilungen*) to report portfolio transactions on a security-by-security basis.

Breaks in historical time series may occur as a result of the different ways of recording securities lending transactions. Prior to 1999, a securities lending transaction was treated as a sale or purchase of the underlying security, with the counter-entry of claims or liabilities for the security to be returned included in the other investment category. Since 1999, there have generally been no reporting requirements for securities lending transactions except when they involve the payment of cash as collateral. In these cases, the cash collateral is classified as loans under other investment.

The geographical allocation of foreign securities (residents' assets) follows the debtor principle, i.e. transactions are allocated to the issuer's country. In the case of domestic securities, transactions are allocated according to the residency of the first-known counterpart.

Since June 2006, portfolio investment (intra) assets are further broken down by issuer sector.

10.2 DEFINITION

In principle, the definition follows the recommendations of the BPM5 and the harmonisation proposals of the WG-ES and its predecessors.

Transactions related to trade in loans are included in the other investment category.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

In general, transaction values are reported as a lump sum, thus including fees, commissions and accrued interest. Adjustments for the accrued interest component are made on an aggregated basis. The treatment of the investment income account follows the accruals principle, but no offsetting entry is recorded in the financial account, thereby (temporarily) contributing to the errors and omissions item until the respective actual payments are made. Transactions in securities issued by foreign affiliates are included (see Sub-section 9.3). Transactions in German *Schuldscheine* (see also Sub-section 12.3) are not included in the portfolio investment category, but classified as loans and accordingly recorded in the other investment category in line with their treatment in the money and banking statistics.

10.4 GAPS

Considerable difficulties are encountered in capturing portfolio investment transactions carried out by private households directly via foreign banks.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

Portfolio investment transactions are compiled within the framework of the general reporting system. MFI balance sheet data are used to calculate the sectoral breakdown for transactions in foreign securities. Large exchange rate and price effects are taken into account. The quarterly custodian statistics are used for cross-checking purposes.

Some estimations are made for resident private households' monthly transactions in securities via non-resident banks, since most private persons do not report these transactions.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Payments are reported in the same way as for other instruments; there is no special collection system for derivatives. The following instruments can be identified separately: futures, warrants, exchange-traded options, over-the-counter (OTC) options and interest rate swaps. Premia for options and margin payments for futures are recorded as transactions in derivatives.

The residency of the counterparts is, in general, identified via the clearing house. OTC-traded financial derivatives are geographically allocated according to the residency of the (non-resident) counterpart.

11.2 DEFINITIONS

In principle, the definition follows the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES and its predecessors.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

No sectoral breakdown is available at present.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Subsections 3.1 and 3.2). In addition, BIS data are used as "counterpart" information to identify assets held with foreign banks which were not reported directly by residents. Transaction data of MFIs on loans and deposits with non-residents and transaction data of non-MFIs on short-term loans and deposits with non-residents are derived from stock data. In the case of the MFI sector, transactions exclude valuation and other changes (i.e. statistical breaks).

Prior to 1999, a securities lending transaction was treated as a sale or purchase of the underlying security, with the counter-entry of claims or liabilities for the security to be returned included in the other investment category. Since 1999, there have generally been no reporting requirements for securities lending transactions except when they involve the payment of cash as collateral. In these cases, the cash collateral is classified as loans under other investment.

Stock data on trade credits are reported on a monthly basis as part of the general reporting system. The transactions relevant to the b.o.p. are derived from the changes in these stocks.

The geographical breakdown distinguishing euro area and non-euro area flows is also possible for historical data.

12.2 DEFINITION

In principle, the definition complies with the recommendation set out in the BPM5.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

German *Schuldscheine* are classified as loans under other investment in line with the treatment in money and banking statistics (see also Subsection 10.3).

12.4 GAPS

Transactions via private accounts held abroad are difficult to capture statistically.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Deposits of resident non-MFIs with foreign MFIs are estimated on the basis of BIS statistics; there are no other monthly estimates in the field of other investment.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on reserve assets are taken from the accounts of the *Deutsche Bundesbank* and are thus provided by its Accounting Division and its Payments System Division, which acts as a back office settling market operations.

13.2 DEFINITION

The definition complies with the recommendations set out in the BPM5.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

Germany's i.i.p. is compiled mainly on the basis of several stock statistics. The main data sources are:

– the monthly stock statistics on the external assets and liabilities of domestic MFIs and of domestic enterprises, households and general government arising from financial operations and trade credits; and
– the annual statistics on international capital links, which are used for foreign direct investment.

These sources allow a sectoral classification between the monetary authorities, MFI, enterprise (including households) and general government sectors. For portfolio investment (intra) assets, the breakdown by issuer sector is compiled with data from the quarterly custodian statistics.

Modified accumulated flows are mainly used for compiling the portfolio investment positions. The results are cross-checked with information from MFIs' balance sheets and the *Deutsche Bundesbank*'s custodian statistics. Assets relating to money market instruments are compiled using real stocks from the monthly stock statistics. The same applies for all portfolio investment assets of the MFI sector.

In order to estimate market values for portfolio investment positions, b.o.p. transactions during the reporting period are converted into nominal transactions and added to the nominal stocks of the previous reporting date. The conversion is performed using average market prices and exchange rates for individual countries/regions, instruments and sectors. Finally, the new nominal stocks are converted into market values using the market prices and exchange rates as at the reporting date.

It is not possible to allocate holding gains precisely to MFIs, enterprises and households, since no specific information is available on the

valuation used in the balance sheets. Consequently, price fluctuations are most likely to be reflected statistically in the non-banking sector.

14.2 DEFINITIONS

14.2.1 GENERAL

Germany's external assets and liabilities are presented according to the broad classification of the BPM5.

14.2.2 DIRECT INVESTMENT

The main data source for compiling the direct investment positions is balance sheet data on foreign and domestic direct investment enterprises from the *Deutsche Bundesbank*'s annual statistics on international capital links. However, since the results of this annual survey are available only with a time-lag of 15-18 months after the end of the reporting date, preliminary FDI positions have to be compiled from:

a) accumulated flows in the case of equity capital;

b) monthly stock statistics on the external assets and liabilities of domestic enterprises, which distinguish between loans between affiliated and non-affiliated enterprises, in the case of other capital.

Both components, i.e. equity capital and other capital, have to be revised when the annual statistics on international capital links become available due to the greater detail and accuracy of this data source. With regard to other capital, the revisions not only affect the stock of inter-company loans, but also imply changes in the stock of other investment. This is because only the distribution of loans between affiliates and non-affiliates should change, not the overall amount of loans.

Investment capital is entered in the i.i.p. at book values, which are derived from the balance sheets of direct investment enterprises (subsidiaries or associates) and not from the investors' balance sheets. As from October 2006 – as required by the Guideline ECB/2004/15 – market values for equity stocks of listed companies are also shown in the i.i.p.

The *Deutsche Bundesbank*'s annual statistics on international capital links are broadly in line with the directional principle and cover the equity capital which German direct investors hold in foreign direct investment enterprises; the same applies to loans granted by German shareholders and other affiliated enterprises in Germany to the foreign investment enterprises. Finally, the loans which are granted by foreign investment enterprises to the German shareholders and which are to be booked as reduction of German external assets are surveyed. Both equity capital and the credit relationships between foreign direct investors and domestic direct investment enterprises are shown, in principle, in the same way.

Nevertheless, the way in which credit relationships are shown in the statistics on international capital links does not provide any information on the types of loan (trade or financial credits); nor does it make any distinction in terms of maturity.

REAL ESTATE

In compliance with the guidelines set out in the BPM5, claims arising from the acquisition of real estate abroad are shown as financial assets. Accordingly, real estate held by non-residents is regarded as a domestic asset of a notional unit which is accompanied by a domestic liability

to the foreign investor. Both private and commercial real estate are shown under direct investment.

Stock data on real estate are accumulated from flows, taking into account price changes and exchange rate changes. Owing to gaps in the available price data and the aggregate method which must be used, however, the figures are subject to certain margins of error.

14.2.3 PORTFOLIO INVESTMENT

The definitions are in accordance with the BPM5.

(i) *Bonds and notes*
Securities, as defined here, include bonds, notes and similar debt securities with an original maturity of more than one year. The stock data are derived from the modified accumulation of b.o.p. transactions (see Sub-section 14.1).

(ii) *Money market instruments*
Short-term bonds, i.e. all debt securities with an original maturity of up to one year, are recorded as money market instruments. This item includes short-term public issues (such as "Bubills") as well as commercial paper and certificates of deposit. While assets are collected as real stocks, liabilities are compiled by modified accumulation of flows (see Sub-section 14.1). Market valuation is not applied for short-term debt securities.

(iii) *Investment fund certificates*
Stocks of foreign and domestic investment funds are calculated by modified accumulation of flows (see Sub-section 14.1).

(iv) *Equities*
Holdings of equities shown under portfolio investment are derived from the modified accumulation of flows (see Sub-section 14.1).

14.2.4 FINANCIAL DERIVATIVES

No stock data in accordance with the BPM5 definition are available. Although it is possible to capture the transactions relatively well as genuine payments using the current reporting system, there is still no primary statistical recording of stock data on the grounds that neither the banking statistics nor corporate statistics provide sufficient information on asset or liability positions corresponding to valuation at market prices. In particular, the statistical coverage of these data is hampered by the present accounting rules for MFIs and enterprises, which do not require appropriate statements in the balance sheet.

Previous surveys for other purposes did not aim at differentiating between market participants according to their country of residence, which is necessary for the i.i.p. For that reason, it is not possible to compile i.i.p. data for financial derivatives for the time being.

14.2.5 OTHER INVESTMENT

The definitions are in accordance with the BPM5.

The category other investment takes into account information from three main data sources. First, data are taken from the monthly stock statistics on the external assets and liabilities of domestic MFIs and of domestic enterprises, households and general government. Second, BIS data are used as "counterpart" information to identify assets held with foreign banks which were not reported directly by residents. Third, in the context of reconciling the results of the two different data sources for inter-company loans, certain assets and liabilities have to be reclassified from direct investment/other capital to other investment when the annual statistics on international capital links become available.

14.2.6 RESERVE ASSETS

The definitions are in accordance with the BPM5.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.4 GAPS

With regard to portfolio investment, the globalisation of the securities business has hampered the recording of the securities components of the b.o.p. statistics. Transactions by private investors cannot always be compiled with the desired degree of accuracy. Since the business transacted by residents abroad is not

fully reported, the foreign securities (assets) held by residents, as shown in the data, are probably not sufficiently covered. On the other hand, the holdings of German securities ascribed to non-residents (liabilities) are possibly distorted because sometimes foreign purchases also include orders placed by residents abroad. Estimates for closing these gaps, based on stock information available from MFIs' balance sheets and securities deposit statistics, are still subject to considerable uncertainty.

In the case of direct investment, reverse investment by companies which are direct investors as well as direct investment companies is difficult to capture.

14.5 INTENDED HARMONISATION

None

14.6 ESTIMATION METHODS

Before January 2005, the German i.i.p. was disseminated biannually (annually for the ECB) with a time-lag of eight to nine months after the reference period. With such a time-lag, it was possible to calculate all i.i.p. positions on a country-by-country basis and to then aggregate them in the necessary groups (e.g. "extra"). With the delivery of quarterly i.i.p. data to the ECB as from the beginning of 2005, it was necessary in some instances to replace the detailed bottom-up approach with an estimation procedure based on aggregated figures in order to comply with the submission deadline of only three months after the reference period. In these cases, a detailed bottom-up procedure is performed only once a year and forms the basis for the estimation of the following quarters.

For most i.i.p. items, the basic data are available in a timely enough fashion to allow for the bottom-up approach to be used to compile the quarterly i.i.p.:

- all other investment positions: mostly compiled from real stocks;
- all direct investment positions: compiled from cumulated flows for equity and from real stocks for inter-company loans;
- reserve assets: compiled from the Bundesbank accounting figures.

Estimations have to be made where positions are compiled from modified cumulated stocks as in the case of portfolio investment because the final b.o.p. flows become available only 14 days before the end of the reporting quarter. Furthermore, these positions are subject to market and exchange rate valuations at the reference date.

Therefore, instead of using the flows country by country, the aggregated b.o.p. flows for "intra", "extra" and "national", which are submitted monthly to the ECB, are added to the last aggregated stock data. The valuation of these positions is performed separately for the stocks at the beginning of the reporting period and for the transactions during the quarter under review:

(i) the stock at the end of the previous period is valued using indices (and, if necessary, exchange rates) at the end of the new period;

(ii) the b.o.p. flows are converted to nominal values using average indices and valued using the indices (and, if necessary, exchange rates) at the end of the new period.

Both components are summed to give the new i.i.p. stock at market values. The following indices are used for market valuation:

a) equities:

- assets: MSCI indices[1]:

(i) EMU Index for the "intra" aggregate;

1 The available MSCI indices are on a euro basis, i.e. including exchange rate changes.

(ii) World (F) Index[2] for the "extra" aggregate (there is no specific extra-EMU Index);

– liabilities: changes of the Deutscher Aktienindex (DAX);

b) bonds and notes:

– assets:

(i) public issuers: yield information from J.P. Morgan;

(ii) private issuers: yield information from Merrill Lynch;

– liabilities: Bundesbank internal time series on the market prices of bonds/notes issued by the German general government and by MFIs.

Exchange rate valuation is done on the basis of the US dollar since this is the main currency of denomination for securities issued in foreign currency.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Regular publications related to the b.o.p. are:

Monthly current account – main items, preliminary, available six to seven weeks after the reporting period: "*Pressenotiz des Statistischen Bundesamtes über die Entwicklung des Außenhandels*";

Monthly balance of payments – main items, preliminary, available six to seven weeks after the reporting period: "*Pressenotiz der Deutschen Bundesbank*" (available on the Bundesbank's b.o.p. homepage: http://www.bundesbank.de/statistik/statistik_sdds_zahlungsbilanz.en.php);

Monthly balance of payments – main items and sub-items, preliminary, available seven to eight weeks after the reporting period: "*Monatsberichte der Deutschen Bundesbank*", "*Statistische Beihefte zu den Monatsberichten der Deutschen Bundesbank, Reihe 3, Zahlungsbilanzstatistik*" (headings and explanatory notes available in English);

Annual balance of payments – including a geographical breakdown for the previous three years, available in July of the following year: "*Zahlungsbilanz nach Regionen, Statistische Sonderveröffentlichung 11*" (also available in English in August).

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with the *Deutsche Bundesbank*. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Germany should be addressed to:

Ms Cornelia Hammer
Deutsche Bundesbank
Zahlungsbilanzstatistik,
Auslandvermögensstatus
Hegelstraße 65
D – 55122 Mainz
Germany

Tel.: 00 49 6131 377 8348
Fax: 00 49 6131 377 8621
E-mail: cornelia.hammer@bundesbank.de

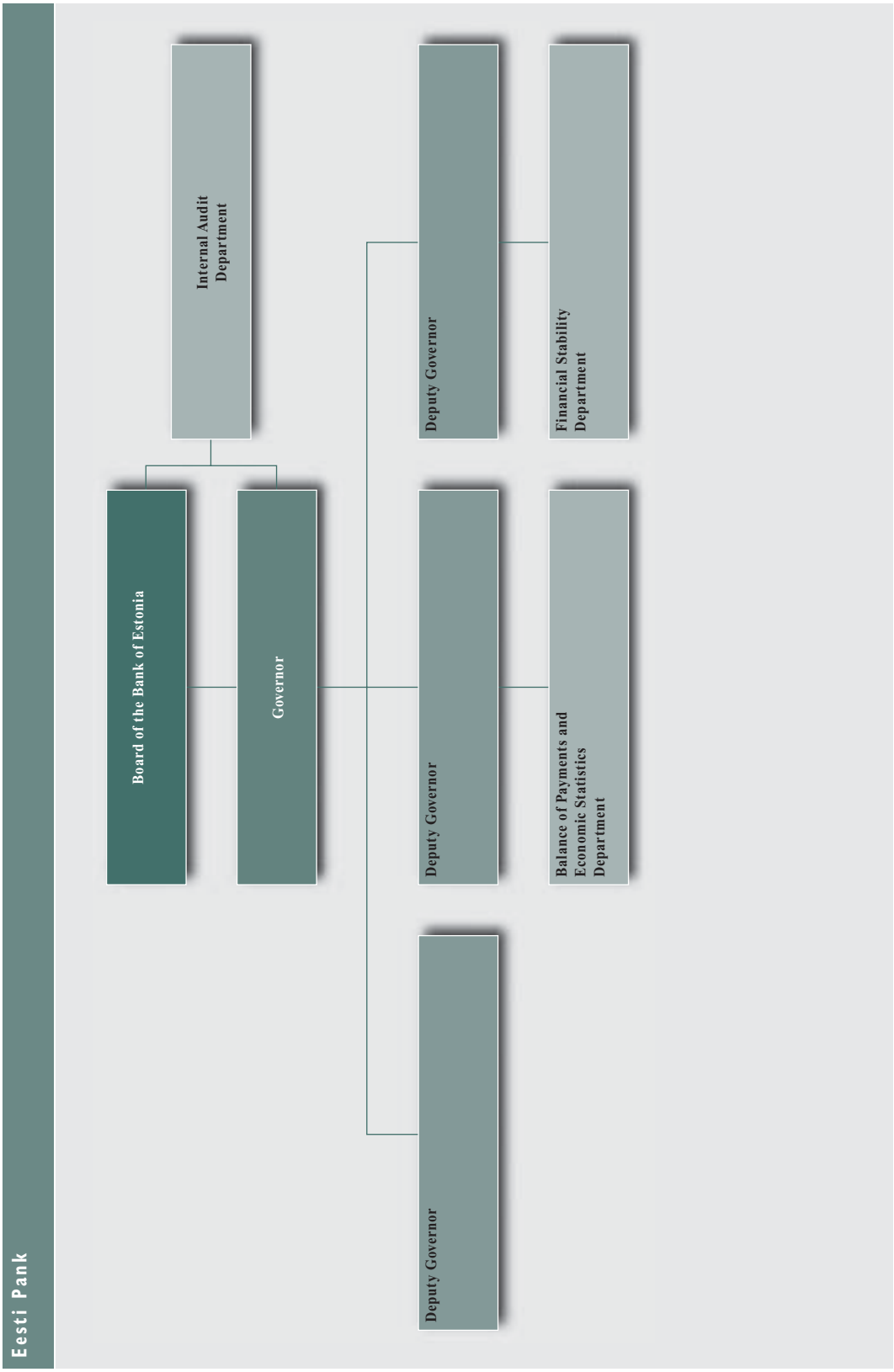
Ms Silvia von Ledebur
Deutsche Bundesbank
Zahlungsbilanzstatistik,
Auslandsvermögensstatus
Hegelstraße 65
D - 55122 Mainz
Germany

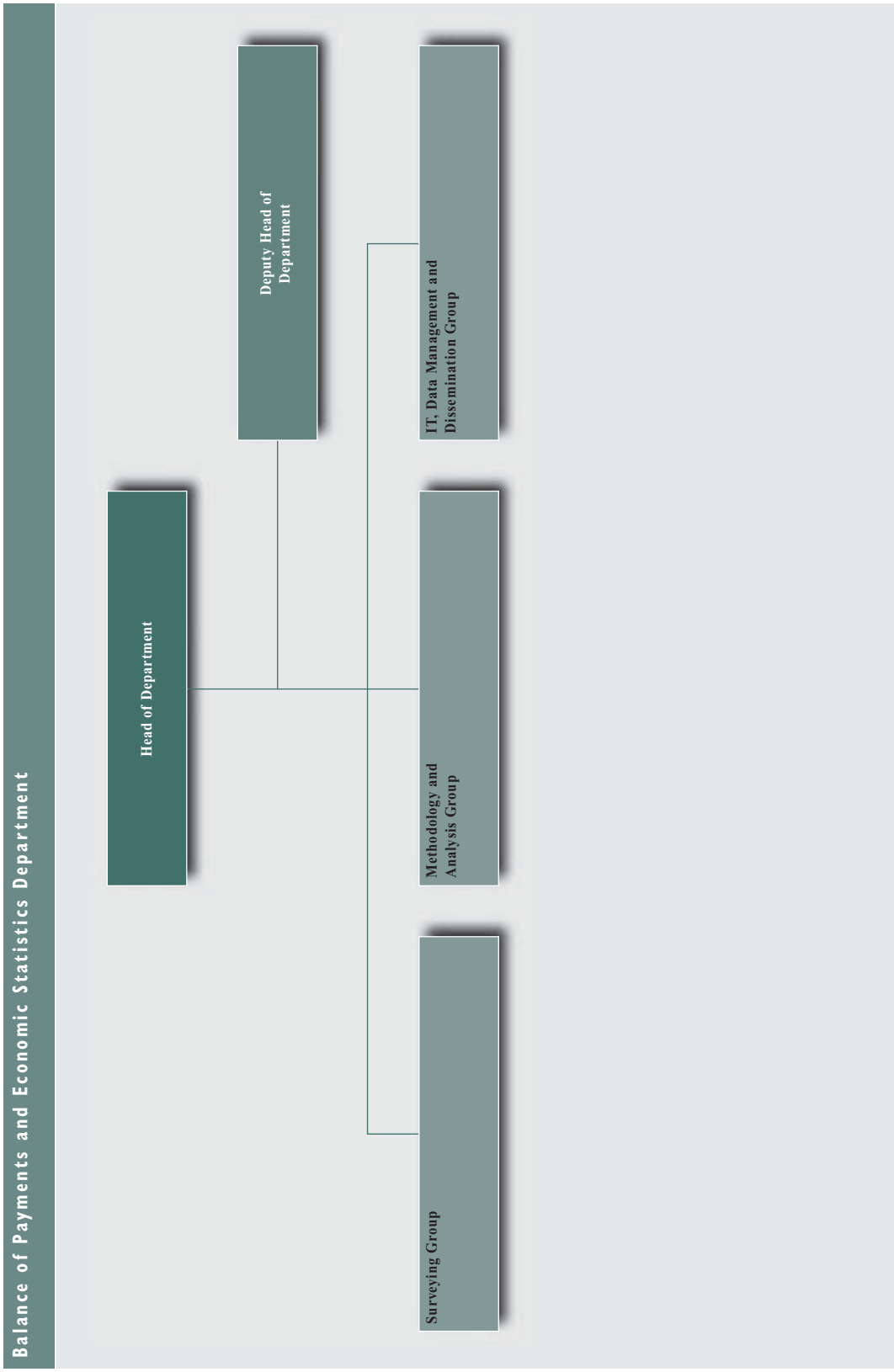
Tel.: 00 49 6131 377 8368
Fax: 00 49 6131 377 8622
E-mail: silvia.ledebur@bundesbank.de

2 MSCI (F) indices contain only securities which can be purchased by foreign investors. The extra i.i.p. stocks are dominated by the US market, which is reflected in the MSCI World F Index.

4.6 ESTONIA

I ORGANISATION CHART




Balance of Payments and Economic Statistics Department
Head of Department
Deputy Head of Department
Surveying Group
Methodology and Analysis Group
IT, Data Management and Dissemination Group

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

According to the Law on the Central Bank of the Republic of Estonia, *Eesti Pank* is the only agency responsible – as a fully independent institution – for the compilation of the balance of payments and the international investment position. The first comprehensive statement of the Estonian b.o.p. was published by *Eesti Pank* in November 1992 and contained data for nine months. The first i.i.p. was compiled on a quarterly basis in 1996. The compilation system combines banking settlement reports, direct surveys of economic agents and administrative data. Data are collected for statistical purposes only; no foreign exchange control is practised in Estonia. The b.o.p. accounts are compiled according to the principles outlined in the fifth edition of the IMF Balance of Payments Manual (BPM5).

2.2 LEGISLATIVE PROVISIONS

The external sector statistics are based on two main legal acts: the Law on the Central Bank of the Republic of Estonia (LCB) of 18 May 1993 and the Official Statistics Act (OSA) of 11 June 1997.

According to the LCB (Sections 2 and 34), the central bank shall be entitled to obtain, free of charge, all data necessary for compiling the b.o.p. from any state or municipal entity or from any other legal entity engaged in foreign economic operations and located within the Republic of Estonia.

The OSA defines *Eesti Pank* as an agency conducting official statistical surveys in the field of b.o.p. statistics (Section 4). It stipulates the duties (Section 5), the obligation to submit data collected through official statistical surveys (Section 7), the data protection and confidentiality requirements (Section 8), and the liability of respondents to comply with the requirements laid down (penalty for non-compliance) (Section 11).

Based on the above-mentioned legal mandates, the Governor of *Eesti Pank* has issued regulations on the balance of payments reporting procedure for credit institutions (Decree No 21 of 16 December 2002) and has also issued decrees by which various survey forms have been established.

In addition, the Law on Credit Institutions of 2 February 1999 sets out the overall statistical obligation for resident commercial banks (Section 91). The collection of foreign trade data is based on the Estonian Customs Law of 19 January 1998 and the European Union regulations and directives concerning the trading of goods between Member States and with non-EU countries.

2.3 INTERNAL ORGANISATION

At *Eesti Pank*, statistical data are compiled by the Balance of Payments and Economic Statistics Department (BOPD). The BOPD is also responsible for compiling the i.i.p. and other statistical statements relating to the external sector (direct investment reports, external debt and international reserves statements, etc.).

The BOPD itself collects most of the data directly from data providers using surveys, the international transaction reporting system (ITRS) and administrative data. Its main inter-agency partners are the Financial Stability Department and the Financial Department, which provide initial data for external sector statistics on the banking and monetary authorities sector.

In the BOPD there are 14 people directly involved in the collection, control and processing of data as well as in output compilation. According to the nature of the working process, the BOPD is divided into three groups (as shown in the organisational chart of the BOPD):

– the Direct Reporting Group (six people) – responsible for data collection and processing via questionnaires and for

creating and updating the enterprise sample as well as for dealing with data collection and processing with banking settlements and quality checks of the data;

- the Methodology and Analyses Group (five people) – four economists are responsible for methodological issues relating to the data collection system design and data management, while an econometrician is responsible for methodological issues relating to statistics and to the modelling of monthly b.o.p. key items;
- the IT, Data Management and Dissemination Group – three people: manager of IT software and hardware systems and two data managers responsible for data warehouses, output files and dissemination; and
- the Head and Deputy Head of the BOPD are responsible for the general coordination of the work.

In addition to the compilation of the b.o.p., the BOPD is responsible for the exchange of general economic statistics between Eesti Pank, the ECB, the Bank for International Settlements (BIS) and the Statistics Estonia (SE).

There is close cooperation between the above-mentioned sections. Final BOPD products are the result of teamwork.

Regular descriptive data analysis is carried out by the BOPD. The Economic Policy Division of the Central Bank Policy Department examines external sector accounts in the context of overall macroeconomic performance.

2.4 EXTERNAL COOPERATION

For the purposes of b.o.p. statistics, Eesti Pank cooperates with other authorities in Estonia. An important partner is the SE, both as a provider and as a user of data on the external sector. On one hand, foreign trade statistics provided by the SE are used as the basis for the goods accounts; on the other hand, the b.o.p. is part of the national accounts compiled by the SE in line with the System of National Accounts of 1993 (SNA 93).

Eesti Pank maintains regular contacts with other institutions. The State Tourism Board, the Tax and Customs Board, the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Justice's Centre of Registers and the Central Register of Securities as well as credit institutions and major companies are the main data providers.

In order to provide adequate travel statistics, a regular border sampling survey has been vital. For this purpose, market research and polling institutes have been involved.

2.5 USERS

Eesti Pank is responsible both for dissemination all related statistics to the public and for informing international organisations.

The main internal users are the Central Bank Policy Department and the Research Department. The SE uses b.o.p. data for the rest of the world account in the national account statistics. Other important external users are the Estonian Government, government ministries, research institutes and universities, credit institutions, international rating and auditing agencies, the World Bank, the European Bank for Reconstruction and Development, the BIS, etc.

B.o.p. and i.i.p. data, broken down into standard components, are supplied to international organisations such as the IMF, the ECB and the European Commission (Eurostat).

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The BOPD collects most of the data directly from data providers, using mixed (dual) b.o.p. compilation systems, namely surveys and the

ITRS. Data are supplemented with information from various sources and with estimates.

The survey system has been the main source of information for the compilation of the quarterly b.o.p. and i.i.p. since the BOPD was established in 1992. The BOPD is responsible for all procedures related to the conduct of surveys, for keeping direct contact with respondents and for having input data on an individual company level. The main cornerstones of survey design are the following: to keep surveys close to accounting standards and as simple as possible so as to facilitate and ensure a high rate of response. At present, there are eight different survey forms, which have been specifically designed for enterprises engaged in various economic activities and which are sent to 3,300 respondents every quarter. Statistical sampling techniques are not in use because of the small size of the economy and the lack of statistical regularity. The enterprise sample is currently being updated, with the process based mainly on various other sources of information as mentioned below. The main obstacle to the use of monthly surveys is a high reporting burden and a non-concentrated economy (a large number of "small players", while the "big players" vary from period to period).

The ITRS was introduced in 1994 as a "partly open reporting system" with transaction-by-transaction reporting covering banks' settlements according to the debit and credit turnover of nostro, vostro and non-residents' accounts. Transactions made by companies via an account abroad are not reported. Given the limits of settlement data (no accrual flows, etc.), the ITRS is used mainly as a supplementary data source for the quarterly b.o.p. Thanks to the speed of the ITRS data collection system, settlements are essential input for estimating and modelling monthly key b.o.p. items.

Other main inter-agency data sources, in addition to the two statistical systems mentioned above, are the internal databases maintained by the Financial Stability Department and the Financial Department, which provide initial data relating to external sector statistics on banking and the monetary authorities sector.

Important data sources outside *Eesti Pank* are as follows:

- the SE – provides monthly external trade statistics;
- the Ministry of Justice's Centre of Registers – provides monthly updates on the register of legal entities, their owners and main audited annual economic indicators;
- the Central Register of Securities – provides access to the official securities register, which comprises of relevant information on portfolio investments;
- the Register of Real Estate – provides information concerning real estate purchased by non-residents in Estonia;
- other institutions: the State Treasury, the Ministry of Finance, the Ministry of Foreign Affairs, the Estonian Authors' Society (EAU), the Estonian Tourist Board, the Estonian Tax and Customs Board; and
- the media: press, internet, registers of licences, etc.

Breakdowns by country and currency are only provided by the ITRS and the banking statistics database; the survey system offers country and activity breakdowns for all b.o.p. components excluding goods from 2003 onwards. Breakdowns by country and activity for foreign direct investment are available from 1994, as is a country breakdown for goods.

3.2 REPORTING AGENTS

- *Monetary authorities:* Eesti Pank's Financial Department provides the BOPD with data on the official reserve assets as well as the other transactions and stocks related to the activity of the central bank. Data are supplied according to the framework jointly developed by the BOPD, the Financial Department and the Financial Markets Department.
- *Banking sector: Eesti Pank's* Eesti Pank's Banking Statistics Division in the Financial Stability Department supplies the BOPD

with data on the credit institutions' external activities through multi-user data warehouses. Banks report data to this Department (via the Financial Supervision Authority) for statistical and supervisory purposes, taking into account the interest in compiling external sector statistics. All reports have been worked out multilaterally, taking into account the principles of consistency and cross-checking.

In addition to reporting, credit institutions are responsible for ITRS data collection and transmission to the BOPD on transactions of banks' clients. Banks are obliged to enable resident clients to declare their incoming and outgoing international payments.

A credit institution is defined as a private legal entity that has the right to receive deposits of money or other repayable funds from the general public and to grant credits on its own account. Credit institutions can carry out the following transactions: accept deposits and other repayable funds from the general public, grant loans, conduct credit transactions, carry out financial leasing, execute payment transfers, issue and administer non-cash means of payment, guarantee transactions, trade in securities both for their own account and for customers' accounts, be involved in organising securities' issues and provide related services as well as advise customers on economic issues, financial mediation activities, depository transactions and other similar transactions.

– *General government sector:* the various ministries and government departments supply information on their external transactions and positions. The most important are the Ministry of Finance, the Ministry of Foreign Affairs, the State Migration Fund, the Estonian Authors' Society, the State Privatisation Agency, etc.
– *Other sectors:* besides the ITRS, the type of survey form issued to a company depends on the type of company being surveyed. Currently, eight different survey forms are used.

The names of the reports are presented in Table 1.

Accounting principles are taken into account when developing all the surveys used. The main information provided by the reporting forms are data on foreign assets and liabilities as well as income statements related to transactions with non-residents. Surveys are carried out quarterly and submitted to *Eesti Pank* within 20 days after the end of the reference period. The rate of response has been high at around 95%.

3.3 THRESHOLDS

With respect to the b.o.p., a general statistical reporting threshold of EEK 100,000 (approximately €6,400) is currently applied in the ITRS to transactions involving all economic agents (i.e. exemption threshold). Only bank's client transactions over EEK 200,000 (approximately €12,700) must be declared (the payment code and residency of the counterparty) (i.e. simplification threshold).

The information is collected through the turnovers of banks' nostro and vostro accounts and non-residents' accounts in Estonia. In the case of nostro and vostro accounts the reporting threshold is a declaration threshold which means that all transactions above the threshold must be reported with detail. Reporting is fully automatic by credit institutions.

The declaration obligation does not cover the domestic transactions between residents and non-residents made via non-residents' accounts.

3.4 AVAILABILITY OF DATA

The b.o.p. is compiled on a monthly and a quarterly basis, the i.i.p. on a quarterly basis. Data are disseminated, in accordance both with the advance release calendar and the guidelines of the Special Data Dissemination Standard (SDDS) of the IMF and with the requirements of the ECB (quarterly data no later than three months after the end of the reference period,

Table Reporting scheme for b.o.p. and i.i.p. data collection in Estonia

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Other sectors (including other financial intermediaries):				
1700	BOP 2	Manufacturing or non-financial services companies with foreign ownership	quarterly	20
220	BOP 3	Transportation companies without foreign ownership	quarterly	20
167	BOP 4	Transportation companies with foreign ownership	quarterly	20
45	BOP 5	Investment fund managers acting on behalf of investment funds	quarterly	20
1057	BOP 6	Manufacturing or non-financial service companies without foreign ownership	quarterly	20
47	BOP 7	Established new companies with foreign ownership	quarterly	20
20	BOP 9	Insurance companies	quarterly	20
27	BOP 10	Other financial intermediaries (excluding insurance companies and credit institutions)	quarterly	20
Credit Institutions				
10	BOP A	International transactions (ITRS) – outgoing transactions – incoming transactions	 15 days 15 days	 7 21
10	Balance Sheet Report	Balance sheet positions with residency breakdown	monthly	5
10	Income Statement Report	Quarterly profit and loss accounts with residency breakdown	quarterly	14
10	B.o.p. Services Report	Balance of payments services report for credit institutions	quarterly	14
10	Securities Report	Securities portfolio report with b.o.p. breakdowns by residency	monthly	5
10	Off-Balance Sheet Activity Report	Report of bank activities on behalf of clients, including other off balance-sheet activities, derivatives, etc., with b.o.p. dimensions	quarterly	7
10	Transactional Changes of Balance Sheet Positions	Report on banks' b.o.p. financial transactions related to balance sheet positions	monthly	14
10	Non-transactional Changes of Balance Sheet Positions	Report on non-transactional changes of stocks	quarterly	14
Monetary authorities				
1	Central Bank b.o.p Report	Report on Eesti Pank's financial and non-financial b.o.p. transactions, non-transactional changes and stocks	monthly	5
1	Report on External Reserves	Report on the external reserves and foreign currency liquidity of Eesti Pank	monthly	5

monthly data no later than six weeks after the reference month).

Data are published according to the standard structure (including instruments) of the b.o.p. and i.i.p., as recommended in the BPM5 and by the ECB. Not doing so would give rise to the problem of confidentiality. Quarterly data sets for the b.o.p. have been available since 1992 and those for the i.i.p. and external debt have been available since 1996.

Since 2003 geographical breakdowns have been available for all b.o.p. and i.i.p. accounts. Statistics broken down by currency are not compiled.

Since January 2002, the monthly b.o.p. key items are published regularly within six weeks of the end of the reference period. Monthly data series are available since 1999. No geographical breakdown is compiled.

3.5 DATA CONTROLS

Control procedures are aimed at obtaining the highest reliability ratio. With the exception of built-in computerised controls (data processing errors, inconsistencies, etc.), systematic quality controls are carried out. Surveys, ITRS items and other information sources (securities register, business register, other statistics, media) enable complementary information to be derived for cross-checks, logical controls and in-depth analyses to pick out possible inaccuracies and inconsistencies in reported initial data as well as checks at an aggregated level.

Quality controls at a lower level start with checks of each individual report (surveys, ITRS items) for completeness and plausibility as well as checks whether surveys and ITRS transactions correspond. Supplementary information for comparison is received from the business register, the securities register and the media. If necessary, the staff contacts the reporting agents in order to clarify any doubtful details. All relevant changes or transactions are confirmed.

Quality controls at an aggregated level include controls of the general consistency of the whole b.o.p. and i.i.p. as well as consistency checks at a macroeconomic level. Particular attention is paid to the monitoring of errors and omissions.

3.6 REVISION POLICY

- *Regular revisions:* revisions of the provisional quarterly figures for the current year are published together with the provisional data for the following quarter. Revised annual data for the year before the reference year are published together with the provisional data for the fourth quarter of the reference year. Revised annual data for the reference year are published together with the provisional data for the first quarter of the next year. In this case data can be considered final. Monthly data are revised when the quarterly b.o.p. is compiled or revised.
- *Extraordinary revisions:* in some cases, if the need arises, extraordinary revisions are made although data have been considered final. Revisions of a more historical nature may also be made if there is an important methodological change to be incorporated.

A revision policy for the monthly key items is not in place.

3.7 DISSEMINATION

Data are published according to the framework of the IMF's SDDS requirements.

The data are released simultaneously to all interested parties by issuing appropriate press releases (i.e. "Comments on Estonia's preliminary balance of payments for …" and "Estonia's international investment position and external debt as at…"), which are also posted on the bank's website. Both press releases, which contain expanded analyses and

tables, are regularly disseminated on the *Eesti Pank's* website entitled "Preliminary Balance of Payments of Estonia". A more comprehensive analysis of b.o.p. time series and a detailed description of the methodology used can be found in the B.o.p. Yearbook on the bank's website. The monthly b.o.p. data with short notes, the IMF Data Template on International Reserves and Foreign Currency Liquidity and external debt data are available on *Eesti Pank's* website.

All data, as well as a one-year calendar containing the dates on which press releases are to be issued, are published on *Eesti Pank*'s website (http://www.bankofestonia.info). The content of disseminated external sector statistics is as follows.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

Since 1 May 2004, there have been two main sources for data on trade in goods: data related to the trading of goods between Member States is based on the Intrastat declarations collected by the SE; and data related to the trading of goods with non-EU countries is based on the customs statistics collected by the customs authorities, which is processed by the SE and passed on to *Eesti Pank* on a monthly basis. The special trade method is used.

4.2 DEFINITION

Data on trade in goods are compliant with BPM5 standards. Data are not available on a transaction basis. They are broken down by commodity (up to ten-digit commodity codes) and by country. The imports are broken down by country of consignment (data by country of origin are also available but not published).

Exports and imports are valued on an f.o.b. basis. Until 2004, imports were adjusted to an f.o.b. basis, using an average adjustment factor of currently 5% of the c.i.f. value. The information for this adjustment was derived from questionnaires drawn up by the BOPD. Since 2004, special transportation and insurance cost rates have been used for imports from each country. These rates are based on a special investigation of customs data.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

No deviations from BPM5 standards.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

Eesti Pank makes adjustments to the foreign trade data issued by the SE to reflect b.o.p. concepts. Information on these transactions is obtained from the questionnaires sent out to transportation companies. Adjustments are made for goods purchased abroad (e.g. fuel, lubricants, etc. for transportation vehicles) and for repairs of capital goods. Information on these items is also obtained from the transportation company surveys, and the relevant amounts are added to the SE import total. In addition, an estimate is made for unidentified imports, which are becoming increasingly less significant. This adjustment is based on information provided by the customs authorities, in the "Exhaustiveness Report"[1] published by the SE, and from other sources. Monthly data are modelled by extrapolating seasonally adjusted time series, using seasonal (calendar) coefficients and comparing the modelled data with existing data (e.g. data from the ITRS, data on exports to and imports from non-EU countries).

1 Regular report coordinated by the European Commission (Eurostat).

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Coverage of services corresponds to the requirements set out in the BPM5. Data collection for services is part of the general reporting system. There are also some additional sources in the case of travel and government services. For travel services, the regular sample survey of different groups of visitors is carried out on a regular basis as a joint project of *Eesti Pank*, the SE, the Estonian Tourist Board and market researchers.

5.2 DEFINITION

Definitions and concepts used for services are in line with the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

No major deviations.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

A statistical model based on border crossing statistics and the results of the sample survey is used to calculate expenses of visitors in the country of destination. In the monthly b.o.p. services item, expenses other than those on travel are estimated using six different statistical models where the inputs are based on all available data, the ITRS and other indirect indicators.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

Compensation of employees comprises wages, salaries and other benefits earned in less than one year by individuals in economies other than those in which they are resident. Included are border workers who have centres of economic interest in their own economies, irrespective of their length of stay, and earnings of local staff employed by foreign diplomatic missions. Income is recorded on a gross basis, before the deduction of income tax and social contributions.

The main data sources are enterprise surveys, the ITRS and other administrative statistics.

6.1.2 INCOME ON DIRECT INVESTMENT

Income on direct investment is income on equity and income on debt related to direct investors or affiliated or associated subsidiaries. The direct investment credit entry represents income earned from direct investment enterprises abroad. The direct investment debit entry represents income earned by non-resident direct investors from their Estonian direct investment enterprises.

Separate data are provided for income on equity and income on debt. Income on equity is further divided into “dividends and distributed branch profit” and “reinvested earnings and undistributed branch profit”.

Until 2003, a country breakdown was only available in the area of reinvested earnings on a quarterly basis. As from 2003, both country and activity breakdowns are available for all items of direct investment income. The main source of data on reinvested earnings is the quarterly enterprise survey on the direct investment activities performed abroad by residents and in Estonia by non-residents. Since 2003, the recording of inward reinvested earnings has been fully consistent with

international guidelines, which recommend the use of the current operating performance concept (COPC). In the case of outward reinvested earnings, only credit institutions comply with the COPC. The offsetting entry for reinvested earnings is recorded under direct investment in the financial account.

Income on inter-company loans is recorded as income on direct investment and is derived from the quarterly enterprise survey on inter-company loans. The corresponding calculation in the income account is made on an accruals basis and includes withholding income tax. Interest or dividends accrued but not paid are recorded under direct investment – other capital.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Separate data are provided for income on equity (dividends) and income on debt. In portfolio investment income, dividends are attributed to the period in which they are declared payable. Interest income is accrued in the period in which it is earned.

A sectoral breakdown by main economic sector is available by instrument and by country, but not by currency.

Coverage of dividends is satisfactory. The main data source is the enterprise survey and the supplementary source is the ITRS. Statistics on income for collective investment institution funds are covered by special questionnaires.

In the case of bonds and notes, as well as money market instruments, income is recorded on an accruals basis and the data are available quarterly. Income on discounted securities is also recorded on an accruals basis. The accrued interest is equal to the difference between the acquisition price and the nominal value of the instrument, which is distributed to the reporting period on a pro rata basis. With regard to portfolio investment income, the debtor principle is used.

6.1.4 INCOME ON OTHER INVESTMENT

Income on other investment covers interest receipts and payments on all other resident assets and liabilities vis-à-vis non-residents. It includes households' imputed income from net equity in life insurance reserves and pension funds.

Income on loans, deposits and reserve assets is recorded on an accruals basis. Income on trade credits is covered by enterprise surveys and the ITRS. The data source for income on reserve assets is an income statement from *Eesti Pank*, which is available on a monthly basis.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

Data availability on income on households' foreign assets is poor.

6.4 INTENDED HARMONISATION

The intention is to create assessment methods for households' income credits.

6.5 ESTIMATION METHODS

Up to now there have been no estimation methods in this field in case of the quarterly b.o.p. Monthly estimated data are based on the income calculated on the stock position of the last year by using estimated annual income rates.

7 CURRENT TRANSFERS

Estimates of foreign aid, which were used until 2002 because of a lack of data, were replaced with data reported on a cash basis monthly to the Ministry of Finance. The item *other current transfers* (taxes received and paid, contributions to international organisations, etc.) is covered mainly by the ITRS.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Data collection for compiling the capital account is part of the general reporting system (see Sub-sections 3.1 and 3.2). The data mainly come from the Ministry of Finance and the ITRS.

8.2 DEFINITION

The definition of the capital account is in line with the definitions set out in the BPM5. The distinction between capital and current transfers is made taking into account the transaction code and all other details of payments. Current transfers directly affect the level of disposable income and consumption; the capital account covers transfers of fixed assets or debt forgiveness.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

No deviations.

8.4 GAPS

No significant gaps.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Direct investment is understood as any investment undertaken by a resident of one economy in a resident enterprise of another economy, with the objective of obtaining or sustaining a lasting interest in the enterprise and exercising a significant degree of influence in its management. A direct investment relationship is deemed to exist between two enterprises or individuals and enterprises as well as international organisations and enterprises when one has an equity interest of at least 10% in the other. All transactions between direct investors and enterprises and among affiliated enterprises are recorded as direct investment flows. In the case of banks and other financial intermediaries in a direct investment relationship, only equity transactions and permanent debt are included under direct investment.

A distinction is made between equity capital, reinvested earnings and other capital. The directional principle has been implemented for all transactions involving direct investment.

The collection of direct investment data is part of the general reporting system. Information on direct investment is obtained from the following sources:

- the Ministry of Justice's Centre of Registers provides data on the registered owner's equity holdings in established companies as well as changes in registered ownership;
- *Eesti Pank*'s enterprise survey provides data on direct investment stocks and flows to operating enterprises;
- *Eesti Pank*'s Financial Stability Department supplies statistics on foreign direct investment by commercial banks;
- the Register of Real Estate – provides information concerning real estate purchased by non-residents in Estonia; and
- the Central Register of Securities – provides data on transactions and stocks of listed or registered companies.

The sectoral breakdown is geared to the resident economic sector, i.e. the investing sector for outward flows and the receiving sector for inward flows. All direct investment flows are broken down by the following instruments:

- equity capital;
- acquisition or disposal of real estate;
- reinvested earnings;
- trade credit;
- short-term and long-term debt capital; and
- other capital.

9.2 DEFINITION

Estonia complies with the recommendations for direct investment items set out in the BPM5. The 10% rule is applied as well as the directional principle. Inter-company loans are included under direct investment. Special-purpose entities are not significant in Estonia, and such transactions are not treated differently. Reinvested earnings are recorded in both the income account and the financial account. Since 2003, the recording of inward reinvested earnings has been fully consistent with international guidelines, which recommend the use of the COPC. In the case of outward reinvested earnings, only credit institutions comply with the COPC.

Investment transactions are recorded when the transactions are entered in a transactor's books and a change of ownership has taken place. The debtor/creditor principle is used to govern the geographical allocation of investment.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Contrary to international standards, an all-inclusive concept (AIC) is used to calculate the outward reinvested earnings of other sectors. The AIC differs from the COPC in the following ways: (i) deductions are not made for the depreciation of capital or for provisions for host-country income and corporation taxes; and (ii) realised and unrealised capital gains/losses, write-offs and exchange rate gains/losses are included. Taking into account total volumes of FDI flows, the importance of reinvested earnings in the FDI abroad of other sectors is low.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

To follow the COPC requirements data on inward reinvested earnings of the reference year are adjusted by using estimates based on the data of the previous year. When enterprises report their actual data on the consolidated income statements of the reference year to the Business Register, preliminary data on reinvested earnings are revised and considered as final.

For monthly b.o.p. estimates, two simple models are in use, which take into account data from the Central Register of Securities, public information, the ITRS and indirect indicators.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of portfolio investment data is part of the general reporting system. Additional information on listed companies is obtained from the Central Register of Securities. Information on banking sector transactions is obtained from banking statistics data. Data on portfolio investment transactions are collected on an aggregated basis. There is no universal securities database available at the national level.

Portfolio investment can be broken down by type of instrument (into equity securities, bonds and money market instruments), by country and by sector.

10.2 DEFINITION

Definitions for portfolio investment transactions are in line with the BPM5. Financial derivatives are excluded from portfolio investment and are treated as an independent category in the financial account. Transactions under repurchase agreements and related operations are not included under portfolio investment. Service charges, fees and commissions are excluded from the underlying financial instrument and

are recorded as services. The debtor/creditor principle is used for portfolio investment transactions as the data are mainly obtained from surveys.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

In some cases, when the market price is not available, the balance sheet value is used for portfolio investment assets.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

No estimations are used in the area of portfolio investment on a quarterly basis. In the monthly b.o.p., the item is estimated by using two different statistical models where the inputs are based on all available data (including data from the Central Register of Securities), the ITRS and other indirect indicators.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of data on financial derivatives is part of the general reporting system. Information on banking sector transactions is obtained from banking statistics data. Data are available on a gross basis. In banking statistics, data on forwards, futures, swaps and options are identified separately. In the enterprise surveys the data are highly aggregated and the types of instruments are not identified. All transactions involving financial derivatives are recorded in the financial account. Financial derivatives can be broken down by sector and by country. There is no breakdown by instrument.

11.2 DEFINITIONS

Definitions for financial derivative transactions are in line with the BPM5. Financial derivatives are recorded as a separate category in the financial account.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

No significant deviations.

11.4 GAPS

As the data on financial derivatives received from surveys are in a highly aggregated form, the quality is difficult to assess.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of other investment data is part of the general reporting system. For the banking sector, the balance sheet data from money and banking statistics are used. B.o.p. data are derived from special b.o.p. transaction report. Valuation changes are excluded whenever possible. Trade credits are collected through enterprise surveys and are recorded at the time the goods are bought or sold or the service is provided. Advance payments are recorded as they are made. Transactions involving the household sector are covered by the ITRS.

Breakdowns of other investment are in line with the BPM5. Other investment can be broken down by instrument, sector and country.

I2.2 DEFINITION

Definitions of other investment transactions implemented by *Eesti Pank* are in line with the BPM5.

I2.3 DEVIATIONS FROM AGREED DEFINITIONS

No deviations.

I2.4 GAPS

None.

I2.5 INTENDED HARMONISATION

None.

I2.6 ESTIMATION METHODS

Some estimations, based on exports and imports, are made for the trade credits of enterprises not covered by the survey system. For monthly data, there are two models set up for estimating assets and liabilities of other sectors, based on the ITRS and on monetary and public information.

I3 RESERVE ASSETS

I3.1 SPECIFIC FEATURES OF DATA COLLECTION

Data collection on reserve assets is part of the general reporting system. The source of the data is *Eesti Pank*'s Financial Department. Reserve assets are calculated monthly on a gross basis, taking into account realised and unrealised changes in stocks.

I3.2 DEFINITION

Definitions of reserve assets are in line with the BPM5. Under the conditions of the Currency Board Arrangement, *Eesti Pank* is the only institution to hold official international reserves in Estonia. Reserve assets refer only to highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of foreign exchange, deposits and securities) on non-residents.

I3.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

I3.4 GAPS

None.

I3.5 INTENDED HARMONISATION

None.

I4 INTERNATIONAL INVESTMENT POSITION

I4.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

I4.1.1 GENERAL

The Estonian i.i.p. is a statistical statement summarising the stocks of Estonia's external assets and liabilities at the end of each quarter. Data are compiled according to the IMF guidelines set out in the BPM5. The data include the following categories:

- direct investment: equity capital and reinvested earnings, other capital;
- portfolio investment: equity securities, bonds and notes, money market instruments;
- financial derivatives;
- other investments: trade credits, loans, foreign exchange and deposits, other items; and
- reserve assets.

Data collection for the i.i.p. is part of the general reporting system, based mostly on surveys. Real stocks are used for its compilation. I.i.p. data are published on a quarterly basis. The data are available no later than the last working day of the quarter following the end of the reference quarter. Reconciliation exercises between i.i.p. stocks and b.o.p. flows are carried out regularly; adjustments relating to changes

in exchange rates, prices and other factors are generally taken into account. Generally, there has been no intention to harmonise historical data on the basis of a reconciliation of b.o.p. flows and i.i.p. stocks because it is impossible to update stock data retroactively if flow data are revised. Previous data will be revised if substantial changes occur.

14.1.2 DIRECT INVESTMENT

The definition of direct investment in Estonia's b.o.p. corresponds with that of the BPM5. From the beginning of 2000, the benchmark for direct investment has been 10% of total equity capital, instead of 20% as previously used. Stock data and transactions are recorded at market prices and on an accruals basis. For listed or registered companies, the information obtained from surveys is supplemented with data from the Central Register of Securities.

The main sources of data are the enterprise survey, *Eesti Pank*'s Financial Stability Department, the Ministry of Justice's Centre of Registers and the Register of Real Estate.

Direct investment is broken down into equity capital and reinvested earnings and other capital. Breakdowns by country and activity are also available for direct investment positions.

Stocks are given at market value if listed on the stock exchange. In the case of unlisted companies, recent transaction values, net asset values or own funds at book value are used.

14.1.3 PORTFOLIO INVESTMENT

The major items of data on stocks of portfolio investments are obtained both from questionnaires designed especially for enterprises, investment funds and other financial intermediaries and from the Central Register of Securities. *Eesti Pank*'s Financial Stability Department provides information on portfolio investment related to Estonian commercial banks. For listed or registered companies and securities, the information obtained from surveys is supplemented with data from the Central Register of Securities.

The definition of portfolio investment in Estonia's b.o.p. corresponds with that of the BPM5. Stock data and transactions are recorded in market prices and on an accruals basis. Portfolio investments are broken down into equity securities, bonds and banknotes and money market instruments. The market value is used if the instrument is listed.

Since 2003, breakdowns by country and activity have been available.

14.1.4 FINANCIAL DERIVATIVES

The collection of data on financial derivatives is part of the general reporting system. Information on the banking sector is obtained from banking statistics data. Definitions and concepts for financial derivatives are in line with the BPM5. Financial derivatives are recorded as a separate category in the i.i.p.

14.1.5 OTHER INVESTMENT

The main sources of data are the Ministry of Finance, *Eesti Pank*'s Financial Department and Financial Stability Department, and the enterprise survey. Data are cross-checked with the information published by enterprises in their press releases and annual reports.

The definition of other investment in Estonia's b.o.p. is in line with that of the BPM5. Other investment is classified as trade credits, loans, currency and deposits and other items.

Since 2003, breakdowns by country and activity have been available.

14.1.6 RESERVE ASSETS

Data collection on reserve assets is part of the general reporting system. The source of the data is *Eesti Pank*'s Financial Department. Reserve assets are calculated monthly on a gross basis. Foreign currency assets and gold, included in reserves, are revalued monthly at the market price valid on the last business day of each month.

Definitions for reserve assets are in line with the BPM5. Under the conditions of the Currency

Board Arrangement, *Eesti Pank* is the only institution to hold official international reserves in Estonia. Reserve assets only refer to highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of foreign exchange, deposits and securities) on non-residents.

I4.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

I4.3 GAPS

None.

I4.4 INTENDED HARMONISATION

None.

I4.5 ESTIMATION METHODS

Estimations are made for the trade credit of enterprises not covered by the survey system, for the valuation of the market value of stocks and also for accounts held abroad.

I5 CONTACTS

This country information was drafted by Estonia in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Estonia should be addressed to:

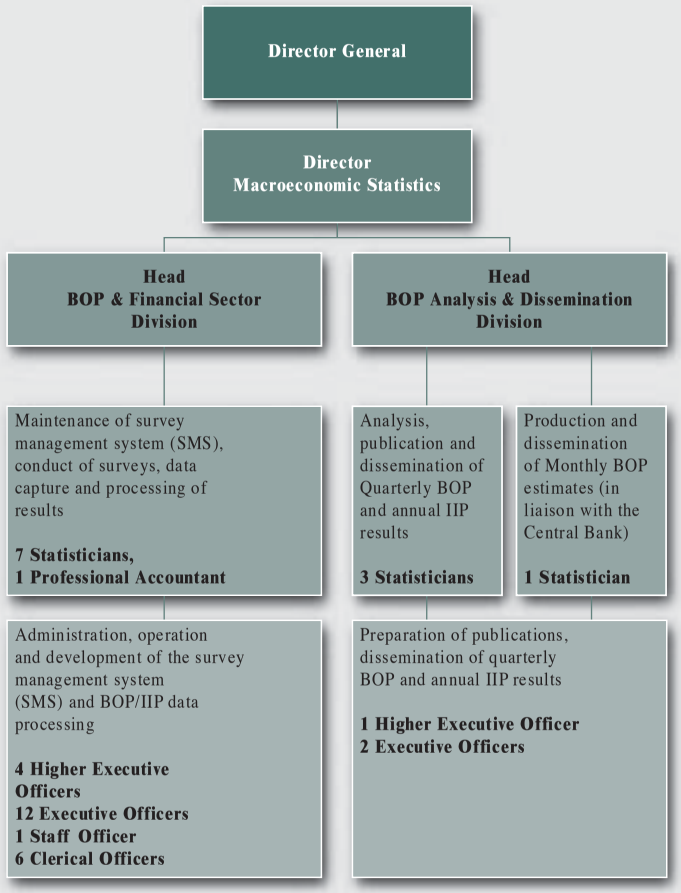
Mr Jaanus Kroon
Head of the Balance of Payments and
Economic Statistics Department
Eesti Pank
Estonia pst. 13, 15095 Tallinn

Tel.: 00 372 6 680 901
Fax: 00 372 6 680 899
E-mail: jkroon@epbe.ee

4.7 IRELAND

I ORGANISATION CHART

The Central Statistics Office (CSO) Organisation (BOP/IIP Compilation)



Staff Resources [1)]

Grade	BOP&FS DIV.	BOPA&D Div.	TOTAL
Senior Statistician	1	1	2
Statistician	7	4	11
Prof. Accountant	1	-	1
Higher Executive Officer	4	1	5
Executive Officer	12	2	14
Staff Officer	1	-	1
Clerical Officers	6	-	6
TOTAL	32	8	40

1) In full-time equivalents.

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The Central Statistics Office (CSO) is the national office responsible for compiling and publishing official balance of payments (b.o.p.) and international investment position (i.i.p) statistics for Ireland.

Quarterly b.o.p. data compilation in Ireland is based on statutory CSO statistical surveys, combined with administrative data, and is closely integrated in the CSO with the compilation of the national accounts. Responsibility for compilation of monthly b. o.p. estimates was assumed by the CSO in early 2002. I.i.p. statistics are collected by the CSO as part of ongoing quarterly b.o.p. collection arrangements. Annual data have been supplied to the ECB for a number of years and were first published nationally by the CSO in 2002. In 2004, a quarterly i.i.p. series for supply to the ECB was introduced. In 2003, a new quarterly series on external debt statistics was published and new annual national statistical releases were introduced giving further geographical detail on foreign direct investment (flows and stocks) and on Irish resident holdings of foreign portfolio securities. Greater geographical detail ("step 3") was introduced for both quarterly b.o.p. and annual i.i.p. data in 2004.

There is very close ongoing liaison between the CSO and the Central Bank and Financial Services Authority of Ireland[1] (CBFSAI) concerning compilation of the monthly, quarterly and annual results. This is particularly so in relation to the monthly b.o.p. estimates as the CBFSAI provides the basic information concerning credit institutions, collective investment institutions (CIIs) and money market funds to the CSO for their preparation.

2.2 LEGISLATIVE PROVISIONS

Apart from national legislation relating to the CSO and the CBFSAI (see below), the provisions of Council Regulation (EC) No 2533/98 of 23 November 1998 as well as those of ECB Guideline ECB/2004/15 of 16 July 2004 and ECB Recommendation ECB/2004/16 of 22 July 2004 apply to the compilation and dissemination of b.o.p. and i.i.p. statistics.

(i) *CSO*

B.o.p. data are collected by the CSO under the Statistics (Balance of Payments and Financial Accounts) Order of 2005 (Statutory Instrument No 124 of 2005; Presentation No A5/0356) issued under the Statistics Act of 1993 (Number 21 of 1993), which makes the provision of data for the purpose of compiling b.o.p., i.i.p. and national accounts relevant statistics compulsory.

The new Ministerial Order which was introduced in March 2005 specifies in broad terms the kind of information which is required and allows for the collection of data by various means, both from transactors and from agents conducting transactions on behalf of customers. It essentially provides for a comprehensive data collection system concerning b.o.p., i.i.p. and national/financial accounts related information, including the acquisition of information on the transactions and activities of entities acting on behalf of clients.

In addition, the European Communities (Statistics) Regulations, 1999 (Statutory Instrument No 177 of 1999; Presentation No 7396) were introduced in June 1999 in order to permit the CSO to meet obligations under Council Regulation (EC) No 2533/98 of 23 November 1998.

(ii) *CBFSAI*

The legal authority for all statistics collected, compiled and published by the CBFSAI, including those relating to the

1 The Central Bank of Ireland was restructured and renamed as the Central Bank and Financial Services Authority of Ireland (CBFSAI) on 1 May 2003. The abbreviation "CBFSAI" is used hereafter in this chapter to refer to the institution both before and after 1 May 2003.

b.o.p., is derived from legislation relating to the CBFSAI (Central Bank Acts of 1942, 1971, 1989 and 1997, and Central Bank and Financial Services Authority of Ireland Act of 2003).

2.3 INTERNAL ORGANISATION

(i) *General*

The first formal written agreement between the CBFSAI and the CSO was completed and signed by the Governor of the CBFSAI and the Director General of the CSO in February 2002. A review of the agreement commenced in 2004 and is ongoing. This review was established primarily to address arrangements between the two institutions for the implementation of a security-by-security collection system to facilitate compilation of portfolio investment statistics for the ECB. The agreement covers the interactions between the two organisations concerning b.o.p./i.i.p. matters in considerable detail. Both institutions have close formal and informal working relationships as regards the general compilation and interpretation of b.o.p./i.i.p. results and in relation to interactions with the ECB. A Statistical Liaison Committee (SLC) comprising representatives from both institutions has existed since 1995. Its purpose is to enable the discussion of items relevant to both institutions, not only in terms of the b.o.p., but also in relation to the relevant aspects of the national accounts and the financial accounts. In 2005 this Committee established the Working Group on Data Collection and Compilation (WGDCC) to address the conceptual and practical aspects involved in streamlining and integrating certain financial enterprise data collection arrangements operated by the two organisations. This was an important initiative aimed at reducing the reporting burden on financial data providers and also dovetailed with the planned approach to security-by-security data collection for b.o.p/i.i.p portfolio investment (and other) statistical purposes.

The CBFSAI provides valuable assistance to the CSO in a number of areas connected to b.o.p. and i.i.p. compilation. These include close liaison between the CBFSAI and the CSO in checking the consistency of quarterly b.o.p. data with banking statistics data, the supply of monthly banking statistics and reserve asset data, as well as the data on transactions of collective investment institutions (CIIs) and money market funds which are used as inputs in compiling monthly b.o.p. estimates. In addition, the CBFSAI provides the CSO with information which facilitates the CSO's maintenance of its enterprise register, particularly for enterprises engaged in internationally traded financial services, including those operating in the International Financial Services Centre (IFSC)[2]. The CBFSAI also liaises closely with the CSO on b.o.p./i.i.p.-related matters at an international level (i.e. concerning the ECB, Eurostat, IMF, etc.). It also attends relevant international b.o.p. meetings.

(ii) *CSO*

B.o.p. and i.i.p. compilation in the CSO is the joint responsibility of two divisions within the Directorate Macroeconomic Statistics. In early 2002, the original Balance of Payments Division was reorganised into two separate but closely cooperating divisions, namely the Balance of Payments and Financial Sector (BOP&FS) Division and the Balance of Payments Analysis and Dissemination (BOPA&D) Division. The BOP&FS Division is responsible for data collection and processing. This involves the

2 The International Financial Services Centre (IFSC) in Dublin was established under specific legislation in 1987 with a view to creating a significant international financial services industry for Ireland. Tax advantages are available to companies located in the IFSC and the types of activities which qualified under the licensing and certification process include fund management, insurance, treasury management, banking and asset financing, as well as securities trading and brokerage. This licensing and certification process has been discontinued for new stand-alone projects since 1 January 2000, but still applies to "additional" projects under existing licences.

maintenance of the survey management system (or SMS, which concerns register maintenance and survey administration), the conduct of the surveys, data capture and processing for quarterly b.o.p. and annual i.i.p. compilation. The BOPA&D Division is responsible for the analysis, publication and dissemination of the quarterly results internally, nationally and internationally; it also produces the monthly b.o.p. estimates required by the ECB. The total number of staff (full-time equivalents) is 40. Of these, 32 are in the BOP&FS Division and 8 in the BOPA&D Division. In all, 19 staff are responsible for the managerial, administrative and technical aspects of the b.o.p. system, as well as for developmental aspects. The remaining 21 staff are principally involved in the ongoing issue and receipt of survey forms, data processing, routine respondent contacts and the preparation of results for internal examination, national publication and transmission to international organisations. Further improvements are being made on an ongoing basis and the new system is essentially capable of meeting the national and international b.o.p. and i.i.p. data requirements.

An integrated computer processing system handles all aspects of b.o.p./i.i.p. compilation, i.e. survey management, data collection, capture and processing, results generation and dissemination. This system uses relational database technology and forms part of the new CSO-wide integrated IT processing facility now being developed.

(iii) *CBFSAI*

The equivalent of three full-time staff members are involved in b.o.p.-related tasks, mainly comprising the compilation of data required by the CSO, the provision of the CBFSAI's own b.o.p. estimates and forecasts, and the treatment of aspects of b.o.p. development in consultation with the CSO.

2.4 EXTERNAL COOPERATION

(i) *CSO*

The CSO maintains close contact on an ongoing basis with a number of government departments (i.e., the Departments of the *Taoiseach*, i.e. the Prime Minister; Finance; Enterprise, Trade and Employment; Agriculture and Food; Communications, Marine and Natural Resources; Defence; and Foreign Affairs) and their agencies, as well as with the CBFSAI, to obtain information necessary for the compilation of the b.o.p. These contacts serve a variety of other purposes covering, for example, consultation for information on statistical policy changes introduced by the CSO, requests for information of a quantitative (i.e. transactions, positions, etc.) or qualitative (i.e. for statistical register needs) nature. In addition, the relevant authorities are also contacted when necessary in relation to the CSO's interactions with those entities they supervise or regulate.

The support of the appropriate authorities, together with that of the relevant industry associations, is critical in obtaining the cooperation of data providers in order to maintain and, where possible, to improve the quality and timeliness of the statistics produced.

(ii) *CBFSAI*

As described in the introduction, the CBFSAI liaises closely with the CSO on the compilation of monthly b.o.p. estimates, providing much of the information required for the b.o.p. financial account. The CBFSAI improved the level of detail provided for MFIs (including money market funds) and CIIs during 2004. The CBFSAI also provides monthly data to the CSO on commercial paper issues and redemptions by non-MFIs. It also assists in the quality checking of b.o.p. information and supplies national data on reserve assets and foreign currency liquidity to the ECB.

2.5 USERS

(i) *CSO*

Apart from the publication of its quarterly b.o.p. release, the CSO provides further details and analyses to a number of specialist users. The CSO supplies b.o.p. data to the Department of Finance and to the Department of Enterprise, Trade and Employment. As a result of its role in monitoring Ireland's economic performance, the Department of Finance is interested in all aspects of the b.o.p. The main focus of the Department of Enterprise, Trade and Employment is on industrial development in the manufacturing and services sectors. This Department and Forfás, an agency operating under its aegis and involved in attracting foreign direct investment to Ireland, are particularly interested in the direct investment aspects of the b.o.p., as well as in the data on merchandise and services. Data are also supplied to stockbrokers, analysts in the field of economic and social research as well as to universities. The National Accounts Division also uses b.o.p. results internally within the CSO.

The CSO supplies data to international organisations such as the ECB, the European Commission (Eurostat), the IMF and the OECD.

(ii) *CBFSAI*

The b.o.p. estimates and forecasts that are prepared by the CBFSAI are based largely on official b.o.p. data published by the CSO. They do, however, take account of more recent information collected from the banking sector, government departments and the National Treasury Management Agency (NTMA).

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

As mentioned above, the quarterly b.o.p. compilation system is based on surveys and administrative data and is closely integrated with the compilation of the rest of the world (RoW) account in the national accounts. The system was designed to meet the requirements (including those relating to i.i.p. data) of the fifth edition of the IMF Balance of Payments Manual (BPM5), as well as those of the ECB, Eurostat and the OECD.

The CSO does not operate a full monthly data collection system, largely because of the additional heavy burden it would place on b.o.p. survey respondents and because of resource constraints concerning the collection and compilation of b.o.p. statistics generally. As a result, the monthly estimates which are prepared by the CSO largely rely on data collected by the CBFSAI along with some supplementary data collected by the CSO. The latter also uses a modelling approach for some elements of the monthly current account. The portfolio and other investment elements of the financial account are based primarily on monthly statistical and regulatory data collected by the CBFSAI from credit institutions (MFIs) and from collective investment institutions (CIIs). Data on transactions of the monetary authority sector are also provided by the CBFSAI. The additional monthly data collected by the CSO cover elements of direct, portfolio and other investment, the enterprises covered being outside the CBFSAI's supervisory and regulatory framework.

There is ongoing consultation and cooperation between the CSO and the CBFSAI for all b.o.p./i.i.p. related compilation.

The statutory quarterly collection system for financial services enterprises requires transaction data on services, income and transfers. Transaction and position data (along with the reconciliation items) are required for

assets and liabilities. The transaction details (i.e. services and income items and instrument breakdowns) necessary to meet BPM5 requirements are obtained – see Sub-section 3.2 on reporting agents for a description of CSO data requirements – from non-IFSC credit institutions. Sectoral and geographical details are also provided. In order to reduce the reporting burden, companies having lower levels of activity report on the same basis annually.

Manufacturing and non-financial services companies are required to supply b.o.p. current, capital and financial account data on a transaction basis each quarter, along with quarterly stocks. Transaction/position data vis-à-vis Irish residents are also collected for national and financial accounts purposes. Geographical and sectoral information is also reported. Smaller companies report all this information annually.

Quarterly information on merchandise trade and travel statistics are obtained from the relevant compiling divisions within the CSO. Administrative data from government departments (or their agencies) and from the CBFSAI are also used.

Apart from the quarterly data obtained from direct collection, internal CSO or external administrative sources, ancillary support information to assist with the compilation of results is also used. This largely consists of: Irish Stock Exchange listings; Reuters market information concerning equities and bonds, currency exchange and interest rates; CBFSAI statistics; and industry association or any other relevant statistical information. Qualitative information useful for statistical register purposes is obtained from the CSO Central Business Register (CBR) and from other sources. In addition, information from the Department of Finance, the CBFSAI and the Companies Registration Office (CRO) is used in the maintenance of the b.o.p. financial services enterprises section of the register. Individual company data from the internal CSO merchandise trade statistics database, along with any useful information from newspapers, periodicals, etc., are used as inputs into the statistical register system. Securities databases are not used, as the portfolio investment data are compiled on an end-investor, aggregate basis.

In compiling the monthly b.o.p. estimates for direct investment, the CSO uses published information on company start-ups and closures, and on mergers and acquisitions, as a means of compiling and improving the direct investment estimates. The reinvested earnings component of the monthly estimate of direct investment income is used both in the current account and in the financial account (direct investment). In addition, some information on direct investment concerning MFIs is provided to the CSO by the CBFSAI. Much of the data required for estimating the portfolio and other investment components are available from the CBFSAI and from other administrative sources. The CBFSAI provides monthly position data on the MFI sector (including money market funds), with the requisite instrument and geographical breakdown, based on money and banking returns. The CSO compiles the estimated b.o.p. transactions from this information after adjusting for the estimated impact of valuation changes. Data on the transactions of the monetary authority with non-residents, including changes in reserve assets, are compiled by the CBFSAI from internal accounting information. Data for the government sector are provided monthly to the CSO by the NTMA with full geographical and instrument breakdowns. This information relates to government foreign debt and to the investments made by the National Pensions Reserve Fund. The CBFSAI also provides data on changes in non-resident holdings of government bonds, based on monthly reports from Euroclear. Data on issues, redemptions and changes in net asset values of IFSC CIIs are collected monthly, at individual level, by the CBFSAI. Based on the CBFSAI's arrangement with CII administrators, detailed monthly data are shared with the CSO. Flows through CIIs constitute by far the largest component of portfolio investment in the other

Reporting scheme for b.o.p. and i.i.p. data collection in Ireland

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (deadline for submission after the end of the reference period)
Manufacturing and non-financial service enterprises	BOP10	Exports and imports of business services with geographical detail; resident-resident transactions included from start of 2004 for national accounts purposes	Quarterly (annually for small companies)	20 working days
	BOP40	Positions and transactions in financial assets and liabilities and associated income flows. Geographical detail; resident-resident transactions included from the start of 2004 for national accounts and financial accounts purposes	Quarterly (annually for small companies)	20 working days
IFSC collective investment institutions	BOP41	Positions, transactions in financial assets and liabilities and associated income flows. Purchases of services. Geographical detail	Quarterly (annually for small companies)	20 working days
IFSC non-life insurance and reinsurance enterprises	BOP42	Positions, transactions in financial assets and liabilities and associated income flows. Purchases and sales of services. Geographical detail	Quarterly (annually for small companies)	20 working days
IFSC life insurance and reinsurance enterprises	BOP43	Positions, transactions in financial assets and liabilities and associated income flows. Purchases and sales of services. Geographical detail	Quarterly (annually for small companies)	20 working days
IFSC stand-alone treasury enterprises	BOP44	Positions, transactions in financial assets and liabilities and associated income flows. Purchases and sales of services. Geographical detail	Quarterly (annually for small companies); monthly data collected from some key enterprises	20 working days
IFSC credit institutions (MFIs), asset finance companies, securities trading companies, agency and captive treasury companies. Service providers (administration, management, custodial, trustee, brokerage and other service companies) also complete this form	BOP45	Positions, transactions in financial assets and liabilities and associated income flows. Purchases and sales of services. Geographical detail	Quarterly (annually for small companies); monthly data collected from some key enterprises	20 working days

Reporting scheme for b.o.p. and i.i.p. data collection in Ireland

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (deadline for submission after the end of the reference period)
Non-IFSC investment managers and brokers acting on behalf of resident and non-resident clients	BOP30	Positions, transactions in financial assets and liabilities and associated income flows. Purchases and sales of services. Geographical detail	Quarterly (annually for small companies); monthly data collected from some key enterprises	20 working days
Non-IFSC credit institutions (MFIs)	BOP50	Positions, transactions in financial assets and liabilities and associated income flows. Purchases and sales of services. Geographical detail	Quarterly (annually for small companies)	20 working days
Central Bank & Financial Services Authority of Ireland	BOPCB	Positions, transactions in reserve assets and other financial assets and liabilities and associated income flows. Geographical detail	Quarterly	Data supplied automatically
Department of Finance (National Treasury Management Agency – NTMA)	BOPNTMA	Positions, transactions in non-resident assets and liabilities of Irish Government and associated income flows. Geographical detail	Quarterly	Data supplied automatically
Other government departments	Not numbered	Current account flows (services, income, transfers)	Quarterly	Data supplied automatically
Internal CSO-sourced data	Not numbered	Merchandise flows; tourism flows; Geographical detail	Quarterly	Data supplied automatically
Miscellaneous items	Not numbered	Cross border workers earnings	Annual	Data supplied regularly

sectors category in Ireland's b.o.p. statement. In this context, both institutions work closely together to reconcile any differences between b.o.p./i.i.p. data collected quarterly by the CSO and the monthly regulatory data supplied to the CBFSAI. Apart from the use of administrative data, and in order to improve the quality of the estimates for *other sectors*, monthly information is collected by the CSO from a number of large financial enterprises which are not covered by the CBFSAI's reporting framework. For other, less significant items, broad estimates have to be made. These are based largely on an interpolation of official quarterly b.o.p. results (including the intra/extra-euro area split).

The monthly b.o.p. estimates are provided to the ECB with the required intra/extra-euro area geographical split within six weeks of the reference month. Both current estimates and historical data are subject to substantial revision each time official quarterly b.o.p. results are published.

3.2 REPORTING AGENTS

(i) CSO

A. Companies. The type of quarterly survey form issued to a company depends upon the type of company. A short description of b.o.p. surveys follows.

I. *Manufacturing and non-financial services companies*

Survey of Manufacturing and Non-Financial Service Companies – quarterly and annual (BOP40):
Since the beginning of 2004 in order to meet b.o.p., i.i.p. and national (including

financial) accounts requirements, this survey requests quarterly data on all the resident and non-resident assets and liabilities (flows, stocks and reconciliation items) as well as on related income transactions from companies incorporated in Ireland and Irish branches of foreign companies. It is designed to summarise all the relevant transactions and positions of the resident parts of Irish groups, Irish companies and Irish branches. For b.o.p. and i.i.p. purposes, all the foreign assets and liabilities have to be reported, including investment in overseas companies by any part of a group, Irish company or Irish branch which is resident in Ireland. Sectoral and geographical detail are also required. Smaller companies report on the same basis annually.

Respondents: the BOP40 is completed by Irish companies and Irish branches of foreign companies which are engaged in manufacturing or the supply of non-financial services and which have foreign assets or liabilities.

Survey of Trade in Services and Royalties – quarterly and annual (BOP10):
Since the beginning of 2004, this survey requests information on the sale/purchase of services (including royalties, copyrights, licences, etc.) to and from both residents and non-residents. The data concerning transactions with non-residents are used for b.o.p. compilation purposes, while the data on transactions with residents are used additionally as input to the national accounts. Geographical detail is requested. The information obtained identifies the outright purchase/sale of copyrights, patents, licences, etc. Smaller companies report on the same basis annually.

Respondents: manufacturing and non-financial services companies.

II. *IFS C and non-IFSC financial services companies*

Quarterly surveys of IFSC enterprises, which were introduced in 1998, are very comprehensive and designed to collect information relevant to b.o.p./i.i.p. compilation and for wider national and financial accounts purposes. The surveys are customised on the basis of the main types of IFSC activity, namely: (a) collective investment schemes (including money market funds which now are identified separately for MFI statistical purposes); (b) insurance (distinguishing between life and non-life enterprises) and reinsurance; (c) stand-alone treasury activity; and (d) banking, asset financing, securities trading, and agency and captive treasury activities. The larger companies are required to return the information each quarter, while the smaller ones make annual returns. Administration and management companies as well as custodians and trustee companies are also included; the principal b.o.p. interest in these latter "service provider" companies concerns transactions in service fees, although full b.o.p./i.i.p. details are required. The system is designed to ensure complete coverage of all IFSC activity over the full year.

From a b.o.p./i.i.p. point of view, the information required is essentially the same for all the surveys and covers services, income flows, assets and liabilities and the reconciliation of positions and flows along with the necessary geographical detail. The various surveys are:

– *survey of collective investment schemes* – quarterly and annual (BOP41);
– *survey of IFSC non-life insurance/reinsurance* – quarterly and annual (BOP42);

– *survey of IFSC life insurance/reinsurance* – quarterly and annual (BOP43);
– *survey of IFSC stand-alone treasury* – quarterly and annual (BOP44); and
– *survey of IFSC banks, asset finance and securities trading companies, agency and captive treasury companies and other related financial services companies* – quarterly and annual (BOP45).

Respondents: IFSC administrative or management companies that provide financial services to collective investment schemes, captive investment (including insurance/reinsurance) companies and agency and captive treasury companies. Stand-alone companies (e.g. banks, treasury companies) are also covered.

The data collection requirements for non-IFSC entities are designed to meet the needs of both the b.o.p. and the national (including financial) accounts. As a result, the demands on Irish resident investment managers were expanded in 1998 to cover both assets and liabilities, with a breakdown between resident and non-resident investments (see the description of the BOP30 survey below). In addition, the activities of life and general insurance companies and credit institutions are covered by the collection system. The aim is to achieve complete coverage. As for IFSC operations, the larger companies are required to return the information each quarter, while the smaller companies make annual returns. Financial services companies which provide other types of services and which conduct transactions relevant to the b.o.p. will, depending on materiality, be incorporated into the system as it develops. At present, the activities of these companies, in aggregate, are insignificant from a b.o.p. perspective. The specific data collection arrangements are described below.

Survey of portfolio investment by Irish investment managers – quarterly and annual (BOP30):
This survey is addressed to investment managers resident in Ireland and requests information on own account and client account investments in Irish and foreign securities by resident and non-resident investors. Geographical detail and sectoral information are requested. The form is also addressed to stockbrokers to obtain data relevant to the b.o.p. It is hoped that the information returned will result in a better coverage of the household sector.

Respondents: non-IFSC Irish resident portfolio investment managers and stockbrokers.

Survey of insurance companies – quarterly and Annual (BOP46):
Information similar to that required from IFSC insurance companies is required for all three accounts of the b.o.p. Quarterly (and, for smaller companies, annual) position data as well as data needed to reconcile flows and positions are required. Geographical detail is also required.

Respondents: all non-IFSC insurance companies incorporated in Ireland as well as Irish branches of foreign companies.

CSO data requirements for credit institutions – quarterly and annual (BOP50):
As from the start of 2001 a full b.o.p./i.i.p. reporting system for banks (MFIs) replaced the earlier three-year interim arrangement.

The information required quarterly covers the non-resident services and income flows of these MFIs, as well as non-resident assets and liabilities transactions and positions and the

reconciliation of positions and flows by reporting valuation and other changes. Direct, portfolio, financial derivatives and other investment categories are identified separately. Geographical detail is also supplied. The smaller MFIs report on the same basis annually.

Respondents: Irish resident non-IFSC credit institutions (MFIs), including Irish branches and subsidiaries of foreign companies.

B. Government sector. Information is provided by the various government departments, e.g. the Department of Agriculture and Food (Common Agricultural Policy data), the Department of Finance (amounts received from the Structural and Cohesion Funds of the EU and own contributions to the EU; listings of IFSC licensed companies for b.o.p. register purposes), the Department of Social, Community and Family Affairs (data on pension payments abroad), the Department of Defence (data on military assistance to UN peace-keeping) and the Department of Foreign Affairs (foreign embassies in Ireland and Irish embassies abroad).

C. Other sections of the CSO. Foreign merchandise trade data (collected by the customs authorities via the Intrastat survey for intra-EU trade and via the normal customs documentation) are provided by the Trade Statistics Division of the CSO. The BOP Division adjusts these data on a b.o.p. merchandise basis (see Section 4 below). Data on tourism and travel are provided by the Tourism and Travel Section of the CSO in Cork, which conducts passenger and country-of-residence surveys of travellers.

D. Official sector. As described above, the CBFSAI provides data on official external reserves as well as data on the CBFSAI's portfolio and other investment assets and liabilities (including TARGET transactions and positions). The National Treasury Management Agency (NTMA) provides data on the Irish Government's holdings of foreign assets (including investments made by the National Pensions Reserve Fund) and on the bulk of the non-resident part of the national debt; data on certain portfolio debt of the Government are provided by the CBFSAI.

(ii) *CBFSAI*

A. Credit institutions. All credit institutions, including IFSC banks, are required to report to the CBFSAI on a monthly "Resident Offices Return" (a balance sheet return with resident and non-resident columns for assets and liabilities). Extra geographical and currency detail is collected quarterly. This reporting takes place within the framework of money and banking statistics reporting, rather than reporting for b.o.p. purposes.

B. Government sector. The various central government departments and the NTMA also supply information similar to that supplied to the CSO. Euroclear also provides monthly data to the CBFSAI on non-resident holdings of Irish government securities.

C. Collective investment institutions. These institutions are required to report to the CBFSAI each month on the purchase and redemption of units in the relevant schemes as well as on their net asset values.

D. Other financial institutions. All entities issuing commercial paper that do not hold a banking licence report monthly to the CBFSAI on issues, redemptions and outstanding volumes.

3.3 THRESHOLDS

There is no general simplification threshold for reporting, but – for financial services companies – materiality criteria are applied to determine the frequency (quarterly or annual) of the returns required.

3.4 AVAILABILITY OF DATA (QUARTERLY ANNUAL B.O.P.)

The current and capital account items are available on a BPM5 basis and with geographical detail.

Within the financial account, a functional breakdown for investment into direct, portfolio, financial derivatives and other investment, as specified by the ECB, is available. A geographical breakdown is available, in addition to the required sectoral breakdown.

3.5 TIMELINESS

Forms are issued at the beginning of the week following the end of the reference quarter or year, and reporting agents have 21 days to respond. While many reporting agents are good respondents, a number are not. The speed and quality of response of the latter have caused ongoing problems. Matters have gradually improved, however, following ongoing efforts within the CSO to address these difficulties on three fronts. First, unreasonable reporting burdens are being reduced or eliminated wherever possible (e.g. by designing more user-friendly forms and instructions and by reducing the reporting frequency for less active companies). Second, a more vigorous follow-up is conducted using telephone, e-mail and written contact prior to and after the reporting deadline, and the number of company visits has been increased (but this policy, while being very worthwhile, is extremely resource demanding). Third, the CSO is continuing with its increasingly rigorous policy of legal enforcement in cases of seriously late response or non-response. It is encouraging that notification of the initiation of legal proceedings against sub-standard respondents tends to result in the required information being returned, although in some cases recourse to the courts is necessary. Bringing about further improvement in response is an ongoing, but resource-consuming task.

3.6 COMPILATION FREQUENCY

Official Irish b.o.p. results (with geographical detail) are currently published on a quarterly/annual basis only. Broad unofficial estimates of the monthly items are also compiled by the CSO and supplied to the ECB via the CBFSAI. While some additional data collection has been introduced, there are no plans to introduce a full monthly b.o.p. collection system to cover all the items required. A modelling approach is being used for many of the monthly current account items and it is intended to improve this technique where possible and as necessary. Data on the principal official transfers are collected monthly by the CSO. As regards the financial account, much of the portfolio and other investment data is compiled from banking and collective investment information collected monthly by the CBFSAI. The CBFSAI also provides the b.o.p. data on external reserves, along with other own account transactions with non-residents. The CSO uses published information on start-ups and closures, and on mergers and acquisitions, as a means of improving the direct investment estimates. It was also involved in the project sponsored by the ECB to examine the feasibility of using the proposed "common form" for multinational companies for collecting b.o.p./i.i.p. data. The CSO also collects monthly data from the NTMA on the foreign element of government debt and on foreign investments made by the recently established National Pensions Reserve Fund. In addition, to improve the monthly estimates for direct, portfolio and other investment further, the CSO expanded its data collection from certain large financial enterprises in 2004.

3.7 DATA CONTROLS

For quarterly survey operations, the CSO operates an integrated computer processing system (using Sybase relational database technology). A standard processing approach applies to all quarterly surveys and administrative data. The system was designed to streamline the entire operation and provides a more powerful pre-publication analysis tool than was formerly available. An Excel system is used to compile the monthly b.o.p. estimates.

On receipt in the CSO, all quarterly (and annual) returns in paper form are manually checked for obvious reporting errors by the person responsible for each particular company. If no errors are apparent, the data are manually keyed into the Sybase database and undergo various automated consistency and plausibility data checks. Where data are returned in electronic form, they are imported through a bulk loading process into the database and are subjected to a similar checking procedure. If the data fail the more important checks, the CSO contacts the company concerned to query the data and make any corrections necessary. Estimates are made for partial or complete non-responses using either automated or manual imputation procedures. This facility is largely applied only to non-returning smaller companies surveyed, as the larger companies are pursued until the data are supplied. If this is unsuccessful, estimates are made. Apart from the analyses available within the processing system, further analyses are undertaken using SAS software. Once verified and further processed as necessary, the data from all surveys are summarised to produce the results. The outputs required by various users are generated from the database in the form of .csv files. These are then used to prepare the data transmission messages (in GESMES/TS format) required by the ECB and Eurostat. Excel formats are used for other data dissemination/publication tables. Prior to publication, some further manual checking is also carried out on the consistency of the b.o.p. results with information available elsewhere, e.g. financial trade data, production statistics and profits data. More in-depth data quality checks are conducted annually against data available to the National Accounts Division.

Apart from this general checking, the Data Consistency Unit (part of National Accounts Division) of the CSO carries out checks on the consistency of quarterly and annual data returned by individual large manufacturing and non-financial services companies to various divisions within the CSO including the BOP Division. The Data Consistency Unit liaises on an ongoing basis with these divisions and with any company concerned to determine the reasons for any significant discrepancy or inconsistency. In an ongoing effort to improve data quality the Data Consistency Unit operates a programme of company visits and liaison so that the CSO becomes aware as early as possible of any material change in companies' operational, accounting or reporting practices affecting the data returned. BOP personnel often participate in these visits and also make visits independently as and when specific b.o.p. problems need to be resolved. As regards financial enterprises, the quality analyses undertaken by the CSO involve comparison of its results with aggregate data available from other sources. These include representative associations for insurance companies, pension funds, CIIs, government departments, etc. In addition, the CSO and the CBFSAI undertake a detailed reconciliation of money and banking statistics and b.o.p./i.i.p. statistics for MFIs (including money market funds) each quarter. Work is also ongoing between the two organisations to reconcile differences between b.o.p./i.i.p. data and regulatory data relating to CIIs and other financial intermediaries (OFIs). This cooperation is also aimed at addressing and improving the quality of the monthly estimates where relevant.

3.8 REVISION POLICY

The CSO's general revision policy for quarterly data is to incorporate changes when the data for

the calendar year are being produced, i.e. the following spring/summer. However, the policy is flexible and significant changes to previously published figures are incorporated on a quarterly basis. In addition, and in the interest of publication consistency, smaller revisions are included in cases where data sourced from and published by other divisions of the CSO also appear as separate items in the b.o.p. release.

In the case of monthly b.o.p. estimates provided by the CSO, revisions are made mainly on a quarterly basis. The monthly estimates are subject to significant historical revisions each quarter when the official quarterly b.o.p. data are published. They are also revised annually when revisions are made to the four quarters making up the calendar year.

The CSO makes users, including the ECB, aware of the reasons for significant revisions to earlier data. When major methodological changes are contemplated, the CSO tends to make users aware of their introduction in advance and describes the methodology involved in the relevant national publications and in communications with the international organisations concerned.

The ECB's revision policy is being implemented as far as possible.

3.9 PUBLICATION

Official b.o.p. data are collected and published nationally by the CSO on a quarterly basis, with a current time-lag of three months. The monthly b.o.p. estimates are not published nationally. External debt data are also published on a quarterly basis with a three-month timeliness. Annual i.i.p. results showing data for end-December are published at end-September each year (i.e. a timeliness of nine months). In addition, the CSO issues annual statistical releases giving detailed geographical analyses of foreign direct investment and of Irish resident holdings of portfolio investment securities issued by non-residents. The b.o.p., i.i.p. and related data are published in hard copy and are also available in the CSO databank and on the internet. Users are made aware of the expected ("no later than") date of publication four months beforehand in the CSO's monthly advance publication calendar, which covers a four-month period (under the IMF Bulletin Board arrangements). Regular users are notified each Thursday of the date of the CSO's releases and publications due in the following week.

The CBFSAI provides its own early independent estimates and analysis of b.o.p. flows to the public as part of its quarterly review of national and financial market developments.

The titles of the publications produced by the CSO and the CBFSAI on the b.o.p. are listed in Sub-section 15.1.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The merchandise figures compiled both for monthly and quarterly b.o.p. purposes are primarily based on the official merchandise trade statistics produced by the CSO. The CSO publishes an official monthly series on merchandise trade, with exports and imports recorded on a "free on board" (f.o.b.) and "cost, insurance and freight" (c.i.f.) basis respectively. The official merchandise trade data are compiled on a "general trade" basis from Intrastat data concerning Ireland's trade with other EU Member States, and from data obtained from customs returns concerning its trade with non-EU countries. Both sets of data are collected initially by the Office of the Revenue Commissioners and then provided to the CSO for further processing, analysis and publication. The official merchandise trade results are published both seasonally adjusted and unadjusted by the CSO.

In compiling the b.o.p. merchandise results, a number of adjustments to the official trade statistics are made. Firstly, concerning geographical breakdowns, the CSO implemented

in 2003 the European Commission (Eurostat) recommendations on country allocation, i.e. "country of origin" (for imports from non-EU countries), "country of consignment" (for imports from EU countries) and "country of destination" for all exports. In addition, the CSO implemented, to the extent possible, the recommendations of the BOP Working Party of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) concerning the conversion of imports from a c. i.f. to a f.o.b. basis. New conversion factors for intra-EU and extra-EU imports were introduced in 2003. Apart from these conversions, the CSO's BOP Division currently makes further adjustments to the published official foreign trade statistics for Ireland in order to align them more closely with b.o.p. concepts. These adjustments take account of the application of the "change in ownership" principle as well as valuation adjustments arising from traders' accountancy practices. There are no immediate plans to introduce seasonally adjusted b.o.p. merchandise trade data.

No specific treatment is applied to military goods; the treatment and the geographical breakdown are the same as for other merchandise.

Special Community programme transactions (Satellite, Airbus, etc.) do not appear to exist for Ireland.

For the purposes of compiling monthly b.o.p. estimates on schedule, the first estimates of the official trade statistics available internally within the CSO are used. Occasionally, if the trade figures are not available for the reference month, the official monthly series is projected forward using an ARIMA modelling technique and account is then taken of any further material information available on specific transactions reported in the media or elsewhere. In either case, the resulting exports and imports estimates are then further adjusted to a b.o.p. conceptual basis (as described above) using factors derived from the quarterly data.

4.2 DEFINITION

The BPM5 definition is used.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

No known deviations.

4.4 INTENDED HARMONISATION

Data are already harmonised.

4.5 ESTIMATION METHODS

Tentative estimates are made by the CSO for unrecorded trade in goods. This covers fuel, illegal movement of drugs and cross-border shopping. The estimates are based on a variety of methods. For example, in the case of fuel, trends in recorded deliveries in Northern Ireland and the Republic of Ireland were compared against the trends in car ownership in both jurisdictions over a period of years. Estimated consumption patterns were compared and the derived shortfall/excess depending on location was taken as a crude indicator of unrecorded fuel movement.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

The quarterly imports and exports figures for services are compiled largely from the enterprise survey returns described above. Data on *travel* are obtained using the quarterly results from the CSO's surveys of tourism and travel, while administrative data sources are used to estimate government services. Other miscellaneous data collection is undertaken and covers (i) receipts and expenditure by embassies (ii) activities of shipping and airline companies, (iii) payments of royalties and fees arising from the entertainment business (e.g. music, film), and (iv) services associated with international bloodstock breeding activity in Ireland.

Within the overall data collection arrangements, information on country of counterpart is collected to facilitate a geographical breakdown of the results.

The service component of the monthly b.o.p. estimates is obtained largely using an ARIMA modelling approach.

5.2 DEFINITION

The definitions recommended in the BPM5 and the Manual on Statistics of International Trade in Services form the basis of the information collected and compiled (although the level of detail provided does not extend fully to that specified in the latter manual).

5.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no known deviations from the overall concept of services as defined. However, for some components of services, certain payments/receipts relevant to a particular component may be allocated to a different one. For example, computer software exports may include *licence fees*, which, if the relevant intellectual property to which the licences relate is located in Ireland, such fees should be included under *royalties and licences*. It is difficult to establish the location of the intellectual property concerned in all cases and, hence, these payments are included under *computer services*. Such considerations do not affect the overall services totals.

5.4 INTENDED HARMONISATION

None at the level of overall services.

5.5 ESTIMATION METHODS

The quarterly survey results for services sold to/purchased from non-residents cover the activities of the known population of b.o.p. relevant enterprises over a calendar year; no further grossing or upward scaling is required. For non-financial enterprises, imports and exports of services reported by the enterprises surveyed are grossed up on the basis of information available from the CSO's Annual Census of Industrial Production (CIP) and from its Annual Services Inquiry (ASI). The CIP covers manufacturing activity and includes details of services sold/purchased, while the ASI covers the activities of resident service producers.

The compilation of the monthly b.o.p. service estimates is as follows.

Monthly *travel* estimates are based on the application of trends observed in monthly inward and outward passenger movements and associated expenditures in Ireland and abroad. Monthly *transport* estimates are based on movements in *merchandise* trade, the freight adjustment arising from the c.i.f. to f.o.b. conversion of the valuation of imports being added. Apart from *computer services*, which is extrapolated on the basis of a time series approach, other business services exports can be estimated from the monthly merchandise exports series, with which they are quite well correlated. Business services imports largely relate to the activities of multinational manufacturing companies operating in Ireland and can be again linked to *merchandise exports*. Geographical allocation is made on the basis of the quarterly pattern observed. The remaining services items combined are estimated on the basis of their combined relative contributions observed in the earlier quarterly data.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

Income data for b.o.p. compilation purposes are collected from the CSO's survey and administrative sources (the CBFSAI and the NTMA). The information reported is required on an accruals basis. The survey forms and the requests to official sources are designed to collect financial account position and transaction data as well as income flows on a BPM5 basis. Direct investment income, portfolio investment

income and other investment income are identified, as are the necessary BPM5 breakdowns of these items. Geographical detail is requested on the basis of the debtor/creditor principle. Sectoral detail is also available.

6.1.1 COMPENSATION OF EMPLOYEES

Some administrative and other data are used in the compilation of the quarterly b.o.p. estimates for compensation of employees. The estimation approach is described in Section 6.6.

6.1.2 INCOME ON DIRECT INVESTMENT

The quarterly data on direct investment income inflows and outflows are based solely on the results of the CSO surveys described above. Data are obtained from respondents on direct investment income distinguishing income on equity and income on debt. The income on equity is further split in the returns to identify the two items: *dividends and branch profits remittances*, and *reinvested earnings* (including undistributed branch profits). Dividends are recorded when due for payment. The income data returned are essentially based on enterprise accounts, particularly the profit and loss statements. For b.o.p. purposes, the information is requested in compliance with the definition specified in the IMF's BPM5 and in the OECD's Benchmark Definition of Direct Investment (3rd Edition). Respondents are required to report profit/loss after tax and minority interest deductions and excluding capital and exchange gains/losses, any abnormal write-off of bad debt, revaluation gains/losses and gains/losses from extraordinary items. To enable compilation of conceptually correct data, respondents are requested to identify any unusual or abnormal items in their profit and loss calculations as well as capital and exchange gains and losses so that any associated impact on the results can be removed.

Direct investment income on debt relates to dividends on preference shares and interest on inter-affiliate trade credit, loans, bonds and notes and money market instruments. Preference share dividends are recorded when due for payment and interest is recorded on an accruals basis, the interest unpaid/not yet received being recorded in the financial account.

Geographical detail is required on the basis of the debtor/creditor principle. In the case of an Irish-owned foreign direct investment enterprise, the country attribution is determined by the location of the entity if it is a branch, or (generally) by the country of incorporation if it is a subsidiary or an associate company. Factor income outflows in the case of a foreign direct investment enterprise located in Ireland are attributed to the country of residence of the immediate direct investor (which, in the case of a company, is generally the country of incorporation). The sector of the resident reporting enterprise is also known.

Monthly figures on direct investment income are estimated as described in Section 6.6.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

The quarterly data on portfolio investment income credits and debits are derived from the results of the CSO surveys described above as well as from administrative data from the CBFSAI and from the NTMA (concerning government debt and government financial assets abroad). The data collected facilitate the breakdown of portfolio investment income into income on (i) equity, (ii) bonds and notes, and (iii) money market instruments. Income on equity is requested as of the date the relevant dividends are declared payable. Income on debt instruments (*bonds and notes and money market instruments*) is currently determined using the *debtor* approach in order to maintain consistency with the national accounts system. As a consequence, it is not generally feasible to adopt the *market principle* recommended by the ECB for determining portfolio investment income on debt instruments. A detailed geographical breakdown is also available from the survey data, as is information on the sector of the resident enterprise.

The detailed information from the CSO's survey system allows the attribution to the relevant portfolio investors (unit holders) of all the

income earned by CIIs. The offset for the undistributed income is included as appropriate in the financial account. The relevant service fees charged to the CIIs are also attributed to the investors and are recorded under services in the b.o.p.

Monthly figures on portfolio investment income are estimated as described in Section 6.6.

6.1.4 INCOME ON OTHER INVESTMENT

Interest flows, on an accruals basis, on loans, deposits, leases, trade credits, etc. between non-affiliated entities are requested quarterly from survey respondents and from administrative sources i.e. the CBFSAI and the NTMA (concerning government debt and government financial assets abroad). Income on reserve assets is also included under other investment income. Information on positions and movements in outstanding interest is also collected to facilitate the market valuation of the relevant underlying assets and liabilities inclusive of accrued interest. Geographical allocation is required on the basis of the residency of the creditor/debtor. In the case of syndicated loans, however, the country allocation is based on the residency of the lead bank whenever the residencies of all participating lenders are not known. Sectoral detail is also available.

Monthly figures on portfolio investment income are estimated as described in Sub-section 6.6.

6.2 DEFINITIONS

The definition of income used by the CSO for b.o.p. purposes is in line with the recommendations of the BPM5 and the harmonisation proposals made by the ESCB's Working Group on External Statistics (WG-ES). In compiling portfolio investment income on debt data, so that consistency with the national accounts system can be maintained the *debtor principle* rather than the *market* principle (recommended by the ECB and the BPM5) is used.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

The only known deviation concerns the application of the *debtor principle* (i.e. time-shifted accruals) in determining portfolio investment income on debt flows, rather than the *market principle* (i.e. a full accruals approach) required by the ECB and the BPM5 (whereby prevailing interest rates are applied to marked-to-market positions).

6.4 GAPS

None known.

6.5 INTENDED HARMONISATION

The CSO will await the outcome of the international debate concerning the calculation of portfolio investment income on debt accruals.

6.6 ESTIMATION METHODS

The CSO survey and administrative information form the main sources for the data. In the case of financial enterprises, the survey system targets the full population of b.o.p.relevant entities over the course of a year. Hence, on an annual basis, grossing or scaling up of the income estimates for these enterprises is not necessary. However, as some of the smaller activity enterprises are only surveyed annually to alleviate the response burden, some scaling up of the quarterly returns is necessary. This is possible using control totals from data available from the CBFSAI for the relevant enterprises under its supervision.

For non-financial enterprises, the quarterly CSO survey data on income are scaled up using factors derived from the CSO's CIP and ASI, as referred to in Section 5 above.

As regards compensation of employees, information on Irish residents working abroad for periods of less than one year and on their earnings is obtained from different sources e.g. student representative bodies, companies which

recover taxes paid by students on their earnings, and the CSO's Quarterly National Household Survey results for Irish residents working abroad. Apart from Irish students working abroad during the summer months, other cross-border workers who are residents of Ireland primarily work in Northern Ireland (largely commuting each day) and Great Britain. Their earnings are estimated using average annual gross wage rates. Estimates of the earnings of foreign cross-border workers engaged in Ireland are based primarily on numbers of student permits issued, as well as estimated time worked and the application of appropriate wage rates.

The income estimates made in compiling the monthly b.o.p. data are obtained as follows. For direct investment income, debits are highly correlated with *merchandise* exports and are estimated from the projected monthly trade series. The corresponding credit figures are interpolated from earlier quarterly data projected forward. Portfolio and other investment income credits and debits are estimated by average yields to estimated stocks derived from opening (start of year) positions adjusted for quarterly and monthly flows. Geographical allocation is made on the basis of the quarterly pattern observed. The smaller income items (e.g. compensation of employees) are estimated by interpolation of quarterly data.

7 CURRENT TRANSFERS

The CSO obtains monthly and quarterly administrative information on the principal current EU transfer receipts (credits) from the Department of Agriculture and Food and from the Department of Finance. The budget contribution to the EU is the main debit item and it is obtained directly from the Department of Finance on a monthly basis. Data on certain other current transfers are obtained from inquiries to charitable aid agencies and to the Department of Foreign Affairs (concerning government aid payments abroad). In addition, the CSO survey data from resident non-life insurance enterprises allows the compilation of insurance transfers. The data are calculated on the basis of the current SNA recommendations. Immigrants' remittances in respect of workers originating outside Ireland sending part of their Irish earnings to their home countries are estimated on a percentage basis from the figures compiled on *compensation of employees*, described in Section 6.6 above.

For monthly b.o.p. compilation purposes and apart from the monthly data collection described above, the smaller components of the credit and debit items are estimated on the basis of recent trends in the quarterly b.o.p. data relating to these items.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

General government capital transfers are already available on a BPM5 basis and are almost totally accounted for by transfers from/to the EU institutions. These EU capital transfers (mostly receipts from the EU structural funds) are compiled from data obtained from Irish government departments and are compatible with the tables produced by Eurostat.

Data relating to the outright purchase/sale of licences, copyrights, patents, etc. are collected in the BOP10 ("Survey on Trade in Services") form. Generally, such transactions are relatively infrequent, but when they do occur, the payments involved can occasionally be quite substantial. The relevant data are entered under the heading acquisition/disposal of non-produced, non-financial assets.

8.2 DEFINITION

The recommended split between current and capital transfers was introduced by the CSO some years ago and is based on the recommendations of Eurostat's Balance of Payments Working Party. Only items qualifying

as current transfers are included in the current account of the b.o.p.

Debt forgiveness is thought to be insignificant.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Data sources for migrants' transfers continue to be a major problem, as only estimates based on the former exchange control data are available, and these are completely out of date.

8.5 INTENDED HARMONISATION

The European Commission (Eurostat) information provided in the national tables on EU current and capital transfers vis-à-vis the Member States is a useful means of verifying data compiled on a national basis and facilitates greater harmonisation.

Investigations to date on how to make better estimates for migrants' transfers, which are thought to be relatively small, but nevertheless significant in terms of both inward and outward flows, have not proved successful as yet. However, the CSO hopes that further consultation with the revenue authorities will initiate a process whereby suitable b.o.p. data can be compiled from their records in the future, but the implementation of the necessary systems may take some time.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

As indicated above, direct investment data are essentially collected by means of quarterly surveys (see Sub-section 3.2). These surveys request data on direct investment positions, flows and valuation changes, along with factor income information (see Sub-section 6.1.2 for details concerning direct investment income). The information provided identifies equity investment and inter-affiliate transactions/positions with regard to loans, trade credits, bonds/notes, money market instruments and financial derivatives. Geographical information is also collected and a sectoral breakdown is available. The surveys are conducted each quarter for the larger enterprises and annually for smaller enterprises.

The geographical breakdown is based on the residency of the actual issuers (i.e. the debtor/creditor principle).

In the case of transactions settled through an exchange of shares, respondents are advised to report the transactions at the time they are entered in the enterprises' books. This may be a short period before the actual exchange of paper occurs. If there is no price agreed between the parties (i.e. one share of company A equals one share of company B), the share price of the acquired company is used to value the transaction if the shares of this company are quoted. If not, then the valuation of the transaction would be based on the net asset value of the acquired company.

The quarterly compilation system was expanded in 2004 to include the relevant transactions and positions associated with Irish resident purchases of residential and commercial property abroad. In addition, the activities of the bloodstock breeding industry in Ireland have also been included.

To facilitate the estimation of monthly b.o.p. data, the CSO now uses published information on company start-ups and closures, and on mergers and acquisitions, as a means of improving the direct investment estimates. In addition, some limited data on direct investment inflows of the MFI sector based on money and banking returns are provided to the CSO by the CBFSAI. The CSO has also been involved in the ongoing project sponsored by the ECB to examine the feasibility of using the proposed "common form" for data collection from multinational companies.

9.2 DEFINITION

The CSO applies the "10% rule" to determine whether ownership of the ordinary shares or voting power in an incorporated enterprise or the equivalent in an unincorporated entity is such that a direct investment relationship exists. In line with the international requirements for fully consolidated direct investment statistics, the application of the rule covers transactions with any related entities in the corporate structure which are part of the direct investment relationship. In the case of transactions between financial intermediary affiliates (including credit institutions), direct investment is limited to those transactions associated with permanent debt and equity investment. The directional principle for recording direct investment has been adopted (but the data are collected in a way that also permits classification according to assets and liabilities if required). Reinvested earnings are recorded as part of direct investment and can be separately identified. Formerly, transactions in financial derivatives between affiliated entities were treated as direct investment/other capital (except where such transactions were between affiliated financial intermediaries). Since 2004, transactions and positions in financial derivatives between direct investment related entities are shown in the category financial derivatives.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

In presenting the statistics for the other capital component of direct investment, the CSO's interpretation and implementation of the directional approach for recording flows and positions for this item is not in line with the BPM5 recommendation. It does, however, reflect an alternative approach described in the OECD Benchmark Definition of Foreign Direct Investment. Otherwise, for the CSO b.o.p. surveys, there are no deviations from the agreed definition of direct investment.

9.4 GAPS

There are no known gaps of any statistical significance.

9.5 INTENDED HARMONISATION

The collection and compilation system is, in principle, compliant with the BPM5. In practice, the information for enterprises appears to be provided as required and hence no further harmonisation appears to be necessary. As regards presentation of the statistics concerning direct investment/other capital, however, consultations are under way at international level in order to further clarify the application and interpretation of the directional principle in this specific area.

9.6 ESTIMATION METHODS

As direct investment information is collected quarterly and annually by survey, full estimation is not required. However, where partial or complete non-response occurs for individual respondents, some data need to be estimated or imputed from other respondents' data or from the non-respondent's earlier data, trended forward as appropriate.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Inward and outward portfolio investment data are collected and compiled on a quarterly basis from a combination of surveys and administrative data (see Sub-section 3.2), the latter relating to (a) non-resident investment in Irish Government securities; (b) investment in foreign securities by the National Pensions Reserve Fund; and (c) investment in foreign securities (non-reserve assets) by the CBFSAI. Position, transaction and reconciliation data are collected as described above and geographical detail is provided. Inter-company transactions between affiliated entities are treated as direct

investment, except where such transactions are between affiliated financial intermediaries.

The CSO's collection/compilation system is an end-investor/aggregate security approach which does not currently rely on financial security databases. Information on the various types of long-term and short-term securities is collected from data providers to meet the requirements of the BPM5. Geographical allocation is requested on the basis of the debtor/creditor principle. Few difficulties have been reported by respondents in relation to the application of the country-of-issuer principle for assets; for liabilities, the country of creditor is available in many cases, but some difficulties are evident in relation to acquisitions by intermediaries acting on behalf of non-residents of securities issued by Irish residents. In this regard, the CBFSAI assists the CSO by obtaining supplementary aggregate data periodically from resident banks on foreign investors' acquisitions/disposals of securities issued by the Irish Government and held through nominee bank accounts. A major proportion of outward and inward portfolio investment is accounted for by IFSC enterprises such as CIIs, credit institutions, insurance companies, etc. These entities' activities are covered by the quarterly survey system. Apart from the IFSC, most of the remainder of inward portfolio investment is accounted for by non-resident uptake of government securities (the data being obtained from the NTMA and the CBFSAI) and by non-resident small shareholdings in Irish public limited companies. On the outward portfolio investment side, most of the "non-IFSC" investment is made by institutional investors which are also surveyed and are understood to account for the bulk of household foreign investment.

For monthly b.o.p. compilation purposes, estimates of monthly portfolio investment flows for the MFI sector are derived from money and banking stock statistics, while monetary authority data are available directly from the CBFSAI. Data for the government sector are based on monthly returns from the NTMA (covering foreign currency-denominated external debt and the foreign investments of the National Pensions Reserve Fund) and from CBFSAI information (on non-resident holdings of government securities). Data for CIIs are based largely on monthly data on fund units issued/redeemed, collected and compiled by the CBFSAI. In addition, since 2003, monthly portfolio investment data have been collected by the CSO from a number of the larger financial enterprises (including some institutional investors) which are not covered by the CBFSAI's regulatory arrangements. The number and statistical significance of enterprises covered by the monthly collection arrangements are kept under review in order to ensure that major players identified in the quarterly system are also included in the monthly system. The remaining components of portfolio investment are estimated by interpolating the quarterly series.

In line with ECB requirements, virtually all of the monthly series are subdivided into flows between countries participating in the euro area and extra-euro area flows. For MFI portfolio investment transactions data, the geographical information is based on data supplied to the CSO by the CBFSAI. The CBFSAI and CSO also work closely to estimate the geographical and instrument details for CIIs, based on the investment policies of particular funds and on detailed quarterly data collected by the CSO. In addition, the CSO obtains monthly geographical details from the NTMA on its transactions and those of the National Pensions Reserve Fund. Some geographical information is also available from financial enterprises covered by the CSO's monthly data collection arrangements. Otherwise, the geographical split is based essentially on the corresponding split in the quarterly data supplied by the CSO to the ECB and Eurostat.

10.2 DEFINITION

The definition of portfolio investment used in Ireland essentially complies with the recommendations in the BPM5. Service charges, fees and commissions, where separately

identifiable, are reported by respondents under the services item; otherwise they are included as part of the value of transactions. Positions and transactions are requested from respondents at market valuation on a "clean price" basis, i. e. exclusive of accrued income. As already indicated, amounts of accrued interest outstanding as well as interest movements are both identified separately in the survey forms. The clean-price values of positions and transactions are then converted into a market valuation inclusive of accrued interest.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

Resident households' internet transactions in foreign securities are not currently being captured adequately.

10.5 INTENDED HARMONISATION

As part of its b.o.p./i.i.p. statistical harmonisation, the CSO participates in the IMF's annual Co-ordinated Portfolio Investment Survey. To facilitate the compilation of the relevant data, all companies surveyed are required to supply the data on the basis of the BPM5 concepts and definitions.

Harmonisation is required in relation to the determination of the correct country of creditor allocation for portfolio investment liabilities. Additional information is obtained periodically by the CBFSAI from intermediary financial institutions acting on behalf of non-resident investors that enables the identification of the residencies of the holders of Irish Government bonds. On the assets side, it will be difficult to obtain appropriate data sources to close the potential gaps in coverage of households' internet transactions in securities. It is likely that data exchange involving counterpart compilers may be the only realistic means of addressing this issue.

10.6 ESTIMATION METHODS

As portfolio investment information is collected quarterly and annually by survey, full estimation is not required. However, where partial or complete non-response occurs for individual respondents, some data need to be estimated or imputed from other respondents' data or from the non-respondent's earlier data, trended forward as appropriate.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

As indicated in Sub-section 3.2, information on financial derivatives is primarily collected using quarterly surveys and, in the case of government foreign assets and liabilities, administrative NTMA data. These surveys cover all sectors, but most of the derivatives activity involves the financial institutions. Separate data are sought on swaps (cross currency and interest rate), exchange-traded futures and options, over-the-counter (OTC) options and forward contracts. Owing to difficulties experienced by respondents, positions in some cases are only available on a net (asset/liability) basis. Transactions are requested on a net basis, as required by the ECB. Geographical breakdowns are available and are based, for the most part, on the country of residence of the counterpart which, in the case of exchange-traded contracts, is the country in which the exchange is located. Inter-company transactions between affiliated entities are treated as direct investment, except where such transactions are between affiliated financial intermediaries.

While an increasing number of respondents seem to be able to provide the information required, some respondents report some difficulties in doing so. These difficulties are not as marked as before and generally concern the following: reporting on a market value basis (nominal values frequently appear in returns); reporting asset and liability positions separately;

and distinguishing variation margin payments from initial margins.

To compile the monthly b.o.p. estimates, some data on derivative transactions are obtained as part of the information collected through the CSO's monthly collection arrangements described above.

11.2 DEFINITIONS

The definition of financial derivatives used is that given in the IMF's publication "Financial Derivatives: A Supplement to the Fifth Edition of the Balance of Payments Manual (1993)". The valuation of positions and transactions at market value is requested. As required, net interest streams for interest arising from interest rate derivatives and cross-currency interest rate swaps are recorded under *financial derivatives*. In the case of exchange-traded contracts, respondents are requested to distinguish between initial margin payments and variation margin payments and to record the former under other investment and the latter under financial derivatives.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

With regard to flows, some respondents experience difficulty in distinguishing initial margins from variation margins, while others have difficulty reporting market values (as opposed to nominal values). The situation is improving through ongoing contact between the CSO and its respondents, but market valuation continues to present problems.

11.5 INTENDED HARMONISATION

The flow data for derivatives follow the agreed harmonisation principles.

11.6 ESTIMATION METHODS

No estimation methods are used, as the data are reported quarterly.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment data are collected and compiled by the CSO on quarterly basis from a combination of surveys and administrative data (see Sub-section 3.2), the latter relating to (a) Irish government borrowing from foreign lenders; (b) Irish government deposits in foreign banks; and (c) foreign assets and liabilities of the CBFSAI under the TARGET arrangements as well as its currency and deposit transactions. Position, transaction and reconciliation data are collected as described above and geographical detail is provided.

Long and short-term claims and liabilities vis-à-vis non-resident affiliates are currently treated as direct investment, except where such transactions are between affiliated financial intermediaries and do not involve permanent debt.

The quarterly b.o.p. transactions of the MFI sector are compiled from information directly provided by MFIs to the CSO. As indicated above, MFIs operating from the IFSC supply both quarterly transaction and position data (as well as information on valuation changes) via the BOP45 Survey. Money market funds operating in the IFSC and classified as MFIs report within the BOP41 Survey (of CIIs). The information relating to these entities is included under the MFI category in the results. IFSC MFIs account for over three-quarters of all MFI other investment assets vis-à-vis non-residents.

Transactions in trade credits are captured implicitly under other assets/liabilities in the returns. Revisions do not generally arise as "full" reporting is not required retrospectively.

For monthly b.o.p. compilation purposes, other investment flows for the MFI sector are based on money and banking balance sheet information collected by the CBFSAI. Flows are derived by the CSO on the basis of stock changes adjusted for exchange rate movements. These estimates incorporate information available to the CBFSAI for those money market funds which are categorised as MFIs. Data for the monetary authorities sector are compiled directly by the CBFSAI and supplied to the CSO. Government sector data on external borrowing and deposits are supplied monthly by the NTMA. In addition, other investment data are collected by the CSO from a number of the larger financial enterprises which are not covered by the CBFSAI's reporting framework. The number and statistical significance of enterprises covered by the monthly collection arrangements are kept under review in order to ensure that major players identified in the quarterly system are also included in the monthly system. The remaining components of portfolio investment are estimated by interpolating the quarterly series.

As for other items of the financial account, the extra-euro area geographical breakdown is estimated largely from data supplied to the CSO by the CBFSAI. Some geographical information is also available from financial enterprises covered by the CSO's monthly data collection arrangements. Otherwise, the geographical split is based essentially on the corresponding split in the quarterly data supplied by the CSO to the ECB and Eurostat.

12.2 DEFINITION

The CSO has adopted the BPM5 definitions, with necessary modifications made by the ECB. Repurchase agreements and bond lending transactions are recorded as required by the ECB. Financial leases are recorded under other investment and the income flows are recorded in the current account.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

There are no known gaps of any significance.

12.5 INTENDED HARMONISATION

Insofar as is known, the results are compiled on a harmonised basis.

12.6 ESTIMATION METHODS

As the information is provided on a quarterly basis, the results are compiled from these returns. Some imputation is necessary for the few instances of late response, while quarterly estimation is necessary for those companies subjected to annual reporting because of their low activity volume.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Reserve assets are covered by the general reporting system (see Sub-sections 3.1 and 3.2).

13.2 DEFINITION

The definition followed is that endorsed by the ECB's Statistics Committee in December 1998, namely foreign currency claims on non-euro area residents as well as monetary gold, special drawing rights and the reserve position within the IMF.

Reserve assets are recorded at market prices. An instrument breakdown is available for b.o.p. purposes, in line with ECB requirements. While there are no financial derivatives transactions in reserve assets at present, their recording on a net basis – as recommended by the ECB – is supported by the CBFSAI.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

The agreed harmonisation principles apply.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

As indicated in Sub-section 3.2, since the beginning of 1998 the CSO has been operating an integrated b.o.p./i.i.p. survey collection system. Positions, transactions and reconciliation items are collected from financial and non-financial enterprises each quarter. The collection system is designed to meet the detailed requirements of the ECB and the IMF and follows, to the extent possible, the recommendations of the BPM5 (as modified by the ECB in particular instances to meet its harmonisation requirements). Geographical detail is requested on the country of residency of the debtor for assets and that of the creditor for liabilities. Some difficulties are encountered by respondents in relation to identifying the country of the creditor for portfolio investment securities issued by residents of Ireland in all cases.

The CSO has participated in the IMF's Co-ordinated Portfolio Investment Survey since its introduction in December 1997 and supplies the results to the IMF for the "mandatory items".

The CSO supplies the annual i.i.p. results for Ireland to the ECB within the specified nine-month deadline and, since 2004, has provided additional geographical ("step 3") detail. The annual i.i.p. results are published each year at end-September. Since 2004, quarterly i.i.p. results have been supplied to the ECB.

14.2 DEFINITIONS

14.2.1 GENERAL

The definitions used follow the BPM5 recommendations and the ECB's harmonisation recommendations.

14.2.2 DIRECT INVESTMENT

The definitions used follow the BPM5 recommendations and the ECB's harmonisation recommendations.

14.2.3 PORTFOLIO INVESTMENT

The definitions used follow the BPM5 recommendations and the ECB's harmonisation recommendations.

14.2.4 FINANCIAL DERIVATIVES

The definitions used follow the BPM5 recommendations and the ECB's harmonisation recommendations.

14.2.5 OTHER INVESTMENT

The definitions used follow the BPM5 recommendations and the ECB's harmonisation recommendations.

14.2.6 RESERVE ASSETS

The definitions used follow the BPM5 recommendations and the ECB's harmonisation recommendations.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

In general, there are no deviations from the agreed definitions.

14.4 GAPS

In the case of financial derivatives, it is not possible – owing to difficulties experienced by respondents – to isolate completely positions for assets and liabilities, and only net positions are available in some cases.

14.5 INTENDED HARMONISATION

In the case of financial derivatives, continuing efforts are needed, particularly at the respondent

level, to provide position data on a gross basis and to report separately both initial margins (under other investment) and variation margins (under financial derivatives).

14.6 ESTIMATION METHODS

Generally, respondents can provide position information as required and in many cases more easily than flow data. Consequently, estimation techniques are only required for non-response imputation.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

(i) *CSO*
"Balance of International Payments" (quarterly)
"External Debt" (quarterly)
"International Investment Position" (annual)
"Resident Holdings of Foreign Portfolio Securities" (annual)
"Foreign Direct Investment" (annual)
"Exports and Imports of Services (annual)
"National Income and Expenditure" (annual)
"Statistical Yearbook for Ireland"
CSO Databank Direct (quarterly updating)
CSO website: www.cso.ie

(ii) *CBFSAI*
"Quarterly Bulletin"
"Annual Report"
"Monthly Statistics"
CBFSAI website: www.centralbank.ie

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Ireland. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Ireland should be addressed to:

Mr John Fitzpatrick
Central Statistics Office
Balance of Payments Analysis and Dissemination Division
Ardee Road
Rathmines
IRL – Dublin 6
Ireland

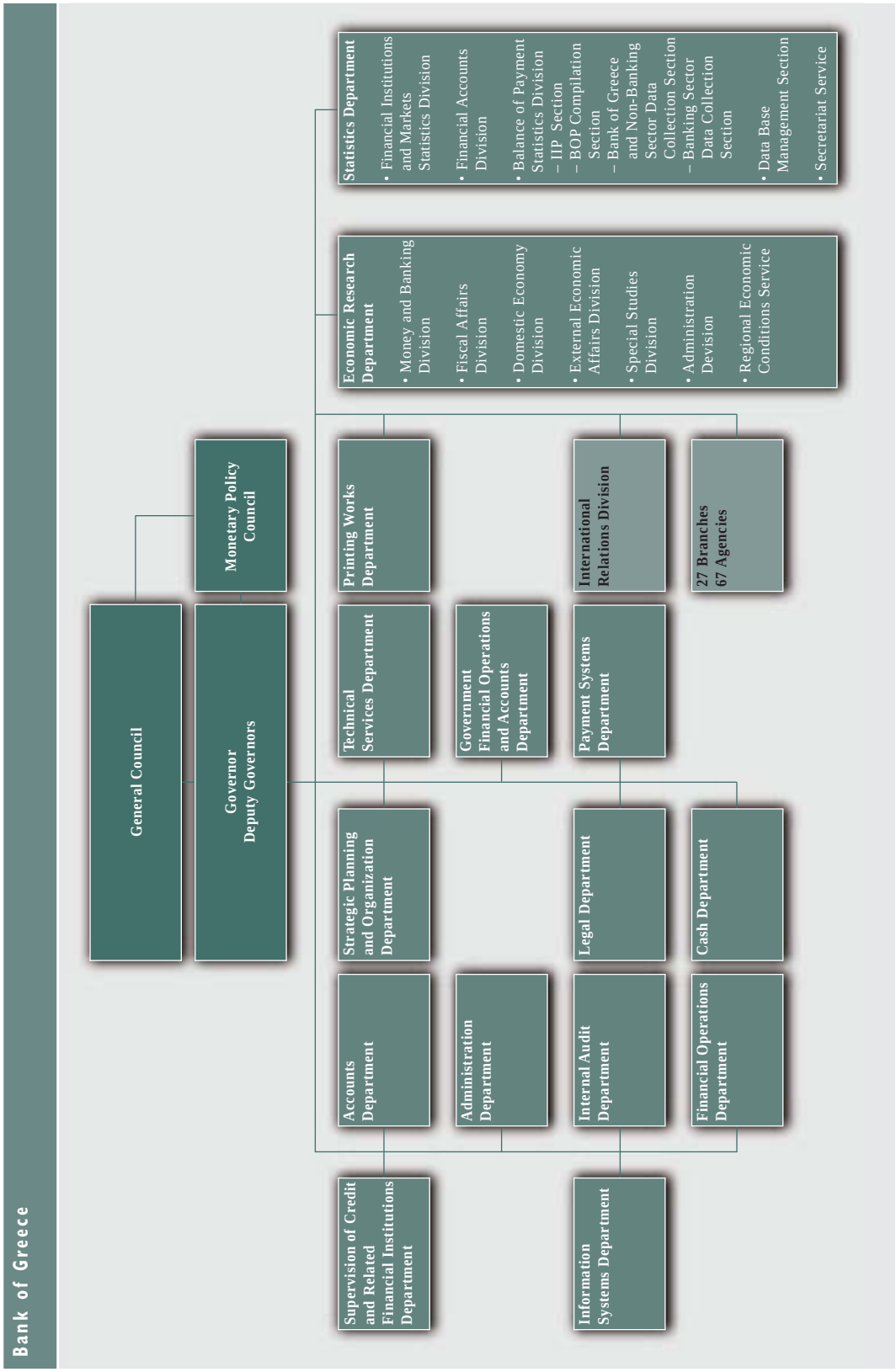
Tel.: 00 353 1 498 4366
Fax: 00 353 1 498 4020
E-mail: john.fitzpatrick@cso.ie

Ms Mary Everett
Central Bank and Financial Services Authority of Ireland
Statistics Department
PO Box No 559
Dame Street
IRL – Dublin 2
Ireland

Tel.: 00 353 1 410 4931
Fax: 00 353 1 670 6871
E-mail: mary.everett@centralbank.ie

4.8 GREECE

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The Bank of Greece (BoG) has been responsible for compiling and producing the Greek balance of payments statistics since 1929. The collection system was based on exchange controls and the monitoring of foreign exchange flows. However, the gradual liberalisation of the exchange control mechanism resulted in the system becoming increasingly ineffective in recording b.o.p. flows which, in turn, necessitated a change in the collection system. Short-term capital movements were liberalised in May 1994 and, in March 1995, the BoG began its search both for new data collection system and methodology for the compilation of its b.o.p. It decided to employ a methodology based on "the closed system" of reporting of banks' settlements data. Monthly data derived from the new methodology and based on the conceptual framework set out in the fifth edition of the IMF Balance of Payments Manual (BPM5) were first produced in January 1999.

2.2 LEGISLATIVE PROVISIONS

The legal basis for the collection and compilation of b.o.p. transactions is contained in the Statute of the Bank of Greece which was ratified by Law 3424/1927. Since then the Statute of the Bank of Greece has been repeatedly amended; the most substantial amendements were ratified by Laws 2609/1998 and 2832/2000. By those amendements the legal basis has been reinforced, as all residents are required to report transactions with non-residents to the BoG for the compilation of the b.o.p. and the assumption of assets/liabilities vis-à-vis non-residents for the compilation of the international investment position.

The legislation provides for a sanctions procedure in the event of a failure to report b.o.p. transactions, as well as for the disclosure of confidential information.

2.3 INTERNAL ORGANISATION

The field of statistics is the responsibility of the Department of Statistics established by a Decision of the General Council of the BoG (23 October 2000). This Department originally had two Divisions, namely the Balance of Payments Statistics Division and the Monetary and Financial Statistics Division, as well as a Data Base Management Section and a Secretariat; recently, by a Decision of the General Council of the BoG (12 December 2006) the Monetary and Financial Statistics Division has been been replaced by two Divisions, namely the Financial Institutions and Markets Statistics Division and the Financial Accounts Division. In the new scheme of the Statistics Department, the Secretariat forms a Section under the Balance of Payments Statistics Division.

The Balance of Payments Statistics Division has 21 staff members, including the Head and the Deputy Head of the Division, in the following four sections:

- the International Investment Position Section;
- the Balance of Payments Compilation Section;
- the BoG and Non-Banking Sector Data Collection Section; and
- the Banking Sector Data Collection Section.

The analysis of b.o.p./i.i.p. data, econometric work, etc. is the responsibility of the Economic Research Department (External Economic Affairs Division).

The Financial Institutions and Markets Statistics Division has three sections: the Money and Banking Statistics Section, the Other Financial Institutions Section and the Money and Capital Market Statistics Section, while the Financial Accounts Division has two new sections: the Non-Financial Enterprises Data Collection Section and the BoG and Non-Banking Sector Data Collection Section and a third one: the already existing the Data Base Management Section.

2.4 EXTERNAL COOPERATION

The BoG is the only institution involved in the production of b.o.p. and i.i.p. as well as external debt statistics. The National Statistical Service of Greece (NSSG), however, supplies trade data and other variables to the BoG, which are used for cross-checking purposes. Data on the number of arrivals/departures at all types of frontier stations (e.g. airports, seaports) are provided directly by the relevant Greek authorities.

2.5 USERS

The BoG maintains regular contact with users, such as the NSSG, the Ministry of Economy and Finance, universities, credit rating companies, etc. Bilateral meetings are sometimes held with users to discuss specific issues. A principal user is the bank's own Economic Research Department. B.o.p. data presented according to the standard components of the BPM5 are supplied on a regular basis to the European Central Bank, the European Commission (Eurostat), the Organisation for Economic Co-operation and Development, the International Monetary Fund and the Bank for International Settlements.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The current Greek data collection system is a mixed system since the international transactions reporting system (ITRS) based on banks' settlements reporting is supplemented by information derived from other sources; more analytically these sources are: (i) frontier travel survey, (ii) direct reporting by certain resident transactors, such as oil refineries, investment companies, mutual funds and stock exchange firms, and (iii) direct reporting by residents for their cross-border transactions settled without the intermediation of resident banks. Additional information is also collected from the BoG's various departments and from the Ministry of Economy and Finance for certain transactions, such as current and capital transfers and financial account transactions. Codification is undertaken by the respondents (reporting banks and direct transactors) and not by the BoG. The ITRS has been in place for all reporting banks since end-1998. Transactions are reported on a transaction-by-transaction basis, with the exception of some items, which are reported in aggregate.

Information derived from the monthly MFIs' balance sheet and from the press are mostly used for cross-checking purposes and updating the business register for FDI and assets/liabilities surveys.

3.2 REPORTING AGENTS

(i) *Banks*: these are commercial banks and other special credit institutions. They are required to report all their external transactions on behalf of residents and non-residents and on their own account, irrespective of whether they are acting as an intermediary between a non-resident bank/non-bank and another resident bank, or carrying out interbank operations affecting their external position. Resident banks must also report the opening and closing balances of their external position broken down by currency. Changes between the opening and closing positions should be equal to the net external transactions in the respective currencies unless the specific bank applies the exception threshold of €12,500. If an error is detected in earlier than the current month data, the BoG assesses the size and effect of the error in the overall data and decides whether or not to adjust the past data and the output. B.o.p. data that are more than six months old are considered to be definitive.

(ii) *Central Bank*: various departments of the BoG provide data for the compilation of the b.o.p., i.i.p. and external debt; these

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection for Greece

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
MFIs	AEE	Exports and imports of goods	Monthly	15 days
MFIs	AES	All other transactions Except travel	Monthly	15 days
Athens stock exchange brokerage firms		Portfolio investment flows	Monthly	15 days
Custodians: Banks, mutual funds, investment companies	Announcements A, B, C.	Portfolio investment stocks	Monthly	15 days
Sample of resident firms	FDI Inward and Outward Questionnaires	FDI data	Annual	6 months
Sample of resident firms	Statistical Declaration	External assets and liabilities	Annual	6 months
Residents non-residents transactions without the intermediation of residents banks	Statistical Declaration	All BOP transactions	Monthly	15 days

data refer to current transfers, general government, reserve assets, etc.

(iii) *Direct respondents*: direct respondents report transactions with non-residents, which are not settled via resident banks. In addition, the system collects data directly from certain resident transactors such as oil refineries, mutual funds, stockbrokers and custodians.

(iv) *Public sector*: the Ministry of Economy and Finance provides data on general government external debt and on transactions with European Union (EU) institutions.

3.3 THRESHOLDS

Since 1 July 2002, in compliance with Regulation (EC) No 2560/2001, for all external transactions, the threshold of €12,500 has been applied. Transactions above the threshold are reported on a transaction-by-transaction basis. For transactions with a value lower than €100,000 but greater than €12,500 information on the resident transactor is available on request, as this has to be submitted, if required, to the BoG. However, most banks submit information on the resident transactor counterpart for all transactions where this is requested. The scrutiny of such large-value external transactions constitutes the most important quality check on the data submitted by banks acting as intermediaries.

3.4 AVAILABILITY OF DATA

B.o.p. flow statistics are compiled and published monthly on a settlement basis, meeting the ECB's monthly b.o.p. requirements, both in terms of coverage and timeliness. Imputations, netting-out operations for a number of transactions and the use of supplementary information provided by resident transactors are conducted on monthly b.o.p. data. I.i.p.

stock data are made available on a quarterly basis without a geographical breakdown and on an annual basis with a geographical breakdown which meets the ECB's requirements (step 3). Portfolio investment stocks (assets and liabilities) are available on a monthly basis.

3.5 TIMELINESS

The reporting MFIs and other agents have 15 calendar days from the end of the reporting period (month) to submit data to the BoG, which thus has approximately three weeks to process the data, check their validity and compile reports for the various users and publications.

3.6 COMPILATION FREQUENCY

The Greek b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

The monthly ITRS data submitted on electronic media (diskettes or CD-ROMs) by the reporting banks are loaded onto the RISC system (computer system used by the BoG. For each file received, the validity of the general information (bank identity, reporting period, etc.) is checked and verified by a computer programme. The data are also checked for validity and accuracy by means of plausibility checks and checks using previous months' data. A listing of all errors found is produced and the reporting bank is notified immediately. Once the necessary corrections have been processed, a second round of validation takes place and flows are compared with the change in the external position of the reporting bank if the bank does not apply the exemption threshold of €12,500. Additional comparative reports are produced and manual checking takes place, principally of the high-value transactions (more than €100,000). It is difficult, however, to verify incoming payments on behalf of customers, as the banks are not always in a position to report the type of transaction (why the payments have been received) in which case the customer must be asked about the nature of such transactions. In general, plausibility checks are fairly easy for transactions above the amount of €100,000 but are difficult for transactions below this amount.

3.8 REVISION POLICY

The BoG does not have a strict revision policy. In principle, data are revised continually, whenever new statistical information becomes available which after being checked is considered acceptable. Revisions may also be due to a break in series stemming from a change in methodology. Revised data are always appropriately indicated.

3.9 PUBLICATION

The titles of the publications produced by the BoG on b.o.p. statistics are listed in Sub-section 13.1.

Data users of the Greek b.o.p./i.i.p. statistics are:

(i) other units of the BoG, e.g. the External Economic Affairs Division and the Money and Banking Division of the Economic Research Department, the Governor's and Deputy Governors' offices;

(ii) other institutions, e.g. the Ministry of Economy and Finance, other government departments, universities, banks and embassies.

The b.o.p. and i.i.p. data, as well as international reserves template data, are released on the BoG's website (http://www.bankofgreece.gr/en/sdds/). An advance release calendar for the above-mentioned data is also available on the BoG's website (http://www.bankofgreece.gr/en/sdds/ARC-External.xls).

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The goods item is computed on the basis of settlements, as recorded via the ITRS.

The BoG compiles its own data on merchandise trade using bank settlement reporting, while information supplied directly by enterprises such as oil refineries and by the NSSG are used for cross-checking purposes. The NSSG's first set of data on external trade is not used in the b.o.p. compilation by the BoG because these data are estimated in the event of missing respondents, especially for intra-EU transactions (Intrastat), using trends and extrapolation from previous months, which are frequently subject to major revisions.

Transactions under special Community programmes (Satellite, Airbus and others) are very rare in the Greek b.o.p. and are examined on a case-by-case basis.

Data on trade credits (both asset and liability positions) are collected annually from a survey of non-bank enterprises.

4.2 DEFINITION

Since January 1999 data have complied fully with BPM5 standards.

The BoG trade data are compiled following both the special and the general trade principles, while NSSG data are compiled on a special trade basis.

The geographical allocation of transactions is based on the country of origin/destination. Although reporting agents are also requested to report the country of consignment, these data cannot be cross-checked with customs data of the same period, as the latter become available only some time after the settlement data. Therefore, the goods data for the euro area aggregates are principally based on the country of origin/destination.

No geographical breakdown is available in the case of military goods.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

Data for trade credits (flows) are not reported in the b.o.p.

4.5 INTENDED HARMONISATION

It is envisaged that estimates for trade credits (flows), on a quarterly basis, will be reported in the b.o.p for both 2006 and 2007 in September 2008, after the final elaboration of the current year's annual survey questionnaire (assets/liabilities) sent out to non-financial corporations.

4.6 ESTIMATION METHODS

Trade data – both imports and exports – are valued on an f.o.b. basis. The c.i.f./f.o.b. rate is calculated automatically by the system, either using the data from the respondent banks where these are available or, if they are not available, by applying a fixed (5%) conversion factor for all methods of transport and all partner countries.

There is no seasonal adjustment, although several methods have been tested.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Data for services except travel are compiled from the ITRS. The BoG has commissioned a frontier travel survey since May 2002 for the estimation of the expenditure of non-residents in Greece and of Greek residents abroad.

Furthermore, financial services flows are cross-checked with data from direct respondents (e.g. stockbrokers).

5.2 DEFINITION

The definition is in line with the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISTION

None.

5.6 ESTIMATION METHODS

Travel services data are derived from the frontier survey on international travel (incoming non- residents are surveyed for their expenditure in Greece upon departure and outgoing residents are surveyed for their expenditure abroad upon arrival). The survey takes place at all types of frontier stations, such as airports, seaports, road crossings and railway stations. It provides (i) a breakdown by purpose of travel, such as personal and business purposes, with a further breakdown of personal into leisure, studies, health, visit to relatives and other, and (ii) a geographical breakdown into EU15, EU25 and other major countries/markets.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 COMPENSATION OF EMPLOYEES

Data are collected though the ITRS.

6.1.2 INCOME ON DIRECT INVESTMENT

Income on equity is obtained through the ITRS. Annual data for reinvested earnings are estimated using information from replies to the annual foreign direct investment questionnaire. These estimates are included in the monthly b.o.p. after the final quality control.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Portfolio investment income statistics as from April 2005 are recorded on an accruals basis; they are estimated using monthly stock data which are reported by domestic custodians and end-investors on a security-by-security basis to the BoG. The estimation method follows the debtor approach. The actual payments of portfolio income are based on the ITRS and are cross-checked with data provided by the BoG's Electronic Secondary Securities Market Section.

There are no major problems with the recording of income for specific types of bonds.

No impact on portfolio investment income due to taxation issues has been observed.

6.1.4 INCOME ON OTHER INVESTMENT

Data are collected through the ITRS. The BoG does not record income on trade credits and the share of interest in leasing payments is missing.

Income on reserve assets is recorded on an accruals basis.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

Income on inter-company loans and trade credits is not currently recorded. CII income is not fully covered.

6.4 INTENDED HARMONISATION

None.

6.5 ESTIMATION METHODS

If settlement data are not available on time, estimates are made using trends and extrapolation from previous months' data. Reinvested earnings are estimated using information from replies to the annual foreign direct investment questionnaire. Portfolio investment income on an accruals basis is estimated by using monthly stock data reported by domestic custodians and end-investors on a security-by-security basis.

7 CURRENT TRANSFERS

General government: data are collected through the ITRS and from other administrative sources.

Other sectors: data are collected through the ITRS and the travel frontier survey for emigrants' remittances.

The balances on emigrants' remittance accounts held with resident MFIs are not considered to be an external liability. This treatment is not significantly different from the "centre of economic interest" according to the IMF's residency guidelines for the following reasons:

- emigrants' accounts are usually jointly held with residents of Greece, so they cannot be viewed as a liability to non-residents;
- emigrants are individuals who, in many cases, spend part of every year in Greece, and can thus be said to have "multiple residency" status (paragraph 72, BPM5); and
- emigrants can maintain these accounts even if they no have returned to Greece and acquired the status of resident.

Historically, emigrants' deposits held with Greek banks have been used almost entirely to finance expenditure in Greece; thus these deposits do not have the characteristics of a short-term financial instrument.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Sub-sections 3.1 and 3.2 provide information on the general reporting system.

Greece is able to provide separate monthly data for the capital account, since the biggest part, capital transfers related to EU institutions, can be estimated on the basis of combined information from the European Commission (Eurostat) and the Ministry of Economy and Finance.

8.2 DEFINITION

In principle, the definition of the capital account is in accordance with the BPM5 and the harmonisation proposals made by the ESCB's Working Group on External Statistics (WG-ES) and its predecessors.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Monthly direct investment flows are based on the ITRS. Annual FDI stock data are collected through an annual survey (the foreign direct investment questionnaire), which has run since 1998.

Information on long and short-term loans between affiliates is collected through this survey.

Difficulties in distinguishing between direct investment and portfolio investment have been resolved, as additional quarterly information is obtained from the Athens Stock Exchange enabling a reallocation of transactions of 10% or more of an entity's capital to FDI.

With regard to the treatment of special-purpose entities (especially holding companies), if such entities are identified, their transactions are recorded under FDI.

Domestic shares acquired by non-resident investors through secondary markets can be identified, since the Athens Stock Exchange provides information on all transactions involving more than 10% of the share capital of any listed company.

The valuation of transactions settled through an exchange of shares is based on the price at which the transaction, i.e. the transfer of the shares of the resident holder to the non-resident, is recorded. For listed companies, any transfer of shares has to be made through the electronic system of the Athens Stock Exchange.

The geographical breakdown is based on the residency of the actual issuer (i.e. debtor/creditor principle) for assets and the first-known counterpart for liabilities.

Real estate transactions are collected through the ITRS.

9.2 DEFINITION

In principle, the definition of the capital account is in accordance with the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

For flows, the BoG complies with the 10% rule and adds 50% in order to make the compilation of foreign affiliates' trade statistics (FATS) possible.

Reporting banks are informed that they must apply the directional principle.

All cross-border transactions in real estate are covered.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The directional principle may not be applied in all cases (e.g. reverse investment by the direct investment enterprise in its direct investor).

9.4 GAPS

It is difficult to identify equity contributions without payment (i.e. providing real assets or financial assets) unless supplementary information is collected.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Reinvested earnings are estimated using information from replies to the annual foreign direct investment questionnaire. There are no other estimations for direct investment.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Portfolio investment data are derived from those collected within the context of the general b.o.p. reporting scheme. More specifically, data for both assets and liabilities are derived from data collected through the ITRS, from the consolidated balance sheet of the MFIs and from the monthly stock data supplied by custodians and end-investors; moreover for liabilities statistical information supplied by the central securities depository and the BoG's

Electronic Secondary Securities Market Section is used.

Difficulties in distinguishing between direct investment and portfolio investment have been resolved, as quarterly information is obtained from the Athens Stock Exchange in order to reallocate transactions of more than 10% of an entity's capital to FDI.

Monthly stock data supplied by custodians and end-investors are used for estimating income on an accruals basis and also for checking purposes. The International Securities Identification Number (ISIN) is also used to check flows with stocks data.

The geographical allocation criterion for assets is based on the country of residence of the issuer while for liabilities, it is based on the first-known counterpart principle. A detailed country breakdown is available on a monthly basis. However, there is only limited historical data prior to the introduction of the ITRS.

I0.2 DEFINITION

The BoG follows the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES and its predecessors. However, the distinction between direct investment and portfolio investment is difficult to be determined by the reporting agents and can only be made by the BoG using the information on listed companies supplied by the Athens Stock Exchange and press reports.

Service charges, fees and commissions are part of the financial services reported by the ITRS.

Private placements are recorded in the b.o.p. using supplementary information. Transactions relating to loans with securities as collateral are included in other investment. The data collected through the annual survey of non-bank enterprises (assets/liabilities questionnaire) are used for cross-checking purposes.

I0.3 DEVIATIONS FROM AGREED DEFINITIONS

The treatment of the investment income account follows the accruals principle, but no offsetting entry is recorded in the financial account.

I0.4 GAPS

For outward portfolio investment flows, information is not available for investments made directly with non-residents, i.e. carried out through a non-resident broker/bank.

I0.5 INTENDED HARMONISATION

None.

I0.6 ESTIMATION METHODS

Portfolio investment income on an accruals basis is estimated using monthly stock data reported by domestic custodians and end-investors on a security-by-security basis.

I1 FINANCIAL DERIVATIVES

I1.1 SPECIFIC FEATURES OF DATA COLLECTION

The recording of financial derivatives is based on ITRS data, but valuation is a problem that has not yet been fully resolved for over-the-counter transactions. Income on financial derivatives (e.g. interest rates swaps) is recorded under financial derivatives.

I1.2 DEFINITIONS

The BoG follows the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES and its predecessors.

I1.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

I1.4 GAPS

None.

I1.5 INTENDED HARMONISATION

None.

I1.6 ESTIMATION METHODS

None.

I2 OTHER INVESTMENT

I2.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on loans and deposits in general are collected through the ITRS and the consolidated balance sheet of the MFIs. Data on loans by the general government sector are derived by BoG departments. Data on loans from the non-banking sector are identified if the loan is made via a resident bank; however, data for residents' loans that are taken directly from non-resident banks are difficult to be captured. If the resident does not ask a resident bank to service these loans, the loans are not recorded unless the customer declares them. An annual survey was first launched in 1998 (data for 1996 and 1997) to record the outstanding debt liabilities of the non-banking sector and since then it is repeated every year. This questionnaire has been extended to cover external assets and liabilities by type of instrument (bonds, loans, deposits, trade credits and financial derivatives) and it is sent to about 1,050 resident enterprises. The quality of these data is satisfactory.

In line with ECB requirements, the breakdown by sector and maturity of the MFIs is available on a monthly basis, after taking into account the relevant data from monthly MFIs balance sheets.

I2.2 DEFINITION

In principle, the BoG follows the recommendations set out in the BPM5 and the harmonisation proposals made by the ECB.

Data for trade credits (flows) are not reported in the b.o.p., although data for asset and liability positions are reported.

Both "genuine" repurchase agreements at a fixed price on a fixed date and sell/buy-back transactions are recorded under other investment.

I2.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

I2.4 GAPS

Deposits data provided by the ITRS for the non-banking sector (assets side) do not have adequate coverage. BIS stock data for the household sector are used as a proxy. See also par. 4.4

I2.5 INTENDED HARMONISATION

See par. 4.5

I2.6 ESTIMATION METHODS

None.

I3 RESERVE ASSETS

I3.1 SPECIFIC FEATURES OF DATA COLLECTION

The information is obtained from the Financial Operations Department of the BoG. a breakdown by instrument is available on a monthly basis.

I3.2 DEFINITION

The BoG complies with the recommendations set out in the BPM5 and the Eurosystem's harmonisation proposals.

I3.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

The BoG's collection system is based on stock data from annual surveys on FDI and other investment (assets/liabilities), as well as from monthly reports on portfolio investment by custodians (banks, etc.) and end-investors.

Specifically by item:

- FDI statistics are estimated using the data gathered by an annual questionnaire sent to about 1,500 companies (both for inward and outward FDI);
- portfolio investment statistics are compiled on a monthly basis using data from the Financial Operations Department of the BoG, as well as data reported directly by custodians (banks, stockbrokers, mutual funds and investment companies) and end-investors;
- financial derivatives data are obtained from the ITRS; and
- other investment:

  (i) monetary authorities: assets/liabilities are compiled using data from the Financial Operations Department of the BoG;

  (ii) general government: loan liabilities are estimated from the annual data provided by various departments of the BoG, the Ministry of Economy and Finance and the Debt Management Office;

  (iii) MFIs: external assets/liabilities are compiled quarterly using the monthly balance sheet statistics provided by the Monetary and Financial Statistics Division of the BoG; and

  (iv) other sectors: BIS data are used to compile the household sector's assets. Loan liabilities are estimated using the annual data from a questionnaire (assets/liabilities annual survey) sent out to non-financial corporations.

The geographical breakdown for assets is according to the issuer, while for liabilities it is according to the first-known counterpart.

Greece participated in the 2001, 2002, 2003 and 2004 IMF Co-ordinated Portfolio Investment Surveys (CPIS).

Since September 2003, the BoG has been compiling quarterly data for the country's external debt in accordance with the relevant IMF guidelines. Since September 2004, it has been reporting i.i.p. data to the ECB in accordance with the "step 3" approach (geographical breakdown of positions with a limited number of partner countries) and, since January 2005, i.i.p. data vis-à-vis the non-euro area countries on a quarterly basis in accordance with Guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template.

The estimates for quarterly i.i.p. items are either based on available stock data or b.o.p flows.

14.2 DEFINITIONS

14.2.1 GENERAL

The coverage and the concept of the i.i.p. items are in line with the respective items of the b.o.p. financial account. The definitions are also in line with the recommendations in the BPM5 and with those of the ECB.

For checking purposes, the changes in stock positions are compared with transactions, taking into account valuation adjustments.

These valuation adjustments are based on:

(i) market values for equities;

(ii) market values for bonds and Treasury bills;

(iii) book values for FDI stocks abroad; and

(iv) book and market values for FDI stocks in Greece.

I4.2.2 DIRECT INVESTMENT

The directional principle is followed and estimates of reinvested earnings are included.

I4.2.3 PORTFOLIO INVESTMENT

In accordance with the BPM5 and ECB Guidelines.

I4.2.4 FINANCIAL DERIVATIVES

In accordance with the BPM5 and ECB Guidelines.

I4.2.5 OTHER INVESTMENT

In accordance with the BPM5 and ECB Guidelines.

I4.2.6 RESERVE ASSETS

Reserve asset data valued at market prices are provided by the BoG's Financial Operations Department.

I4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

I4.4 GAPS

None.

I4.5 INTENDED HARMONISATION

None.

I4.6 ESTIMATION METHODS

None.

I5 ADMINISTRATION

I5.1 TITLES OF PUBLICATIONS

"Monthly Press Release: Provisional Balance of Payments Data with Summary Report"
"Bulletin of Conjunctural Indicators" (monthly)
"Monthly Statistical Bulletin" (currently available for historical data)
"Economic Bulletin" (bi-annual)
"Monetary Policy Report" (bi-annual, submitted to the Greek Parliament)
"Governor's Annual Report"
"Budget Statement" (annual)

The Monthly Press Release, the Bulletin of Conjunctural Indicators, the Monthly Statistical Bulletin and the Summary Data for the SDDS are available on the website of the BoG (www.bankofgreece.gr/en/statistics).

I5.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Greece. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Greece should be addressed to:

Ms Barbara Verra Rodis
Deputy Head of the Balance of Payments Statistics Division
Statistics Department
Bank of Greece
21, El. Venizelos Av.
GR - 10250 Athens
Greece

Tel.: 00 30 210 3203840
Fax: 00 30 210 323 6035
E-mail: vrodis@bankofgreece.gr

Mr Andreas Karapappas
Head of the Balance of Payments Compilation Section
Balance of Payments Statistics Division
Statistics Department
Bank of Greece
21, El. Venizelos Av.
GR - 10250 Athens
Greece

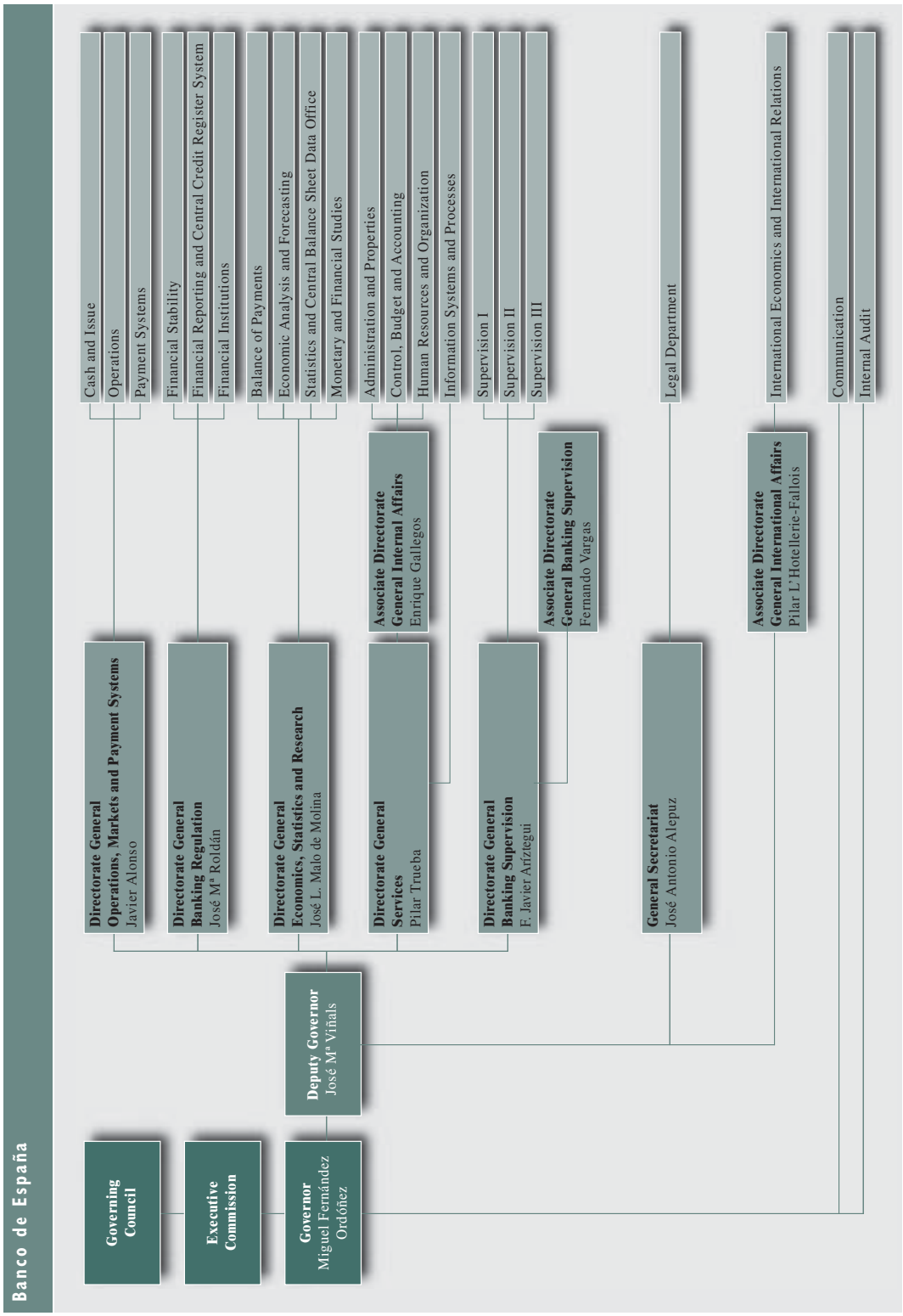
Tel.: 00 30 210 3203841
Fax: 00 30 210 323 6035
E-mail: akarapappas@bankofgreece.gr

Ms Evangelia Koumoutsou
Deputy Head of the Balance of Payments Compilation Section
Balance of Payments Statistics Division
Statistics Department
Bank of Greece
21, El. Venizelos Av.
GR - 10250 Athens
Greece

Tel.: 00 30 210 3203856
Fax: 00 30 210 323 6035
E-mail: ekoumoutsou@bankofgreece.gr

4.9 SPAIN

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The *Banco de España* has been responsible for compiling the balance of payments statistics since 1991. Before then, their compilation was the responsibility of the Secretary of State for Trade at the Ministry of Economy and Finance. After the full liberalisation of cross-border economic transactions in 1992 and the publication of the fifth edition of the IMF Balance of Payments Manual (BPM5), a completely new b.o.p. data collection system was introduced in 1993.

2.2 LEGISLATIVE PROVISIONS

All residents in Spain are obliged, by Law 19/2003, to declare all cross-border transactions they undertake. This is for administrative as well as for statistical purposes. The Banco de España, in turn, is responsible for declaring this information to fiscal and other authorities.

The Royal Decree and circulars regulate the b.o.p. reporting obligations in a uniform manner. The burden of reporting is therefore equal for banks and all direct reporters. The legal basis provides the possibility of imposing sanctions on individuals and companies which do not fulfil their obligations to report on b.o.p. transactions. The sanctions imposed are of an administrative nature and take the form of a fine. Credit institutions can also be fined by the *Banco de España* whenever they fail to comply with the general rules imposed by the central bank.

2.3 INTERNAL ORGANISATION

All statistics produced by the *Banco de España* are compiled by the Directorate-General for Economics, Statistics and Research, which consists of four departments: the Economic Analysis and Forecasting Department, the Statistics and Central Balance Sheet Office Department, the Monetary and Financial Studies Department and the Balance of Payments Department. The Balance of Payments Department has around 50 staff members.

The Balance of Payments Department cooperates continuously with the other departments of the Banco de España. The Statistics and Central Balance Sheet Office Department, which produces data for the national accounts (financial accounts), and the Balance of Payments Department work together on a regular basis to check that the figures produced for the national accounts are reconciled with the b.o.p. figures. Information on reserves and other transactions (both flows and stocks) of the monetary authorities is provided by the operations departments. MFIs' data on stocks are also provided by the Directorate-General for Regulation.

2.4 EXTERNAL COOPERATION

The Balance of Payments Department consults the Government Customs Department, which provides figures for merchandise – foreign trade (intra-EU and extra-EU trade). A tape is provided on a monthly basis and adjustments to these data are carried out within the Banco de España. This is one-way traffic – the Balance of Payments Department does not provide data to the Customs Department. The trade statistics represent transaction data.

In the past, the involvement of the Ministry of Economy and Finance was primarily for exchange control reasons, whereas it is now for purely statistical purposes. The *Banco de España* currently uses this source (Ministry of Industry, Tourism and Trade from 2002 onwards) as supplementary information for the estimation of flow and stock figures for direct investment. In the near future, it is planned to use it as the main source in order to collect FDI stocks separately for listed (both book and market values) and unlisted companies.

Cooperation with the National Statistics Institute (NSI) is continuous in both directions. The Rest of the World (RoW) account is compiled by the Institute using b.o.p. data as a

source. The Balance of Payments Department incorporates some estimates made by the NSI, mainly in the services and labour income accounts. With regard to travel, the Balance of Payments Department collaborates with the NSI and the Tourism Administration to produce the figures.

The Spanish Treasury provides detailed information on payments between Spanish institutions and the European Union. In the case of the EGGAF fund, data provided directly by the FEGA (Spanish organism in charge of coordination and financing in advance to final beneficiaries) are used in order to follow the accruals principle.

2.5 USERS

B.o.p. data according to the standard components of the BPM5 are supplied to international organisations, such as the European Central Bank, the European Commission (Eurostat), the Organisation for Economic Co-operation and Development, the International Monetary Fund and the Bank for International Settlements, on a regular basis. Data are now transmitted to the ECB and Eurostat using the GESMES/CB message format. The same applies to other organisations such as the IMF and the BIS, provided that they have agreed upon its use.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The *Banco de España* introduced a new data collection system in 1993. It is described as a *"semi-closed settlement system"*. The general reporting system is fully closed: all changes in the external accounts of banks or non-banks are explained by the full reporting of transactions (flows). The balance of the external account at the beginning of the period plus the transactions during the period equals the balance at the end of the period. The general reporting system is complemented by other sources:

- data on trade/goods are obtained from the Customs Department;
- data on government transactions (public transfers) are reported directly;
- starting in January 2000, travel was estimated using data on settlements and information obtained from different surveys (border spending survey, accommodation and prices surveys); since January 2005 credits have been estimated exclusively on the basis of the expenditure data provided by the border spending survey;
- the NSI provides information on a) freight and related services and b) taxes, consumption and payments in kind related to the compensation of employees item.
- since 2006 a new estimation model, which combines settlement data with information from different sources (administrative registers, econometric models, counterpart country data, information on money transfer operators), has been used for the calculation of workers' remittance debits;
- supplementary data on direct investment are provided by the Ministry of Industry, Tourism and Trade; and
- data on reinvested earnings are estimated on the basis of information provided by the Central Balance Sheet Data Office of the *Banco de España* and data disseminated by Eurostat.

Further sources such as the supervisory reports of monetary financial institutions (MFIs) are used for checking purposes and also to:

- obtain the geographical breakdown of MFIs' other investment; and
- transform the reported net figures of the correspondent accounts of MFIs into gross figures.

The ECB's Centralised Securities Database (CSDB) will be used to produce the split between euro area and non-euro area transactions and positions in securities; meanwhile the BIS database is being used for the outward data from 2001 onwards. The CSDB is already being used for the sectoral breakdown (according to

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection for Spain

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Deposit money institutions and other financial institutions acting on their own account and on behalf of clients	No name – electronic format (Circular 15/1992 – foreign receipts and payments)	– Date – Identification of the resident – Concept (code) – Country of the non-resident – Currency – Amount – Issuer identification (if applicable) – ISIN code (if applicable) – Some other fields for internal purposes	10 days	8 working days
	No name – electronic format (Circular 2/2001-tradable securities)	– Date – Identification of the resident – instrument classification – ISIN code – Issuer identification – Concept (identification of repo-type) – Counterpart country – Nominal value/number of securities of: a) initial stock b) transactions and c) final stock – Market valuation of initial and final stock – Amount of the transaction – Coupon/dividend – Some other fields for internal purposes	Monthly/quarterly	10 working days
Residents holding accounts abroad and intercompany accounts	DD-2	– Date – Currency – Amount – Concept (description) – Country of the non-resident – Issuer identification (if applicable) – ISIN code (if applicable) – Some other fields for internal purposes	Monthly	20 days
	If holding accounts with non resident security depositories: No name – electronic format (Circular 2/2001-tradable securities)	– Date – Identification of the resident – instrument classification – ISIN code – Issuer identification – Concept (identification of repo-type) – Counterpart country – Nominal value/number of securities of: a) initial stock b) transactions and c) final stock – Market valuation of initial and final stock – Amount of the transaction – Coupon/dividend – Some other fields for internal purposes	Monthly	10 working days

Reporting scheme for b.o.p. and i.i.p. data collection for Spain (cond't)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Residents concluding off-setting transactions with non-residents	CP-1	– Date – Currency – Amount – Concept (description) – Name and country of the non-resident – Issuer identification (if applicable) – ISIN code (if applicable) – Some other fields for internal purposes	Transaction by transaction	1 month
Residents undertaking lending transactions with non-residents	CC-1, CC-2, PE-1, PE-2, PE-3 and PE-4	– Date – Currency – Amount – Concept (description) – Name and country of the non-resident – Relationship between resident and non-resident (ID relationship) – Repayment date, interest rate – Some other fields for internal purposes	Loan by loan	1 month

the issuer of the securities) of the assets side of intra-euro area portfolio investment.

Finally, all news available via public information systems (e.g. the press) and relevant for b.o.p. purposes is used to check the b.o.p. returns.

The *Banco de España* has started a process to complement and, in due course, replace the collection system currently in place. The design of the new system has not yet been completed, but some features can already be described. Information on services will be collected from surveys carried out by the NSI. Work on the implementation of the new survey has already been brought to a very advanced stage in order to ensure its incorporation in the production processes before the increase of reporting thresholds for EU transfers. Information on traded securities has been collected since December 2001 using a system based on primarily indirect but also direct security-by-security reporting through custodians and financial intermediaries set up under *Banco de España* Circular 2/2001. This information was used for the first time to compile portfolio investment position data for December 2003, incorporating data from December 2002. Historical data have been revised in the case of listed shares taking into account the evolution of prices.

In the process of complementing the main sources, the *Banco de España* has started to use more intensively information from the Investment Register of the Directorate-General for Trade and Investment of the Ministry of Industry, Tourism and Trade. From data referred to 2002 year onwards, data from this source for some b.o.p. transactions have been added. The use of information from this source for the compilation of direct investment figures, both for the b.o.p. and the i.i.p., is being studied, especially regarding the dissemination of equity FDI stocks for both listed and unlisted shares, and for the calculation of the double valuation (market and book values) for listed shares.

3.2 REPORTING AGENTS

The agents which provided the information needed to compile the external statistics are listed below.

(i) *Deposit money institutions: these institutions are banks, savings banks and credit cooperatives*. They must report the transactions with non-residents carried out both on their own account and on behalf of their customers, in accordance with *Banco de España* Circular 15/1992. Data submitted by this group of reporting agents should include the opening and closing balances of the accounts, and the credits and debits which explain the variation in the balances. Hence the change in the resulting balance must be equal to the sum of the individually declared flows. The plausibility of the data is checked against balance sheet data. Since December 2001 this group of reporting agents has been bound by the law to report on security accounts and the movements in these accounts on a security-by-security basis (Circular 2/2001). Currently, this information is incorporated in the i.i.p. data but not in the b.o.p.

(ii) *Other financial institutions* registered with the *Banco de España* or the National Securities Market Commission (CNMV): these institutions are specialised lending institutions, agency brokers and broker-dealers. They must declare all transactions carried out on their own account and on behalf of their customers (Circular 15/1992). Since December 2001 this group of reporting agents has also been bound by the law to report on security accounts and the movements in these accounts on a security-by-security basis (Circular 2/2001). Currently, this information is incorporated in the i.i.p. data but not in the b.o.p.

(iii) *Holders of accounts with non-resident credit institutions or non-resident security depositories:* these account holders must report the opening and closing balances of their accounts and all operations settled through them to the *Banco de España* (Circular 24/1992). Since December 2001 this group of reporting agents has also been required to report on security accounts and the movements in these accounts on a security-by-security basis (Circular 2/2001). Currently, this information is incorporated in the i.i.p. data but not in the b.o.p.

(iv) *Inter-company accounts with non-resident firms* are becoming increasingly important. All transactions through these accounts must be reported directly to the *Banco de España* (Circular 24/1992), together with the opening and closing balances of these accounts and the transactions debited or credited through them.

(v) *Clearing transactions with non-residents:* Clearing means any operation that does not give rise to a settlement via credits or debits on a bank or inter-company account, since it involves a receipt and a payment of the same amount with opposite signs. Residents who carry out such transactions must report them directly to the *Banco de España* (Circular 6/2000).

(vi) *Foreign lending and borrowing by residents other than credit institutions:* Spanish residents who carry out such transactions must report the terms of the loans or private issues to the Banco de España. This also includes the relationship between the lender and the borrower (Circular 6/2000).

3.3 THRESHOLDS

The reporting threshold for banks and direct reporters (foreign bank account holders or inter-company accounts) is not an exemption threshold, but a simplification threshold. For banks, the amount (E12,500) refers to individual transactions: only receipts and payments

exceeding this amount are reported individually and the nature of the transaction specified. For direct reporters, the amount (E3 million) refers to the total credit or debit transactions settled through the foreign account in any given month: if these transactions exceed E3 million, the account holders have to report them. If not, there is no obligation to report them in that particular month, and the transactions are reported in the following month (if the threshold is exceeded), or at the end of the year (if the threshold was not reached in any month). Only if the total amount of the transactions settled in the year is less than E600,000 are direct reporters not obliged to report them.

With regard to external loans and clearing transactions, the thresholds are: E3 million for financial transactions and E600,000 for long-term trade credit or clearing operations. Short-term trade credit is not reported when it is not effected via inter-company accounts.

The thresholds for the new security-by-security compilation system vary depending on the reporting agent. For custodians there is a simplification threshold; whenever the reporting agent's overall position in tradable securities at the end of the previous year does not exceed E60 million or its total amount of transactions in tradable securities does not exceed E600 million during the same year, it does not need to report monthly and may report quarterly. For resident end-investors (individuals, households and legal entities other than custodians) that hold securities with non-resident custodians, there is an exemption threshold; whenever the reporting agent's overall position in tradable securities deposited with foreign entities does not exceed E6 million at the end of the previous year and its total amount of transactions in tradable securities does not exceed E60 million during the same year, there is, in principle, no obligation to report.

3.4 AVAILABILITY OF DATA

At the beginning of 1993 the *Banco de España* was aware of the requirements of the new BPM5 and it took advantage of this when preparing the new data collection system. Soon after the new data collection system was introduced, the *Banco de España* published b.o.p. figures in accordance with the requirements of the revised Manual and sent data translated into the new format to the international organisations. Data are available following the BPM5 from 1990 onwards.

3.5 TIMELINESS

At present, a complete set of data, including goods data supplied by the Customs Department, are available within six to ten weeks. Goods data for the provision of the monthly b.o.p. within six weeks are estimated by the *Banco de España* when the above-mentioned data are not available (see Sub-section 4.2.1 below).

Banks, other financial institutions and new security-by-security reporting agents have to submit their data within 10 working days of the reporting period. Other residents (account holders or clearing transactors) have 20 and 30 calendar days respectively after the end of the reporting period to submit their data. In some cases reporting agents experience difficulties in meeting these deadlines. The *Banco de España* has ongoing contact with reporting agents as data are submitted every 10 days.

3.6 COMPILATION FREQUENCY

The Spanish b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

There are three levels of checking controls which can be distinguished. First, a fairly complete set of validity and consistency checks has been defined that are executed on the data by automatic procedure. Second, controls on the aggregate data are carried out by means of macro-editing reports based on expected values. Unexpected results are checked, so that flows contributing to any suspicious figures are analysed and corrected if necessary. Third, a set

of plausibility checks is performed on the data where the aggregated data are compared with the data reported on the balance sheets of the banks or with other data sources.

3.8 REVISION POLICY

When data for January are published, data for the previous 24 months are revised.

There is no differentiation between monthly, quarterly and annual figures in Spanish publications.

In the context of changes in the compilation system mentioned in Sub-section 3.1 above, and given the need to harmonise revision policies across the EU, the *Banco de España* intends to adapt its revision policy to the new circumstances.

3.9 PUBLICATION

The titles of the publications produced by the *Banco de España* on b.o.p. statistics are listed in Sub-section 15.1.

B.o.p. data are used internally by other units of the *Banco de España* as well as by other institutions to compile statistics and to carry out studies.

The dissemination follows the Special Data Dissemination Standards (SDDS) criteria. The Spanish b.o.p. data, together with the date of their release, are available on the Banco de España's website (www.bde.es).

3.10 AVAILABILITY OF MONTHLY B.O.P. DATA

The *Banco de España* can provide monthly euro area b.o.p. data in accordance with the requirements for the monthly b.o.p., including the euro area/non-euro area breakdown. Data for the monthly b.o.p. are available within five to six weeks. Nevertheless, since the customs data for goods sometimes become available at a later stage, the *Banco de España* has to estimate preliminary data for the goods item.

Coverage of banks and other financial institutions reporting directly to the Balance of Payments Department is always 100%. Data on residents holding accounts or having offsetting transactions, which are reported with a delay, are not estimated, and the information is incorporated when it is received, so that it is reflected in the data revisions.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on trade in goods are, in principle, derived from customs data. B.o.p. compilers adjust these data by (i) carrying out a c.i.f./f.o.b. adjustment on imports; (ii) adding merchandise not crossing the frontiers; (iii) adjusting for rebates and discounts; (iv) adding goods procured in ports (only for debits); (v) adjusting non-responses; (vi) deducting operational leasing services included; and (vii) adding estimates of transactions below Intrastat declaration threshold.

Data from 1990 onwards are compliant with the BPM5 standards in force since 1993.

The euro area/non-euro area split of transactions depends on the countries reported in the Intra-Community Trade Statistical System (Intrastat) or customs documents. Since the data referring to January 1998, the *Banco de España* has been following the country of consignment principle for the data sent to the ECB and Eurostat. Spain applies the "special trade" principle, meaning that goods placed in bonded warehouses within the national territory of the reporting country and exports of goods previously kept in bonded warehousing are excluded from the b.o.p. statistics.

For imports, a c.i.f./f.o.b. adjustment is carried out by applying a rate to the c.i.f.-based imports. The rate is estimated for each year taking into account the intra/extra EU split and the mode of transport.

4.2 DEFINITIONS

The concept of economic territory followed by the *Banco de España* includes the Canary Islands, Ceuta and Melilla.

There is no special treatment for military goods. They are treated and allocated geographically in the same way as other goods.

Transactions in goods under special Community programmes between resident companies (e.g. the participation of a resident company, CASA, in Airbus) and the projects themselves are treated as transactions between residents and non-residents, and included in the goods items where appropriate. Geographical allocation is usually effected according to the countries participating in the project. Consequently, if all countries are euro area members, transactions are allocated intra-euro area; if there are countries that are EU Member States, but non-euro area members, their transactions are allocated to intra-EU15, extra-euro area. The financial contributions of Spanish residents to such projects are included in the financial account as direct investment as the percentage of participation is usually higher than 10%.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

When data are not available on time, estimations are made using the ARIMA model. The seasonal pattern of the settlement data is applied to the transactions. The number of revisions to be carried out depends on the Customs Department. Usually data are revised once, a year later.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

From January 2000, travel is estimated using data on settlements and information from different surveys (both on the demand and the supply side). For data up to 2005, credits are estimated based on expenditure data obtained from a border spending survey combined with information on accommodation and prices, while debits are calculated on the basis of the increasing rates shown by ITRS components. Since January 2005, the new border spending survey has constituted the only source for the estimation of the credits.

Other services are part of the general reporting system (see Sub-section 3.1), with the exception of freight and related services data, which are provided by the NSI.

As stated in Sub-section 3.1, the Banco de España, in cooperation with the NSI, is developing a new survey on other services with the aim of replacing the current information system.

5.2 DEFINITIONS

Financial services are included in the current account. They are compiled using the general reporting system.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

The new survey on other services, which has already provided preliminary results that are currently being analysed, provides quarterly data. Some monthly estimates will have to be designed.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 GENERAL

This is part of the general reporting system (see Sub-section 3.1). The monthly flows for the income account are calculated by combining settlement data and other sources. First, data on taxes, consumption and payments in kind provided by the NSI are used to record the compensation of employees item in gross terms. Second, to estimate accrued income for portfolio investment, information on stock from IIP (aggregated for assets and security by security for liabilities) is combined with data on accrued interests (on a security-by-security basis or accountancy data from the issuers for liabilities and the average of the most representative interest rates for assets).Third, Eurostat and Central Balance Sheet Data Office stock and flow information is used to calculate ratios to estimate reinvested earnings.

Realised gains and losses are generally recorded correctly in the financial account. Income in financial derivatives (i.e. interest swaps) is included in the financial account, even for periods before January 1999.

Dividends are recorded as of the date they are paid.

Data for 1998 are fully consistent with the data for the following years. For previous years, the use of the ISIN is not possible, and the euro area/non-euro area split of the MFI sector in other investment and its income component is not available. For the historical data on all other components, a geographical breakdown is available on a monthly basis.

Adjustments or reconciliations between monthly, quarterly and annual figures are not necessary.

The geographical allocation of investment income for both credits and debits is generally based on the debtor-creditor principle, except for portfolio investment income (see Sub-section 6.1.3). The main problems concern the income component of portfolio investment liabilities and the income on other investment of MFIs.

No bias towards the under-recording of credits can be seen with regard to the income account.

6.1.2 INCOME ON DIRECT INVESTMENT

With regard to *income on equity*, income is registered when it is paid with the only exception of reinvested earnings.

Regarding income on debt, interest on inter-company loans is recorded appropriately owing to the fact that all loans are reported directly to the Banco de España, which can separately identify inter-company loans and the corresponding income transactions. This also applies to income on trade credits between affiliates.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income on debt is calculated applying the accruals principle on the basis of stocks and the most representative interest rates for income on assets and on a security-by-security basis in the case of income on liabilities (see also the remarks in Sub-section 6.1.1).

The impact of taxation issues on portfolio investment income is difficult to assess.

With regard to the geographical breakdown of income on portfolio investment, Spain is able to break down the inflows according to the debtor principle, based on the BIS database and the ISIN, and thus to identify the actual

residency of the issuer. The issuer principle can consequently be applied in a way similar to the treatment of portfolio investment in the financial account. However, this principle will be more accurately applied when the CSDB is fully integrated into our production processes (see Sub-section 10.1 below). No final counterpart can be identified for the outflows of portfolio investment income

6.1.4 INCOME ON OTHER INVESTMENT

Reported flows on the share of interest in leasing payments are included under income on other investment.

The geographical allocation of income on other investment of MFIs is based on the stock data of the banking supervision reports.

Data on income on reserve assets are provided by the Operations Department.

6.2 DEFINITIONS

The *Banco de España* follows the recommendations of the BPM5 and the harmonisation proposals made by the ESCB's Working Group on External Statistics (WG-ES).

6.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.4 GAPS

With regard to income on collective investment institutions (CIIs), Spain only records the dividends paid.

6.5 INTENDED HARMONISATION

The more intensive use of the Investment Register of the Directorate-General for Trade and Investment is being considered in order to obtain more accurate estimates of reinvested earnings.

6.6 ESTIMATION METHODS

Portfolio investment accruals are estimated using information on stock from IIP (aggregated for assets and security by security for liabilities) combined with data on accrued interests (on a security-by-security basis or accountancy data from the issuers for liabilities and the average of the most representative interest rates for assets).

Reinvested earnings flow estimates are based on average rates of return (ratios reinvested earnings flows/equity direct investment stocks) obtained differently for the outward flows (obtained using Eurostat's Newcronos database) and for the inward flows (estimated on the basis of data on non-financial companies provided by the Central Balance Sheet Data Office of the Banco de España). Both ratios are applied to equity direct investment stocks.

7 CURRENT TRANSFERS

Data obtained from administrative registers and NSI surveys on population, salary and wages and family expenditure, complemented by information on transfers sent abroad from Spain through money transfer operators, have been incorporated into the estimation of workers' remittance debits using certain statistical techniques. The new estimation procedure affects data from 2001 onwards. The geographical breakdown of the new series has been calculated on the basis of the structure shown by money transfer operator data.

Information provided by the FEGA (Spanish organism in charge of coordination and financing in advance to final beneficiaries the EGGAF fund) in order to fulfil the accruals principle for the recording of EGGAF funds. Data have been revised from 1995 onwards. For the first compilation of monthly Balance of Payments only data on a cash basis from the Treasury are available so we use these data but applying a two-months lead in case of the EGGAF fund. In the first revision of monthly

data FEGA information on accruals is incorporated.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

A specific issue is related to the recording of the principal and return of the sales of UMTS licences which should, in principle, be reflected in the capital account. However, since these transactions are usually channelled via direct investment companies (i.e. a non-resident buys UMTS licences via its Spanish affiliate), such transactions have, so far, been recorded under direct investment.

8.2 DEFINITION

Adaptation to the new requirements was accomplished at an early stage in most areas. The following criteria for distinguishing between current and capital transfers are applied:

– for transfers with the EU institutions, allocation takes place according to the agreements reached by the European Commission (Eurostat); Information on the European Agricultural Guidance and Guarantee Fund (EAGGF) is provided directly by the FEGA; and
– for other transfers, reporting agents allocate according to the instructions given by the *Banco de España*.

Data on funds granted in relation to the insurance of export credits are directly obtained from accounting statements provided by the CESCE (*Compañía Española de Crédito a la Exportación*).

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

This forms part of the general reporting system (see Sub-section 3.1) from which mainly settlement data are derived. Furthermore, the *Banco de España* uses some data provided by the Ministry of Industry, Tourism and Trade to obtain flow figures on direct investment. This information allows the *Banco de España* to estimate foreign direct investment in Spain in the form of quoted shares (these data are not available in the settlement system, in which all foreign investments in listed securities are reported as a lump sum) and to check for and sometimes capture missing transactions (mainly those of special-purpose entities). The breakdown of direct investment flows by resident economic activity of the resident company is made by using a database that relates each company with each economic activity. The sources of this database are the General Business Register of the NSI, the Statistics and Central Balance Sheet Office Department of the *Banco de España* and the partial direct declaration information available in the Balance of Payments Department.

All inter-company loans are covered, except those short-term trade credits which are not effected via inter-company accounts. Transactions in equity contributions without payments may not always be fully covered, although there is an obligation to report this kind of transaction, whether in the form of real or of financial assets, to the Banco de España.

The geographical breakdown is based on the residency of the actual issuers on the assets side and the first-known counterpart on the liabilities side.

Transactions settled through an exchange of shares are recorded at the time when the exchange of shares takes place.

The valuation of transactions settled through an exchange of shares is based on the agreed price, or on the market prices at the time of the exchange, if no price has been agreed.

Reinvested earnings estimates are based on average rates of return (ratios reinvested earnings flows/equity direct investment stocks) obtained differently for the outward and inward flows (see Sub-section 6.6). Both ratios are applied to equity direct investment stocks.

9.2 DEFINITION

The *Banco de España* follows the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES. All cross-border transactions in real estate are covered.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Difficulties are encountered in the identification of some transactions as direct investment such as: (i) transactions in debt securities; and (ii) cross-participations of less than 10% (mostly included in portfolio investment).

The *Banco de España* excludes from outward direct investment data funds raised abroad and routed through non-resident SPEs to resident direct investors, whenever the SPE has been established abroad (e.g. in the Netherlands) with the sole purpose of acting as a conduit.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

A more intensive use of the Investment Register is planned in order to better comply with statistical requirements for direct investment figures regarding reinvested earnings.

9.6 ESTIMATION METHODS

There are no quarterly estimates for the direct investment account.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

This forms part of the general reporting system (see Sub-section 3.1). The collection of monthly data takes place on a security-by-security basis. No modelling is used.

All transactions in securities are reported with the ISIN. This number is used to make the geographical breakdown for portfolio assets and related income. First, it is cross-checked with the BIS database. In those cases in which the ISIN is found, the country of the issuer is incorporated from this database. In the remaining cases, the first two digits of the ISIN are taken to represent the issuer country and used to make the geographical allocation. The ISIN is only available from 1998 onwards. Stock data are not used to calculate flows.

The geographical allocation criterion follows the issuer principle on the assets side (subject to the limitations mentioned in the first paragraph of this Chapter), meaning that the actual residency of the issuer can be identified. This geographical breakdown is available on a monthly basis from 1998 onwards. Liabilities are allocated according to the first-known counterpart. This is also in line with the allocation of the income item for portfolio investment (see Sub-section 6.1.3, last paragraph).

On the liabilities side, payments associated with transactions via financial centres (intermediaries as well as investment funds), international custodians and lead managers are allocated to the country of the financial centre, etc. The same applies to payments to international clearers (i.e. Euroclear or

Clearstream) where a more detailed identification of the security holder is not possible. Consequently, many transactions on the liabilities side are allocated to Luxembourg and Belgium.

The full integration of the CSDB in the production processes will ensure the correct allocation of assets and foster further harmonisation of data.

CSDB data have been already incorporated for the production of the sectoral breakdown (according to the issuer) of the asset side of intra-euro area portfolio investment.

Trading in loan portfolios is not captured in the portfolio account; collateral deposits are included in the Spanish b.o.p. as other investment.

The *Banco de España* has noticed an increase in securitisation and in the use of repurchase agreements and bond lending.

For the b.o.p., the *Banco de España* is planning to use in the near future the information obtained from the new reporting system on traded securities based on information from domestic custodians and other resident investors which deal directly with non-resident custodians (see Sub-section 3.1 above).

10.2 DEFINITION

In principle, the *Banco de España* follows the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES.

MFIs are required to exclude any kind of financial service (i.e. service charges, fees and commissions) from their reporting under portfolio investment.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

The ECB's Centralised Securities Database will enable an improvement of data quality by means of a more efficient and correct use of the ISIN code.

10.6 ESTIMATION METHODS

There are no quarterly estimates of portfolio investment.

11 FINANCIAL DERIVATIVES

Only reported flows are included. No estimates are made.

11.1 SPECIFIC FEATURES OF DATA COLLECTION

This forms part of the general reporting system (see Sub-section 3.1).

Within the Spanish b.o.p., financial derivatives capture options issued over-the-counter or on organised markets, financial futures issued on organised markets, warrants on securities, OTC futures contracts, forward rate agreements, currency and interest rate swaps and other swaps. The treatment of financial derivatives as recommended by the BPM5 is virtually impossible to achieve in all cases.

Payments and receipts associated with transactions involving derivatives are reported to the *Banco de España* according to the different concepts for each type of instrument. The instruments are listed in the reporting instructions issued by the *Banco de España* to the MFIs. When payments are on a "net" basis, the MFIs are asked to report all the transactions involved, implying that the underlying payments and receipts are included in the financial derivatives account of the Spanish b.o.p.

The reporting instructions also stipulate that the reporting agents have to separate the margins to be included in deposits from those to be considered as financial derivatives. Although the terminology "option style" and "future style" is not used, the result should be the same.

The premium for options is recorded.

Gross data (credits and debits) are available, but they are not checked since only net data are published.

Concerning the geographical breakdown for derivatives, for some OTC contracts, the actual residency of the counterpart can be reported. However, if clearing houses are involved in derivatives transactions, identification of the actual residency of the counterpart is impossible. In this case, the *Banco de España* can only distinguish between the transactions of Spanish clearing houses and those of foreign clearing houses. There are no major problems when derivatives are reported as "net of nets".

11.2 DEFINITIONS

There are no deviations from the BPM5 in the recording of transactions in financial derivatives. Nevertheless, reporting agents may still face problems in following the instructions, for instance in cases where options are executed and the underlying instrument is bought or sold.

The net stream of settlement flows associated with interest rate derivatives is recorded correctly under financial derivatives.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 11.2.

11.4 GAPS

As mentioned in Sub-section 11.1, the main gaps are related to the correct treatment of some transactions.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

There are no quarterly estimates for financial derivatives.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

This is part of the general reporting system (see Sub-section 3.1).

As a general rule, actual flows are recorded; however, the euro area/non-euro area split and the transformation from net figures into gross figures are based on the use of stock data from banking supervision reports. Both the maturity breakdown and the sector breakdown can be compiled for the monthly b.o.p.

Differentiation between loans and deposits for MFIs is problematic for the b.o.p. compiler, as is the inclusion of financial leasing under loans, instead of under trade credits. Long-term trade credits have to be reported when goods are delivered.

The euro area/non-euro area split of MFIs' transactions is not available for periods before 1998.

Extra-euro area b.o.p. flows for the MFI sector are derived from the MFIs' balance sheets at the beginning and end of period, with an adjustment for exchange rate fluctuations.

Transactions carried out through TARGET are reported under the general reporting system. Usually the MFIs report the concept of the payments/receipts and the *Banco de España* reports the change in the accounts with the ECB.

Banking supervision reports are used to make the euro area/non-euro area split of MFIs' flows and to translate some of the reported net flows into gross figures (see also Sub-section 3.1).

12.2 DEFINITION

In principle, the *Banco de España* follows the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES.

Foreign currency notes and coins, financial leasing, repos and collateral deposits are included under other investment.

All claims and liabilities between affiliated enterprises are recorded correctly under direct investment (see Sub-section 9.1).

Sell/buy-back transactions with Spanish securities (usually maturing within a month) predominate among cross-border repo-type transactions. Conversely, lending with collateral such as loan portfolio (also included under other investment) is less significant.

Since January 2002, an estimation of the increase in financial assets received by Spanish residents from non-resident travellers in payment for tourism services when the financial assets received are euro banknotes (net from the euro banknotes paid by resident travellers to non-residents) has also been included in other investments of other resident sectors as an intra-euro area asset.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

Short-term trade credits are not included and advance payments are included as payments for goods, rather than as trade credits.

The *Banco de España* excludes from outward direct investment data and includes under other investment heading, those funds raised abroad and routed through non-resident SPEs to resident direct investors, whenever the SPE has been established abroad (e.g. in the Netherlands) with the sole purpose of acting as a conduit.

12.4 GAPS

No information on short-term trade credits is provided.

12.5 INTENDED HARMONISATION

No change is planned to rectify the recording of advance payments as trade credits.

12.6 ESTIMATION METHODS

There are no quarterly estimates in the field of other investment.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

This is part of the general reporting system (see Sub-section 3.1).

13.2 DEFINITION

The presentation follows the recommendations of the BPM5 concerning the financial assets included (financial assets that are readily available to the monetary authorities such as gold, special drawing rights, position in the IMF, foreign exchange assets and other reserve assets) and the exclusion of changes in valuation, which are induced by exchange rate or price fluctuations.

Pure transaction data broken down by instrument are available since January 2000, with data from the Operations Department. In accordance with ECB recommendations financial derivatives are recorded separately and on a net basis. Gold swaps are recorded as repos.

With regard to the use of market prices, recording is carried out according to the principle laid down in the ECB recommendations. Both valuation and conversion into euro are made on the basis of the market prices and market exchange rates prevailing at the time of the transaction.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

Data availability is unproblematic.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

The main statistical sources for the compilation of the i.i.p. are:

(i) The MFIs' reports to the Directorate-General for Regulation of the Banco de España. The credit institutions' balance sheets are used directly to obtain the stocks of their financial assets and liabilities vis-à-vis the rest of the world;

(ii) Since December 2001 portfolio investment items have been compiled using a system, which was set up under *Banco de España* Circular 2/2001, based on primarily indirect security-by-security reporting through the Spanish CSD custodians and financial intermediaries. In addition, direct information provided by resident entities or individuals dealing with non-resident custodians is included in this compilation system. This information was used for the first time to compile portfolio investment position data for December 2003, incorporating data from December 2002. In the case of listed shares, historical data have been revised taking into account valuation changes.

(iii) The Register of external loans granted and received by resident sectors other than the credit system in the Banco de España's Balance of Payments Department. These statistics are compiled from the administrative accounting documents created to monitor both loans traded by the other resident and general government sectors with non-residents and the issuance of non-marketable securities by residents other than the credit system. The figures obtained from this source cover both loans between related (parent companies and affiliates) and non-related companies and financing obtained through Euronotes, commercial paper and other issuance programmes. Depending on the relationship between the two counterparts involved, each transaction is recorded under direct investment, portfolio investment or other investment;

(iv) *The Banco de España's* Operations Department, for reserve assets and for the rest of the Banco de España's foreign assets and liabilities;

(v) B.o.p. statistics which are used to construct the stocks when there are no reliable census statistics on a specific financial instrument.

(vi) The BIS to estimate the initial asset position of non-financial resident sectors with non-resident credit institutions;

(vii) Other sources: the *Banco de España* has a very detailed databank on securities denominated in both domestic and foreign currency which are issued by resident institutions abroad, encompassing data obtained from the Ministry of Economy and Finance (for the General Government), balance sheet data (for MFI), Euroclear and numerous specialised publications.

In recent years, the above-mentioned data sources have been complemented with pure direct investment stock data from the Ministry of Industry, Tourism and Trade and from the Central Balance Sheet Data Office of the Banco de España. However, for the time being, this information is mainly used as supplementary

and for checking purposes. It is planned to use these sources more intensively to fulfil the requirements related to a) the use of surveys for the estimation of direct investment positions, and b) the separate collection of equity direct investment stocks for listed (book and market values) and unlisted companies.

The data collection system of the *Banco de España* is based on a combination of pure stock data and the accumulation of flows. The coverage is good, except in the case of financial derivatives. In some cases the accumulation of flows may produce deviations from real stocks. In particular, data are derived in one of the two following ways:

– *directly* from the sources of information available, when they provide data on stocks. Most of these stocks are valued in accordance with the IMF's guidelines; or
– *by the accumulation of flows*. In those items for which this procedure has been used, unless indicated otherwise, the initial end-1992 stocks have been taken as the starting point. These, in turn, have normally been estimated through the accumulation of flows and corrected – where applicable – for the exchange rate valuation effect, as taken from the b.o.p. on a cash basis, which has been available since 1959. The stocks compiled since 1993 have been obtained by adding the flows of the items of the financial account of the b.o.p., adjusted – where necessary – for exchange rate valuation, to the initial stocks. This adjustment is made currency by currency. Moreover, these accumulated flows are corrected for changes in asset prices in those cases in which this effect has been significant and for which information is available.

Apart from differences due to changes in exchange rates and asset price adjustments, other differences between changes in i.i.p. stocks and b.o.p. flows relate to the different data sources used, especially in the following cases:

(i) *sector allocation:*
the b.o.p. assigns flows of resident investment abroad to those sectors which acquired the assets involved. However, given the current data collection system, the redistribution of assets which may subsequently take place among the resident sectors is not taken into account. This redistribution is recorded, at least in part, in the stocks of the i.i.p.;

(ii) *assets and liabilities relating to insurance operations:*
the technical reserves of insurance companies are included in the i.i.p., but are only partially recorded in the b.o.p.

The *Banco de España* does not experience any problems with regard to providing end-of-year data within the agreed period of nine months after the end of the respective year; nor does it have any difficulty with the breakdowns by sector or maturity. Nonetheless, it is necessary to emphasise the estimated nature of some of the figures obtained.

Concerning portfolio investment, the geographical allocation will be improved on the assets side with the use of the CSDB, but will remain affected by the practical impossibility of obtaining information on the actual end-investor on the liabilities side (until CSDB phase III provides information on securities holders) .

CSDB data are already being used for the production of the breakdown by sector based on euro area issuers for intra-euro area portfolio investment positions.

Spain participated in the 1997 and 2001 IMF Co-ordinated Portfolio Investment Surveys providing data produced by the Ministry of Economy and Finance, which has been conducting a similar survey since 1992. The 2002 CPIS was produced by the *Banco de España* using data from the new reporting system which provides data on tradable securities (see Sub-section 3.1). The *Banco de*

España intends to continue providing these data on an annual basis.

14.2 DEFINITIONS

14.2.1 GENERAL

The definitions correspond, in general, to those in the BPM5. The valuation criteria are essentially in line with the BPM5. The exceptions relate to cases where data are based on the accumulation of flows.

Positions in tradable securities reported through the security-by-security system set up under *Banco de España* Circular 2/2001 are reported at market prices.

In the case of financial institutions, the general valuation criteria, recently revised due to the adjustment of *Banco de España* information requirements to the International Accounting Standards (set up under Circular 4/2004), are as follows:

– financial assets and liabilities are initially recognised at fair value. Subsequent valuation depends on how the financial instrument is categorised;
– held-to-maturity investments, loans and receivables, and financial liabilities that are not held for trading are valued at amortised cost using the effective interest method; and
– financial assets or liabilities held for trading and available-for-sale financial assets are recognised at fair value. In the first case, adjustments are recognised through profits and losses account, in the second case, unrealised movements in fair value are recorded under equity until disposal or sale, at which time those unrealised movements from prior periods are recognised in the profits and losses account.

At present, no reconciliation adjustment is made between stocks and transactions.

14.2.2 DIRECT INVESTMENT

(i) *Spanish investment abroad (residents' financial assets)*
The information under this heading effectively coincides with the provisions of the BPM5. The data on the stocks of the credit system are taken directly from its accounting statements, and those of other resident sectors are obtained, in the case of equity capital, by the accumulation of flows and corrected for exchange rate valuation effects. Other capital data for other resident sectors are obtained from the Register of external loans mentioned in Sub-section 14.1 (iii) above.

(ii) *Foreign investment in Spain (residents' liabilities)*
The information under the heading of equity capital is in line with the provisions of the BPM5. In the case of equity capital, stocks are obtained directly from the balance sheets of the MFIs and, for the other resident sectors, by accumulating flows corrected for exchange rate variations. Data provided by the Ministry of Industry, Tourism and Trade are used for the identification of direct investment through listed shares. Other capital stocks are obtained from the Register of loans mentioned in Sub-section 12.1 (iii) above.

As mentioned above (see Sub-section 14.1), the *Banco de España* plans to incorporate the information available from the Ministry of Industry, Tourism and Trade on foreign investment as a central source for the estimation of direct investment stocks. The full integration of this new source, for the time being used only as supplementary information, will enable the requirements related to the production of equity FDI stocks for listed and unlisted shares and the double valuation (market and book values) to be fulfilled.

14.2.3 PORTFOLIO INVESTMENT

Portfolio investment data are obtained from the new security-by-security reporting system. This system records transactions as well as positions in tradable securities, irrespective of whether they relate to direct investment or portfolio investment. In the case of equity, for assets as well as liabilities, i.i.p. compilers identify, using external sources, major direct investment positions in order to exclude them from portfolio investment data. These external data sources are, in the case of assets, company annual reports to identify Spanish direct investment abroad and, in the case of liabilities, the CNMV to identify foreign significant holdings in Spanish companies and the Ministry of Industry, Tourism and Trade.

(i) *Spanish investment abroad (residents' financial assets)*
The various instruments included under this heading coincide with those indicated in the BPM5. Data are obtained from the new reporting system based on information from custodians and directly from holders of securities when they deal with non-resident custodians. The valuation is performed at market prices by the reporting agents.

(ii) *Foreign investment in Spain (residents' financial liabilities)*
Data are obtained from the new reporting system based on information from custodians and directly from holders of securities when they deal with non-resident custodians. The valuation is performed at market prices by the reporting agents.

The breakdown by instrument and maturity is available from the data source. The breakdown by sector is made by inputting the fiscal identification number from the source into a database, which relates this number to a sector. In order to fulfil the new requirements related to the estimation of the breakdown of the assets side of intra-euro area portfolio investment by sector based on the issuer, information from the CSDB has been incorporated in the production processes. The geographical breakdown in the case of assets is made on the basis of the ISIN and the BIS database. The quality of all the breakdowns will be improved with the use of the CSDB. In the case of liabilities, the geographical breakdown is according to the first counterpart.

14.2.4 FINANCIAL DERIVATIVES

The Spanish i.i.p. does not include data on financial derivatives.

14.2.5 OTHER INVESTMENT

This heading includes the various investments indicated in the BPM5.

(i) *Spanish investment abroad (residents financial assets)*
Loans from the credit system to non-residents are obtained directly from the balance sheets of credit institutions, while those from other resident sectors are obtained from the register of loans mentioned in Sub-section 14.1 (iii) above. The data on deposits between credit institutions are taken from the balance sheets of the credit institutions themselves. Those of other resident sectors, up to and including 1993 data, were obtained from the BIS and, thereafter, by adding b.o.p. flows to those initial 1992 stocks, with deposits corrected for exchange rate valuation effects.

(ii) *Foreign investment in Spain (residents' liabilities)*
With regard to the statistical sources, the loans received by general government and other resident sectors are obtained directly from the register of loans mentioned in Sub-section 14.1 (iii) above. The information on deposits and repos is taken from the accounting statements of resident credit institutions.

14.2.6 RESERVE ASSETS

As agreed in the report by the Working Group on Balance of Payments and External Reserves Statistics, positions in reserve assets are

recorded at the closing mid-market prices at the end of the appropriate period, using the closing mid-market exchange rates prevailing at the reference date. Gold is recorded at the closing market price.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

Regarding direct investment positions, the *Banco de España* excludes from outward direct investment data and includes under other investment heading, those funds raised abroad and routed through non-resident SPEs to resident direct investors, whenever the SPE has been established abroad (e.g. in the Netherlands) with the sole purpose of acting as a conduit.

14.4 GAPS

The main gaps with regard to stock data are to be found in the non-financial private sector. It is necessary to make estimates in this sector for direct investment equity capital (both assets and liabilities) and for part of its deposits abroad. This lack of stock data is important, in particular because it hinders the application of the market price principle advocated in the BPM5.

14.5 INTENDED HARMONISATION

The use of the CSDB will improve the geographical breakdown and will facilitate the quality control of other breakdowns.

The full integration of the information available from the Ministry of Industry, Tourism and Trade on FDI will be essential to overcome the gaps mentioned in Sub-section 14.4. The new source is already being analysed, and some progress has been made towards permitting the full incorporation of the new data. The new source will enable better compliance with statistical requirements for direct investment positions regarding a) reinvested earnings and b) the production of stocks for listed and unlisted shares and the double valuation (market and book values).

14.6 ESTIMATION METHODS

See Sub-section 14.4.

There are no methodological differences between quarterly i.i.p. estimates and yearly i.i.p. estimates.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Banco de España's "Boletín Estadístico" (monthly)
Banco de España's "Boletín Económico" (monthly)
"The Spanish Balance of Payments and International Investment Position" (annual)
Banco de España's "Annual Report"

15.2 CONTRIBUTORS

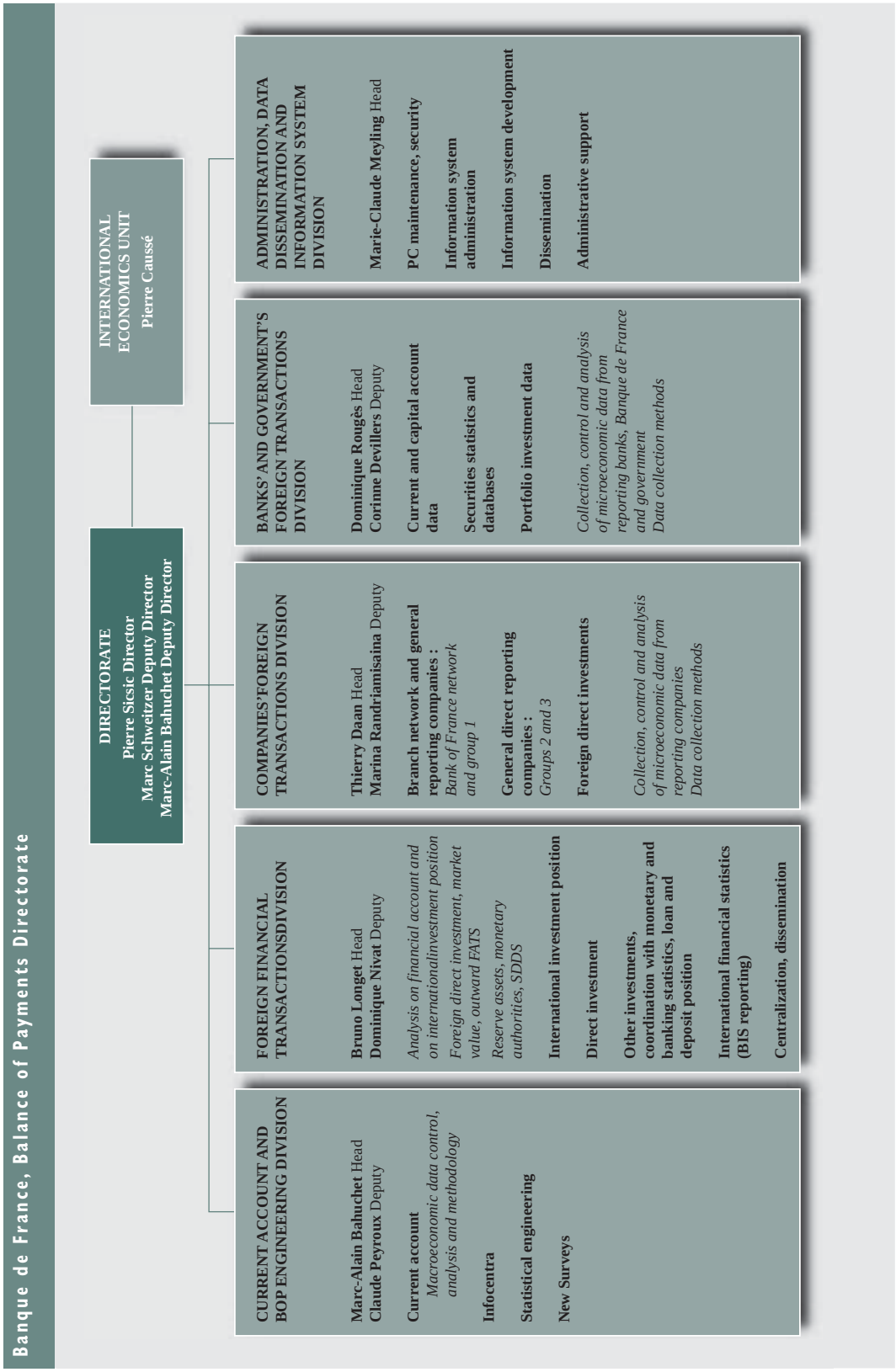
This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Spain. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Spain should be addressed to:

Ms Patrocinio Tello
Balanza de Pagos
Banco de España
Alcalá 522
P.O. Box 15
E - 28080 Madrid
Spain

Tel.: 00 34 913 385 434
Fax: 00 34 913 386 532
E-mail: bal.pagos@bde.es

4.10 FRANCE

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

In France, the authorities compiled a comprehensive balance of payments for the first time in 1945. First given to the Currency Control Board, this task was transferred to the Banque de France in December 1959 when the Currency Control Board was abolished. Until 2007, the Balance of Payments Directorate within the Directorate General Economics and International Relations was responsible for compiling France's balance of payments and international investment position on behalf of the Government. As of 2007, this compilation is under the own responsibility of the Banque de France.

2.2 LEGISLATIVE PROVISIONS

The Act 2007-212 of 20 February 2007 modifies the Monetary and Financial Code in order to include the compilation of b.o.p. and i.i.p. statistics in primary missions (*"Missions fondamentales"*) of the *Banque de France*.

The legal basis for the compilation of the b.o.p. is provided in the new article Art. L. 141-6, (on the Statute of the Banque de France) which allows the Banque de France to request information to accomplish its primary tasks..

2.3 INTERNAL ORGANISATION

At the *Banque de France*, statistics are compiled in two directorates within the Directorate General Economics and International Relations.

B.o.p. statistics are compiled by the Balance of Payments Directorate, which is also responsible for compiling the i.i.p. and external debt statistics, making external forecasts, conducting various economic studies and providing the Bank for International Settlements with Euro-money statistics and other financial data. As at the end of December 2006, the Balance of Payments Directorate had 142.7 staff members (on a full-time basis).

2.4 EXTERNAL COOPERATION

Use is made of various external information sources in order to compile the b.o.p. The national statistical institute (INSEE) provides the company register SIREN (system of identification code numbers for French firms), while FININFO (a commercial firm specialised in providing data on securities) and Euronext (the firm responsible for the quotation of and transactions in equities of French companies) provide the securities descriptions and the quotation records. Data on trade are obtained from the Customs Administration. Moreover, data originating from the Banking Commission are used for the analysis of external banking flows and stocks.

2.5 USERS

Information systems have been developed to provide international organisations, such as the ECB, the International Monetary Fund, the European Commission (Eurostat), the Organisation for Economic Co-operation and Development and the Bank for International Settlements, with data on France's b.o.p. in an efficient manner. The GESMES-CB message is used for b.o.p. data dissemination to the ECB, Eurostat and other organisations such as the IMF and the BIS which have agreed upon its use.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The b.o.p. collection system is a "semi-open system". Reporting on transactions between residents and non-residents is based on the settlements of resident banks and of direct reporting companies. Transactions carried out by companies via an account abroad are reported directly to the central bank.

Stock statistics are used to compile:

(i) for portfolio investment:
changes in foreign securities held by banks and money market mutual funds;

(ii) for other investment:
general government and monetary authorities' financial flows. These are obtained from changes in stocks, adjusted for changes in exchange rates. This calculation is also used for the flows of the banking and non-depository financial intermediary (called "entreprises d'investissement") sectors (loans and deposits) and for trade credits of resident firms.

The following data sources are used in addition to the returns of the actual b.o.p./i.i.p. statistics:

(i) The securities database managed by the Balance of Payments Directorate is used for two main purposes:

- checking the portfolio data, mostly provided by banks; and
- producing the breakdowns required within the b.o.p. and i.i.p.: breakdown between French and foreign securities, breakdown by instrument (equity, bonds, money market instruments), breakdown by issuing sector and by issuing country for foreign securities, breakdown by issuing sector for French securities and other breakdowns needed for analytical purposes (by currency, etc.).

(ii) The database on resident firms (name, main shareholders, accounting data) managed by the *Banque de France* (Companies Directorate within the General Secretariat) is used for the stocks of foreign direct investment in France (identification of resident firms with foreign investors, accounting data).

(iii) BAFI is the database on financial agents. It is used to check the amount of the foreign securities portfolio held (and reported) by banks as well as foreign direct investment in resident banks (identification of resident banks in which foreign companies have holdings, accounting data). It is also used for compiling loan and deposit position on a monthly basis and checking the amounts given in the monthly and quarterly b.o.p. reporting of the banking sector's claims and liabilities vis-à-vis non-residents.

Further information is taken from:

(i) press releases, for checking transactions in direct investment and in portfolio investment;

(ii) returns from firms, helping to explain the flows on direct investment (mainly on equity capital: new investment and disinvestment);

(iii) Clearstream and Euroclear, for general government bonds or "OAT" stocks deposited with Clearstream and Euroclear (annual data);

(iv) INSEE, the Customs Administration and the Ministry of Transport (for other transportation in the transportation services item).

Moreover, data collected in cooperation with the *Direction du Tourisme* (i.e. a household survey and an inbound frontier survey) are used for the compilation of the travel services item, following the introduction of the euro banknotes and coins.

3.2 REPORTING AGENTS

(i) MFI sector: these are resident credit institutions and other financial institutions (e.g. money market funds) as defined in Community law.

– *Banking sector*: historically, the banking sector has been central to the reporting system. Although residents are no longer required to make transfers abroad via a resident bank, a large part of all operations is still channelled via the domestic banking sector. All operations which are carried out between residents and non-residents through the books of a bank on its own account and on the account of other sectors must be reported whenever individual transactions are above the exemption threshold (€12,500) from January 2002. All transactions are given an individual economic code, except for most transactions concerning direct reporting agents (see paragraph (iv) below). The reports use the CRP (standard record of payment), which provides details on the nature, country, amount and currency of the transaction, as well as the company's SIREN number and the identification number of the bank involved. For the data on deposit liabilities and lending vis-à-vis non¬residents, the credit institutions report their outstanding amounts by counterpart and currency, with a distinction between long-term and short-term on both a monthly and a quarterly basis. A country breakdown is mandatory for all the banks each quarter, and is declared on a voluntary basis each month. Banks report on transactions in securities on their own account and on behalf of their customers. The use of the ISIN code and of a securities database ensures a high level of reliability of the instrumental, geographical and issuer sector breakdown for securities issued by residents and non-residents.
– *Money market funds*: a monthly return provides balance sheet information which is used for the compilation of the monetary and credit aggregates and for b.o.p. reporting purposes (other investment of MFIs).

(ii) *Central bank and monetary authorities*: the *Banque de France* (Foreign Exchange Directorate within the Directorate General Operations) provides the Balance of Payments Directorate with data on reserve assets. Its own external assets and liabilities, moreover, are reported under other investment of the monetary authorities in the b.o.p. TARGET transactions are indirectly reported by the Accounting Department, via stock reports.

(iii) *General government*: this includes, first, the Treasury with the centralisation of its own flows with non-residents (accounts held with the Treasury by the Zone Franc countries, accounts held by some international entities, such as the European Commission, and operations conducted by French embassies and other central government units abroad). It also includes flows of other general government agencies such as local authorities and social security agencies.

(iv) *Companies*: companies report either directly or through the Banking sector, depending on the amount of transactions (general direct reporting companies) or the use of foreign accounts abroad (partial direct reporting companies).

Direct reporting companies (DRCs) report directly to the Banque de France on transactions and positions with non¬residents through CRS (statistical record of transactions). There are around 1,000 DRCs covering around 75% of the credits and debits for services (except travel). They are divided into "full" and "partial" direct reporting companies, comprising 410 and 530 firms respectively.

Full direct reporting companies (DDGs) are companies or groups of companies whose transactions exceed a certain threshold in a given year for at least one

item of services (some of them being aggregated) or income (see Sub¬section 3.3). DDGs report all cross-border transactions to the Banque de France, including flows via foreign accounts and netting, except for portfolio investment cash management and capital revenue when these transactions are conducted through resident banks. Instead, these types of transactions are reported by the domestic banks involved in the particular transactions. However, if these transactions are carried out directly via foreign accounts abroad, they remain under the responsibility of the DDG concerned, as it is the only entity aware of the transaction. At the request of the companies themselves there is no threshold for the items to be reported. The reports give details of the currency, amount, economic nature and geographical breakdown of the transactions. To avoid duplication, international payments carried out via a domestic bank are given a special – neutral – code by the bank.

Partial direct reporting companies (DDPs) are entities which hold accounts abroad or participate in an international netting through which payments are made or received. These companies are subject to direct reporting requirements when the monthly total of incoming and outgoing payments through the accounts exceeds the agreed threshold (see Sub-section 3.3). The reports of DDPs are similar to those of DDGs, but they only cover flows via their foreign accounts and changes of positions within these accounts. Other transactions between DDPs and non-residents are reported by the resident banking sector.

For DDGs and DDPs, banks report cash transfers between DDGs' and DDPs' domestic and external accounts using a neutral code. These transfers are also reported by DDGs and DDPs using a code which specifies the nature of the settlement.

(v) *Customs*: the Customs Administration (Ministry of the Economy, Finance and Industry) forwards data to the *Banque de France*, which serve as a basis for the compilation of the import and export account. It should be noted that the compilation of the "extra" part of transactions requires import flows to be broken down by country of origin and by country of consignment, to avoid double counting when aggregating the data of Member States (e.g. an import from the United States (country of origin), arriving in Rotterdam (country of consignment).

3.3 THRESHOLDS

(i) An exemption threshold of EUR 12,500 has been implemented since January 2002, applying to all the transactions passing through the banking system. Transactions below this threshold are no longer reported and are estimated by statistical means.

(ii) Companies or groups of companies with combined annual debits and credits in current account cross-border transactions exceeding a threshold of EUR 30 million for at least one item of services (some of them being aggregated) or income are DDGs.

(iii) DDPs are subject to direct reporting requirements when the monthly total of incoming and outgoing payments through their accounts held abroad exceeds EUR 1 million.

(iv) Concerning the reporting for the i.i.p., a threshold of EUR 10 million has been set for the total outstanding amount of external assets or liabilities of residents on an individual basis.

3.4 AVAILABILITY OF DATA

A nearly complete b.o.p. with a geographical and sectoral breakdown is available on a monthly basis. However, for other investment

Reporting scheme for b.o.p. and i.i.p. data collection for France

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Direct reporting enterprises	Statement E83	Short-term claims and liabilities	Monthly	25 working days
Direct reporting enterprises	CRS/C80: Statistical record of payment	Economic settlements: amount of payment, debit or credit, country code, currency of settlement and economic code	Monthly	25 working days
MFIs	Statement R20 R21	Foreign currency sales and purchases	Monthly	10 working days
MFIs	Record of payment C01/C02	Amount of the payment; debit or credit; country code; economic code (allows the identification of the nature of the transaction, e.g. trade, services, income, direct investment equity capital portfolio investment, issues of French securities, other investment, other sectors, short-term loans); currency of settlement and neutral code (except for portfolio) if the resident involved is a direct reporting company	Monthly	10 working days
MFIs	Monthly Statement on securities R30	Portfolio flows (debits and credits). Compilation on a security-by-security basis, with the provision of the ISIN code. Distinction between flows on issues, secondary market flows and reimbursements	Monthly	10 working days
MFIs and enterprises, including insurance companies	Annual survey on French direct investment abroad	Survey includes data on: – Foreign affiliates' equity capital (book values); – Percentage of the affiliate equity capital held by the French direct investor; – Profits or losses; – Dividends; – Affiliates' turnover	Annually	240 calendar days
No specific inquiry (use of existing databases)	Stocks of foreign direct investment in France	Contents of the database: – equity capital of French affiliates of foreign companies (book values); – percentage of the equity capital held by the foreign direct investor; – profits or losses; dividends	Annually	300 calendar days

Reporting scheme for b.o.p. and i.i.p. data collection for France (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
MFIs	Annual survey on portfolio stocks E26/28	Compilation on a security-by-security basis, with the provision of the ISIN code: – French securities held by non-residents in securities accounts opened with resident banks; – French securities issued on international markets and held by residents in securities accounts opened with resident banks; – foreign securities held by residents in securities accounts opened with resident banks	Annually	75 calendar days
MFIs (sample)	Quarterly survey on portfolio stocks held on their own account E24	Compilation on a security-by-security basis, with the provision of the ISIN code: – French securities issued by residents on international markets and held by resident banks; – Foreign securities held by resident banks	Quarterly	30 calendar days
Enterprises (sample) including insurance companies	Stocks on external assets and liabilities (portfolio excluded) E90	External assets: – on affiliates; – on non affiliates. External liabilities: – on affiliates; – on non-affiliates	Annually	75 calendar days
Enterprises (sample)	Statement E84	Stocks of trade credit	Quarterly	60 working days
Non-depository financial intermediaries	E12/E13	External assets and liabilities, detailed by counterpart, currency, with a distinction between long-term and short-term and a country breakdown	Monthly	M + 20 (15 working days)
MFIs (special b.o.p. reports on external assets and liabilities)	E20/E21	External assets and liabilities, detailed by counterpart, currency, with a distinction between long-term and short-term and a country breakdown	Quarterly	M + 30 calendar days

of the banking sector, the monthly geographical breakdown is partly based on a statistical treatment, using, in particular, the breakdown between residents of euro area countries and non-euro area residents provided by BAFI, the database on financial agents.

A complete geographical breakdown is only recorded on a quarterly basis.

3.5 TIMELINESS

B.o.p. data are available 35 days after the end of the month of reference for ECB requirements and national purposes. The *Banque de France* is currently improving data timeliness, by means of an information campaign directed at banks and companies (late respondents are targeted as a priority to obtain the best

information available for ECB requirements 35 days after the end of the month of reference). Improvements in timeliness are also expected as a result of the increase in electronic data transmission.

3.6 COMPILATION FREQUENCY

France's b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

Checking procedures are aimed at obtaining the highest reliability/cost ratio. In addition to built-in computerised controls (data processing errors, anomalies or inconsistencies), there are systematic quality checks (plausibility, economic nature, codification, etc.). These checks are carried out, among other things, through a comparison between previous reports (i.e. previous month, quarter, half year, year, etc.) and current ones. These checks may be based on prior knowledge of the sector of the firm concerned, newspaper articles, contacts with the reporting banks and firms, or purely on staff expertise. Checks are also carried out using information obtained from BAFI, the database on financial agents managed by the Banking Supervision Commission's General Secretariat.

Reporting by DDGs is checked for consistency with reports by banks. Each individual transaction reported by each DRC with an economic codification is matched to the reports made by banks on these individual transactions, using the SIREN number of the concerned DRC which appears on the banks' reports. The banks' reports on DRCs are only used for comparison with the DRC reports; they are given a neutral b.o.p. code and they are not taken into account in the calculation of the b.o.p.

DDPs only report transactions carried out via accounts held abroad to the *Banque de France*. Cash transfers from an account held in France to an account held abroad must also be reported by the banks. Such cash transfers are also used to detect new DDPs. In addition, if the cash transfers are added to the transactions directly settled abroad, this sum should equal the difference between the opening and closing balances of the accounts abroad. Checks are carried out on a currency-by-currency basis

Macroeconomic controls concern the general consistency of the whole b.o.p. Particular attention is paid to:

- closely monitoring the errors and omissions item and any major area likely to be the cause of errors and omissions; and
- consistency between investment income and the i.i.p.

The feedback from the ECB (the euro area b.o.p. and the contributions of individual Member States), allowing an analysis on a time series basis of the contribution of the French b.o.p. to the euro area b.o.p., is also an essential source for data controls.

3.8 REVISION POLICY

The first estimate made for monthly ECB items is revised on a quarterly and on an annual basis. Should the need arise, data concerning previous years are also revised once a year. The revised figures are published in France's "Balance of Payments Annual Report" and on the website of the *Banque de France* (www.banque-france.fr).

Historical data are revised whenever a fundamental methodological change is implemented.

3.9 DISSEMINATION

Users of b.o.p./i.i.p. data are: (i) other units within the *Banque de France*, such as the Directorate Monetary Research and Statistics as well as the market operators; (ii) other French administrative bodies, including the Ministry of the Economy, Finance and Industry (Economic Policy and Treasury General Directorate) and INSEE; (iii) international

organisations such as the IMF, the OECD, the World Trade Organisation, etc. and (iv) economists and journalists.

A communiqué from the *Banque de France* provides monthly figures similar to those sent to the ECB, updated with published trade figures. Moreover, the Banque de France publishes the same monthly figures concerning b.o.p. data in "*The Banque de France* Bulletin". A b.o.p. with quarterly figures is published about 100 days after the end of the quarter on the internet. A geographical breakdown of the external assets and liabilities of the resident banking sector is available and is published on a quarterly basis. Lastly, i.i.p. calculated on an annual and quarterly basis is published in the Banque de France Bulletin.

Until 2006, b.o.p.annual report was published jointly by the *Banque de France* and the Ministry of the Economy, Finance and Industry. As of 2006 report, annual b.o.p. is published under the own responsibility of the *Banque de France*. This annual report includes the complete b.o.p., the i.i.p., historical data, current account data broken down by main partners' countries and direct investment flows broken down by country and by economic sector.

The titles of the publications produced by the *Banque de France* on b.o.p. statistics are listed in Sub-section 13.1 below.

Recent data are available on the internet, on the website of the Ministry of the Economy, Finance and Industry and on the website of the Banque de France. Time series are also available on the Banque de France's website. The release timetable for b.o.p. figures is published by INSEE and is also avalaible on the Banque de France's website.

The French data are also submitted by electronic means to external databases (i.e. the BIS).

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The *Banque de France* applies the "special trade" principle.

Furthermore, it must be noted that external trade includes military goods. The geographical breakdown between intra-EU and extra-EU is performed on the basis of data from the Customs Administration.

For transactions under special Community programmes, the value of the transactions involving satellites relates to the cost of the launching. When the satellite belongs to an individual country, the geographical allocation is made using the country of the owner. The recording of Airbus transactions is different, depending on whether the assembly takes place in France or in Germany (Hamburg). In the first case, these transactions are regarded as external trade, i.e. recorded under goods and, in the second case, as other merchandise, i.e. recorded under services.

4.2 DEFINITIONS

The *Banque de France* follows the recommendations of the BPM5.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

Owing to the shortening of publishing time, external trade data are generally available on time. However, when the customs data are not available

on time, the estimations made by the Balance of Payments Directorate are given by country of origin and consignment as required to avoid double-counting in the b.o.p. of the euro area.

The c.i.f./f.o.b. rate is calculated at the most once a year by the Customs Administration on the basis of a survey conducted in cooperation with companies. For imports, the calculation is made using the c.i.f. contracts and, for exports, the calculation is made using f.o.b. contracts. The c.i.f./f.o.b. adjustment vis-à-vis one zone is the sum of the adjustments relating to each member of this zone. The Customs Administration provides additional information related to the nature of transactions and the means of transport so that commodity trade data can be adapted to the b.o.p. concepts.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

The *Banque de France* primarily uses the data reported and checked the data collected.

5.2 DEFINITIONS

The *Banque de France* follows the recommendations of the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

The estimate is made sub-item by sub-item and the b.o.p. items are then calculated by aggregating the different components.

The seasonally adjusted values are available for the services sub-items, using the results of the TramoSeats model.

All monthly transactions reported to the *Banque de France* are compiled with a geographical breakdown. For the time being, the intra/extra split is obtained from:

(i) the geographical allocation observed of the settlements already recorded in the b.o.p. database; and

(ii) an intra/extra split average calculated for debits and credits from (two-year) historical series.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 COMPENSATION OF EMPLOYEES

The Balance of Payments Directorate uses information on people living in France and working abroad.

6.1.2 INCOME ON DIRECT INVESTMENT

With regard to income on equity, reinvested earnings (the difference between profits and dividends in a given year) are calculated and taken into account. Data on reinvested earnings included in the French b.o.p. pass through three successive stages: forecast, estimation and finalisation. Moreover, revisions are made to forecasts and estimated data as the information becomes available, until the final version is produced. The recording as well as the estimates and forecasts deal separately with profits and dividends.

Final flows of reinvested earnings are collected by the Balance of Payments Directorate through its annual surveys of French direct investment stocks abroad and foreign direct investment stocks in France. Until final data are available, two methods are used successively in order to determine reinvested earnings: estimates (for more distant periods) and forecasts (for the

current period). They are sometimes used simultaneously on profits and dividends, depending on the information available.

Forecasts depend on global hypothesis and concern both profits and dividends:

(i) dividends: b.o.p. flows are extrapolated under an hypothesis of stability of the policy of the distribution of dividends;

(ii) profits: macroeconomic forecasts of profits in France and abroad are applied to the last known results of the firms covered by the two stock surveys.

With regard to income on debt, see Sub-section 6.1.4.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Where income on debt is concerned, the *Banque de France* records portfolio income on an accruals basis, except for dividends on equities.

The Balance of Payments Directorate already uses stocks to implement the accruals principle. At present, this principle is applied to all debt instruments. The *Banque de France* favours a security-by-security method for most debt securities. Concerning portfolio investment income debits, the residency of the final counterpart is not available.

Dividends are recorded as of the date they are paid.

6.1.4 INCOME ON OTHER INVESTMENT

The interest on long-term loans, short-term loans, advances, deposits and cash transactions is recorded in the b.o.p., but under one economic code only, according to the general economic nomenclature of the French b.o.p. As a result, it is currently impossible to break down income on loans into income on inter-company loans and income on non-affiliated company loans.

Income on trade credits granted by the resident banking sector and income on deposits made by private individuals/enterprises with foreign financial institutions are recorded under specific economic codes on a cash basis.

The interest share in leasing payments is included in the service items.

Income on reserve assets is recorded on a cash basis. Data are obtained from the *Banque de France*'s accounting system.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 6.1.4 for the recording of the income on inter-company loans.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

None.

6.5 ESTIMATION METHODS

For quarterly data (timeliness: Q + 75 days), actual data are available and estimates are not needed.

7 TRANSFERS

The *Banque de France* follows the recommendations of the BPM5.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Subsections 3.1 and 3.2). With regard to the distinction between current and capital transfers, the Banque de France applies the criteria recommended by the BPM5. Thus, the capital account item covers transfers of fixed assets, on the one hand, and debt forgiveness, on the other. Most data are provided by the general

government sector and the MFI sector. They have to fill in a record of payment for this type of transaction, which is identified by a specific economic code. Some subsidies received from EU institutions are recorded (as investment grants) under the capital account, namely those from the European Regional Development Fund and European Agricultural Guidance and Guarantee Fund. All other subsidies are recorded under current transfers (general government item). Data on the acquisition/disposal of non-produced, non-financial assets has been included in the capital account with effect from January 1996.

8.2 DEFINITION

The French definition of the capital account is in accordance with the BPM5 and the harmonisation proposals of the WG-ES and its predecessors.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Information on investment grants is available on a monthly basis through ratios; the Eurostat proposal for these ratios provides relatively good proxies. Migrants' transfers are partially reported by banks. For European transfers and for the split between current transfers and capital transfers, the definition is close to that proposed by Eurostat.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Information is available in reports produced by the banks (for their own direct investment flows and for flows concerning resident firms, with the exception of DDGs) and from DDGs. All respondents have to report direct investment and portfolio investment flows separately.

The main source of information is the standard record of payment (CRP) and the statistical record of transactions (see Sub-section 3.2). Moreover, other sources are used to supplement the information provided by the CRP, but they are never used as such to compile the b.o.p. On the one hand, more detailed information than that conveyed by the CRP is sometimes transmitted by firms, or by the banks on account of their clients (i.e. the name and address of the non-resident counterpart and the total amount of the operation when the whole settlement is not made at once). This additional information is provided with legal forms called reports of investment, and only concerns direct investment flows in equity capital. On the other hand, the financial press and various information available on the internet are also used to anticipate new equity capital operations.

The collection system draws mainly upon settlement data, except in the case of reinvested earnings (see Sub-section 5.1.2) and in the case of equity contributions without payment.

In the case of the latter, information is tracked from newspapers to ascertain any equity contributions without payment. This information is subsequently checked with the companies concerned, so that the corresponding flows can be created in the French b.o.p. system. Finally, these flows are updated at the end of every year when the survey of stocks is carried out for the i.i.p.

Equity contribution without payment is included, if identified, in the form either of real or of financial assets. In the event that domestic stocks acquired by non-resident investors through secondary markets are singled out, they are reallocated from portfolio investment to direct investment, where relevant. In practice, however, this kind of flow is only identified when huge amounts relating to a single company are involved.

A geographical breakdown is also available, based on the first country of destination of the flows for French direct investment abroad and on the first country of origin of the flows for foreign direct investment in France.

Should a change of ownership of a resident company from a non-resident to another non-resident direct investor be evidenced by the survey, the change would be recorded in the FDI stocks, but usually not in the corresponding b.o.p. flows.

Transactions settled via an exchange of shares are recorded when this exchange takes place. The evaluation of such transactions is equal to the market price of the resident shares concerned.

9.2 DEFINITION

According to the recommendations of the BPM5, the French b.o.p. uses the criterion of 10% or more ownership of the equity of an enterprise to define a direct investment relationship. Moreover, in accordance with the IMF and the OECD benchmark definitions, all inter-company financial flows (except commercial credits between affiliates and transfers of securities between affiliates) have to be recorded under the direct investment item as soon as a direct investment relationship has been established. As a consequence, the notion of direct investment includes all operations concerning equity capital, reinvested earnings and other operations (long-term and short-term loans, deposits, etc.). Furthermore, all cross-border transactions in real estate are covered.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

France fully applies the directional principle to record long-term loans between affiliated enterprises. For all other transactions (in particular, short-term loans), the directional principle is partially used.

France is not in a position to record inter-company trade credits in the direct investment item. Indeed, the trade-credit survey carried out by the *Banque de France* does not identify separately trade credits extended to/received from affiliated and non-affiliated enterprises. They are all in the other investment item.

Furthermore, inter-company flows on securities (equities below the threshold of 10% and all flows on bonds subscribed by affiliates) are recorded under the portfolio investment item.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

The *Banque de France* does not use estimates, except in the case of reinvested earnings in the current year and – in some cases – in the previous year (see Sub-section 6.1.2).

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Securities transactions between residents and non-residents are reported on a security-by-security basis, using the ISIN code. The respondents have to report direct and portfolio investment transactions (with the 10% threshold) separately. For each security, the securities database contains the ISIN code, which makes it possible to access the database and to check the flows reported by the respondents on a security-by-security basis. Moreover, all b.o.p. breakdowns are made using the securities database which contains all the elements necessary for b.o.p. treatment (nature of the instrument; country of residence of the issuer, which allows the breakdown between French and foreign securities; sector of the resident and the non-resident issuer, etc.) as well as other data (quotation, currency of issue,

date of issue and reimbursement for most debt securities, market of issue: domestic or international, etc.). Banks have full responsibility for reporting securities transactions directly on their own account and indirectly on behalf of their clients. These flows are compiled in the b.o.p. using a Monthly Securities Statement. The Monthly Securities Statement is drawn up on a security-by-security basis, using the ISIN code. Apart from the sectoral breakdown (see below), all the data necessary to elaborate the portfolio flows are obtained from this statement.

The banks report flows on French and foreign securities separately, but this breakdown is checked against the securities database maintained by the *Banque de France*.

The monthly securities statements on French and foreign securities are broken down by issues, secondary market and repayments.

The breakdown of foreign securities by country of residence and sector of the issuer is obtained using the securities database and the breakdown by instrument (equity, bonds, etc.). On the contrary, the monthly statement provides the country counterpart of the transactions for the liabilities side. Indeed, the geographical allocation criteria are the debtor principle for assets and the transactor principle (first-known counterpart) for liabilities.

For French securities, the sectoral breakdown of the flows is made on a monthly basis using the securities database, which indicates the issuing sector for each security.

For foreign securities – irrespective of the periodicity (month, quarter or year) – the sectoral breakdown between the resident holders (monetary financial institutions and other sectors) is made through changes in banking balance sheets and reports from monetary mutual funds.

Since mid-2006, a breakdown of foreign securities by issuing sector (general government, monetary financial institutions and other sectors) is also available.

As required by international recommendations, transactions associated with repurchase agreements and bond lending are not recorded as portfolio investment flows. If these transactions are made against "cash", they are recorded under the other investment item.

In addition, the press and declarations from the resident enterprises are used to check the reports by banks on new issues by French residents on the international markets.

No difference is made in recording practice with regard to the nature of the non-resident counterpart (financial centre, lead manager, etc.), the country of residence of the non-resident counterpart with which the security is negotiated, the currency of payment and the place of payment.

The *Banque de France* would expect significant benefits to be derived from the setting-up of a centralised securities database:

(i) cost effectiveness at the national and at the European level;

(ii) fully harmonised data for the treatment of portfolio investment (i.e. no difference in the classification of bonds and money market instruments for a given security; fully harmonised country of residence of the issuer and, as a consequence, a fully harmonised breakdown into euro area and non-euro area securities).

10.2 DEFINITION

All securities, irrespective of their nature (equity, debt instrument, etc.), are covered by recording, except for securities which cannot be traded without the agreement of the issuer.

The flows have to be reported at the time of the payment and not when the transactions take place.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None, except for flows of affiliates' securities which should be excluded from portfolio investment and recorded under direct investment. Service charges, fees and commissions are included in portfolio investment flows when French or foreign securities are bought by non-residents; they are excluded when French or foreign securities are sold by non-residents. Offsetting entries for investment income are not recorded.

10.4 GAPS

No monthly or quarterly gaps.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

There are no quarterly estimates for the portfolio investment account.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Flows of derivatives are recorded from monthly records of payments, regardless of the resident sector involved. The compilation system does not allow any sectoral distinctions. Flows of interest swaps, premiums on options, futures and margins are compiled. At present it is not possible to distinguish between option-style and future-style derivatives.

Gross data (debits and credits) are, in principle, available, but not published; swaps including interest rate swaps – are recorded on a gross basis and netted afterwards. There is no recording of premiums on the exercise date.

The geographical allocation criteria depend on the individual instrument:

(i) premiums: first-known counterpart country in the case of French issuers and country of residence of the issuer in the case of foreign issuers (similar to the portfolio account). Investigations do not go beyond the clearing house. For example, a premium negotiated in London with the London International Financial Futures Exchange (LIFFE) is deemed to have been "issued" by LIFFE (country: United Kingdom);

(ii) margins: the transactor principle;

(iii) interest on swaps: see (i) above.

11.2 DEFINITIONS

The *Banque de France* follows the recommendations of the BPM5 and the harmonisation proposals of the WG-ES and its predecessors. Financial derivatives are recorded under a specific item. The net stream of settlement flows associated with interest rate derivatives is recorded under financial derivatives.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

Monthly estimates are based on transactions already recorded, plus staff expertise.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Subsections 3.1 and 3.2).

The *Banque de France* uses actual flows, recorded using CRPs, except in the case of banks, non-depository financial intermediaries and government (flows are derived from stock data). Both a sectoral and an instrumental breakdown are available. The maturity breakdown is made on the basis of the initial maturity (up to one year and more than one year), except for stand-by credits, for which the breakdown is based on the maturity of the drawing.

Trade credits are recorded on a quarterly basis.

Historical data prior to 1996 are distorted owing to a methodological change in the recording of money market instruments, which were transferred from the other investment item to the portfolio investment item.

Flows for the MFI sector are derived as adjusted changes from special b.o.p. stock reports which are consistent with MFIs' balance sheet data at the beginning and end of the reference period.

Data on transactions which were carried out through TARGET are transmitted by the Accounting Department of the *Banque de France* and are only used for the global calculation of other investment/monetary authorities. Since December 2000, flows with other ESCB countries have been recorded on a net basis and the net figure is recorded as an asset or a liability vis-à-vis the ECB, depending of the sign.

12.2 DEFINITION

In principle, the *Banque de France* follows the recommendations of the BPM5 and the harmonisation proposals of the WG-ES and its predecessors.

All short-term flows between affiliates, except transactions between affiliated banks (MFIs) and other financial intermediaries and trade credits, are recorded under direct investment (see the BPM5) and not under other investment.

Bond lending and repos are included provided that there is a monetary counterpart; otherwise there is no record in the French b.o.p. at all. Genuine repurchase agreements conducted at a fixed price on a fixed date predominate, but only marginally. Compared with lending against collateral, repo activities play a far more significant role. Repo activities usually mature within a month.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

Commercial credits (trade credits) between affiliates are not identified separately and are included under other investment. There is no deviation from the recommended treatment of repo activities. The recording of financial leasing is not compliant with the BPM5 in all cases.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

There are no quarterly estimates for the other investment account.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Subsections 3.1 and 3.2).

13.2 DEFINITION

The presentation follows the recommendations made in the BPM5. Since January 1999, data on France's reserves have been compiled in accordance with the IMF Data Template on International Reserves and Foreign Currency Liquidity.

An instrumental breakdown is available on a monthly basis. In accordance with the ECB recommendations financial derivatives are recorded separately and on a net basis. Gold swaps are recorded as repos.

With regard to the use of market prices, recording is in line with the principle laid down in the ECB recommendations. The calculation of flows for the b.o.p. is based on the valuation of changes in currencies at average exchange rates recorded in the period (average of daily exchange rates). This proxy was accepted by the WG-ES for the harmonised calculation of b.o.p. flows.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection system of the *Banque de France* is based on pure stock data stemming from surveys. The following data sources are taken into account:

(i) direct investment: surveys of resident firms;

(ii) portfolio investment: surveys of resident banks (own portfolio and portfolio held on the account of their clients) and, for the collection of money market instruments, of a very limited number of firms; data from Clearstream and Euroclear are also used. It should be noted that the liabilities vis-à-vis non-residents on bonds issued by French residents on international markets are calculated by subtracting the amount held by residents (reported by the resident banks) from the total amount issued (available in the bond database managed by the *Banque de France*);

(iii) derivatives: banks balance sheets;

(iv) other investment:

- monetary authorities and general government sector: reporting from the entities included in these categories;
- MFIs: banks' balance sheets and reports from the monetary mutual funds;
- other sectors: surveys of firms, collection of stocks for non-depository financial intermediaries; and
- trade credits.

While the sectoral breakdown can be provided without any problem except for derivatives, the availability of a geographical breakdown differs among items:

(i) direct investment: available for all the components (equity capital, reinvested earnings, loans);

(ii) portfolio investment: available for assets, but not for liabilities (possible improvement as a result of the use of the IMF Co-ordinated Portfolio Investment Survey);

(iii) other investment: the geographical breakdown is available; and

(iv) derivatives: only intra-euro area/extra-euro area breakdown is available.

Due to the delays required for the availability of final stocks, estimates are calculated six months after the end of the reference period, except in the case of trade credits, the positions of the MFIs, non-monetary mutual fund and non-depository financial intermediary sectors, and reserve assets, for which stocks are available earlier.

France participated in the IMF Co-ordinated Portfolio Investment Survey in 1997 and since 2001 and will participate in the yearly coordinated surveys by providing data based on stock surveys, primarily from securities accounts.

I.i.p. data are used as inputs for the elaboration of the Rest of the World account in the national accounts.

14.2 DEFINITIONS

14.2.1 GENERAL

The coverage and the concept are in line with the financial account of the quarterly/annual b.o.p. flows. Exceptions relate to the portfolio investment position of non-banks, where only securities held in securities accounts with resident banks are compiled, together with the information from Clearstream or Euroclear.

The reconciliation exercise works as follows:
Previous stock (revalued at new prices and exchange rates)
+ flows for the year (revalued)
+ other adjustments (difference not accounted for by price and currency changes)
= new stock

The same principle is used for i.i.p. calculated on a quarterly basis.

The following valuation principles are applied:

(i) direct investment: for equity capital, book values; market values are also available, on an individual basis for listed companies and on a global basis for unlisted companies;

(ii) portfolio investment: market value; and

(iii) other investment: book values (which are supposed to be equal to the market values in this case).

14.2.2 DIRECT INVESTMENT

As for flows, the notion of direct investment includes all operations relating to equity capital, reinvested earnings and other operations (long term and shortterm loans, etc.).

For French direct investment abroad, data on equity capital and reinvested earnings are collected once a year, mostly by *Banque de France* branches, which gather information on companies located within their respective area. The direct investor has to indicate to the *Banque de France* the name of the company located abroad, the percentage of its stake and the accounting data necessary for the outstanding amount to be calculated.

For inward foreign direct investment stocks in France, the compilation is made in two stages: first, direct investment enterprises are identified by using data from different sources, namely

a commercial data provider, the database of the Banking Commission, the database on companies managed by the *Banque de France* at the Enterprises Directorate and data collected through the compilation of b.o.p. flows; second, stock data on direct investment enterprises are compiled from accounting data provided by the aforementioned sources.

In both cases, stocks of equity capital are valued on the basis of the book value. Then, estimations are made in order to value the stock at market value. A full geographical breakdown is available for the book values.

As far as other operations are concerned, the stocks are collected directly from enterprises via an annual survey.

14.2.3 PORTFOLIO INVESTMENT

For portfolio investment stocks, the resident banks report on their own portfolio and on the portfolio they hold in securities' accounts for the account of their clients.

The reports are made on a security-by-security basis with the indication of the ISIN code. Thanks to the ISIN code and the security database, it is possible to identify the instrument, the sector of the issuer, the country of residence of the issuer, the currency of issue, etc.

Stocks are valued at market prices.

On the assets side, geographical allocation is effected according to the debtor principle (country of residence of the issuer). On the liabilities side, no geographical allocation is available.

On both the assets side and the liabilities side, a sectoral breakdown is available.

Moreover, resident banks send additional information on temporary sales or purchases of securities, so that the impact of these operations on stocks can be corrected. As a consequence, the reconciliation between flows and stocks is ensured.

14.2.4 FINANCIAL DERIVATIVES

Data are recorded on a gross basis (assets/liabilities). Valuation at market prices is required for options and futures, but not for swaps, forwards, and other derivatives (derived from off-balance sheets).

14.2.5 OTHER INVESTMENT

See Sub-section 12.1.

14.2.6 RESERVE ASSETS

Positions are valued in line with the bookkeeping practice of revaluing reserve assets on a monthly basis. This means that amounts relating to revaluation are included in reported positions and market prices are used. The same applies for gold.

No major discrepancies are encountered when compiling reserve assets from accounting balance sheets.

The adjustment of data from accounting systems to produce data consistent with the b.o.p./i.i.p. methodology is carried out by means of quarterly consistency checks based on expertise and analysis.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.4 GAPS

There is no sectoral breakdown for financial derivatives and no geographical allocation for the liabilities side of portfolio investment stocks.

14.5 INTENDED HARMONISATION

None.

14.6 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

"*Bulletin de la Banque de France*" (monthly)

"*La balance des paiements et la position extérieure de la France*" (annual report)

15.2 CONTRIBUTORS

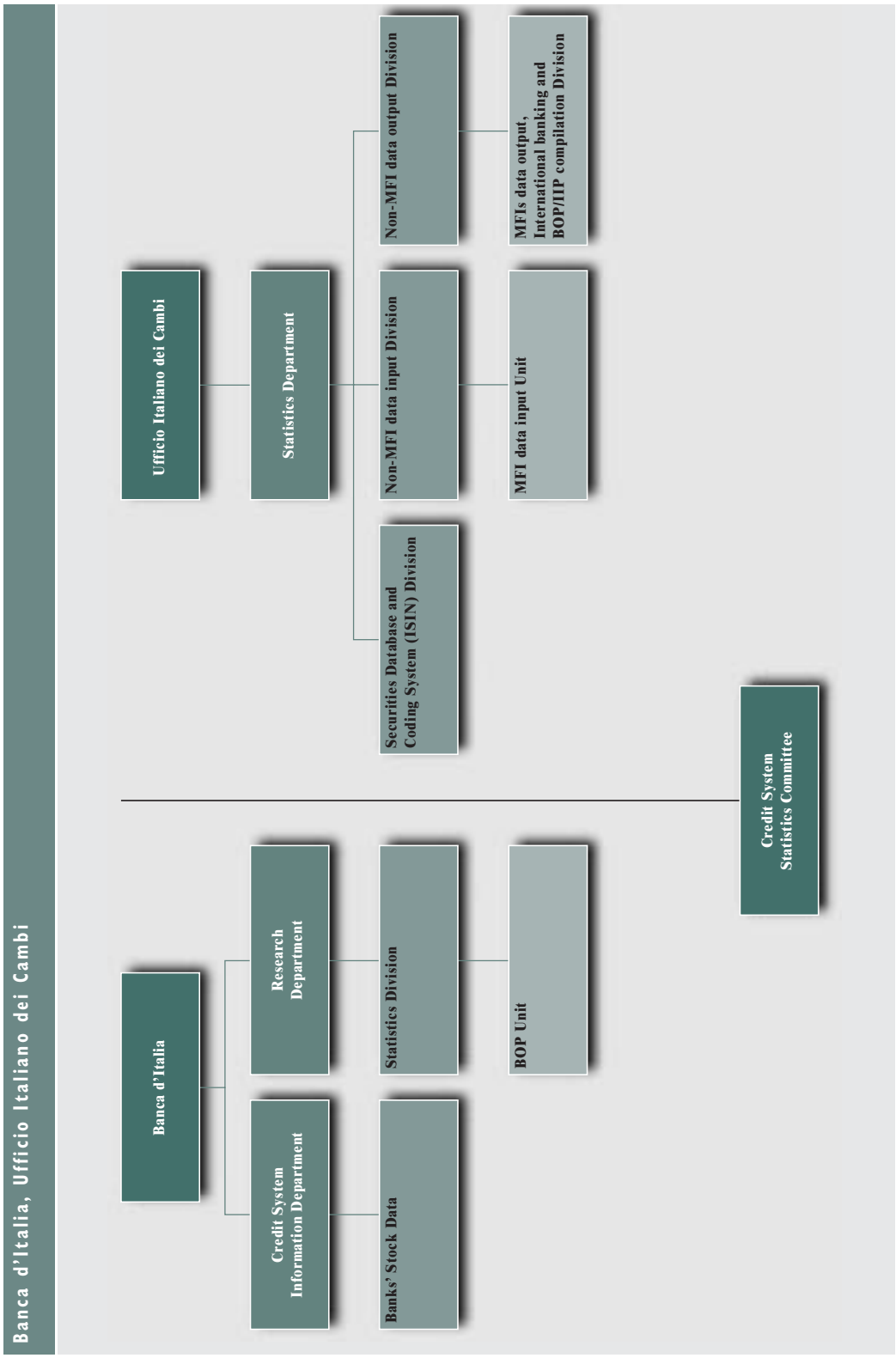
This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with France. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to France should be addressed to:

Mr Bruno Longet
Banque de France
D.G.E.I. – Direction de la Balance des Paiements
51-1470 SEMEX
75049 Paris Cedex 01
France

Tel.: 00 33 1 42 92 32 82
Fax: 00 33 1 42 92 56 84
E-mail: bruno.longet@banque-france.fr

4.11 ITALY

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The *Banca d'Italia and the Ufficio italiano dei cambi* (UIC) are responsible for the balance of payments and international investment position statistics. The UIC, being an instrumental entity of the *Banca d'Italia* since 1998, collects information for the compilation of b.o.p. and i.i.p. statistics. Both institutions publish data on b.o.p. and i.i.p. statistics. The information is derived from the data on cross-border transactions and from sample surveys for certain services conducted by the UIC. Other sources include the international trade statistics collected by the *Istituto nazionale di statistica* (Istat).

2.2 LEGISLATIVE PROVISIONS

The Exchange Reform Law, which came into force in October 1988, reorganised Italy's statistical system over the following two years and enabled the country to make the transition from a system in which residents were prohibited from transacting with non-residents (except for expressly authorised transactions) to one in which residents could freely carry out foreign transactions. Residents continued to be obliged to settle through the domestic banking system. The Ministerial Decree of April 1990 meant that operators no longer had to "channel" foreign transactions through resident banks, but were completely free to deal with foreign banks (e.g. to open deposit and current accounts abroad) or to export payment instruments, securities, etc. As a consequence of these provisions, it became clear that a new collection system for b.o.p. data was needed. In May 1990 the old data collection system was integrated into a new system and, from then onwards, all residents were required to supply statistical information on foreign transactions either directly or through the domestic banking system. The directive put forward by the Interministerial Committee for Credit and Savings in October 1995 authorised the collection by the UIC of data on the investment positions of non-bank operators above a certain threshold.

Legislative Decree No 319/98, which modified the institutional position of the UIC, confirmed its powers to collect data for b.o.p. compilation purposes. The compilation of international trade on goods data lies within the competence of Istat.

2.3 INTERNAL ORGANISATION

At the *Banca d'Italia* responsibility for the b.o.p. is vested in the Balance of Payments Unit of the Statistics Division of the Research Department, which also carries out analyses of b.o.p. developments. The Statistics Division is also responsible for money and banking statistics and for financial account statistics. In accordance with Guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template, data are made available by the UIC to the ECB for the production of the euro area b.o.p., and to the *Banca d'Italia*. The *Banca d'Italia* and the UIC are required to monitor the quality of statistical information.

At the UIC, various divisions of the Statistics Department are involved in the production of the b.o.p. and i.i.p. One division is involved in the coding system (International Securities Identification Number or ISIN) and in the security database management; two units of a division deal with non-bank and MFI data input; a division is involved in non-banks' data output; and another division deals with MFIs' data output, the international banking data and b.o.p./i.i.p. compilation.

Seven staff members are involved in the compilation of the b.o.p. and i.i.p. at the *Banca d'Italia*, while 80 staff members are involved in the Ufficio italiano dei cambi.

2.4 EXTERNAL COOPERATION

Close links both at the executive and at the operational level exist between Istat, the *Banca d'Italia* and the UIC. Data are exchanged mutually and there is a permanent committee for coordination at the highest level between Istat and the *Banca d'Italia*.

2.5 USERS

B.o.p. data are used as input in the national accounts statistics produced by Istat.

Data are also supplied to the Ministry of the Economy and Finance; to private and public research institutes and universities; and to international organisations such as the European Central Bank, the European Commission (Eurostat), the Organisation for Economic Co-operation and Development, the Bank for International Settlements and the International Monetary Fund.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The Italian b.o.p. collection system is, in principle, an open settlement system integrated with surveys, and organised around reporting banks and non-banks. Banks are required to report transactions performed for their own account and on behalf of their customers (the reports are transmitted within the framework of the *Matrice valutaria* or MV). Non-banks are required to report their own cross-border transactions, directly or through the resident banks (the reports are transmitted within the framework of the *Comunicazione valutaria statistica* or CVS).

For some items, sample surveys are conducted by the UIC:

- since 1996 a survey of travellers has been in place to compile the travel service account;
- since 1998 an enterprises survey has been used to measure international transportation services;
- since 1998 a survey on direct and portfolio investment positions has been carried out; some of the questions are dedicated to the collection of data on reinvested earnings.

The survey on travellers is carried out at Italy's main border points (around 60 road and rail crossings, international airports and seaports). Fieldwork consists of two procedures carried out at the same time: counting (around 1,500,000 annual operations) and interviewing randomly selected resident and non-resident international travellers (130,000 annual face-to-face interviews on the basis of a structured questionnaire). Counting allows the dimension of the reference population to be estimated; the objective of interviewing is the collection of detailed information on travellers' expenditure. The survey is conducted continuously and produces monthly results. The survey on international transportation services identifies the cost structure of international transportation by interviewing a sample of carriers and requesting information broken down by mode of transport, country of origin/destination, type of goods and type of transport device. The sample is stratified. The strata are defined by the mode of transport, the class of turnover, the geographical location and the type of carrier (road transporters, multimodal operators, ship brokers, ship companies specialised in containers, rail companies, intermodal rail and road companies, air companies, air brokers). The survey also provides an estimate of the freight insurance costs.

The survey on direct and portfolio investment positions covers banks and other financial institutions, insurance companies, companies listed on the Italian stock exchange and a sample of other non-financial enterprises. Financial institutions report both on their own account and as custodians on behalf of the investors. The sample is stratified. The strata are defined by a dimensional attribute and by Italian geographical area.

Istat supplies trade data on goods which is based on c.i.f./f.o.b. valuation; the c.i.f./f.o.b. adjustment is made on the basis of the data on international transportation and insurance services, as derived from the survey on international transport. Istat also provides data on goods for processing and on non-monetary gold, as well as export data on goods procured in ports (import data for this latter item are taken from returns submitted to the UIC).

Istat's annual survey on the balance sheets and profit-and-loss accounts of Italian insurance companies is used for the estimate of the insurance service charge ratios.

Data on compensation of employees are partially estimated on the basis of OECD data on international wage taxation.

Flow data are collected directly for all b.o.p. items, with the exception of the financial flows of monetary authorities, which are derived from stocks. For the non-MFIs, the reporting on foreign transactions and positions related to financial instruments is done on a security-by-security basis. The respondents indicate the ISIN code of the securities in the statistical reporting form entitled *Comunicazione valutaria statistica* (CVS) for the flows, and in the data entry provided by the UIC for the portfolio investment position survey.

3.2 REPORTING AGENTS

(i) The *monetary financial institution (MFI) sector* (banks, money market funds and monetary authorities): they have to report to the Banca d'Italia stock data on their claims and liabilities vis-à-vis residents and non-residents by type of asset/liability, currency, maturity and debtor/creditor country. Assets in securities are reported on a security-by-security basis. Banks also have to report to the UIC data on their own foreign transactions and on those on behalf of their customers (flow data) with a breakdown by type of operation, currency, country and type of account used for settlement (nostro/vostro account, TARGET and so on).

(ii) The *non-banking sector*: international transactions have to be reported either directly to the UIC or through resident banks if settlement takes place in this way. Data are broken down on the CVS forms mainly by nature of operation, country and currency, and by variables used to classify operators (type of operator, type of enterprise, branch of economical activity, last financial year's turnover, number of employees in enterprise, etc.). The system also collects gross transactions settled through netting. The Italian law enforces anonymity, which means that it is impossible to identify the resident transactor after the data have been collected and processed.

(iii) The *general government sector*: the Ministry of the Economy and Finance reports public transfers.

(iv) *Customs and the Intra-Community Trade Statistical System (Intrastat)*: for goods, reports are made to Istat, which then calculates the data (on a c.i.f./f.o.b. basis). The UIC subsequently estimates goods data on an f.o.b./f.o.b. basis.

3.3 THRESHOLDS

The collection of stock data on the assets and liabilities of non-bank operators exceeding a threshold of €60,000 by the UIC was authorised by the Interministerial Committee for Credit and Savings in October 1995.

Since January 2002, an exemption threshold of €12,500 has been applied to the banking source (Matrix system) and to the non-banking source (CVS system) for flow data.

3.4 AVAILABILITY OF DATA

A complete b.o.p. with country/currency breakdowns is available on a monthly basis.

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection for Italy

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)	Average number of working days after the expiry of the deadline before 95% of the data have been collected from respondents [1])
MFIs	Matrix	Flows/stocks	Monthly	12 working days	0
MFIs	Survey on PI	Stocks PI (assets)	Annually	180 days	0
MFIs	Survey on DI	Stocks DI	Annually	180 days	0
MFIs (custodians)	Survey on PI -other sectors	Stocks PI (assets)	Annually	180 days	0
OFIs	CVS	Flows	Monthly	25 days	0
OFIs	Surveys	Stocks	Annually	180 days	0
Enterprises	CVS	Flows	Monthly	25 days	0
Enterprises	Survey on transportation	Flows	Annually	30 days	0
Enterprises	Survey on reinv. earnings	Flows	Annually	180 days	0
Enterprises	Survey on PI	Stocks (assets)	Annually	180 days	0
Enterprises	Survey on DI	Stocks	Annually	180 days	0
Households	CVS	Flows	Monthly	25 days	0
Households	Survey on travel	Flows	Monthly	30 days	0
General Government	Survey	Flows	Monthly	12 working days	0
Monetary Authorities	Matrix	Flows/stocks	Monthly	12 working days	0

1 This column will not be published.

3.5 TIMELINESS

Banks are requested to submit Matrix system data within 12 working days after the end of the reference month, whereas the CVS data are submitted within 25 days after the end of the reference month. The outcome of the survey on international transportation is available 30 working days after the end of the reference year. The results of the questionnaire on tourism are available about one month after the end of the reference month.

3.6 COMPILATION FREQUENCY

The Italian b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

The procedure for handling and processing the raw data contained in the 1,000,000 records received each month by Matrix system and in the 4,000,000 records received by the CVS was upgraded by the introduction of an advanced information processing system. A specific software tool called UIC-Maestro was distributed to the reporting entities. This data entry system combines simplicity with numerous checking functions (including diagnostic checks) which are designed to classify and input data and to reduce the potential for error. The most important banks use a diagnostic software, provided by the UIC, which carries out checks similar to those provided by UIC-Maestro.

Controls are also exercised on the data in the system environment used for the collection of statistics (known as Matrix and Eleuteria). Some routine data checks are carried out on the integrity of the data, as well as some more complicated checks which take into account comparisons of flows and stocks. If inconsistencies are detected in the data, the Data Processing Division contacts the reporting agent, either by telephone or by means of a standard form on which details of the inconsistency are given and broken down by type of transaction.

3.8 REVISION POLICY

The provisional data are published about 30 working days after the end of the reference period. Revised data are published about 100 days after the end of the reference period. Further revisions to the data for each year are disseminated five months after the end of the reference year. The data on the merchandise item for each year are revised further and finally about 13 months after the end of the reference year. Italy complies with the revision policies agreed upon by the ECB and Eurostat.

3.9 PUBLICATION

Since 1999 the Italian b.o.p. statistics have been published in a format that is compliant with the standard components of the fifth edition of the IMF Balance of Payments Manual (BPM5).

Provisional flow data are provided in a UIC monthly press communiqué that is released about six weeks after the end of the reference period (coverage: goods, total services, total income, current transfers, total capital account, direct investment, portfolio investment, other investment, derivatives, reserve assets). More detailed and updated flow data become available three months after the end of the reference month and are published in a monthly annex to the *Banca d'Italia* Statistical Bulletin and in the monthly UIC Statistical Bulletin.

The annex to the *Banca d'Italia* Statistical Bulletin includes time series data, broken down into the main b.o.p. items of the IMF/ECB classification. The UIC Statistical Bulletin mainly reports monthly cross-section data, with a detailed geographical breakdown. The coverage of the UIC Statistical Bulletin is wider than that of the press communiqué (there is greater detail for merchandise: general merchandise, goods for processing, repair of goods, goods procured in ports by carriers, non-monetary gold; services: all the IMF standard components; income: compensation of employees and capital income; current transfers: private sector and general government; capital account: capital transfers and acquisition/disposal of non-produced, non-financial assets; financial account: resident sector and financial instrument/assets/liabilities breakdown). Six summary tables with time series of flow data are also reported in the UIC Statistical Bulletin. Detailed time series are disseminated via a CD-ROM, which is updated monthly.

Provisional semi-annual stock data on the i.i.p. are published about 130 days after the end of the reference period in the UIC monthly press communiqué (coverage: assets and liabilities for direct investment, portfolio investment, broken down further into equities and debts, other investment derivatives and assets for official reserves). Quarterly external debt data presented in accordance with the IMF's SDDS are published about 130 days after the end of the reference period in a monthly UIC press communiqué. The data are subsequently published in the UIC Statistical Bulletin (a breakdown by resident institutional sector is also available). The data are revised about six months after the first release, with the publication of the new period. They are revised further about 12 months after the first release.

Annual data are published in the *Banca d'Italia* annual report five months after the end of the year.

The titles of the publications on b.o.p./i.i.p. statistics produced by the UIC and the *Banca d'Italia* are listed in Sub-section 15.1.

The publications are available on the websites of the *Banca d'Italia* (www.bancaditalia.it) and of the UIC (www.uic.it).

The release calendar for the UIC monthly press communiqué and for the annex to the *Banca d'Italia* Statistical Bulletin is published in advance.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

4.2 DEFINITION

Istat compiles the International Trade Statistics (ITS) by collecting customs documents for extra-EU trade statistics and referring to the Intrastat collection system for the intra-EU statistics. While the ITS are the source for the goods key item, transaction-based data are also available from foreign transaction reports – CVS forms – collected by the UIC. Using the CVS data, ITS data are adjusted by the b.o.p. compilers for the following items:

(i) imports
- purchases abroad of non-imported goods;
- purchases in Italy of non-resident goods;
- settlement of goods temporarily imported for processing but transformed into definitive imports;
- re-importation of goods processed abroad for the account of residents;
- goods procured in ports by carriers;

(ii) exports
- sales in Italy of non-exported goods;
- sales abroad of non-imported goods;
- settlement of goods temporarily exported for processing but transformed into definitive exports;
- re-exportation of goods processed in Italy for the account of non-residents.

Intra-EU trade statistics are compiled following the country-of-consignment principle, while the country-of-origin principle applies to extra-EU data. Intrastat data are not available within 30 working days, as required for monthly b.o.p. data. As a result, a provisional intra-EU trade figure is estimated using a forecasting technique relying on a seasonal autoregressive model. When Intrastat statistics become available (generally within eight weeks of the end of the reference month), the estimated intra-EU trade figure is revised. A further revision is carried out as soon as definitive data for the whole reference year become available.

ITS provide a detailed geographical breakdown from which it is possible to derive data for the transactions of the non-participating Member States.

Goods imports enter the b.o.p. on an f.o.b. basis. Estimates for transport and freight insurance are available from a sample survey conducted by the UIC. The sample survey on international transportation costs estimates average unit costs of merchandise transport, providing merchandise and geographical breakdowns. Such costs are multiplied by corresponding volumes of imports and exports in order to obtain absolute transportation costs. The estimated absolute transportation costs and the insurance costs for imports can be used to convert c.i.f. values into f.o.b. values; in the case of road and rail transport (imports), it is possible to distinguish costs relating to transport within Italian territory, within third countries and within countries of origin.

Such c.i.f./f.o.b. ratios may vary according to changes in the ITS geographical and mode-of-

transport breakdowns, and may vary from year to year when sample average unit costs are updated. The goods item is compiled by applying the special trade principle.

Since January 1999 data have been compiled according to the standards set out in the BPM5. In addition, time series dating back to 1989 have been estimated to ensure consistency with such standards.

Transactions in military goods are reported; because of confidentiality rules, they are reported in some cases (for example, warships and tanks) without giving information about the merchandise category (a residual code is used), although the geographical breakdown is correctly applied.

For transactions carried out under the so-called "Community programmes", movements of goods are reported and the geographical breakdown is made on the basis of the physical movements of the goods making up the programme.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

No harmonisation necessary.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

5.2 DEFINITION

Data are mainly derived from the settlement system.

Transportation services are derived from the survey on international transport. Freight services are calculated in line with the c.i.f./f.o.b. conversion: average transport unit costs x volume of imports/exports x resident/non-resident market share (see Sub-section 4.2).

Travel services are derived from the survey on international travel. The survey provides a detailed breakdown by purpose of travel, according to the supplementary items indicated in the BPM5.

Insurance services: service charge coefficients for life and other insurance services are estimated only on the credit side, using information on Italian insurance companies. The estimated coefficients are also applied to the debit side. For life and other insurance business (with the exception of freight insurance), estimated service charge coefficients are applied to premiums collected through the settlement system. For freight insurance, the service charge coefficients are applied to the premiums estimated in line with the c.i.f./f.o.b. conversion method (average insurance costs x value of exported/imported goods x R/NR insurers' market shares – as derived from the survey on international transport and from the customs' declarations/Intrastat data). For all the types of insurance services, the methodology includes the estimation of the premium supplements, and an offsetting entry is made in the current account income.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

No harmonisation necessary.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 GENERAL

Italy collects data on investment income through the general reporting system.

The geographical allocation is performed in different ways for credits and debits. The former are broken down according to the debtor principle, the latter according to the residency of the first-known counterpart. So far, the geographical breakdown of the item has not entailed any relevant difficulties.

The accruals principle will be applied to CII income in due course.

6.1.2 INCOME ON DIRECT INVESTMENT

Data derived from settlements are integrated with estimates on reinvested earnings.

An annual profitability rate is estimated on the basis of the direct investment stock survey and reinvested earnings are calculated as the difference between total estimated direct investment income and distributed income. The annual profitability rate is divided into 12 equal amounts and the monthly estimates are calculated on the basis of the direct investment stock data at the end of the month preceding the reference month. The all-inclusive concept is used to calculate the annual profitability rate.

By way of example, in the 2005 direct investment stock survey, the respondents supplied:

– data on net operating profits; and

– dividends paid for the years 2004 and 2005.

Income for the item direct investment – other capital is not currently recorded, but its compilation is planned. Consequently, Italy will set up the necessary estimation procedure during 2006.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income on bonds and notes and on money market instruments is compiled on the basis of the accruals principle, by using information on the underlying stocks. Dividends are recorded as of the date they are paid.

6.1.4 INCOME ON OTHER INVESTMENT

Interest on loans between non-affiliated enterprises is compiled on the basis of settlement data.

Income on reserve assets is compiled on an accruals basis using stock data from the accounting system.

6.2 DEFINITIONS

Definitions are consistent with those outlined in the BPM5.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

Income on direct investment – other capital is not currently recorded as direct investment income (see Sub-section 6.1.2).

6.4 GAPS

Income on trade credits as well as interest shares in leasing payments are not currently recorded. Italy intends to set up the necessary estimation procedure. After implementation, a testing exercise will be necessary before data can be made available. Its compilation is thus planned in the future.

6.5 INTENDED HARMONISATION

The extension of the accruals principle to the whole investment income account will be implemented.

6.6 ESTIMATION METHODS

Accrued interest on portfolio investment positions, i.e. on bonds and notes, is estimated by the UIC on the basis of security-by-security stock data. Additional information on, inter alia, interest rates, coupon maturities and interest calculation methods, is then taken from the securities database.

7 CURRENT TRANSFERS

7.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

7.2 DEFINITION

The main sources of data on private transfers are the reports from the banking and the non-banking sectors. For government transfers, information is mainly derived from Istat statistics compiled using data of the Ministry of the Economy and Finance. Pensions paid by the Italian pension scheme to non-residents and taxes paid to the Italian Government by non-residents are mainly derived from the banking and non-banking sectors' reports.

The collection system for workers' remittances was updated in 2005. The old system relied on the reporting of cross-border settlements. This approach implied serious shortcomings, mainly connected with the specific settlement procedures of money transfer operators (MTOs), especially as regards the geographical allocation of transactions. This suggested a switch to a system based on the systematic direct reporting of MTOs, which started in February 2006.

7.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

7.4 GAPS

None.

7.5 INTENDED HARMONISATION

No harmonisation necessary.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

8.2 DEFINITION

The capital account includes capital transfers and the acquisition/disposal of non-produced, non-financial assets, as defined in the BPM5.

For capital transfers, Italy collects data on:

(i) migrants' transfers in cash or transfers resulting in a change in the foreign net position of resident banks;

(ii) debt forgiveness; and

(iii) all transfers of cash linked to the acquisition of fixed assets.

Any transfer in kind that causes a change in ownership of fixed assets (machinery and equipment) is considered as capital. Other transfers in kind are classified as current.

The main sources of data on private transfers are the reports from the banking and the non-banking sectors. For government transfers, information is mainly derived from Istat statistics compiled using data of the Ministry of the Economy and Finance. Data on debt forgiveness are recorded in the Italian b.o.p. Banks' debt forgiveness is derived from the banking reports. Government debt forgiveness is estimated using data of the Ministry of the Economy and Finance.

The source of data on capital transfers with EU institutions are the quarterly Istat statistics, as based on data of the Ministry of the Economy

and Finance, disaggregated on a monthly basis by the UIC. In particular, capital transfers with the EU include: (i) contributions under the Guidance section of the European Agricultural Guidance and Guarantee Fund (recorded as credits); and (ii) investment contributions from the Regional Development Funds (credits).

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

No harmonisation necessary.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Italy collects data on inward and outward direct investment flows and stocks through the general reporting system (see Sub-section 3.1). Information from the survey on direct investment is used for estimating reinvested earnings. A geographical breakdown is available, based on the residency of the issuers (i.e. debtor/creditor principle).

9.2 DEFINITION

Italy follows the recommendations of the BPM5 and the harmonisation proposals made by the ECB.

All transactions between direct investors and direct investment enterprises, including long-term and short-term trade credits as well as equity contributions in terms of real or financial assets and not implying any actual payment, are recorded under direct investment. Furthermore, all cross-border transactions in real estate are covered. Transactions of special-purpose entities are included in direct investment, as are reinvested earnings. The fully consolidated system is partially applied. Transactions between affiliated companies are not included.

For the compilation of foreign direct investment broken down by valuation of equity stocks, a ratio between market and book value will be calculated from the results of a tailored survey; this ratio will be used to derive the book value from the official stock data (still calculated by cumulating flows).

9.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

No harmonisation is necessary.

9.6 ESTIMATION METHODS

The FDI survey information is used to estimate reinvested earnings.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Italy collects data on portfolio investment flows through the general reporting system. Data are collected on a security-by-security basis. The geographical allocation is carried out according to the debtor principle on the assets side; for liabilities, only the residency of the first-known counterpart is available. Therefore, non-euro area assets data are available according to the issuer principle.

Regarding the compilation of portfolio investment intra assets broken down by issuer sector, for other sectors, flow data are compiled on a security-by-security basis. For other MFIs-banks total flows are broken down using the

change in stocks by issuer sector as reported in the aggregated balance sheet reports. As to the reporting agents monetary authorities and other MFIs-money market funds, flow data are compiled on the basis of the change in stocks available on a security-by-security basis.

10.2 DEFINITION

Italy follows the recommendations of the BPM5 and the harmonisation proposals made by the ECB.

Service charges, fees and commissions are not included in portfolio investment.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

No harmonisation is necessary.

10.6 ESTIMATION METHODS

No estimation is necessary.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Italy collects data on: (i) daily margins for derivatives; (ii) premiums earned/paid for derivatives; and (iii) net payments at the close of the derivatives operation. All these data are collected through the general reporting system. The residency of the counterpart is, on the assets side, the country of residence of the issuer or the country where the market is located; for exchange traded derivatives, the country corresponds to the country in which the clearing house is located. On the liabilities side, the residency of the counterpart is the country of settlement. Breakdowns by sector and by country are available on a monthly basis. No instrumental breakdown is available. Data on a gross basis are available. Initial margin payments are recorded under other investment. Daily margin payments are recorded as financial derivatives. For daily margins no breakdown is available between options-style and futures-style transactions.

11.2 DEFINITIONS

Italy complies with the definition of the BPM5 Supplement and the recommendations set out by the ECB.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

The settlement system does not allow the recording of derivatives transactions in the event of delivery of the underlying asset.

11.4 GAPS

See above.

11.5 INTENDED HARMONISATION

No harmonisation is planned.

11.6 ESTIMATION METHODS

No estimation is necessary.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Italy collects data on MFIs' and other sectors' flows through the general reporting system. For monetary authorities, flows are derived as a change in stocks. Breakdowns by sector, instrument and maturity are available on a monthly basis. Geographical allocation is based on the transactor principle.

For data before January 1999, MFIs' flows were estimated from changes in the underlying stocks

with adjustments for exchange rate valuation, and the geographical breakdown was estimated on the basis of stock data.

In the current system, transactions carried out through TARGET are identified separately, so that consistency checks between transactions, as reported by banks, and settlements, as reported in TARGET accounts, are feasible. Whenever banks settle their own or their customers' transactions directly through TARGET they have to report information on both the country of the counterpart and the country of settlement. This procedure helps in checking and comparing the reported geographical breakdown with that derived from the change in the TARGET positions.

For trade credits, the time of recording is the date on which settlements are reported to the UIC, in the case of prepayments. For post-payments, a distinction is made between short-term and medium/long-term trade credits. Since the former are only recorded by the settlement system ex post, they have to be estimated; this occurs in two stages: (i) a forecast of the total amount of goods to be exported/imported in the following 12 months; and (ii) an estimate of the post-payments share for each month and for each leg, based on the average share observed in the previous two years. The time of recording is derived from the time distribution of trade credits recorded in the previous two years. For medium/long-term trade credits, the time of recording of post-payments is, in principle, the date on which imports/exports occur, as reported to the UIC. Estimates are made to correct incomplete data.

12.2 DEFINITION

Italy complies with the recommendations of the BPM5 and the harmonisation proposals made by the ECB.

Foreign currency notes, coins, bond lending, repos and financial leasing are included under other investment. Bond lending and repos are considered as collateralised loans; the latter are much more significant than the former. Among repos, "genuine" repos are predominant.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

No harmonisation is necessary.

12.6 ESTIMATION METHODS

Trade credits and life insurance premia are partially estimated.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

13.2 DEFINITION

Italy complies with the recommendations of the BPM5 and with the national definition of reserve assets approved by the ECB.

The instrumental breakdown is available on a monthly basis; financial derivatives are recorded on a net basis. Reserve asset flows are derived from the change in end-of-month stock data. Balances denominated in foreign currencies are expressed in the currency of denomination. Therefore, reserve assets are recorded at the market price at the time of the transaction and converted into euro at the relevant monthly average foreign exchange rate.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

No harmonisation is necessary.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

The data collection system for the Italian i.i.p. is based on a combination of pure stock data collection and the accumulation of flows.

The main source of stock data for i.i.p. compilation are the surveys on direct and portfolio investment (see Sub-section 3.1) conducted by the UIC on an annual basis. Portfolio and direct investment in ISIN coded securities are collected on a security-by-security basis. Other sources of stock data are: monthly reports of the *Banca d'Italia* for the monetary authorities sector; and monthly balance sheet reports (*Matrice dei conti*) for other MFIs.

For the external position of the MFI sector, a mixture of two sources is used: (i) for most items, balance sheet data are used; (ii) data from the UIC annual surveys are used as complementary information for the compilation of the liabilities side of MFIs' direct and portfolio investment.

For the non-MFI sector, stock data from the UIC surveys are used to compile the assets side of portfolio investment on an annual basis. The survey on portfolio investment assets covers banks, other financial institutions, insurance companies, listed companies and a stratified sample of other enterprises. Financial institutions report both on their own behalf and as custodians on behalf of the investors. The results of the survey are also used to contribute to the Co-ordinated Portfolio Investment Survey of the IMF.

The remaining items of the i.i.p. are calculated by accumulating b.o.p. flows and applying appropriate adjustments for exchange rate and market price changes.

Regarding the estimation of the quarterly i.i.p., b.o.p. flows are accumulated whenever only annual stock data are available. It is planned to extend the use of data from the UIC surveys in the near future. Direct and portfolio investment liabilities of the non-MFI sector will be compiled using collected stock data on an annual basis. The new data collection system is already in place, but its results need to be validated before publication.

The survey on direct investment involves banks, other financial institutions, insurance companies, listed companies and a stratified sample of other enterprises. The strata are defined by a dimensional attribute and by Italian geographical area. A b.o.p. enterprises register has been developed in order to improve the sample design process and to help the quality assessment of reported data.

For the liabilities side of portfolio investment, the compilation method that has been chosen is the mixed approach, i.e. one of the methods recommended by the ECB Task Force on Portfolio Investment Data Collection Systems.

The annual i.i.p. statement can be provided within the nine-month deadline.

The three-month deadline for the quarterly i.i.p. can be met as long as the accumulation of b.o.p. flows will be allowed.

14.2 DEFINITIONS

14.2.1 GENERAL

The definitions comply with the BPM5.

Valuation is carried out following the market value principle as long as data are available.

Whenever pure stock data are collected, the reconciliation with b.o.p. flows is constantly

monitored in order to detect significant discrepancies.

14.2.2 DIRECT INVESTMENT

For direct investment, the directional principle is followed and reinvested earnings are included.

The valuation of the stock data is both at market value and at book value for listed shares and at book value (net assets) for unlisted shares.

Non-MFI sector direct investment is obtained by accumulating flows. The data are adjusted to take account of exchange rate and market price changes.

14.2.3 PORTFOLIO INVESTMENT

Portfolio investment assets of MFIs are valued at market prices on the basis of aggregated balance sheet reports. Portfolio investment liabilities of MFIs are largely valued at market prices. Portfolio investment assets of non-MFIs are valued at market prices on a security-by-security basis. Portfolio investment liabilities of non-MFIs are obtained by accumulating b.o.p. flows. Revaluation is performed on a security-by-security basis.

Regarding the compilation of portfolio investment intra assets broken down by issuer sector, for monetary authorities and other sectors, stock data are compiled on a security-by-security basis and information on the issuer sector is derived from the securities' attributes stored in the securities database. In the case of other MFIs stock data for money market funds are also compiled on a security-by-security basis, whereas those for banks use the information on the issuer sector reported in the aggregated balance sheet reports.

14.2.4 FINANCIAL DERIVATIVES

This item complies both with the definition agreed upon by the IMF and with the ECB recommendations. Data on a gross basis are available. No valuation at market prices is carried out.

14.2.5 OTHER INVESTMENT

For the MFI sector, the valuation of the stock data is at book value. For the non-MFI sector, stock data are derived by accumulating flows adjusted for foreign exchange rate changes.

14.2.6 RESERVE ASSETS

This item complies with the national definition of reserve assets approved by the Governing Council of the ECB in March 1999 and applied from 1999 onwards. Reserves include claims in foreign currencies on non-residents of the euro area, monetary gold, SDRs and the IMF reserve position.

End-of-month and end-of-year stock data on reserve assets are valued at the middle market prices prevailing at the end of the period. Gold is valued at the end-of-period market price (the London fixing at 3 p.m., local time). Conversion into euro is performed using the middle market exchange rates prevailing at the end of the period.

There are no reconciliation problems with regard to the stocks of reserves owing to revaluation practices. At present, monthly flows of reserve assets are derived from changes in end-of-month stock data (reported stock data are calculated using a "flow-oriented" procedure). Monthly revaluation time series are available. Moreover, balances denominated in foreign currencies are expressed in the currency of denomination. As a consequence, prices and foreign exchange rate adjustments can be calculated.

The criterion used by accountants for the valuation of gold stocks is different from that applied in the Italian b.o.p. In the case of the latter, monetary gold is revalued monthly, using the market price.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.4 GAPS

None.

14.5 INTENDED HARMONISATION

No harmonisation is needed.

14.6 ESTIMATION METHODS

No estimation is performed.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Statistical bulletins:
"Supplemento al Bollettino Statistico, Indicatori monetari e finanziari, Bilancia dei pagamenti", Banca d'Italia's Orange Series (monthly)
"Bollettino Statistico, statistiche analitiche valutarie", Ufficio italiano dei cambi (monthly)

Other publications:
"Annual Report", *Banca d'Italia* (end-May)
"Economic Bulletin", *Banca d'Italia* (published four times a year: January, April, July and October)
"Manual of Italy's Balance of Payments: Statistical Sources and Compilation Methods", *Banca d'Italia* (September 1996)
"Manuale della bilancia dei pagamenti e della posizione patrimoniale sull'estero dell'Italia", Banca d'Italia/Ufficio italiano dei cambi (2004)

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Italy. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Italy should be addressed to:

Mr Francesco Vincenzo Loi
Ufficio italiano dei cambi
Statistics Department
Via Quattro Fontane, 123
I - 00184 Roma
Italy

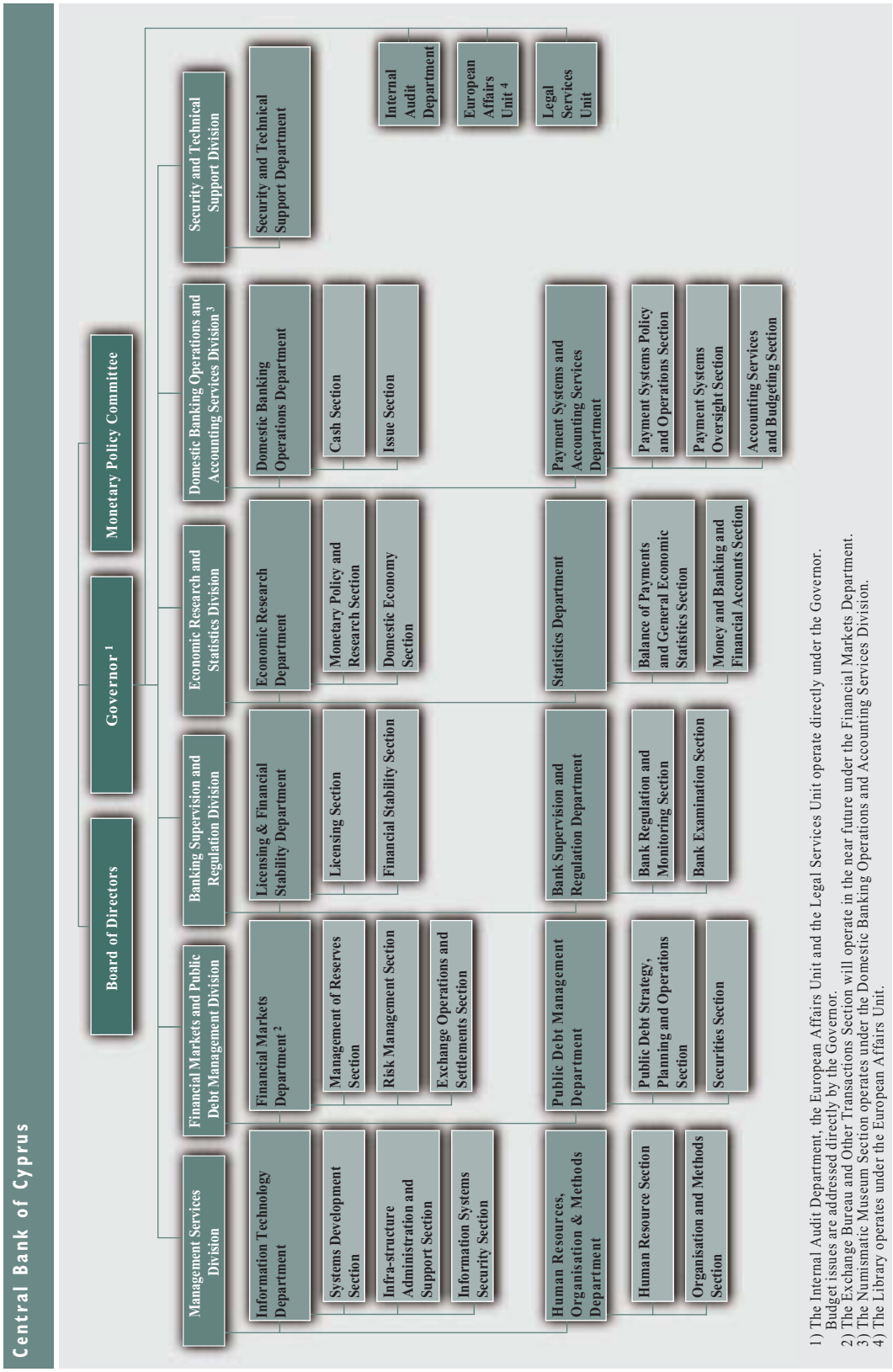
Tel.: 00 39 06 466 34 354
Fax: 00 39 06 466 34 629
E-mail: francesco.loi@uic.it

Mr L. Federico Signorini
Banca d'Italia
Research Department
Via Nazionale, 91
I - 00184 Roma
Italy

Tel.: 00 39 06 479 23 713
Fax: 00 39 06 479 23 611
E-mail: signorini.luigifederico@bancaditalia.it

4.12 CYPRUS

1 ORGANISATION CHART



1) The Internal Audit Department, the European Affairs Unit and the Legal Services Unit operate directly under the Governor. Budget issues are addressed directly by the Governor.
2) The Exchange Bureau and Other Transactions Section will operate in the near future under the Financial Markets Department.
3) The Numismatic Museum Section operates under the Domestic Banking Operations and Accounting Services Division.
4) The Library operates under the European Affairs Unit.

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The Central Bank of Cyprus (CBC) is responsible for compiling the balance of payments statistics and the international investment position of Cyprus. The CBC was established in 1963 as an autonomous institution, in accordance with the Central Bank of Cyprus Law of 1963 and relevant articles of the Constitution of the Republic of Cyprus. Presently, the CBC is governed by the Central Bank of Cyprus Laws of 2002 - 2007 (the "Law"), which ensure the independence of the CBC and compatibility with the relevant provisions both of the Treaty establishing the European Community and of the Statute of the European System of Central Banks and of the European Central Bank. The primary objective of the CBC is to ensure price stability. Without prejudice to this primary objective and subject to the fulfilment of its obligations under Article 105 paragraph 1 of the Treaty, the Bank shall support the general economic policy of the State. The main tasks of the CBC include, inter alia, the definition and implementation of monetary policy, the conduct of exchange rate policy, the holding and management of official international reserves, the supervision of banks, and the performance of the tasks of banker and financial agent of the government. In the past, the CBC also administered the Exchange Control Law, which – until the end of 2001 – formed the basis for the collection of b.o.p. data. The Exchange Control Law was repealed on 1 May 2004, at the end of a process of a gradual abolition of exchange restrictions.

The dismantling of exchange restrictions and the resultant loss of this source of statistical information prompted the CBC to develop a new system for collecting and compiling balance of payments and international investment position statistics, which is in accordance with the requirements of Eurostat, the European Central Bank and the International Monetary Fund. The new system is a settlement-based system complemented by direct reporting, surveys and other sources.

2.2 LEGISLATIVE PROVISIONS

The legal basis for the collection and compilation of b.o.p. statistics is Section 64 of the Law. In particular, the Law empowers the CBC to require banks, designated financial institutions, government services, public corporations, as well as any other natural or legal person, to report to the CBC any data in their possession deemed necessary for the compilation of the b.o.p. and the i.i.p. of Cyprus.

The Law provides for penalties in the case of non-compliance with the obligation to provide data. The Governor of the CBC is vested with the power to impose administrative fines. Moreover, any violation of the law is an offence punishable, on conviction, with substantial fines. The CBC's policy is to inform the banks and the public and persuade them of the necessity of reporting data for the compilation of the b.o.p. of Cyprus.

By virtue of the Law, the CBC has issued a number of directives specifying the data to be reported. In December 2001 the CBC issued a directive to banks, under the aforementioned law, concerning the implementation of the new b.o.p. reporting system as from 1 January 2002. A series of meetings and discussions between the CBC and the banks as well as training sessions for bank employees preceded the issue of the directive. An updated directive to banks was issued in 2004.

2.3 INTERNAL ORGANISATION

The B.o.p. Section consists of an assistant manager, four officers and nine administrative/clerical staff; it is supported by analysts and programmers from the Information Technology Department. Statistical work is also carried out by the following other divisions/departments/sections of the CBC:

The *Banking Supervision and Regulation Division* collects monthly balance sheet returns, profit and loss accounts and other returns for both statistical and prudential supervisory purposes from all deposit money banks, other financial institutions and international banking units.

The *Money and Banking Statistics and Financial Accounts* Section is responsible for the compilation and dissemination of money and banking statistics in accordance with the requirements of the ECB, Eurostat and the IMF.

The *Accounting Services Department* produces a number of reports relating to the CBC's general ledger. These include the monthly balance sheet, the quarterly management accounts and the annual financial statements of the CBC.

The *External Debt Section* keeps detailed statistics on the composition of government external debt by currency, creditor, interest rate type and maturity profile.

The *Management of Reserves Section* keeps detailed data on official reserves and produces various statistics for reserve management purposes. It also keeps statistics on the spot and forward exchange rates of the Cyprus pound and on the foreign currency deposits of domestic banks.

2.4 EXTERNAL COOPERATION

The CBC cooperates closely with the Statistical Service of Cyprus (CYSTAT). CYSTAT provides foreign trade statistics, and monthly data on receipts from tourism as well as the number of tourist arrivals and departures derived from frontier surveys, on a monthly basis.

The CBC also receives data from the Cyprus Stock Exchange (CSE), which is the national numbering agency and also acts as the central securities depository and registry of shareholders for companies listed on the stock exchange.

The CBC cooperates with the government, in particular the Ministry of Finance, concerning government foreign borrowing and foreign grants, and the Department of Land and Surveys concerning investments by non-residents in real estate in Cyprus. In addition, the CBC cooperates with other financial supervisory authorities (Insurance Companies Control Service, Securities and Exchange Commission) for the collection of data from companies under their supervision.

As regards European and international cooperation, the B.o.p. Section of the CBC participates in the ESCB's Working Group on External Statistics and in Eurostat's Balance of Payments Committee and Balance of Payments Working Party. In the period prior to Cyprus's accession to the EU, the B.o.p. Section of the CBC benefited from technical advice from Eurostat, the IMF, the Banque de France and the Banco de Portugal, as well as from seminars and consultations organised by the ECB. Furthermore, the CBC plans to become a subscriber to the IMF's Special Data Dissemination Standard (SDDS) as soon as possible.

2.5 USERS

Internally, the b.o.p. statistics produced by the B.o.p. Section are used by other sections/departments of the CBC (e.g. the Monetary Policy Section, the External Debt Section and the Management of Reserves Section), as well as by the Monetary Policy Committee for policy formulation.

Externally, these statistics are used by CYSTAT in the production of national accounts and by the Ministry of Finance for economic analysis. The CBC maintains regular contact with these users and meetings are often held to discuss specific issues.

B.o.p. statistics are also reported on a regular basis to European and international organisations, including Eurostat, the ECB and the IMF. Furthermore, b.o.p. statistics are published on the CBC's website for easy access by other users and the general public.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The current b.o.p. collection system has been implemented since January 2002. The system is an open settlement-based system complemented by direct reporting, surveys and other sources. In particular, since 1 January 2002, domestic banks have reported to the CBC data on a transaction-by-transaction basis for transactions between residents and non-residents that are carried out on behalf of their customers or on their own behalf. Banks are required to record each transaction (credit or debit) and indicate the country, currency, and type of operation, as well as the institutional sector in the case of financial account transactions. Furthermore, an annual survey of portfolio investment stocks was initiated in 2002, within the framework of the IMF's 2001 Co-ordinated Portfolio Investment Survey (CPIS).

The system applies the methodology of the fifth edition of the IMF Balance of Payments Manual (BPM5), including the definition of residency. In particular, the one-year rule is applied in the case of natural persons and the physical presence criterion is applied to legal persons. Thus, companies in the international business sector are treated as residents if they have a physical presence (office) in Cyprus, whereas – prior to 2002 – all companies in the international business sector were treated as non-residents in b.o.p. statistics.

3.2 REPORTING AGENTS

The following agents report data to the B.o.p. Section of the CBC:

(i) *Monetary authorities sector:* the Accounting Services Department of the CBC provides the monthly balance sheet of the CBC, from which data on reserve assets and other required items are obtained, and the External Debt Section of the CBC provides data on government debt. The Banking Supervision and Regulation Division provides monthly balance sheets submitted by banks (both domestic banks and international banking units), as well as six-monthly profit and loss returns. The Exchange Operations and Settlements Section reports individual transactions between the government or the CBC and non-residents that are carried out by the Section.

(ii) *Banking sector:* As of 1 January 2002, domestic banks report individual transactions (both debit and credit) between residents and non-residents, which are carried out on behalf of their resident customers or on their own behalf. Aggregate reporting is possible for banks' own transactions with non-residents. Each transaction is described by type of operation, country and currency, and by institutional sector for financial account transactions. Concerning the type of operation, a simplified version of the harmonised code list for b.o.p. collection systems issued by Eurostat on 30 April 2001 is used. Data are transmitted to the CBC electronically at least twice a month, no later than five working days after the end of the reference month; this allows smooth and timely data processing and quality control by the CBC.

(iii) *General government sector:* The Department of Land and Surveys provides data on purchases and sales of real estate in Cyprus by non-residents, on a monthly basis. Various other government departments or agencies report transactions involving non-residents on a quarterly basis to the CBC.

(iv) Other sectors: The CSE reports data on purchases and sales of quoted securities by non-residents. In its capacity as central securities depository and registry of shareholders for listed companies, the CSE also reports data on the investment positions (liabilities) of listed companies (i.e. equity held by non-resident shareholders). Public corporations (government-owned organisations such as the Cyprus Telecommunications Authority and the Electricity Authority of Cyprus) provide data on their international transactions. International business companies provide copies of their audited annual accounts. The CBC also collects data directly from other major companies involved in international transactions and conducts a number of surveys for selected activities. With regard to direct reporting, the CBC is currently drafting new comprehensive questionnaires and instructions to enterprises. The new questionnaires are to be filled by a large number of enterprises, which are to be selected from the b.o.p. business register maintained by the B.o.p. Section of the CBC.

3.3 THRESHOLDS

Until 1 May 2004, there were no exemption or simplification thresholds. In accordance with Regulation (EC) No 2560/2001, which has been applicable in Cyprus since 1 May 2004, banks are only required to report cross-border payments in euro if they exceed EUR 12,500 (exemption threshold). However, thanks to automation, several banks have continued to report all transactions without filtering for thresholds.

3.4 AVAILABILITY OF DATA

Since the first quarter of 2002, b.o.p. data have been compiled on the basis of BPM5 methodology, including the BPM5 residency definition and covering the required breakdowns. In 2004, the CBC estimated past annual data consistent with the BPM5 residency definition for the years 1995-2001. For the years from 1995 to 2001, annual data in line with the BPM5 presentation, but based on the old exchange control definition of residency, are also available. Monthly b.o.p. statistics are available as of the reference month January 2004.

Monthly data are compiled within six weeks of the end of the reference month. Quarterly data are compiled within three months of the end of the reference period, while annual data are being compiled within nine months of the end of the reference period.

As of 2002, all the breakdowns required by Eurostat are available, while the following breakdowns are available for the period from 1995 to 2001:

- goods: full geographical breakdown;
- services: partial breakdown by type of service;
- FDI (income and financial flows): full breakdown by economic activity, type of operation and country as of 1997, in accordance with Eurostat's BoP Vademecum tables Y5 and Y6; and
- financial account: partial breakdown by type of operation and sector.

As regards the detailed FDI data, the BPM5 definition of residency has been applied since the reference year 1997.

A complete i.i.p. statement is available as of the reference year 2002, while partial i.i.p. statements are available for the years from 1999 to 2001. In particular, FDI positions and portfolio investment liabilities in equity securities are missing from the i.i.p. statements for the years from 1999 to 2001; moreover, the international business sector is not included in these statements.

Data on external reserves are compiled monthly and are available two weeks after the end of the reference period.

Table Reporting scheme for b.o.p. and i.i.p. data collection in Cyprus

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Domestic banks (settlements system)	General statistical declaration: Transactions between residents and non-residents (electronic reporting)	Name and registration number of resident legal person (name not required for natural persons); transaction date, currency and amount; type of transaction, credit/debit; country of non-resident; resident's institutional sector (for financial account transactions); ISIN account for bank's own portfolio investment transactions	At least twice a month	5 working days
Non-resident direct investors (through their resident lawyers or accountants)	Foreign direct investment in Cyprus – Statistical declaration	Name, address, economic activity, and country of residence of direct investor and direct investment company; information on equity capital and loans	This declaration is submitted to the CBC upon realisation of the direct investment in Cyprus	-
Resident direct investors	Foreign direct investment abroad – Statistical declaration	Name, address, economic activity, and country of residence of direct investor and direct investment company; information on equity capital and loans	This declaration is submitted to resident banks upon the initial transfer of capital for a direct investment abroad.	-
MFIs, domestic and international insurance companies, investment companies and other collective investment schemes, as well as a sample of non-financial domestic and international business companies that have a physical presence in Cyprus	Statistical declaration on holdings of securities issued by non-residents as at 31 December	Title of security, ISIN code, country of non-resident issuer, number of secu rities held, market value of holdings, and currency of denomination	Annual	4 months
MFIs, and other financial intermediaries that offer custodian and portfolio management services to resident natural and legal entities	Statistical declaration on customer holdings of securities issued by non-residents as at 31 December – Indirect Reporting	Title of security, ISIN code, country of non-resident issuer, number of securities held, and market value of holdings and currency of denomination.	Annual	4 months
Selected resident companies or organisations as follows:	Annual balance of payments questionnaire	Quarterly amounts of receipts from non-residents and payments to non-residents:	Annual	3 months
Shipping companies	Annual balance of payments questionnaire	Receipts from freight/passenger transport services rendered to non-residents; payments for supplies (fuels and other) and services in foreign ports, and for major overhaul abroad	Annual	3 months

Table Reporting scheme for b.o.p. and i.i.p. data collection in Cyprus

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Airlines	Annual balance of payments questionnaire	Receipts from freight/passenger transport services rendered to non-residents; payments for supplies (fuels and other) and services in foreign ports, and for major overhaul abroad	Annual	3 months
Public utilities	Annual balance of payments questionnaire	Major categories of receipts and payments	Annual	3 months
Internet providers	Annual balance of payments questionnaire	Receipts and payments	Annual	3 months
Television stations	Annual balance of payments questionnaire	Receipts and payments for audio-visual and information services	Annual	3 months
Market research companies	Annual balance of payments questionnaire	Receipts and payments for projects abroad	Annual	3 months
Business and management consultants	Annual balance of payments questionnaire	Receipts and payments	Annual	3 months
Accounting firms	Annual balance of payments questionnaire	Receipts and payments	Annual	3 months
Law firms	Annual balance of payments questionnaire	Receipts and payments	Annual	3 months
Some major direct investors	Annual balance of payments questionnaire	Profits, receipts from sales abroad; cost of sales	Annual	3 months
MFIs, domestic and international insurance companies, investment companies and other collective investment schemes, semi-government organisations as well as a sample of non-financial domestic and international business companies that have a physical presence in Cyprus	SRI – Statistical Register Information	General information on identification, business activity, contact details, group structure, figures from annual financial statements and general data on financial transactions with non-residents. Data collected is used to update CBC's business register and will subsequently be used in the sample selection for the new direct reporting system currently being developed.	Annual	1 month

3.5 DATA CONTROLS

Data submitted electronically by the banks are first subject to automatic checking on the basis of in-built criteria. Data accepted by this initial electronic screening are then subject to quality controls concerning plausibility and correctness by the staff of the B.o.p. Section of the CBC. Problematic data are communicated back to the reporting bank for review and correction or clarification. Moreover, the B.o.p. Section carries out cross-checks with statistics obtained from other sources (e.g. bank balance sheets, and FDI statistical declarations).

3.6 REVISION POLICY

Monthly data are normally revised at the end of the corresponding quarter, and at the end of the year. Quarterly data are revised when annual data for the corresponding year are compiled, and may be further revised when the data for the following year are compiled.

3.7 DISSEMINATION

B.o.p. data are published in the CBC's Annual Report and Monetary Policy Report, and are also available on the internet at the following address: http://www.centralbank.gov.cy. Non-confidential breakdowns of data that have not been published are available to users upon request.

B.o.p. data are reported to Eurostat and the ECB, in GESMES/TS format, as well as to the IMF and other international organisations. Stocks of reserve assets are disseminated monthly.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

B.o.p. data concerning goods are compiled by the CBC on the basis of the foreign trade statistics produced by CYSTAT in line with the "general trade" system. The foreign trade statistics as of 1 May 2004 are derived from the Intrastat system for intra-EU trade (previously from customs documents), and from customs documents for trade with third countries. The figures derived from customs documents record the physical movement of goods across the national frontier as declared by importers and exporters on the completed documents. Importers and exporters are usually required to present their documents before they can obtain customs clearance for the goods. Therefore, these import and export figures correspond fairly closely to goods actually imported and exported.

With regard to imports of military goods, data including a geographical breakdown are collected from the CBC's Exchange Operations and Settlements Section, which carries out the relevant payments.

4.2 DEFINITION

CYSTAT records foreign trade statistics on both a "general trade" and a "special trade" basis. Imports under the "general trade" recording system comprise goods entering directly for home consumption, together with goods imported and placed in bonded warehouses. Under the "special trade" system, the import statistics are restricted to those goods cleared directly for home consumption together with those withdrawn from bonded warehouses and destined for the local market. Total exports include both domestic exports and re-exports, whether or not from bonded warehouses. Domestic exports are defined as goods which have been produced, manufactured or partly manufactured in Cyprus, excluding goods originally imported and having undergone only repair or minor operations. Re-exports are defined as goods originally imported and re-exported in the same condition in which they were imported or after undergoing repair or minor operations.

In foreign trade statistics, goods exported and imported are valued on an f.o.b. and a c.i.f. basis, respectively. In the case of imports where

an amount in foreign currency is converted to its Cyprus pound equivalent, the rate of exchange used is that applicable at the time of lodgement of the customs entry. The foreign trade statistics include breakdowns by country and by commodity.

In compiling the b.o.p., the CBC makes the c.i.f./f.o.b. adjustment by applying a fixed c.i.f./f.o.b. ratio of 8%. The CBC also makes certain adjustments for coverage. In particular, the foreign trade data are supplemented with data on repairs of ships and aircraft obtained from the settlement system.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

Goods for processing are not yet identified separately.

4.5 INTENDED HARMONISATION

The CBC and CYSTAT are working towards the separate identification of goods for processing, as well as of gold held as a store of value and other non-monetary gold. Ways of improving the c.i.f./f.o.b. adjustment are also being considered.

4.6 ESTIMATION METHODS

Normally, data on goods are available within the time frame for b.o.p. compilation, either from foreign trade statistics or from the settlement system, so that there is no need for any estimation, other than the c.i.f./f.o.b. conversion for imports.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on services broken down by type of service, country and currency are obtained from the settlement system. In addition, data on certain services are obtained as follows from other sources.

(i) *Transportation*
This category covers freight and passenger services provided by sea and air transport operators. Freight services are adjusted in accordance with the estimates made to convert imports c.i.f. to imports f.o.b. Concerning passenger transport, data reported by banks under the settlement system are cross-checked and supplemented with data obtained from a survey of major resident passenger transport operators. Settlement data for supporting, auxiliary and other transport services are supplemented with data from the financial statements or reports of international business companies engaged in such activities.

(ii) *Travel*
Travel credits for tourism are obtained from CYSTAT, which conducts a monthly survey on tourist expenditure in Cyprus. Per person expenditure derived from the survey is combined with the number of tourist arrivals, as given by the frontier survey of incoming travellers which is also conducted by CYSTAT. With regard to education-related revenue, data reported by banks under the settlement system are supplemented with data on foreign students provided by the Ministry of Education and Culture. The value of travel debits is obtained from the settlement system. Reported data include foreign exchange allowances issued to resident travellers, foreign exchange issued for education, private medical spending abroad, payments by resident travel agents and foreign exchange outflows through credit or debit cards.

(iii) *Other services*
Settlement data for other services are supplemented with data from the financial statements or reports of international business companies engaged in such activities.

Communications: Settlement data are checked for consistency with data obtained from a survey of the companies or organisations in this field. The survey is conducted on an annual basis, but quarterly data are obtained.

Insurance: merchandise insurance is derived from both the settlement system and an estimate on the basis of the total c. i.f. value of imports.

Government services (not included elsewhere): entries for this category include foreign military expenditure in Cyprus, foreign embassy expenditure in Cyprus, the Cyprus Government's foreign service expenditure abroad, and other government expenditure abroad. Data are obtained from the Government's accounts (budget abstracts) and from the settlement system (including banks and the Exchange Operations and Settlements Section of the CBC).

5.2 DEFINITION

The definitions applied in the compilation of services are generally in line with those of the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

Data on transactions settled via banks abroad are only partly covered, through the aforementioned surveys of some service providers (e.g. transport services) and the financial statements or reports of international business companies. Before 2002, credits for a number of services, in particular for financial and other business services, were missing.

5.5 INTENDED HARMONISATION

The CBC is planning to initiate or extend surveys and direct reporting by major service providers in order to improve the accuracy of services data and to fill the gaps arising from transactions settled via bank accounts abroad.

5.6 ESTIMATION METHODS

Both freight transport and freight insurance are partly derived from estimates on the basis of c.i.f. import data.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

Data are mainly obtained from the settlement system and direct reporting entities.

6.1.2 INCOME ON DIRECT INVESTMENT

The definitions set out in the BPM5 are generally followed. The 10% rule is applied to separate FDI from portfolio investment income. Income on inter-company loans is recorded as income on direct investment and is identified separately from other investment income.

Since 2002, data on dividends, interest on inter-company loans and rent are obtained from the settlement system. The settlement data are cross-checked and complemented with information contained in audited accounts of FDI companies.

Reinvested earnings are compiled on the basis of information contained in the audited annual accounts of FDI companies. An offsetting entry in the financial account item direct investment is recorded. Because the audited accounts of FDI companies are not available in time, reinvested earnings for the current year are estimated from information in the accounts for previous years.

Breakdowns of direct investment income are available by instrument, country and economic activity, in accordance with Eurostat's BoP Vademecum tables Y5-3 and Y6-3.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

The settlement system provides data on portfolio income of banks and their resident customers on a payments basis. In the case of bonds issued abroad by domestic banks, accrued interest may be estimated by the CBC. Interest payable on securities issued by the government (Euro commercial paper and Euro medium-term notes) is obtained from the External Debt Section of the CBC.

6.1.4 INCOME ON OTHER INVESTMENT

The settlement system provides data on other investment income (credits and debits) of banks and resident customers. For banks' own transactions with non-residents, interest on both loans and deposits is reported on an accruals basis. Interest on reserves is obtained from the Accounting Services Department of the CBC.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

Compensation of employees: the length of stay of Cypriots working abroad or of foreigners working in Cyprus is sometimes difficult to determine; hence attribution of residency on the basis of the one-year rule may sometimes lead to misclassification between compensation of employees and current transfers.

Income on direct investment: the current operating performance concept is not fully applied; net profits are usually used to measure earnings.

Income on portfolio investment: the accruals principle is not fully applied.

6.3 GAPS

Compensation of employees: contributions paid by employers on behalf of employees for social security, medical treatment and other benefits are not taken into account. The same also applies to the case of income tax payable by employees. Concerning Cypriots temporarily working abroad, only the payments actually transferred home are recorded, not the total wages earned.

Income on direct investment: reinvested earnings are only partly captured, as company accounts are not available for all FDI companies (especially for outward FDI). Usually, dividends payable to direct investors and remitted branch earnings are recorded net of any withholding taxes.

6.4 INTENDED HARMONISATION

Income on direct investment: the CBC plans to improve the compilation of reinvested earnings through the new direct reporting questionnaires.

Income on portfolio investment: the CBC intends to extend the application of the accruals principle as far as possible, using security-security data for portfolio investment.

6.5 ESTIMATION METHODS

Reinvested earnings for the current year are estimated on the basis of information available in the accounts of FDI companies for previous years.

7 CURRENT TRANSFERS

Covered by Section 8 on the capital account.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on general government transfers are collected from the Ministry of Finance and include transfers from the United Nations, the European Union, the United States, etc. Data on outward and inward transfers of other sectors, including migrants' transfers and current transfers (workers' remittances, cash gifts, inheritances, lottery winnings, etc.) are collected from banks under the settlement system.

8.2 DEFINITION

The current b.o.p. compilation system generally follows the definition of the capital account set out in the BPM5. Migrants' transfers and acquisitions or disposals of land by Cyprus' embassies abroad are recorded in the capital account. Transfers (receipts and payments) of the general government are separated into current and capital transfers, in accordance with the definitions set out in the BPM5, based on the information available.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

In some cases, there may be a misclassification of current and capital transfers due to incomplete information about the purpose of each transfer.

8.4 GAPS

Data on debt forgiveness by companies, and acquisitions or disposals of non-produced, non-financial assets, other than land, are not available. Government debt forgiveness is considered negligible. Migrants' transfers may not be fully captured by the settlement system.

8.5 INTENDED HARMONISATION

The recording of current and capital transfers to and from the EU will be enhanced with data to be provided by Eurostat, as well as by the national authorities handling EU transfers.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on FDI flows are obtained from the settlement system, from the accounts and other reports submitted by the international business companies and from the returns submitted to the Banking Supervision and Regulation Division (concerning banks' own investments); data on inward investments in real estate (purchases and sales) are collected from the Department of Land and Surveys. Data obtained from different sources are checked for consistency. Information on the initiation of an FDI relationship is obtained from the statistical declarations submitted by resident direct investors to the domestic banks and forwarded to the CBC, the statistical declarations submitted by representatives (lawyers or accountants) of non-resident direct investors to the CBC and from authorisations granted to investors from non-EU countries.

Breakdowns by type of operation, country and economic activity (NACE classification) are recorded. In particular, Eurostat's BoP Vademecum tables Y5 and Y6 have been produced since reference year 1997.

9.2 DEFINITION

The CBC applies the 10% OECD Benchmark Definition of Foreign Direct Investment (in line with the BPM5). For the time being, FDI figures produced by the CBC are limited only to direct links of ownership.

Concerning the definition of residency, following the recommendation of Eurostat in the context of the FDI pilot project with candidate countries, companies in the international business sector (offshore companies) with a physical presence in Cyprus as well as international banking units (offshore banks) have been considered residents as from 1997, and their FDI flows have been included in the FDI questionnaires transmitted to Eurostat for the years as from 1997. However, in the b.o.p. for the period from 1997 to 2001, FDI data were adjusted to bring them into line with the older definition of residency. As from 2002, the new definition is applied for both FDI and other b.o.p. transactions (see Sub-sections 3.1 and 3.4).

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Trade credits between companies with an FDI relationship are not recorded under direct

investment, but are included under other investment.

FDI figures produced by the CBC are limited only to direct links of ownership.

9.4 GAPS

See the comments on reinvested earnings in Sub-section 6.3.

9.5 INTENDED HARMONISATION

The CBC is planning to strengthen direct reporting by selected enterprises. In this context, the CBC is in the process of implementing a new reporting system for resident direct investors and resident direct investment enterprises. The introduction of the new questionnaires is expected to further improve the quality of FDI data and provide the required equity breakdowns according to the valuation methods.

9.6 ESTIMATION METHODS

See the comments on reinvested earnings in Sub-section 6.5.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Under the settlement system, banks report inward and outward portfolio investment flows. For the banks' own portfolio transactions, domestic banks report security-by-security data, including an ISIN code, while a breakdown by security is not required for customers' portfolio transactions. Furthermore, data on banks' own portfolio flows are derived from their monthly balance sheets and other returns submitted to the Banking Supervision and Regulation Division of the CBC. Data on debt securities issued abroad by the government, specifically Euro commercial paper and Euro Medium-Term Notes (EMTN), are collected from the External Debt Section of the CBC. Concerning inward investment in securities listed on the CSE, security-by-security data on non-resident purchases and sales of securities listed on the CSE are transmitted to the CBC by the CSE on a monthly basis. Data are broken down by sector of issuer, type of instrument and country of holder.

10.2 DEFINITION

The definition of portfolio investment is in line with that of the BPM5. The 10% rule is applied to distinguish direct from portfolio investment.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

As mentioned in Sub-section 6.2, the accruals principle is not yet fully applied.

10.4 GAPS

Portfolio transactions settled through bank accounts abroad are only partly captured in the b.o.p.

10.5 INTENDED HARMONISATION

The CBC is planning to introduce a monthly security-by-security reporting system directly from institutional investors, complemented with indirect reporting from investment intermediaries that offer custodian and portfolio management services. Reference security data from the ECB's centralised securities database (CSDB) will be used for a more accurate compilation and classification of portfolio investment data, including the provision of (intra) assets by issuer sector, as well as for the calculation of accrued income (dividends and interest).

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Since 2002 transactions in financial derivatives have been recorded as a separate category of the financial account; previously they were included under portfolio investment (debt securities). Under the settlement system, banks report transactions in financial derivatives broken down by country, currency and institutional sector. In addition, raw data collected by the CBC's Banking Supervision Department include breakdowns by instrument, maturity, country and currency for the investments made by the banking sector.

11.2 DEFINITIONS

See Sub-section 11.1.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 11.1.

11.4 GAPS

See Sub-section 11.1.

11.5 INTENDED HARMONISATION

The implementation of direct reporting by other financial intermediaries and non-financial companies will improve coverage and provide more accurate data on financial derivatives.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

(i) *Trade credits*
The entries for long-term trade credits on the assets side include prepayments made in respect of imports of military equipment and in respect of imports of aircraft by Cyprus Airways. Data are obtained from the government and from Cyprus Airways. On the liabilities side, trade credits comprise estimates of suppliers' credits calculated using a formula based on the pattern of imports. Specifically, trade credits are estimated on the basis of the assumption that one-third of the imports of the last four months are unpaid.

(ii) *Loans; currency and deposits*
Drawings and principal repayments of government loans are compiled from data collected from the External Debt Section of the CBC and from government accounts. Data on the banking sector's loans and deposits are obtained from the settlement system and from monthly balance sheets. Data on the other private sector's loans are obtained from the settlement system and directly from public corporations which have substantial external borrowings. Concerning deposits maintained abroad by the non-banking private sector, data are obtained through the settlement system and from direct reporting entities.

12.2 DEFINITION

The CBC generally follows the definitions set out in the BPM5, including the accruals principle.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 9.3 concerning trade credits between entities with FDI relationships.

12.4 GAPS

Other investment flows that are not channelled through the Cypriot banking system are not fully covered by available data sources.

12.5 INTENDED HARMONISATION

Concerning trade credits, the CBC is planning to collect data from the banks' documentary credit departments and to conduct a survey of importers and exporters. The coverage of transactions in loans and deposits not channelled through the Cypriot banking system will be

addressed through comprehensive direct reporting.

12.6 ESTIMATION METHODS

Trade credits extended by foreign suppliers are estimated on the basis of the assumption that one-third of the imports of the last four months are unpaid.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The source of data on reserve assets is the Accounting Services Department of the CBC. Stocks of reserve assets are compiled monthly and are available one to two weeks after the end of the reference month. Breakdowns by instrument and by currency are available. A geographical breakdown is prepared quarterly and communicated to the IMF on a strictly confidential basis. The transactions in reserve assets presented in the quarterly b.o.p. are derived from stocks, including adjustments for changes due to exchange rate fluctuations.

13.2 DEFINITION

The definition used for reserve assets is in line with the recommendations of the BPM5 and with International Accounting Standards. Reserve assets are under the effective control of the monetary authorities. Positions of the central government are separately identified. Positions vis-à-vis residents are excluded. Gold, SDRs and the reserve position in the IMF are included in the total figure.

Reserve assets are compiled in accordance with the gross concept. Official reserves include accrued (receivable) interest, but no offsetting between assets and liabilities is undertaken. The CBC's gold is not used as collateral for loans. Gold exchange agreements are used in reserve asset management and, in such cases, the gold remains part of the official reserves. A separate category for financial derivatives (gold swaps) is included.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no deviations in reserve asset definitions from the BPM5.

13.4 GAPS

Breakdowns by maturity are not yet produced.

13.5 INTENDED HARMONISATION

The CBC is in a position to provide data on reserve assets in line with the IMF's SDDS requirements on a monthly basis.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The CBC compiled a full i.i.p. statement, for the first time in December 2003, with reference to end-2002 positions. Pure stock data are generally used for the compilation of the i.i.p., with the exception of FDI positions, for which accumulation of flows was initially used.

For the years from 1999 to 2001, partial i.i.p. statements, excluding the international business sector, are available. In particular, FDI assets and liabilities, as well as portfolio investment liabilities in equity securities, were missing.

14.1.2 DIRECT INVESTMENT

A simple accumulation of flows was used to estimate FDI positions as at end-2002. The CBC is also recording inward FDI stocks as shown in the annual accounts of FDI companies, particularly international business companies and banks. Actual FDI stock data, both inward and outward, will be collected through the new comprehensive questionnaire for resident direct investors and resident direct investment enterprises.

14.1.3 PORTFOLIO INVESTMENT

Stocks of portfolio investment assets are obtained from the annual portfolio investment survey, which was initiated within the framework of the IMF's CPIS in 2002. The mixed approach is used and data are collected on a security-by-security basis. The end-investor survey covers all resident financial enterprises – namely domestic banks, international banking units, domestic and international insurance companies, financial services companies, investment companies and other collective investment schemes – and a sample of non-financial domestic and international companies with a physical presence in Cyprus. The indirect reporting survey, introduced in 2004, collects data from MFIs and other investment intermediaries that offer custodian and portfolio management services, and covers portfolio holdings of resident households, pension/provident funds and non-financial corporations (also used for cross-checks).

Concerning portfolio investment liabilities, the CSE reports to the CBC liabilities of listed companies vis-à-vis non-residents.

14.1.4 FINANCIAL DERIVATIVES

Stocks of financial derivatives are obtained primarily from the balance sheets of banks.

14.1.5 OTHER INVESTMENT

Complete data on other investment assets and liabilities of the banking sector are compiled from bank balance sheets. Data on deposits held abroad by the non-banking sector are obtained from the BIS figures. Detailed data on the loan liabilities of the government and public corporations are available, while the loan liabilities of other sectors are roughly estimated on the basis of historic data. Trade credit liabilities are estimated on the basis of the pattern of imports (see Sub-section 12.1), whereas trade credit assets of the private sector have not yet been compiled.

14.1.6 RESERVE ASSETS

The source of data on reserve asset positions is the accounting system of the CBC. The CBC compiles and communicates stocks of reserve assets to the ECB on a monthly basis (see Section 13). The CBC also participates in the IMF's annual Survey of the Geographical Distribution of Securities Held as Foreign Exchange Reserves (SEFER).

14.2 DEVIATIONS FROM AGREED DEFINITIONS

The valuation of FDI positions does not yet comply with the recommended methodological standards.

14.3 GAPS

See Sub-sections 14.1.2 to 14.1.5.

14.4 INTENDED HARMONISATION

More accurate stock statistics for direct investment, as well as for financial derivatives and other investment of the non-banking private sector, will be collected through the new comprehensive questionnaires for direct reporting.

14.5 ESTIMATION METHODS

Trade credits by foreign suppliers are estimated on the basis of the assumption that one-third of the imports of the last four months are unpaid.

15 CONTACTS

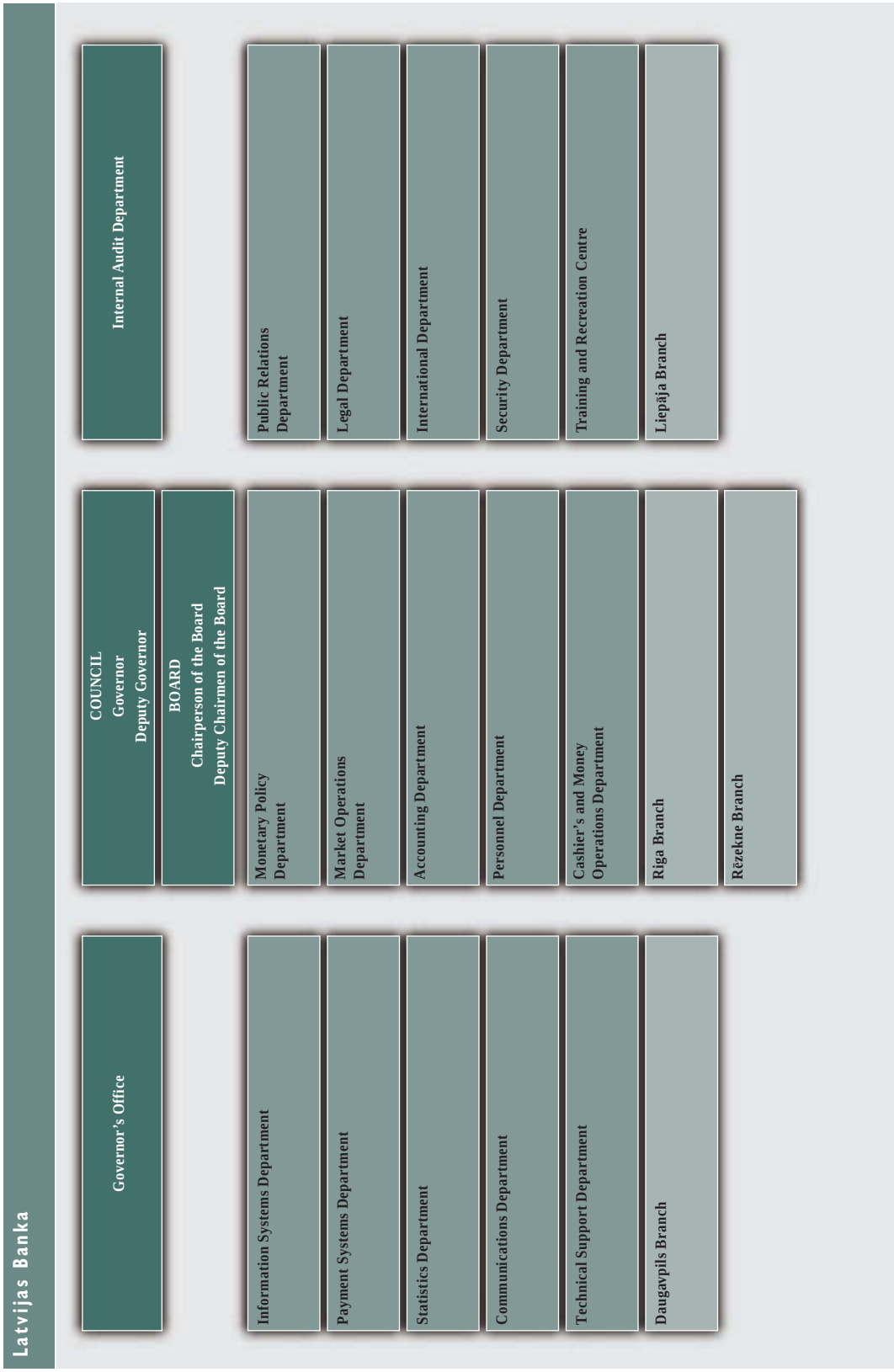
This country information was drafted by Cyprus in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Cyprus should be addressed to:

Ms Eleni Nicolaou
Officer A
Balance of Payments and General Economic Statistics Section
Economic Research and Statistics Division
Central Bank of Cyprus
P.O. Box 25529
CY-1395 Nicosia
Cyprus
Tel.: 00 357 22 714226
Fax: 00 357 22 378164
E-mail: eleninicolaou@centralbank.gov.cy

Ms Chryso Xenophontos
Officer B
Balance of Payments and General Economic Statistics Section
Economic Research and Statistics Division
Central Bank of Cyprus
P.O. Box 25529
CY-1395 Nicosia
Cyprus
Tel.: 00 357 22 714205
Fax: 00 357 22 378164
E-mail: chrysoxenophontos@centralbank.gov.cy

4.13 LATVIA

1 ORGANISATION CHARTS



Statistics Department at the Latvijas Banka

Statistics Department

Head of the Statistics Department

Deputy Head of the Statistics Department

Financial Market and Monetary Statistics Division

1. Collects and compiles monetary, banking, interest rate and other financial intermediaries (OFI) statistics, as well as structural and payment statistics, and statistics for the supervision purposes.
2. Collects, compiles and submits data for publication in the IMF monthly International Financial Statistics, the BIS monthly Economic Indicators of Eastern Europe, the ECB and Eurostat information system.
3. Ensures, in collaboration with other departments of *Latvijas Banka*, the availability of the collected statistics on the Bank's website, maintains methodological descriptions for data categories for the needs of the ECB and on the IMF's website in accordance with SDDS requirements.
4. Carries out methodological work, and develops and reviews regulations and reporting forms with respect to monetary, banking, interest rate and OFI statistics.
5. Maintains the lists of MFIs and OFIs for statistical purposes.
6. Disseminates statistics on international reserves and foreign currency liquidity, using the IMF's Dissemination Standards Bulletin Board.

Balance of Payments Statistics Division

1. Collects and compiles the b.o.p., i.i.p., FDI and securities settlement system statistics and calculates the effective exchange rates of the lats.
2. Supplies data for the ECB's CSDB;
3. Disseminates b.o.p., i.i.p. and FDI statistics and data on the real effective exchange rates of the lats through *Latvijas Banka's* website and printed publications; submits data to the ECB, Eurostat, the IMF and the BIS;
4. Maintains the methodological description for Latvia's b.o.p. data category on the IMF's website in accordance with SDDS requirements;
5. Carries out methodological work to ensure compliance with international standards for the above-mentioned data compilation; reviews and maintains the description of the methodology; reviews and develops data collection methods;
6. Maintains the register of companies for the purposes of surveys; and
7. Maintains the list of external payment codes.

General Economic and Financial Statistics Division

1. Compiles the financial accounts on a quarterly basis.
2. Compiles annually general financial statistics in accordance with ECB requirements.
3. Compiles and submits general economic statistics for the ECB.
4. Carries out methodological work for quarterly financial accounts, annual general financial statistics and general economic statistics compilation.
5. Performs sampling and estimation, as well as the evaluation of the quality of data for sample surveys.
6. Produces seasonally adjusted time series and forecasts.
7. Analyses statistical data using statistical and mathematical methods.
8. Performs graphical analysis of data by using the SAS (Statistical Analysis System) for the needs of the management and other departments of *Latvijas Banka*, as well as for different publications.

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Latvia's balance of payments has been compiled and published every quarter since 1992. In the period from 1992 until 2000, this was done by the Central Statistical Bureau of Latvia (CSB). Starting with the data for 2000, Latvia's b.o.p. has since been compiled and published by *Latvijas Banka*.

Latvijas Banka, Latvia's central bank, is a public law entity established by Parliament (the Saeima, the former Supreme Council) and operates under the Law on the Bank of Latvia (adopted on 19 May 1992). Pursuant to this Law, *Latvijas Banka* is independent in the adoption of its decisions and their practical implementation. More detailed information on the objectives of *Latvijas Banka* is available on its website at www.bank.lv in the section "The Bank of Latvia".

Under the Law on the Bank of Latvia, the most important objectives of the Bank are:

- to establish and implement monetary policy in order to ensure price stability in the country;
- to issue the national currency;
- to organise and ensure the functioning of the payment and settlement systems in Latvia;
- to collect, record and compile the financial and the b.o.p. statistics, as well as to publish the compiled statistics;
- to manage foreign assets;
- to act as financial agent for the Government;
- to issue permits (licences) to legal persons listed in the Republic of Latvia's Register of Enterprises, except credit institutions, for the purchase and sale of foreign currency as a business activity.

2.2 LEGISLATIVE PROVISIONS

The Law on State Statistics (adopted on 6 November 1997) defines the organisational structure of state statistics in the Republic of Latvia and authorises *Latvijas Banka* to organise and carry out the work related to national statistics in the Republic of Latvia. In accordance with the Law on the Bank of Latvia, the Bank approves statistical reporting forms and the procedure for submitting such reports, and collects, registers and compiles financial and b.o.p. statistics, as well as publishes the compiled statistics.

The Law on Credit Institutions (adopted on 5 October 1995) stipulates that, for the purposes of macroeconomic analysis, credit institutions must submit to *Latvijas Banka* statistical information on payments between residents and non-residents. Pursuant to the agreement signed between *Latvijas Banka* and the CSB on 10 August 1999, *Latvijas Banka* has been responsible for the compilation of the b.o.p. since the first quarter of 2000. To ensure compliance with the requirement to report statistical information, the Republic of Latvia's Administrative Offences Code (adopted on 7 December 1984) prescribes penalties for avoiding to provide statistical information, failing to do so in due time or reporting inaccurate data.

2.3 INTERNAL ORGANISATION

The Statistics Department of *Latvijas Banka* consists of three divisions: the Financial Market and Monetary Statistics Division, the Balance of Payments Statistics Division and the General Economic and Financial Statistics Division (see Chart 2). The b.o.p. is compiled by the Balance of Payments Statistics Division, which:

(i) collects and compiles the b.o.p., i.i.p., FDI and securities settlement system statistics and calculates the effective exchange rates of the lats;

(ii) supplies data for the ECB's CSDB;

(iii) disseminates b.o.p., i.i.p. and FDI statistics and data on the real effective exchange rates of the lats through *Latvijas Banka*'s

website and printed publications; submits data to the ECB, Eurostat, the IMF and the BIS;

(iv) maintains the methodological description for Latvia's b.o.p. data category on the IMF's website in accordance with SDDS requirements;

(v) carries out methodological work to ensure compliance with international standards for the above-mentioned data compilation; reviews and maintains the description of the methodology; reviews and develops data collection methods;

(vi) maintains the register of companies for the purposes of surveys; and

(vii) maintains the list of external payment codes.

The Balance of Payments Statistics Division has a staff of 22 people, who are involved in developing data sources and estimation techniques, collecting, controlling and processing data for the monthly and quarterly statistics, and compiling and analysing the monthly and quarterly series. The staff of the Monetary Policy Department perform the data analysis.

2.4 EXTERNAL COOPERATION

For b.o.p. compilation purposes, *Latvijas Banka* cooperates closely with other Latvian authorities. *Latvijas Banka* has an agreement with the CSB on cooperation in the areas of statistics and statistical information exchange. The official foreign trade statistics compiled by the CSB have always been used in the b.o.p., while the CSB uses b.o.p. and i.i.p. data for the national accounts. The two organisations discuss methodological issues and developments in the statistical field in joint task force meetings. Close contacts are also maintained with other institutions, such as the ministries of the Republic of Latvia, the Financial and Capital Market Commission (the financial supervisory authority), the State Revenue Service and the State Social Security Agency.

Latvijas Banka also maintains contacts with other central banks in Europe, in particular those of the Baltic states.

Latvijas Banka's b.o.p. experts regularly participate in the working groups organised by the ECB and Eurostat addressing b.o.p. statistical issues. Collaboration with the IMF aimed at improving b.o.p. statistics takes the form of consultations and cooperation related to the SDDS.

2.5 USERS

B.o.p. and i.i.p. data are used by *Latvijas Banka* (its Monetary Policy and Market Operations Departments) and other institutions. The following are external users of b.o.p. and i.i.p. data: the CSB, the ministries of the Republic of Latvia, scientific research institutes (such as the Economics Institute of the Latvian Academy of Sciences and the Statistics Institute), international institutions and companies. Any person wishing to can subscribe to the b.o.p. bulletins.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

Latvia's b.o.p. collection system is a mixed system, with surveys supplemented by the international transaction reporting system (ITRS) and administrative sources.

For the quarterly b.o.p. compilation, surveys are the main source of information for other sectors. There are three quarterly surveys: (i) a survey on foreign investment covering data on positions at the beginning and the end of a period and changes in positions (transactions, price changes, exchange rate changes, other adjustments) for foreign direct investment in Latvia and abroad, portfolio investment (assets and liabilities), other investment (assets and

liabilities) and related income flows broken down by country; (ii) a survey on transportation and intermediary services covering data on transportation services rendered/received by mode of transport; and (iii) a survey on services covering data on services rendered/received for b.o.p. other services items.

The survey on foreign investment uses a sampling method. Enterprises are sorted in descending order by the total amount of their cross-border settlements and are sub-divided into three size groups. All enterprises in the first (largest) size group are included in the sample. Stratified simple random sampling is applied to select enterprises from the second and third size groups. The list of enterprises for the quarterly survey on foreign investment is drawn up using the data from the State Enterprise Register, the register of enterprises maintained by the ITRS and the annual survey on foreign investment.

The list of enterprises for the survey on transportation and intermediary services is drawn up using: (i) the register of enterprises involved in foreign settlements maintained by the ITRS; (ii) the data the Road Transport Directorate provides on enterprises that receive permits for international road transportation; and (iii) the customs data on enterprises that provide ships and aircraft with fuel and other goods in ports and at the airport. The list of enterprises for the survey on services is drawn up using the register of enterprises involved in foreign settlements maintained by the ITRS.

Data from surveys are supplemented by monthly information from the ITRS, which is the main data source for the compilation of the monthly b.o.p. other sectors items. The ITRS is an open, settlement-based system comprising indirect reporting from banks registered in Latvia and direct reporting from enterprises. The indirect reporting collects information from all banks registered in Latvia on non-bank residents' debit and credit settlements with non-residents via domestic banks. Information received from domestic banks is reconciled with the information from non-bank residents, which report directly to *Latvijas Banka* on credit settlements via their accounts with domestic banks. In addition, non-bank residents also report debit and credit settlements with non-residents via their foreign bank accounts. When submitting information, the code of the external settlement in accordance with the List of External Payment Codes, as well as the country and currency codes, have to be specified. During the consolidation of data received from domestic banks and non-bank residents, the statistics on non-banks' external payments are compiled.

Information on the monetary authorities sector and reserve assets is provided by *Latvijas Banka*. These data are broken down by country and currency. Information on the MFIs is derived from the MFIs' statistics compiled by the Financial Market and Monetary Statistics Division (see Chart 2), which provides the residency split and the country and currency breakdowns for the main items of the balance sheet of MFIs.

The household sector is covered by: aggregated data from the CSB on persons entering and leaving the country; data from the State Social Security Agency on the pensions received/paid in accordance with inter-governmental agreements; data from the State Revenue Service on the social tax paid by foreign embassies in Latvia for their local staff; and the monthly *Latvijas Banka* survey on the enterprises rendering intermediation services related to job contracts for working abroad. Data on private persons' debit and credit settlements with non-residents via domestic banks are included in the ITRS.

Latvijas Banka also uses the data collected by the Ministry of Foreign Affairs, the Ministry of Finance, the Financial and Capital Market Commission, etc. Foreign trade statistics and labour statistics (wages and salaries paid to non-residents) are received from the CSB. Information from newspapers is also used.

Reporting scheme for b.o.p. and i.i.p. data collection in Latvia

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Banks and branches of a foreign banks	Report on external payments of non-banks	External payments of non-banks, broken down by group of non-bank, purpose of payment (for outgoing payments), country and currency.	reporting periods: 1st-7th; 8th-15th; 16th-23rd; 24th-last day of month	3 business days
Enterprises	Notice on incoming external payments received in a domestic bank	Incoming payments made via accounts in domestic banks, broken down by currency, country and purpose of payment.	monthly	5 business days
Enterprises	Notice on external payments made in foreign banks	External payments made via accounts in foreign banks, broken down by currency, country and purpose of payment.	monthly	5 business days
Enterprises	Report on natural person job contracts for working abroad	Maturity of contract, salary, currency, country	monthly	15 days
Enterprises	Quarterly report on foreign investment	Positions at beginning and end of period and changes in position (transactions, price changes, exchange rate changes, other adjustments) of foreign direct investment in Latvia and abroad, portfolio investment (assets and liabilities), other investment (assets and liabilities) and related income flows broken down by country.	quarterly	25 days
Enterprises	Quarterly report on transportation and intermediary services	Transportation services rendered and/or received, intermediation between another resident and non-resident, intermediation between non-residents, broken down by mode of transport.	quarterly	25 days
Enterprises	Quarterly report on services	Other services (postal and courier services; telecommunication services; financial services; computer services; news agencies services; other information provision services; franchise and similar rights; other royalties and licence fees; trade-related services; operational leasing; legal services; accounting and auditing services, tax consulting; business and management consulting and public relations services; advertising, market research and public opinion polling; research and development services; architectural, engineering and other technical services; waste treatment and de-pollution services; agricultural and mining services; audiovisual and related services; education services; health services; other personal, cultural and recreational services) rendered and/or received to/from non-residents.	quarterly	25 days

Reporting scheme for b.o.p. and i.i.p. data collection in Latvia (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Enterprises	Annual report on foreign investment	Positions at beginning and end of period of foreign direct investment in Latvia and abroad,. portfolio investment (assets and liabilities), other investment (assets and liabilities) and related income flows broken down by country.	annual	25 days
MFIs	Monthly financial position report (collected for MFI's statistics)	For the b.o.p. and i.i.p. compilation the following items are used: – "The Monthly Financial Position Report" (MFPR), which contains the balances (end-of-day balances) as at the last day of the reporting month in breakdown of indicators by residency principle, as well as by the national currency, currencies of the OECD countries and other currencies. – Appendix I „Items in the monthly financial position report of MFIs by currency". The following breakdown of indicators is used: by resident, country (EMU and other EU countries, other foreign countries). The loans, securities and deposits are shown broken down by the original term of repayment. – Appendix J „Trust asset" shows financial instruments acquired by a reporting MFI when managing funds of residents and non-residents. The breakdown of indicators is by residency principle, as well as by the national currency, currencies of the OECD countries and other currencies. – The Appendix F "Profit and loss statement", which shows a reporting MFI's income and expenses incurred in the period from the beginning of the year until the last day of the reporting month; the indicators are in a breakdown by residency principle.	monthly	6 business days

3.2 REPORTING AGENTS

Information on the monetary authorities sector is derived from *Latvijas Banka*'s balance sheet and profit and loss account. Information on the MFIs is derived from MFIs' statistics (the Monthly Financial Position Report); all MFIs are covered.

The general government sector includes all state and local government bodies (including embassies) and the state social security fund. Information is provided by various government departments, i.e. the State Treasury (on the Government's foreign debt, funds received from the European Union, contributions to international organisations, etc.), the Ministry of Finance, the Ministry of Foreign Affairs, the

State Revenue Service, the State Social Security Agency, etc. Most of the government services and transfers are obtained as a by-product of the compilation of the government accounts and from official records.

Enterprises return three quarterly reporting forms: the "Quarterly Report on Foreign Investment", the "Quarterly Report on Transportation and Intermediary Services" and the "Quarterly Report on Services". Enterprises also provide two monthly reports under ITRS requirements on incoming payments received from non-residents via domestic banks and payments from/to non-residents through their accounts at foreign banks (see Sub-section 3.1). One annual reporting form – the "Annual Report on Foreign Investment" – is collected from enterprises.

3.3 THRESHOLDS

An exemption threshold of EUR 12,500 for payments made with the EU Member States in euros and Swedish kronor (euro equivalent) is applied to ITRS data collection.

3.4 AVAILABILITY OF DATA, TIMELINESS AND COMPILATON FREQUENCY

(i) B.o.p. data:
- monthly data are available on the 30th business day following the reporting month;
- quarterly data are available on the last business day of the quarter following the reporting quarter; and
- annual data are available on the last business day of the quarter following the last quarter of the reporting year.

(ii) I.i.p. data:
- quarterly data are available on the last business day of the quarter following the reporting quarter; and
- annual data are available on the last business day of the quarter following the last quarter of the reporting year.

(iii) Official reserve assets and reserves template data:
- monthly data are available one week after the end of the reference month for official reserve assets and 15 business days after the end of the reference month for the reserves template data. The reserves template used is the IMF Data Template on International Reserves and Foreign Currency Liquidity.

Quarterly b.o.p. and i.i.p. data are broken down by sector and instrument in line with the fifth edition of the IMF Balance of Payments Manual (BPM5). A quarterly country breakdown is available for the current account and the capital and financial account.

3.5 DATA CONTROLS

Formal data controls are carried out once data have been received from reporting agents. Individual reports are checked to verify their completeness, consistency and plausibility. Errors in individual reports are detected by computer programs and/or manual checking. This is immediately followed up with a phone conference with the reporting entity or, in the event that the problems persist, a visit to the entity to assist it in identifying data problems. All relevant transactions are checked individually for plausibility. The quality of individual data is also checked by comparing previous and current reports.

Checks at the aggregated level are carried out for each b.o.p. component. At the first aggregation level, data are broken down for each reporting agent, as well as by the type of report. Significant fluctuations are analysed to identify the underlying reasons and may lead to the uncovering of errors at a lower level of aggregation. Press information is used to detect possible reporting gaps.

In the context of the national account statistics, b.o.p. data are subject to further plausibility checks, as the results of b.o.p. statistics should

be compatible with other data on the general economic situation.

3.6 REVISION POLICY

Monthly data are subject to revision when quarterly data are published. Quarterly data may be revised, if indispensable, when the data for the following quarter are published, together with the data for the related months. Time series up to one year long may be revised in March and time series up to three years long (mainly to reflect methodological changes) in September.

3.7 DISSEMINATION

A monthly bulletin entitled "Latvia's Balance of Payments (Key Items)" is used to publish the monthly b.o.p. A quarterly bulletin entitled "Latvia's Balance of Payments" serves to publish quarterly and annual figures for Latvia's b.o.p., i.i.p. and FDI statistics, external debt data as well as monthly effective exchange rates of the lats. These publications are first made available on *Latvijas Banka*'s website (http://www.bank.lv/eng/main/pubrun/). Hard copies are available on a free subscription basis (by sending a request by e-mail to info@bank.lv).

Official reserve assets and reserves template data are first published on *Latvijas Banka*'s website (http://www.bank.lv/eng/main/statistics/lbfinfo/arres/).

B.o.p., i.i.p. and international reserves data are also disseminated via *Latvijas Banka*'s website (http://www.bank.lv/eng/main/statistics/lbfinfo/imf/), in accordance with the IMF's SDDS (Latvia has been a subscriber to the special data dissemination standard since 1996).

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The data source for general merchandise is foreign trade statistics compiled by the CSB, which include monthly data from Intrastat reports for intra-EU transactions and data from customs cargo declarations for extra-EU transactions. Exports include goods for export and re-export, i.e. exports of goods previously imported for domestic consumption, and humanitarian and similar aid. Imports include goods declared for domestic consumption, goods entering Latvia from customs warehouses and humanitarian and similar aid. Foreign trade statistics also include data on exports and imports of electricity and natural gas. In addition to foreign trade statistics, the following data sources are used: data on extra-territorial trade by shipping vessels compiled by the CSB; CSB information (valuation adjustment) on goods produced in Latvia and exported from customs warehouses (such goods are recorded at their prices upon entering customs warehouses); information on banknote production and coinage costs from *Latvijas Banka*'s profit and loss statement; and statistics on non-banks' external payments (from the ITRS).

The source of data on goods for processing is the foreign trade statistics (data are adjusted for companies which have reported only the value of the processing service). The data for repairs on goods is derived from Intrastat reports and customs cargo declarations by the CSB; the quarterly survey on transportation and intermediary services and the statistics on non-banks' external payments (from the ITRS) are also used. The data source for goods procured in ports by carriers is the quarterly survey on transportation and intermediary services. The data source for exports and imports of non-monetary gold is the statistics on non-banks' external payments (from the ITRS).

4.2 DEFINITION

The definition is in line with the BPM5. Goods cover exports and imports of general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers, and non-monetary gold in a specified period of time.

Foreign trade data are compiled in accordance with the Special Trade System. This means that where goods produced abroad are imported to and exported from customs warehouses, such imports and exports are excluded from the total. Data are available on a transaction basis. Imports are available on an f.o.b. basis. A geographical breakdown is also available.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

In the foreign trade statistics compiled by the CSB, exported goods are stated in f.o.b. value, while imported goods are stated in c.i.f. value. To ensure compliance with international standards, which require that exports and imports be presented on an f.o.b. basis in the b.o.p., data for imports of goods are adjusted every month. These adjustments are made using ratios, calculated by the CSB, giving the average relationship between f.o.b. and c.i.f. values in 1998 and 1999 (until 2000, imported goods in customs cargo declarations were in both f.o.b. and c.i.f. values). To ensure that imports of goods can be broken down by country and to obtain correct information on freight, adjustments to the data from customs cargo declarations (extra-EU transactions) are made for each mode of transport and for each country of origin of the goods, separately stating resident and non-resident carriers; for Intrastat (intra-EU transactions), data adjustments are made for each country of consignment.

Where the price of goods in a customs cargo declaration is stated in a foreign currency, it is translated into LVL, applying *Latvijas Banka*'s exchange rate on the day that the customs cargo declaration was filled out.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

The data sources for transportation services are the quarterly survey on transportation and intermediary services and the statistics on non-banks' external payments (from the ITRS). Foreign trade statistics are also used to obtain, in accordance with the calculation methodology described in Sub-section 4.6, the difference between c.i.f. and f.o.b. values of imported goods. The share of transportation services carried out by non-residents is set apart from the obtained figure and included under transportation in the b.o.p.

Data on travel are derived from the CSB aggregated data on persons entering and leaving the country. Travellers are polled at border control points four times a year to obtain information about non-residents' spending in Latvia and residents' spending abroad. The average spending of a traveller is calculated using mathematical methods and, thereafter, total spending of travellers is obtained. The number of travellers is available from the State Border Guard of the Republic of Latvia, which registers persons entering and leaving the country.

Data on other services are derived from the quarterly survey on services and statistics on non-banks' external payments (ITRS). In addition, a number of other sources are used: MFIs' statistics; *Latvijas Banka*'s profit and loss statement; aggregated data on the revenue and expenditure of the Republic of Latvia's embassies, representative offices and consulates, submitted by the Ministry of Foreign Affairs; foreign trade statistics submitted by the CSB; data on reinsurance premiums and claims paid, submitted by the Financial and Capital Market Commission and data on payments to the EU budget submitted by the Ministry of Finance.

Data on expenditure by foreign embassies, representative offices and consulates in Latvia are derived from the State Revenue Service's information on the value added tax repaid to foreign embassies, representative offices and consulates.

5.2 DEFINITION

The definition is in line with the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

Debit entries for passenger transportation by air are computed from data submitted by Riga International Airport on the number of passengers, the CSB data on the monthly number of residents and non-residents crossing the state border by air, and information on the average prices of airline tickets.

For credit entries, reporting agents declare total amounts received for the international carriage of passengers in the quarterly survey on transportation and intermediary services. The data on the monthly number of residents and non-residents crossing the state border broken down by mode of transportation are used for calculating the proportion of non-residents in total border crossings. This ratio is used to determine the non-resident part of the international carriage of passengers broken down by mode of transportation.

For credit entries, estimates of expenditures by students for personal travel are made using the number of foreign students in Latvia submitted by the Ministry of Education and universities. For debit entries, information submitted by foreign embassies in Latvia on the number of Latvian students and average expenditures by country is used.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

Debit entries are based on labour statistics (wages and salaries paid to non-residents) submitted by the CSB and data on the revenue and expenditure of the Republic of Latvia's embassies, representative offices and consulates reported by the Ministry of Foreign Affairs.

Credit entries are based on data from monthly surveys on contracts concluded by natural persons to work abroad (sailors' contracts are surveyed). In addition, estimates are made using data obtained from the State Revenue Service on the social tax paid by foreign embassies in Latvia for their local staff and from foreign embassies on work permits issued to Latvian residents. Information from newspapers is also used.

6.1.2 INCOME ON DIRECT INVESTMENT

Data sources for income on direct investment are the quarterly survey on foreign investment, statistics on non-banks' external payments (from the ITRS) and MFIs' statistics. Data sources provide breakdowns by country and instrument, distinguishing between income on debt and income on equity. The definitions set out for income on direct investment are in line with the BPM5.

Reinvested earnings are recorded when they are reinvested and in accordance with the COPC. Non-banks thus provide data on their operating profit or loss for the reporting quarter, which allows the calculation of the b.o.p. reinvested earnings item for each enterprise separately. For the MFIs, the calculation is made for each

MFI separately on a monthly basis using MFIs' statistics (the retained profit or loss for the reporting month is given in the Monthly Financial Position Report) and information from the Financial and Capital Market Commission on the distribution of equity capital among shareholders. In addition, data on the distribution of the banks' audited profit for the preceding year is used when estimating dividends. Adjustments to reinvested earnings are made upon receiving information on the audited profit. An offsetting entry for reinvested earnings is made in the direct investment account. Dividends are recorded when payable.

Data sources provide a split between income on inter-company loans and other investment income, as well as between income on debt securities between affiliates and portfolio investment income.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Data sources for portfolio investment income are the quarterly survey on foreign investment, statistics on non-banks' external payments (from the ITRS), MFIs' statistics, *Latvijas Banka*'s profit and loss account and data submitted by the State Treasury. The definition is in line with the BPM5 and data on portfolio investment income are broken down by instrument, also in accordance with the BPM5. Data sources provide a split between income on equity, bonds and notes, and money market instruments. Interest on debt securities is recorded on an accruals basis.

6.1.4 INCOME ON OTHER INVESTMENT

Data sources for income on other investment are the quarterly survey on foreign investment, statistics on non-banks' external payments (from the ITRS), MFIs' statistics and data submitted by the State Treasury. The definition of income on other investment is in line with the BPM5. Data on income on trade credits are incorporated in reports as income on other investment. Income is recorded on an accruals basis. Data on income on reserve assets are derived from *Latvijas Banka*'s profit and loss account and are recorded on an accruals basis.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

None.

6.5 ESTIMATION METHODS

Estimation methods are used for calculating compensation of employees (see Sub-section 6.1.1) and reinvested earnings (see Sub-section 6.1.2).

7 CURRENT TRANSFERS

The sources of data on current transfers are data on funds received from the European Union (the European Agricultural Guarantee Fund, the European Social Fund, the Financial Instrument for Fisheries Guidance, PHARE, SAPARD, etc.) provided by the State Treasury and data on the amounts of funds committed under registered technical assistance projects financed by foreign countries and international organisations (provided by the Ministry of Finance). Contributions of governmental institutions to international organisations and the European Union budget (customs duties, agricultural and sugar levies, VAT own resources, the UK correction and GNI own resources) are recorded as debit entries. The full amount of traditional own resources is included under current transfers but, as the EU Member States have to pay to the EU budget only 75% of the traditional own resources collected, 25% of the total is included as a credit under government services not.included elsewhere as a EU compensation. Data sources for other sectors are aggregated data on international cash transfers and foreign

trade statistics (compiled by the CSB), information on pensions paid by foreign governments to Latvian residents and on pensions paid to non-residents (compiled by the State Social Security Agency), data on reinsurance premiums and claims paid (submitted by the Financial and Capital Market Commission) and statistics on non-banks' external payments (from the ITRS; data include all types of external payments executed by private persons through banks).

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The data sources for the capital account are data on funds received from the European Union (the Cohesion Fund, the European Regional Development Fund, the European Agricultural Guarantee Fund, the Financial Instrument for Fisheries Guidance, PHARE, etc.) provided by the State Treasury and data on the amounts of funds committed under registered technical assistance projects financed by foreign countries and international organisations (provided by the Ministry of Finance). These data are supplemented with statistics on non-banks' external payments (from the ITRS). Information on the acquisition/disposal of non-produced, non-financial assets is derived from statistics on non-banks' external payments (from the ITRS).

8.2 DEFINITION

The definition of the capital account is in line with the BPM5. The split between current and capital transfers is provided by the information suppliers according to the Eurostat and ECB recommendations. There are two separate codes for current and capital transfers in the List of External Payments Codes.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Certain capital transfers, such as migrants' transfers (excluding workers' remittances), investment grants in kind and debt forgiveness by companies, are not fully covered.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Data sources for direct investment are the quarterly and annual surveys on foreign investment (for sampling methods, see Sub-section 3.1), MFIs' statistics, data from the State Enterprise Register on recently established enterprises with non-resident capital participations and statistics on non-banks' external payments (from the ITRS). Information on inter-company loans (including short-term loans and trade credits) between affiliates is included. Data on direct investment are broken down by instrument and country. Data sources also provide a breakdown by sector.

9.2 DEFINITION

Definitions are in line with the BPM5. Direct investment data cover transactions in equity, reinvested earnings (in accordance with the current operating performance concept (COPC) and with an offsetting entry under reinvested earnings for income on direct investment), other capital (including inter-company short and long-term loans and trade credits and debt securities between affiliates). The 10% ownership criterion is applied. The directional principle for direct participations is applied to data on other sectors. Transaction data are available and refer to the time of the actual operation. The geographical allocation is based on the debtor/creditor principle. Special-purpose entities are not subject to different

treatment, since they are not significant in Latvia.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The fully consolidated system is not used.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

Latvijas Banka plans to use the fully consolidated system once the final methodology is complete.

9.6 ESTIMATION METHODS

Estimation methods are used for calculating reinvested earnings (see Sub-section 6.1.2).

FDI in Latvia in equity capital is assessed at market value in the b.o.p. (net flow statistics) and i.i.p. (position statistics) to the extent possible. The market value of investment in unlisted and listed companies is assessed differently. The first is obtained using the equity capital approach (own funds at book value) recommended by the ECB. Equity capital (E) includes the following items: shares and equity holdings (share capital), share premium, long-term investment revaluation reserve, reserves, retained earnings of previous years and retained earnings of the reporting year. The value of equity capital is obtained as the difference between assets and liabilities for each respondent using the quarterly survey on foreign investment and MFIs' statistics. Value per share/unit is obtained from the total book value of the equity capital. Changes in equity capital in the reporting period for each foreign investor are reported broken down into changes arising from transactions (T), changes in prices for historical investment (P) and other changes (O):

$\Delta E = T + P + O$, where:

$T = T_n * P_e \quad P = C_b * (P_e - P_b) \quad O = O_n * P_e$

T_n – changes in the number of shares/units owned by a foreign investor in the share capital as a result of a transaction;

O_n – changes in the number of shares/units owned by a foreign investor in the share capital as a result of other changes;

C_b – number of shares/units owned by a foreign investor in the share capital at the beginning of the reporting period;

P_e and P_b – price per share/unit (equity capital/ total share capital) at respectively the end and the beginning of the reporting period.

The market value of investment in listed companies is obtained in a similar way, except that the price per share at the end and the beginning of the reporting period is based on data from the Riga Stock Exchange.

For the reconciliation with direct investment stocks, price changes (for equity capital), exchange rate changes and other adjustments are excluded.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Data sources for portfolio investment are the quarterly and annual surveys on foreign investment (transaction data and a breakdown by country are available), MFIs' statistics, statistics on non-banks' external payments (from the ITRS), data from the State Treasury and *Latvijas Banka*'s balance sheet. Data on transactions for the monetary authorities, the general government and the MFIs are derived from stock data (see Sub-section 10.6 on estimation methods) on an aggregated basis.

Data on portfolio investment are broken down by sector and instrument in accordance with the BPM5.

10.2 DEFINITION

The definitions used for portfolio investment are in line with the BPM5 (financial derivatives are excluded). Portfolio investment includes tradable securities, excluding those used in repurchase agreements. Service charges, fees and commissions are excluded and recorded as services.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

For the reconciliation with portfolio stocks, price changes, exchange rate changes and other adjustments are excluded.

To record the data on portfolio investment equity securities (liabilities) as close as possible to the market value, the information from the Latvian stock market for listed enterprises and the equity capital approach (own funds at book value) recommended by the ECB for unlisted enterprises are used (see Sub-section 9.6).

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Financial derivatives cover futures, forwards, options and similar instruments, where the counterparty to the transaction is a non-resident. Financial derivatives are excluded from portfolio investment, however, since this sector is still somewhat underdeveloped. Most transactions are executed on a local basis between residents.

The data sources for financial derivatives are *Latvijas Banka*'s balance sheet, MFIs' statistics, the monthly survey on securities traded in the secondary market conducted by the Financial and Capital Market Commission (see Sub-section 10.1) and statistics on non-banks' external payments (from the ITRS). Transactions are recorded on a gross basis.

11.2 DEFINITIONS

All definitions are in line with the BPM5 and transactions related to income on interest rate swaps and foreign exchange forward contracts are included under this item.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Data sources for other investment are MFIs' statistics, the State Treasury, the quarterly and annual surveys on foreign investment (transaction data and a breakdown by country are available; these surveys include trade credits), *Latvijas Banka*'s balance sheet and the statistics on non-banks' external payments (from the ITRS). Transaction data are derived from stock data for the monetary authorities, the general government and the MFI (excluding central banks) sector (see Sub-section 12.6 on estimation methods). Participation in the

international financial organisations is included. Data on other investment are broken down by sector, instrument and maturity in accordance with the BPM5.

12.2 DEFINITION

Definitions are in line with the BPM5.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

For the reconciliation with other investment stocks, exchange rate changes and other adjustments are excluded.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The data source for reserve assets is *Latvijas Banka*'s balance sheet submitted by its Accounting Department. Data are broken down by instrument, maturity, country and currency. Data on reserve assets are compiled on a monthly basis and are broken down by instrument. Transaction data are derived from stock data. Exchange rate and price changes are excluded on the basis of the data available on foreign currencies when transactions are compiled.

13.2 DEFINITION

The definition is in line with the BPM5 and reserve assets refer only to highly liquid, marketable and creditworthy foreign currency-denominated claims on non-residents, gold, special drawing rights and the reserve position in the IMF. *Latvijas Banka* controls the reserve assets and positions of the central government and/or the State Treasury are not included. Reserve assets are compiled in accordance with the gross concept. A separate category for financial derivatives has been introduced.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

Latvia's i.i.p. is compiled and published quarterly in the quarter following the reference period. Data are compiled and published for: direct investment (Latvia's direct investment abroad and direct investment in Latvia); portfolio investment assets and liabilities; financial derivative assets and liabilities; other investment assets and liabilities; and reserve assets. Data on assets and liabilities are presented separately for all items.

The data sources for the i.i.p. are the same as those for the b.o.p.

14.1.2 DIRECT INVESTMENT

The coverage and concepts of direct investment are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those of b.o.p. data (see Sub-section 9.1). A reconciliation exercise between i.i.p. stocks and b.o.p. flows is carried

out on the basis of price changes (for equity capital), exchange rate changes and other adjustments.

Data on direct investment are broken down by instrument. Data on direct investment in Latvia and abroad are broken down by kind of activity and investing country and are disseminated quarterly one quarter after the end of the reference quarter.

14.1.3 PORTFOLIO INVESTMENT

The coverage and concepts of portfolio investment are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those of b.o.p. data (see Sub-section 10.1). A reconciliation exercise between i.i.p. stocks and b.o.p. flows is carried out on the basis of price changes, exchange rate changes and other adjustments.

Data on portfolio investment are broken down by instrument and sector.

14.1.4 FINANCIAL DERIVATIVES

The coverage and concepts with regard to financial derivatives are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those for the b.o.p. data (see Sub-section 11.1). Financial derivative stocks of other sectors are accumulated flows.

14.1.5 OTHER INVESTMENT

The coverage and concepts with regard to other investment are in line with the definitions used in the financial account of the b.o.p. and the data sources are the same as those for the b.o.p. data (see Sub-section 12.1). Stock data are broken down by instrument, sector and maturity. A reconciliation exercise between i.i.p. stocks and b.o.p. flows is carried out on the basis of exchange rate changes and other adjustments.

14.1.6 RESERVE ASSETS

The coverage and concepts with regard to reserve assets are in line with the definitions used in the BPM5 and with the financial account of the b.o.p. Data on reserve assets are compiled on a monthly basis in accordance with the gross concept and the data sources are the same as those for the b.o.p. data (see Sub-section 13.1).

Gold and debt securities denominated in convertible foreign currencies are valued at the prevailing market prices. Gold is marked to market on a daily basis. Debt securities denominated in convertible foreign currencies are revalued on a daily basis.

Data on reserve assets are broken down by instrument and sector in accordance with the BPM5. Data sources also provide breakdowns by currency and country. A reconciliation exercise between i.i.p. stocks and b.o.p. flows is carried out on the basis of exchange rate changes and price changes.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 9.3.

14.3 GAPS

None.

14.4 INTENDED HARMONISATION

See Sub-section 9.5.

14.5 ESTIMATION METHODS

See Sub-sections 9.6, 10.6 and 12.6.

15 CONTACTS

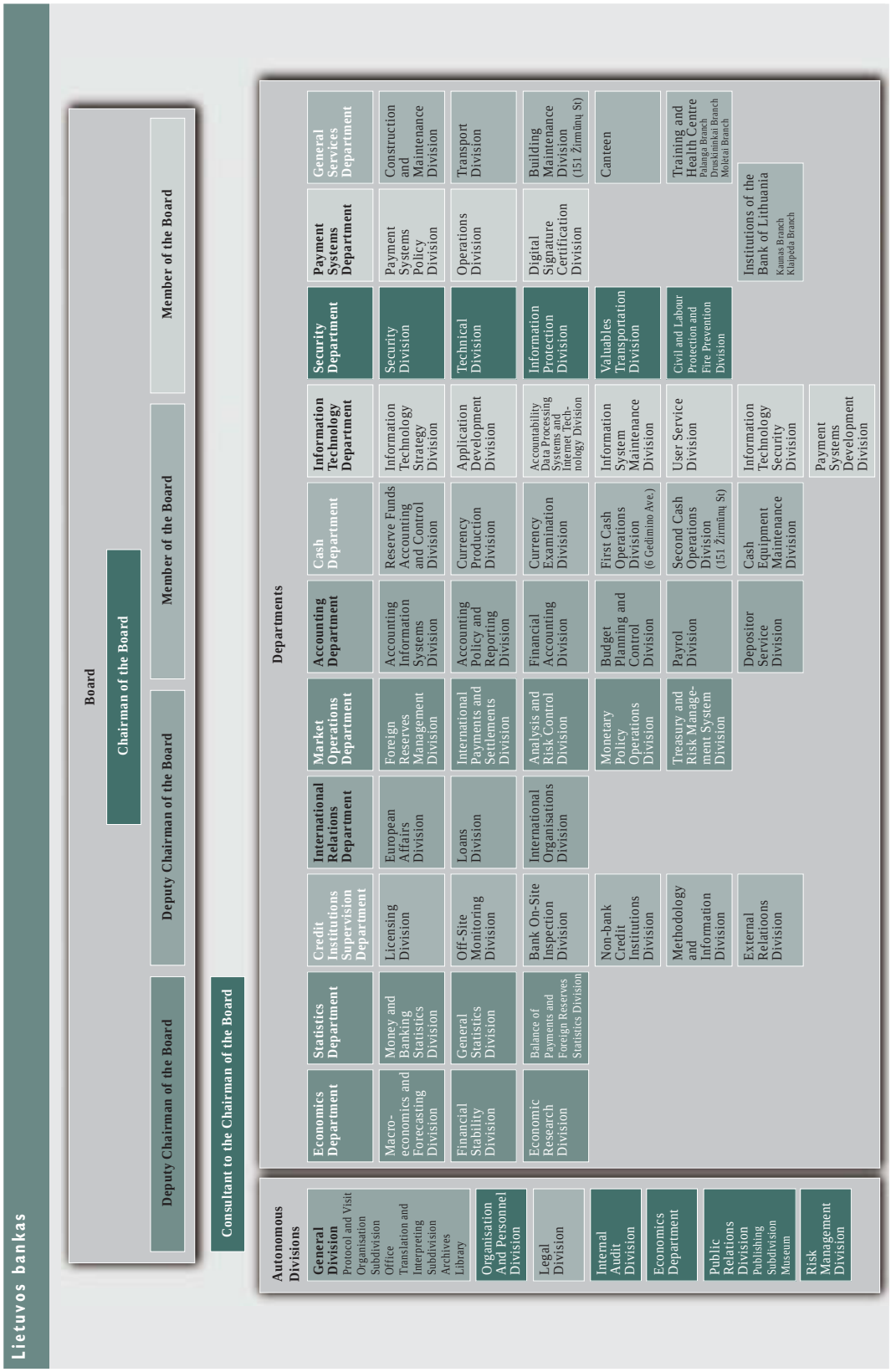
This country information was drafted by Latvia in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Latvia should be addressed to:

Ms Daiga Gaigala-Lizbovska
Head of the Balance of Payments Statistics Division
Statistics Department
Latvijas Banka
K. Valdemara iela 2a
LV-1050 Riga
Latvia

Tel.: 00 371 702 2580
Fax: 00 371 702 2407
E-mail: daiga.gaigala-lizbovska@bank.lv

4.14 LITHUANIA

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Since the beginning of 1995, *Lietuvos bankas* has prepared the national balance of payments statistics, has coordinated all work related to the collection of the information necessary for the compilation of these statistics and has systematically monitored this work. The b.o.p. is compiled according to the basic methodological requirements and standards of presentation and publication of the International Monetary Fund, European Central Bank and Eurostat. Lithuania's b.o.p. is compiled monthly, quarterly and annually.

2.2 LEGISLATIVE PROVISIONS

The legal responsibility is set out in Article 8 of the Law No I-678 on Lietuvos bankas, asamended on 25 April 2006, which lists the functions of Lietuvos bankas. More specifically, Article 8.1, paragraph 9, states that Lietuvos bankas shall collect monetary, banking and balance of payments statistics, as well as data on Lithuanian financial and related statistics, implement standards on the collection, reporting and dissemination of the said statistics and compile the balance of payments of the Republic of Lithuania. Furthermore, Article 54 on the "Provision of information to Lietuvos bankas" states that bodies of state authority and administration, enterprises, institutions and organisations of the Republic of Lithuania must present to Lietuvos bankas all information required for the performance of its functions.

The Republic of Lithuania's Law No viii-1511 of 23 December 1999 on the amendment of the Law on Statistics, in particular the chapter entitled "Management of statistics" (Article 6, which deals with the agencies managing official statistics), stipulates that official statistics in the Republic of Lithuania are to be managed by the following agencies:

- the Department of Statistics;
- territorial statistical agencies of the Department of Statistics;
- ministries, other state and local self-government institutions, agencies, as well as Lietuvos bankas, if this is provided for in the work programme of the Official Statistics.

The other legislative provisions that are relevant for the compilation of the Lithuanian b.o.p. and i.i.p. statistics are as follows:

(i) *Resolution No 106 of 23 October 2003 of the Board of Lietuvos bankas* on the approval of the procedure for submitting to *Lietuvos bankas* the reporting statistical data necessary to compile the b.o.p. and i.i.p. This resolution states the kind of statistical data to be provided by the various ministries, public institutions and economic units and the required frequency and timeliness. This resolution also states that b.o.p. and i.i.p. data have to be provided to the ECB, Eurostat and the IMF according to the required timetable, which is published on *Lietuvos bankas*' website and in its relevant publications.

(ii) *Resolution No 125 of 11 December 2003 of the Board of Lietuvos bankas* on the approval of the statistical statements used for the compilation of the b.o.p. and i.i.p. *Lietuvos bankas* collects these statements directly from commercial banks and other entities.

(iii) *Law on the National Debt of 22 August 1996*, which stipulates that "national debt means the total amount of domestic and foreign debt of the Republic of Lithuania; national currency means Lithuanian litas (LTL), the standard monetary unit of the Republic of Lithuania; foreign currency means the currency of any foreign state or the currency used by two or more foreign states, including the euro and special drawing rights (SDRs)".

(iv) *Resolution No 1200/8 of the Government of the Republic of Lithuania and the Board of the Bank of Lithuania* on foreign loans obtained in the name of the state and taken with government guarantee.

(v) *Procedure No 1200/8 of 30 October 1997 for granting*, distributing and repaying foreign loans obtained in the name of the state and taken with guarantee of the government.

(vi) *Procedure No 101 of 14 June 2001* for the registration with *Lietuvos bankas* of foreign loans received without a guarantee of the government by legal persons or enterprises without the status of a legal person in the Republic of Lithuania and of loans granted to foreign economic entities (according to this Procedure, "economic entities must register with *Lietuvos bankas* foreign loans received without the guarantee of the government by the Republic of Lithuania or loans granted to foreign economic entities within ten business days from the day of receiving (granting) the loan or other debt instrument").

(vii) *Resolution No 537 of 2 June 1997 of the Government of the Republic of Lithuania* on the application of the Special Data Dissemination Standard (SDDS) of the International Monetary Fund in Lithuania. According to this Resolution, *Lietuvos bankas* is appointed as coordinator of the application of the IMF's SDDS in Lithuania and is also responsible for the application of this Standard to the data categories of the banking sector's analytical accounts (monetary survey), the balance of payments and the international investment position.

(viii) *Order No 31p of 15 March 2005 of the Chairman of the Board of Lietuvos bankas on the changes of the structure of Lietuvos bankas*. This Order reorganised the Monetary Policy Department into the Economics Department and the Statistics Department.

The 2004 Law on *Lietuvos bankas* governs the compilation of data on international reserves. The Law is available on *Lietuvos bankas*' website (http://www.lbank.lt) in Lithuanian.

2.3 INTERNAL ORGANISATION

The compilation of the b.o.p. is the responsibility of the Balance of Payments and Foreign Reserves Statistics Division of the Statistics Department. A small team of ten people is currently involved in this compilation, dealing with all activities relating to the b.o.p. and i.i.p. process, from the methodology, the revision of questionnaires to analysis and the drafting of reports.

2.4 EXTERNAL COOPERATION

See Sub-section 3.2.

2.5 USERS

Data on the b.o.p. are presented to the Government of the Republic of Lithuania, in particular to the Ministry of Finance, the Ministry of the Economy and the Department of Statistics of the Government of the Republic of Lithuania (Statistics Lithuania), as well as to the Committees of the *Seimas* (Parliament) of the Republic of Lithuania. The data are also submitted to international organisations such as the International Monetary Fund, the World Bank, the Bank for International Settlements, the Organisation for Economic Co-operation and Development, the European Commission (Eurostat) and the European Central Bank.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

B.o.p. statistics are compiled on a monthly and quarterly basis using a survey method from various data reporters.

All quarterly reports by reporting agents include:

- a record of all credit and debit transactions;
- flow and stock data;
- other changes in the value of stocks' total:
  of which changes in the prices of the financial assets and liabilities;
  changes in the exchange rates vis-à-vis other currencies;
  reclassifications and other changes;
- a country breakdown.

Monthly and quarterly surveys were designed according to the required breakdowns of Guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template. These surveys enable the collection and compilation of b.o.p. and i.i.p. data with the required geographical allocation (i.e. following "step 2" and "step 3" approaches).

Much the same as the quarterly b.o.p., the monthly b.o.p. is compiled on the basis of statistical surveys. However, the number of respondents submitting monthly statistical statements is significantly smaller than in the case of the quarterly surveys. The number of indicators included therein is also noticeably smaller. All public institutions and commercial banks furnish *Lietuvos bankas* not only with quarterly reporting data, but also with their monthly figures. Monthly reporting data from other sectors are collected by way of a sampling survey of economic entities. These economic entities are selected according either to their level of representation in a specific activity or to their scope of operations with non-residents. Of a total of almost 5,000 other sector economic entities that present quarterly reporting figures, 240-260 entities submit monthly reports (statement B-09-04). The monthly data obtained from the sampling survey of economic entities are grossed up through the application of corresponding coefficients.

As individual monthly b.o.p. indicators are calculated with the aid of extrapolation coefficients and by making appropriate evaluations, aggregated data of a three-month period may not coincide with the figures of the corresponding quarter. After the compilation of a quarterly b.o.p., data for the individual months of that quarter are revised.

The monthly b.o.p. data are made public 30 business days after the end of each reporting month.

For further details, please see the sub-sections on the individual b.o.p. items.

3.2 REPORTING AGENTS

B.o.p. compilation by the *Lietuvos bankas* is based on the statistical data collected from the following data sources and reporting agents:

(i) *Statistics Lithuania* supplies the main sets of data, namely data on foreign trade (on the basis of customs declarations and, since 1 May 2004, of surveys used in the Intrastat system), on transactions of nonbank entities with non-residents (services, income, financial transactions, portfolio investment and loans, all of which are recorded on the same questionnaire (F-06) by nearly 5,000 respondents) and on flows and stocks of foreign direct investment (on the basis of specific forms (TUI-01) submitted by more than 3,000 respondents). The data on commercial financial relations include transactions by national economic entities of all ownership forms (excluding the banking sector) with non-residents, direct foreign investment in Lithuania and direct investment by economic entities in foreign countries, as well as foreign humanitarian aid;

(ii) *commercial banks* submit statements (the quarterly B-09-01 and the monthly B-09-02) on their own cross-border transactions as well as a statement

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Lithuania

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Commercial banks	Statistical statement form B-09-01 "Statement for the compilation of the Balance of Payments"	Transactions with non-residents in services, non-resident wages and salaries and other labour relations, investment income (expenses), by types of investment (direct investment, portfolio investment and other investment), current transfers (transactions are broken down geographically). Direct investment, Portfolio investment financial derivatives and other investment assets and liabilities, specifying flows and stock data, changes in the value of stocks by factors – changes in prices, changes in the exchange rates, reclassification and other changes. Total stocks and transactions data are broken down geographically.	Quarterly, annually	Within 25 days after the end of reference quarter
	Statistical statement form B-09-02 "Statement for the compilation of the Balance of Payments"	Only flows – outflows of 40 main indicators during the reference month.	Monthly	Within 15 days after the end of the reference month
	Statistical statement form B-09-03 "Statement on total incoming and outgoing international payments	Only the total of incoming and outgoing international payments with an identification of the customers during the month.	Monthly	On the 10th day after the end of the reference month
Bank of Lithuania	Statistical data on official reserves assets and foreign currency liquidity; data on BoL income and expenses; BoL balance sheet; data on foreign loans without government guarantees	Stocks and changes in monetary gold, SDRs, reserve position of the Fund, foreign exchange repurchase transactions other assets and other claims, data of exchange rates, prices of monetary gold	Monthly	Data on official reserve assets within 3 days afte the end of the reference month. Data on BoL income and expenses with non-residents within 15 days after the reference month
Non-financial enterprises	Statistical statement form B-09-04 "Statement on Financial-commercial Activities of the Enterprise with Non-residents" (about 260 enterprises)	Financial claims vis-à-vis non-residents (loans, trade credits, deposits with foreign banks, other financial claims, long term and short term debt securities issued by non-residents). Financial liabilities vis-à-vis non-residents (loans granted, trade credits, liabilities for services and other financial liabilities). Investment income and expenses (dividends, loan interest, deposit and correspondent account interest, other debt securities interest). Services delivered (received) by the enterprise to (from) non-residents by specification code).	Monthly	Within 15 days after the end of the reference month

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Lithuania (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
The Department of Statistics to the Government of the Republic of Lithuania	Statistical statement form F-06 "Financial-commercial Activities of the Enterprise with Non-residents" Data are collected from about 5,000 non-financial enterprises.	Financial claims and liabilities vis-à-vis non-residents: portfolio investment (value of shares, value of debt securities, other investment – deposits, loans, trade credit, financial derivatives other financial claims; stocks – acquired/issued, sold/repaid, other factors; investment income and expenses: dividends, interest on other securities, interest on deposits, interest on loans, other investment income) Services to/by non-resident by type of services. Total stocks data and all transactions data are broken down geographically	Quarterly,, annually	Within 60 days after the end of the reference quarter
	Foreign trade data on the basis of customs declarations and intrastat's surveys	Exports and imports of goods by type and partner country.	Monthly	After 25 days after the end of the reference month (total exports and imports values only); 4 working days after data released
	Statistical statement form TUI-01 "Direct Investment Statement" The Department of Statistics submits all enterprises' statements (about 3,000 enterprises)	All components of FDI (equity capital – stocks, purchased, sold, reinvested earnings, other adjustments, stocks; stock dividends pay off; long-term/ short-terms loans contracted from non-residents – stocks contracted and repaid, other adjustments, stocks; other financial liabilities – residue at the beginning and end of the period; other liabilities; some indicators of "disinvestments"). All data are broken down by country and by activity. FDI by directional principle (abroad and in the reporting enterprises).	Quarterly, annually	Within 60 days after the end of the reference quarter
	Statistical statement on foreign humanitarian aid	Data on foreign aid granted by international organizations, type of aid, volume, value and by activity.	Monthly	25 days after reference month
Ministry of Finance	Statistical statement form B-09-08 Dissemination of debt securities to non-residents and foreign loans received from non-residents	Data on debt securities issued, sold and redeemed by the Government, foreign loans received and granted on behalf of the State and with a guarantee of the government; the use of the loans and the expenses for their servicing.	Monthly	Within 25 days after the end of the reference month
	Statistical statement form B-09-05 Inflows from non-residents for the privatised objects in Lithuania Statistical statement form B-09-06 EU financial support of Lithuania Statistical statement form B-09-07 Lithuania's payments to the EU budget	Inflows received from non-resident for privatised objects in Lithuania; Inflows from projects involving technical assistance by foreign countries and international organisations; Inflows from PHARE, and EU structural funds foreign humanitarian aid; Consulates' budgetary income; Lithuania's payments to the EU budget, information on loans received from non-residents directly by local government.	Monthly	Within 25 days after the end of the reference month

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Lithuania (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
The State Border Guard Service at the Ministry of Interior	Cross-border crossings by individuals	Data on the number of persons arriving in Lithuania and departing from non EU countries by citizenship and type of transport used.	Monthly	Within 25 days after the end of the reference month
Board of the State Social Insurance Fund	Inflows to the fund and funds transferred abroad	Data on the funds used to pay pensions received from abroad and funds transferred abroad and data on social insurance payments made by foreign diplomatic services residing in Lithuania for the citizens of Lithuania they employ.	Monthly	Within 25 days after the end of the reference month
Ministry of Foreign Affairs	Inflows to Lithuania and funds transferred abroad	Data on the expenses of embassies and representative offices of Lithuania, on the participation of the country in international non-financial organisations (entry and membership fees), on reimbursements of value-adde.	Monthly	Within 25 days after the end of the reference month
Central Securities Depository of Lithuania	Statistics on trading in securities	Data on the distributions of securities (purchasing and selling) accounted for in the accounts of intermediaries of the public circulation of securities between residents and non-residents (in total and broken down by country and by type of investor's sector).	Monthly	Within 25 days after the end of the reference month
Local government	Statistics on inflows received from non-residents	Data on the inflows received from non-residents for the real estate sales	Annually	Within 60 days after the end of reference year
Securities Commission	Statistics on trading in securities	Data on the distributions of securities (purchasing and selling) between residents and non-residents real flows (by country and investor group). Data on the income of intermediaries of public circulation of securities between residents and non-residents	Monthly Quarterly	Within 25 days after the end of reference month Within 60 days after the end of reference quarter
Pension, collective investment, money-market funds	Statistics on portfolio investment	Data on portfolio investment abroad (flows, stocks and investment income)	Monthly	Within 25 days after the end of reference month
State Tax Inspectorate under MoF	Statistics on reimbursements of VAT	Data on reimbursements of value-added tax to foreign embassies and representative offices residing in Lithuania	Monthly	Within 25 days after the end of reference month

(B-09-03) on international payments (only the total of incoming and outgoing international payments, with an identification of the customers, on a monthly basis) directly to *Lietuvos bankas*;

(iii) the *Ministry of Finance* submits data (stocks and flows) on debt securities issued by general government, on foreign loans on behalf of the state and guaranteed by the government, on the use of loans and their servicing costs (monthly statement B-09-08), on the inflows received from non-residents for privatised entities in the Republic of Lithuania (monthly statement B-09-05), on technical and financial assistance provided by the EU (monthly statement B-09-06), on Lithuania's payments to the EU budget (monthly statement B-09-07), information on consulates' budgetary income, information on forecasting of international flows of Government loans (principal and interest)

and Government guaranteed loans for the reserves Data Template, information on loans received from non-residents directly by local government;

(iv) the *Ministry of Foreign Affairs* provides data on the expenditure of embassies and representative offices of the Republic of Lithuania, on the contributions of the country to international non-financial organisations (entry and membership fees), on technical assistance by foreign countries and international organisations;

(v) the *State Border Guard Service at the Ministry of the Interior* submits data on the number of people arriving in/leaving Lithuania from non-EU countries, broken down by country and mode of transport;

(vi) the *State Social Insurance Fund* submits monthly data on cross-border pension receipts and payments and on social insurance payments made by foreign diplomatic services residing in Lithuania for their local employees;

(vii) the *Central Securities Depository* submits monthly data on listed companies - the distribution of securities (including government securities) between Lithuanian economic entities and non-residents (in total and broken down by country and by type of investor's sectors);

(viii) the *Lithuanian Securities Commission* provides data from the Register of Corporate Debt Securities by type of security and data on trading in equities (income/payments);

(ix) *local and regional authorities* provide data on inflows received from nonresidents for municipal real estate sold or leased out to them;

(x) *Lietuvos bankas* provides data for the International reserves and foreign currency liquidity, its balance sheet and income received/payments;

(xi) *pension funds, collective investment funds, money-market funds* provide monthly data on portfolio investment abroad (flows, stocks and investment income);

(xii) Vilnius Stock exchange provides monthly data on equities traded by listed and unlisted companies, data on equity prices of listed companies;

(xiii) State Tax Inspectorate under the Ministry of Finance submits data on the value added tax returned to foreign embassies and representative offices in Lithuania.

3.3 THRESHOLDS

In the case of the b.o.p. no thresholds are used.

3.4 AVAILABILITY OF DATA

The b.o.p. is currently compiled monthly and quarterly by *Lietuvos bankas*, with input from Statistics Lithuania for the corporate sector and from public and international entities. *Lietuvos bankas* is responsible, in particular, for collecting data from the banking sector, state institutions and corporate sector (for the monthly b.o.p.). The monthly b.o.p. data are made public 30 business days after the end of a reporting month. Lithuania's quarterly b.o.p. is made available 12 weeks after the end of the reference quarter.

Data on reserve assets are compiled monthly both for official reserve assets and for the reserves data Template. Data on official reserve assets and data Template are available within one week after the end of the reference month.

Lithuania's i.i.p. is compiled on a quarterly basis and is available 12 weeks after the end of the reference quarter. Data are collected and classified according to the international

standards recommended by the fifth edition of the IMF Balance of Payments Manual (BPM5), the classification of Eurostat's 2006 November Balance of Payments Vademecum and Guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template. Data are broken down by economic sector, activity and country.

3.5 DATA CONTROLS

Lietuvos bankas carries out checks of individual reports and of the quality of time series. It also cross-checks with other statistical sources.

3.6 REVISION POLICY

All quarterly data are revised when the annual b.o.p. and i.i.p. are compiled. Monthly b.o.p. data are revised after the compilation of the quarterly b.o.p.

3.7 DISSEMINATION

The comprehensive data (b.o.p. and i.i.p.) are published, along with short comments, in a special quarterly b.o.p. bulletin entitled"Balance of Payments of the Republic of Lithuania" and in *Lietuvos bankas'* "Monthly Bulletin". These publications are also available on the *Lietuvos bankas'* website (http://www.lb.lt/Eng/publications/Index.htm) and in the IMF's electronic bulletin, as well as on the National Summary Data Page which has a hyperlink to the home page of the IMF's Data Standards Bulletin Board (DSBB).

For the i.i.p., an advance release calendar that meets the SDDS requirements, giving precise release dates for at least one quarter ahead, appears on *Lietuvos bankas'* website (http://www.lb.lt in the section "Statistics: Advance Release Calendar") and on the IMF's DSBB, which can also be accessed via a hyperlink from *Lietuvos bankas'* website (under the section entitled "Statistics: Special Data Dissemination Standard"). The quarterly b.o.p. publication also contains a "rolling" advance release calendar, which provides precise release dates one quarter ahead. The data are released simultaneously to all interested parties by posting them on Lietuvos bankas' website at the same time as the b.o.p. data are posted. A note informing the public that the data have been posted on the website is published in each issue of *Lietuvos bankas'* "Monthly Bulletin".

With regard to reserve assets, *Lietuvos bankas'* "Monthly Bulletin" has contained end-of-month data for the current year, end-of-quarter data for the two previous years and end-of-year data for the following components since December 1992: gold; holdings of SDRs; the position in the IMF; and foreign exchange (securities, currency and deposits, reverse repos).

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The primary data source is the foreign trade statistics prepared by Statistics Lithuania on the basis of data collected since 1 May 2004 by the Customs Department through surveys on imports and exports of goods (Intrastat data collection system) and of customs declarations for goods (Extrastat data collection system).

4.2 DEFINITION

Data on trade in goods are compliant with BPM5 standards.

The foreign trade volume is calculated on the basis of the General Foreign Trade Principles and the definition of the General Trade System and recommended methods by the Statistical Service of the United Nations. All goods that enter the country, including goods procured in ports by resident carriers (imports), and all goods that leave the country, including goods procured in ports by non-resident carriers (exports), are registered (except transit goods).

The following items are considered imports:
- imports declared for use within the country;
- temporary imports for inward processing;
- imported goods after processing; and goods procured in ports.

The following items are considered exports:
- goods of Lithuanian origin;
- re-exports of goods after processing; and
- goods procured in ports.

Merchandise exports and imports are recorded at the time of customs clearance and by filling in the monthly surveys. Temporary exports and imports, leasing goods and goods related to humanitarian aid are also included in the accounting item. Furthermore, besides customs data, trade in electricity and natural gas is also included in this item. The data on goods delivered to transport agencies at the ports are based on economic entities reports (F-06).

Exports and imports of goods are valued on an f.o.b. basis. In this respect, *Lietuvos bankas* makes some adjustments for freight (about 6% of total imports).

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

None.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on the services provided by resident non-financial enterprises to non-residents and the services provided by non-residents to Lithuanian economic entities are received on the basis of statistical research carried out by Statistics Lithuania (in the form of quarterly surveys). All categories of services are divided up in the questionnaire to Statistics Lithuania (see Sub-section 3.2 (i)), which enables the available data to be aggregated according to the standard groups of services as defined in the BPM5 and the extended classification of services by Eurostat and the OECD. More than 5,000 enterprises complete the said questionnaire. Approximately 75% of the answers to this questionnaire are completed. Monthly data on services are collected by *Lietuvos bankas* from selected Lithuanian economic entities.

5.2 DEFINITION

(i) *Transportation*
This category includes cargo and passenger transportation services using all means of transportation, including seaport and airport services. The primary data source is the quarterly survey of the cross-border transactions of non-bank entities with nonresidents (F-06) conducted by Statistics Lithuania.

(ii) *Travel*
Travel services include all goods and services acquired by travellers in foreign countries (a person living in a country in which he/she is not a resident for less than one year is considered a traveller). Services in the area of international passenger transportation – i.e. the transportation of passengers between countries – are not included in the travel item. Such services belong to the category of passenger transportation services. Data on travel services are calculated on the basis of the monthly data on the number of incoming

foreigners from non EU countries into and departing residents from Lithuania, as provided by the State Border Guard Service at the Ministry of the Interior and on the Department of Tourism's selective research on incoming foreigners and their average expenditure and length of stay, on the Statistics Lithuania selective research on Lithuanian travelers and their average expenditure and lenth of stay; on the data of quarterly surveys of enterprises providing accommodation services (hotels, health spa, etc.) and of enterprises involved in sales of touring packages.

(iii) *Other services*
The main source of information on income and expenditure related to other types of services is a quarterly survey of cross-border transactions of non-bank enterprises conducted by Statistics Lithuania (F-06); in this survey, the economic entities submit data on receipts from and expenditure on such categories of services and payments abroad as construction, communications, finance, computers and information technology, royalties, insurance, government services, the acquisition of licences, leasing and business leases, other personal, cultural and entertainment services, other business services and other services. A quarterly survey of banks' cross-border transactions on their own behalf is conducted by *Lietuvos bankas* (B-09-01). The largest amount of information on government services is received from the Ministry of Foreign Affairs and the Ministry of Finance. Information is based on the data on the expenditure of Lithuania's embassies abroad and on salaries paid to Lithuanian employees working abroad, on technical assistance provided by non-residents and on quarterly data provided by the Lithuanian tax authorities on value-added tax refunds to embassies and international organisations. Additional information on various services is collected from other official sources.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

See Sub-section 4.6.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

Data on income are obtained from the monthly sample surveys and quarterly reports of non-banking enterprises and from the reports submitted by commercial banks, ministries and departments as well as *Lietuvos bankas*.

6.1.1 COMPENSATION OF EMPLOYEES

Information on compensation of employees is obtained from:

(i) quarterly data on social insurance contributions paid by non-exempt foreign embassies for resident employees in Lithuania;

(ii) reports of non-financial enterprises (F-06);

(iii) the Ministry of Foreign Affairs (for data on the expenditure of Lithuania's embassies abroad); and

(iv) data on cross-border transactions by individuals, sports organisations, etc. obtained from a monthly survey of commercial banks conducted by Lietuvos bankas (B-09-03).

6.1.2 INCOME ON DIRECT INVESTMENT

The main sources of data on direct investment income (expenditure) are:

(i) a quarterly survey of enterprises involved in direct investment, conducted by Statistics Lithuania (TUI-01); and

(ii) monthly and quarterly reports of commercial banks (B-09-02 and B-09-01).

Income from direct investment means income calculated on behalf of a direct investor on the capital invested by him in the form of direct investments. This income comprises:

- dividends;
- distributed profits of foreign branches;
- reinvested earnings; and
- income (interest) on debt instruments.

Dividends may be paid in cash or in shares (capitalisation of current income). Dividends on liquidation are excluded, since they reflect the return on invested capital and not a transfer of income. These dividends are shown as capital withdrawals. Where declared dividends have not been paid, the data presented as direct investments under other other assets/other liabilities are increased by the respective sum. Dividends are recorded when payable if declared.

Reinvested earnings are recorded in full for both inward and outward investment. Reinvested earnings mean that a direct investor's profit (loss) is not distributed in the form of dividends but is retained by the enterprise concerned. Reinvested earnings are recorded for the period under review during which the respective profit was made (or loss incurred).

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income (interest) on portfolio investment includes income on preference shares that grant the right to receive additional payments within a fixed amount (these payments are not considered dividends and are treated as interest). This income also comprises:

- dividends on preference shares that do not grant the right to the assets of an enterprise in liquidation;
- interest on other debt securities (bonds, bills, cheques and other similar liabilities).

The accruals principle is applied to income on portfolio investment on the basis of quarterly surveys.

6.1.4 INCOME ON OTHER INVESTMENT

This item comprises:

- interest on trade credits;
- interest on deposits and loans;
- other investment income/expenses.

Interest on loans also comprises interest on loans on behalf of the state, interest on loans guaranteed by the government and other investment expenditure (penalties, forfeitures). The main sources of data on portfolio and other investment income are as follows:

- quarterly reports of non-financial enterprises (F-06);
- monthly and quarterly reports of commercial banks(B-09-02 and B-09-01);
- the information from the Ministry of Finance on interest paid on government debt securities, loans received on behalf of the state and guaranteed by the government.

Interest is recorded on an accrual basis.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

None.

6.5 ESTIMATION METHODS

None.

7 CURRENT TRANSFERS

Data are received from various government agencies and the banking sector. The primary sources of data are:

(i) monthly data on financial assistance from EU and membership fees to EU provided by the Ministry of Finance:

(ii) monthly data on humanitarian aid provided by Statistics Lithuania;

(iii) monthly data on entry and membership fees paid by the government to international organisations provided by the Ministry of Foreign Affairs;

(iv) quarterly estimates of compensation of employees and workers' remittances, based on data on cross-border transfers provided by the Post Office;

(v) monthly data on cross-border pension receipts and payments, provided by the State Social Insurance Fund and by a commercial bank;

(vi) (vi) data on cross-border transactions by individuals, sports organisations, etc. obtained from a monthly survey of commercial banks conducted by Lietuvos bankas (B-09-03).

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The main sources of data are:

(i) monthly data on capital transfers to government and other sectors, provided by the Ministry of Finance;

(ii) data on debt forgiveness transactions of other sectors, obtained from the quarterly survey of cross-border transactions of non-bank enterprises conducted by Statistics Lithuania (F-06); and

(iii) data on debt forgiveness transactions of banks, obtained from the quarterly survey of cross-border transactions of banks conducted by *Lietuvos bankas* (B-09-01).

8.2 DEFINITION

The definition of the capital account is in line with the BPM5.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

No other items are recorded except those mentioned in Sub-section 8.1. Inter alia, there is no coverage of migrants' transfers and the acquisition/disposal of non-produced, non-financial assets.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The sources are:

(i) a quarterly survey of enterprises involved in direct investment, conducted by Statistics Lithuania (TUI-01);

(ii) monthly data provided by the Ministry of Finance on direct investment arising from the privatisation of state-owned enterprises (the revenues of the Privatisation Fund);

(iii) monthly data provided by the local authorities on real estate sold to non-residents;

(iv) monthly data on trading in equities provided by the Vilniaus Stock exchange, traded by listed and unlisted companies, and data on equity prices of listed companies.

(v) monthly data on listed companies provided by the Central Securities Depository;

(vi) the monthly and quarterly surveys of crossborder transactions of commercial banks, conducted by Lietuvos bankas (B-09-02 and B-09-01 respectively).

With regard to (i), *Statistics Lithuania's* consolidated quarterly and annual data on FDI (*Lietuvos bankas* collects banking sector data), Statistics Lithuania has devised a questionnaire on FDI in line with the OECD Benchmark Definition of Foreign Direct Investment, which is circulated to more than 3,000 respondents four times a year. This questionnaire covers all components of FDI by direction of investment. It comprises resident direct investment abroad and non-resident direct investment in the Lithuania. Capital invested by a direct investment enterprise in its direct investor (reverse investment) is regarded as an offsetting item to capital invested by a direct investor and by related enterprises in the direct investment enterprise. The data are available in full broken down by country and activity.

With regard to (ii), the Ministry of Finance provides data reported monthly broken down by country and activity, on revenues received from non-residents for privatised entities in the Republic of Lithuania and on other subsidies and funds received from abroad (related to FDI).

Furthermore, the Central Securities Depository provides data reported quarterly and annually on how securities are distributed among Lithuanian economic entities and non-residents (in total and broken down by country and type of investor's sector) as reflected in the accounting of intermediaries in public securities trading.

The commercial banks provides quarterly data on FDI stocks, flows, other changes broken down by country and activity and monthly data on flows.

FDI data in the b.o.p. is broken down by geographical area and by economic activity (using NACE codes corresponding to the economic activities used in the Eurostat/OECD codification for economic activity groups).

9.2 DEFINITION

Foreign direct investment is understood, in line with the methodology of the IMF and the methodological directions of Eurostat, as investment creating long-term economic financial relations and interests between a foreign direct investor and a direct investment company. According to the OECD Benchmark Definition of Foreign Direct Investment, a holding of 10% of the voting rights is recognised as the lowest limit under which a foreign direct investor is able to participate in the management of a direct investment company. Foreign investment holdings of less than 10% of the voting rights are attributed to portfolio investment, instead of to direct investment. Not only primary capital investment is attributed to foreign direct investment, but also all later transactions between the investor and the direct investment company. Foreign direct investments consist of stock capital (shares valued at market price), reinvested earnings (the proportion of profit (loss) directly attributed to a foreign investor that was not distributed in the form of dividends during the period under review and remained in the company) and other capital (liabilities between the foreign direct investor and the direct investment company in borrowing and lending assets).

The data on equity capital for listed enterprises are recorded at market values and at book value.

The data on equity capital for unlisted enterprises are recorded at book value.

Foreign investors are understood to be foreign enterprises (legal persons) other than citizens of Lithuania (natural persons), or persons without citizenship, permanently residing abroad, whose capital at the time of investment is of foreign origin and who invest in the Republic of Lithuania.

Investments are understood as monetary funds and tangible, intangible and financial assets appraised in the manner established by laws and other legal acts, invested with a view to earning profit (income) from the object of investment. Investing means actions by investors whereby they acquire the right of ownership or of creditors against the investment object, or the right to manage and use this object.

Investors are understood as the Republic of Lithuania and foreign states, international organisations, legal and natural persons of the Republic of Lithuania, as well as enterprises without the rights of a legal person, who, in accordance with the procedures established by the law of the Republic of Lithuania, invest their own borrowed assets in trusts. *Strategic investors* are investors with whom the Government of the Republic of Lithuania, or an authority empowered by it, enters into an investment contract. *Investment objects* are understood as the ownership capital of an economic entity, all types of securities, fixed assets and long-term intangible assets.

In compliance with both the Law on Commercial Banks of Lithuania and the Companies Act, paid-up but not registered capital does not entail any awarding of property and nonproperty rights to a shareholder, so that the said capital may not be attributed to direct investment. It is treated like other liabilities and entered under other investment.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Private non-business real estate investment is not included.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

None.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The primary sources of data are:

(i) the quarterly survey of cross-border transactions of non-bank enterprises, conducted by Statistics Lithuania (F-06);

(ii) the monthly and quarterly surveys of cross-border transactions of commercial banks, conducted by *Lietuvos bankas* (B-09-02 and B-09-01 respectively);

(iii) information from the Ministry of Finance on the government's cross-border transactions in debt securities;

(iv) data obtained from the central securities depository and the Lithuanian Securities Commission on the distribution of securities (including government securities). These data are obtained from the accounts of intermediaries on transactions in securities between residents and non-residents; and

(v) pension, collective investment and money – market funds provide monthly data on portfolio investment abroad (flows, stocks and investment income).

(vi) Vilnius Stock exchange provides monthly data on equities traded by listed and unlisted companies, data on equity prices of listed companies.

Portfolio investment stocks are broken down further by instrument, sector, country (since the first quarter of 2004) and maturity.

10.2 DEFINITION

Portfolio investment is understood as foreign investment involving less than 10% of the voting rights and no extensive powers in corporate management decisions. Portfolio investment comprises acquired debt securities (shares confirming the participation of holders thereof in the capital and awarding less than 10% of the voting rights) as well as market and investment securities (bonds, bills, promissory notes, certificates of deposits, etc.) that confirm the issuer's debt and that will be repurchased within a certain time-frame.

In compliance with the b.o.p. compilation methodology, the remaining proportion of equity (including reserves) that awards property rights to a shareholder is excluded from portfolio investment.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The sources of data are as follows:

(i) the quarterly survey of cross-border transactions of non-bank enterprises conducted by Statistics Lithuania (F-06);

(ii) the monthly and quarterly surveys of cross-border transactions of banks conducted by *Lietuvos bankas* (B-09-02 and B-09-01 respectively).

Financial derivatives are accounted for when they are created or sold, or when other actions provided for thereunder are effected. Purchase (sale) transactions are accounted for at the market value. Transactions are recorded on a gross basis: transactions in assets are recorded separately from those in liabilities.

11.2 DEFINITIONS

Included are foreign exchange purchases (sales), interest rate, precious metals and liability-related financial derivatives transactions (forwards, swaps, futures and options).

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The sources of data are as follows:

(i) the quarterly survey of cross-border transactions of non-bank enterprises conducted by Statistics Lithuania (F-06);

(ii) the monthly and quarterly surveys of cross-border transactions of banks conducted by *Lietuvos bankas* (B-09-02 and B-09-01 respectively);

(iii) information from the Ministry of Finance on government loans received (and repaid) on behalf of the state and guaranteed by the government and information on loans received from non-residents directly by local goverment;

(iv) the monthly survey of non-bank enterprises conducted by Lietuvos bankas (B-09-04).

(v) information from BIS Quarterly Review about stocks on currency and deposits with foreign banks.

Breakdowns are available by sector, instrument, country (since the first quarter of 2004) and maturity.

12.2 DEFINITION

Other investment is classified by the type of financial instrument: trade credits, loans/currency and deposits and other financial assets and liabilities that are not attributed to direct investment, portfolio investment, financial derivatives or reserve assets.

Trade credits consists of claims or liabilities arising from the direct extension of credit relating to transactions in goods and services and advance payments for work in progress associated with such transaction. There are two types of trade credit assets: prepayments on imports and trade credit extented on exports. Liabilities for goods and services are understood as financial claims and liabilities arising when goods and service flows differ from the time of actual settlement.

Loans cover all loans to nonresidents as well as loans received from nonresidents (excluding loans raised on behalf of the state and guaranteed by the government). Loans also include leases, repos and overdrafts. In the case a lease, the lessee covers expenditure incidental to the acquisition of goods. Other investment reflects the payment of the principal, whereas income and expenses are treated as interest payable or receivable on the lease. In accordance with their economic intent, repos are attributed to collateralised loans, in which case the seller of securities grants the buyer a certain sum of money which is guaranteed by securities for the period of validity of the agreement, and subsequently, upon repurchase of the securities, receives interest on the fixed price. As a rule, ownership of the securities does not change and the seller does not have the right to sell them. Currency and deposits comprise cash in foreign currency and travellers' cheques in banks (shown only in the financial assets part of commercial banks' monthly statements), demand deposits and correspondent account balances with foreign banks. Time deposits are attributed to loans for the purposes of the b.o.p.

Other assets and other liabilities cover all external operations not included in the aforementioned items. Other assets include non-resident loans that have not been repaid or extended, as well as outstanding dividends and interest, whereas other liabilities comprise outstanding loans to non-residents, outstanding dividends, etc. In line with both the Law on Commercial Banks of Lithuania and the Companies Act, paid-up but not registered capital of banks may not award property or non-property rights to a shareholder; therefore, this capital is attributed to other investment and is entered under other liabilities. This item includes credit or debit liabilities (i.e. miscellaneous payable and receivable accounts).

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

None.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The data sources are as reported in *Lietuvos bankas'* balance sheet and in the government accounts with the IMF.

13.2 DEFINITION

Reserve assets are external assets that are readily available to and controlled by monetary authorities for the direct financing of payment imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the exchange rate and/or for other purposes.

Reserve assets refer to highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of foreign exchange and deposits, securities and reverse repos) on non-residents plus monetary gold, holdings of SDRs and the reserve position in the IMF.

The reserve assets are under the effective control of the monetary authorities. Reserve assets data comprise the official reserves of Lietuvos bankas and government claims on the IMF. Reserves template data also cover the activity of the central government, excluding social security funds. Positions vis-à-vis residents and positions in non-convertible and local currencies vis-à-vis non-residents are excluded.

Positions vis-à-vis residents and positions in non-convertible and local currencies vis-à-vis non-residents are excluded.

Reserve assets are compiled in accordance with the gross concept, without any netting with monetary authorities' liabilities.

Foreign assets in non-convertible currencies, as well as all other assets that do not meet the reserve asset concept are excluded.

Lietuvos bankas does not perform reversible transactions with gold, but such transactions would be treated as collateralised loans.

Since December 2001, a gold holding has been revalued once a month on the last working day at the value of the London gold price fixing. Holdings of foreign exchange (cash) are revalued on a daily basis. Securities are revalued once a month on the last working day using the mid-market prices prevailing on the secondary markets. The value of the securities and deposits at the reference date includes accrued interest.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14. INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

Lithuania's i.i.p. is compiled on a quarterly basis and becomes available 12 to 13 weeks after the end of the reference quarter. The data on the i.i.p. are disseminated in Lithuanian litas, euro (since 2002, data for 2001 are also available) and US dollars for each of the standard components according to the BPM5. The i.i.p. is compiled on the basis of real stock data.

The i.i.p. is compiled separately for assets and liabilities. The foreign assets component includes direct investment abroad, portfolio investment, and other investment and reserve assets. The foreign liabilities component includes direct investment in Lithuania, portfolio investment and other investment. Portfolio investment is broken down further by instrument, namely into equity securities and debt securities, and other investment is subdivided into trade credits, loans, foreign exchange and deposits, other assets and liabilities.

The data on the assets and liabilities positions are broken down further by sector (Lietuvos bankas, general government ,MFI's and other sectors) and show the position as at the end of the reference period. The methodology used to compile the i.i.p. data is based on the BPM5. A country breakdown is also available.

Scope of the data

(i) Institutional coverage:
- banks: all banks are included;
- non-banks: information on the financial and commercial relations of all national economic entities, irrespective of the form of ownership, with non-residents. Currently, data are collected from around 6,000 enterprises.

(ii) Geographical coverage:
since the first quarter of 2004, a data breakdown by country has been available.

Accounting conventions

(i) Conversion to unit of account:
data are reported in LTL, in accordance with the Accountancy Act.

(ii) Valuation:
transactions are generally recorded at market prices.

Compilation practices

(i) Verification and other practices:
all i.i.p. components are analysed both for internal consistency and for consistency over time. In addition, data are reconciled with those obtained through other sources and statistical frameworks.

(ii) Adjustments to improve coverage/classification/timing/valuation:
no adjustments are made to the values *Lietuvos bankas* obtains from commercial banks, enterprises and Statistics Lithuania.

14.1.2 DIRECT INVESTMENT

Direct investment data are derived from quarterly reports from enterprises and commercial banks. For further details on data collection, see Sub-section 9.1.

In principle, the basis for valuation is the market price, but a market price is often not available for enterprises whose shares are not quoted on the stock exchange. In practice, the book value is used to determine the proportion of the value of the direct investment stock.

Lithuania uses the directional principle for the calculation of FDI, which is in line with the BPM5. All transactions by the direct investor with the direct investment enterprise are FDI abroad and all transactions by the direct investment enterprise with the direct investor are FDI in the reporting economy. Capital invested by the direct investment enterprise in

its direct investor (reverse investment) is regarded as an offsetting item to capital invested in the direct investment enterprises by a direct investor and its related enterprises. In other words, such capital is regarded as disinvestment by the direct investors, rather than as an asset of the direct investment enterprise.

Direct investment is broken down by country and activity.

Lietuvos bankas carries out adjustments for changes in exchange rates, as well as other adjustments.

14.1.3 PORTFOLIO INVESTMENT

The primary sources of portfolio investment stock data are the quarterly reports of enterprises and commercial banks as well as the data of the central securities depository on the distribution of securities (including government securities). These data are obtained from the accounts of intermediaries on transactions in securities between residents and non-residents. Portfolio investment stocks are broken down further by instrument, sector and maturity and (since the first quarter of 2004) by country.

For further details, see Sub-sections 10.1 to 10.6.

14.1.4 FINANCIAL DERIVATIVES

Stocks for financial derivatives (assets and liabilities) are compiled separately.

14.1.5 OTHER INVESTMENT

The primary sources of data are the quarterly reports from enterprises and commercial banks, as well as data from *Lietuvos bankas* and the Ministry of Finance.

14.1.6 RESERVE ASSETS

The primary source of data is Lietuvos bankas accounts. Reserve asset data comprise the official reserves of *Lietuvos bankas* and government claims on the IMF. Positions vis-a-vis residents and positions in nonconvertible and local currencies vis-a-vis nonresidents as well as all other assets that do not meet the definition of reserve assets, are excluded. Data on reserve assets are compiled on a monthly basis and are broken down by instruments and maturity.

International reserves are measured from stocks of claims on non-residents. International reserves are valued at current market prices. Since December 2001, gold holdings has been revalued once a month on the last working day at the value of the London gold price fixing. Holdings of foreign exchange (cash) are revalued on a daily basis. Securities are revalued once a month on the last working day, using the midmarket prices prevailing on the secondary markets. The value of the securities and deposits at the reference date includes accrued interest.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.3 GAPS

In direct investment, private non-business real estate investment is not included.

14.4 INTENDED HARMONISATION

None.

14.5 ESTIMATION METHODS

None.

15 CONTACTS

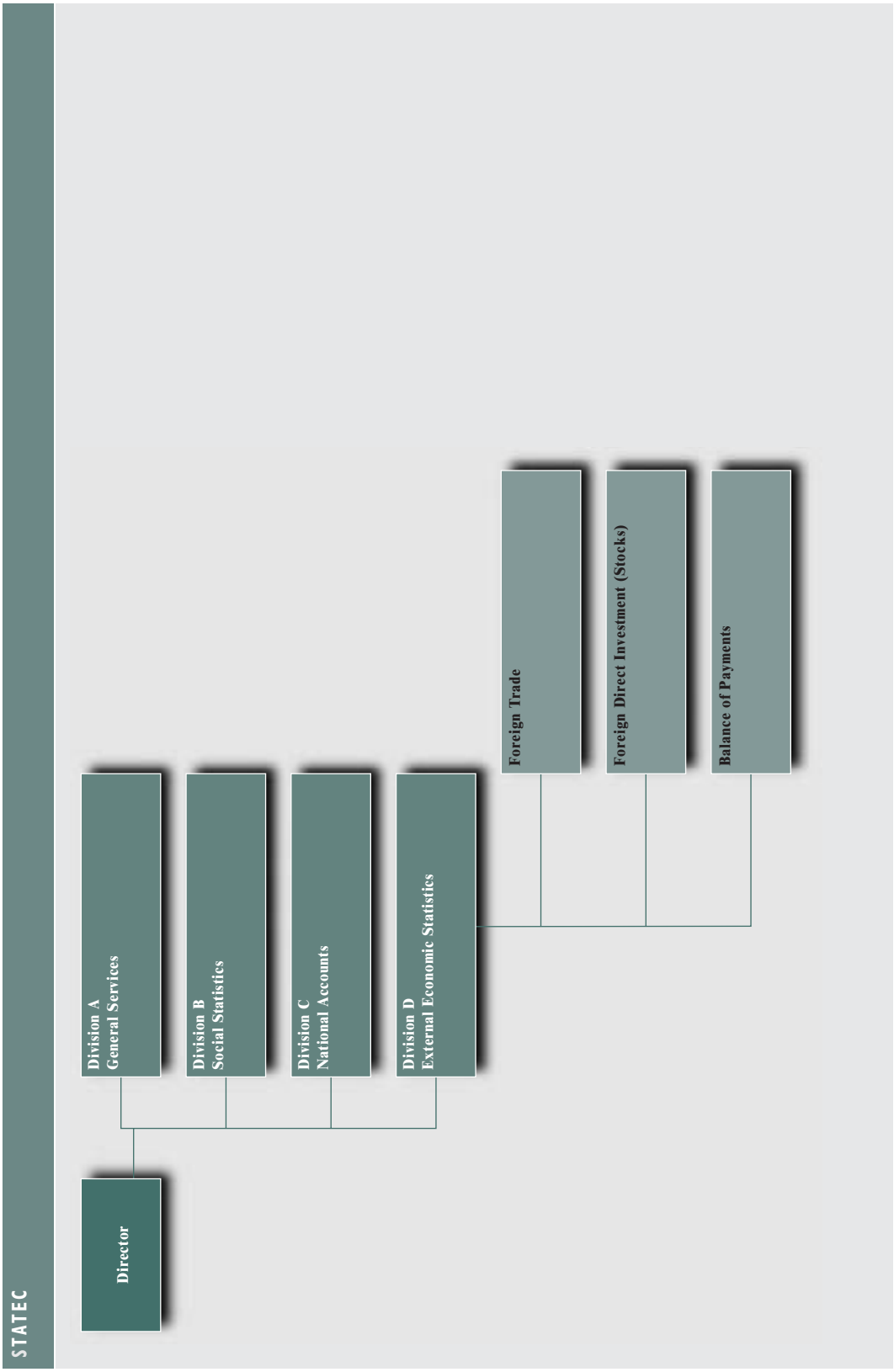
This country information was drafted by Lithuania in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Lithuania should be addressed to:

Mr Arturas Veberis
Deputy Head of the Balance of Payments and
External Reserves Statistics Division
Statistics Department
Lietuvos bankas
6 Gedimino Ave.
LT-01103 Vilnius
Lithuania

Tel. +370 5 268 0415
Fax +370 5 268 0426
E-mail: aveberis@lb.lt

4.15 LUXEMBOURG

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Until 31 December 2001, information on external payments in Luxembourg was collected by the *Institut belgo-luxembourgeois du change* (IBLC), which received data mainly from credit institutions. These data served to establish balance of payments statistics for the Belgian-Luxembourg Economic Union (BLEU). At the beginning of Stage Three of Economic and Monetary Union, the Governments of Luxembourg and Belgium took the decision to terminate the activities of the IBLC on 1 January 2002. From that date onwards, Belgium and Luxembourg have established separate b.o.p. accounts.

2.2 LEGISLATIVE PROVISIONS

The regulations currently in force are the Grand-Ducal Decree of 10 November 1944 (as amended), which relates to exchange controls, the Grand-Ducal Execution Regulation of 19 July 1997, which relates to foreign payments and the b.o.p., and the Ministerial Decree of 13 November 1998, which relates to the publication of the IBLC rules to be applied by the reporting agents.

In 2000, some changes were made to the above-mentioned Grand-Ducal Decree. Under the law, dated 28 June 2000, modifying the Grand-Ducal Decree of 10 November 1944 (as amended), the *Banque centrale du Luxembourg* (BcL) and the *Service Central de la Statistique et des Etudes économiques* (STATEC) are jointly responsible for establishing the b.o.p. The elaboration of a data collection system, including the associated methodology, concepts and definitions, has been established by common agreement.

The BcL is responsible for establishing the financial account and Luxembourg's international investment position, as well as for the evaluation of the investment income statement. It is also in charge of the information system for data management. STATEC is responsible for establishing the capital account and the current account (with the exception of the investment income item), as well as for the survey on foreign direct investment positions.

The following table summarises the allocation of responsibilities between the two institutions:

Area of responsibility	Institution in charge
Current account, excluding investment income	STATEC
Investment income	BcL
Capital account	STATEC
Financial account	BcL
Foreign direct investment survey	STATEC
International investment position	BcL

STATEC and the BcL have decided that relations with the reporting agents belonging to the financial sector are the responsibility of the BcL, whereas all remaining reporting agents are the responsibility of STATEC.

2.3 INTERNAL ORGANISATION

(i) *Banque centrale du Luxembourg*

The BcL's Statistics Division is in charge of establishing statistical data in the area of the b.o.p./i.i.p. and the money and banking statistics. The Balance of Payments Section of the Statistics Division has developed the technical infrastructure necessary to compile the Luxembourg b.o.p. and i.i.p. for data collected as from 1 January 2002. The section has also communicated the new reporting requirements to the reporting agents of the financial sector and maintains contacts with them. It is also in charge of compiling those components of the b.o.p. for which the BcL is responsible (see shared responsibility with STATEC).

(ii) *STATEC*

STATEC is responsible for centralising all statistical information and for coordinating Luxembourg's statistical system. STATEC is represented in the main decision-making bodies at the level of the European Commission (Eurostat).

STATEC comprises four divisions, one of which – the External Economic Statistics Division – was already responsible from 1995 to 2001 for compiling foreign direct investment stock data and the b.o.p. current account of Luxembourg.

Since 1 January 2002, this division has been in charge of compiling those components of the b.o.p. for which STATEC is responsible (see shared responsibility with the BcL) and establishing and maintaining contacts with reporting agents of the non-financial sector.

2.4 EXTERNAL COOPERATION

See Sub-sections 2.3 and 2.5.

2.5 USERS

The national compilers – the BcL and STATEC – are responsible both for reporting to international organisations and for publishing all related statistics. The BcL mainly reports to the European Central Bank, the International Monetary Fund and the Bank for International Settlements. STATEC liaises with Eurostat, the Organisation for Economic Co-operation and Development and the UN Division for Statistics.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The present system is based on the principles of the reporting system used by the defunct IBLC. The collection system used to report statistical data for the b.o.p. is an international transaction reporting system (ITRS) of the open type, which is largely based on the collection of settlements. Credit institutions have to inform the BcL of foreign payments made on behalf of their resident customers as well as those realised for their own account. Residents who make external transactions without payments or which are settled without resorting to resident credit institutions must declare these transactions either to the BcL or to STATEC, depending on the sector they belong to.

The compilers also make use of different other sources. For some components of the current account, administrative sources are used:

- compensation of employees (social security information);
- transactions with European institutions;
- insurance data from the supervisory authority for insurance companies.

Furthermore, a quarterly household survey is used to compile the travel items (outbound).

The flows of the MFI sector relating to portfolio investment and other investment, are derived from the balance sheets of MFIs.

Furthermore, for portfolio investment, some flow data are adjusted on the basis of specific statistics from general government, the mutual fund sector and the quarterly custodian survey. In addition, for flows of direct investment, some adjustments are made on the basis of information taken from specialised media. Data on direct investment transactions executed without direct cash payments are collected through an administrative source, i.e. the official publication in the legal notice *Mémorial C*.

Within the framework of the i.i.p., stock data are used for the banking sector and general government, as well as stock exchange information for the adjustment of prices relating to portfolio investment.

For the reserve asset component of the b.o.p., as well as for the IMF Data Template on International Reserves and Foreign Currency Liquidity and the corresponding i.i.p.

Table Reporting scheme for b.o.p. and i.i.p. data collection for Luxembourg

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
MFIs – banks	Daily report (répertoire)	Flows	Daily	5 working days
Enterprises	Accounts abroad	Flows and balances	Monthly	15 working days
	Bilateral netting	Flows and balances	Monthly	15 working days
	Multilateral netting	Flows and balances	Monthly	15 working days
	DDG	Flows and balances	Monthly	15 working days
	Trade credits survey	Stocks (assets/liabilities)	Quarterly	15 working days
Banks and enterprises	FDI survey	Stocks	Yearly	Deadline: 30 June

components, data are provided directly by the BcL's Accounting Section.

The collection system can be summarised as a four-pillar system comprising:

- direct reporting;
- administrative sources;
- other statistical sources (e.g. trade, travel, MFI balance sheet statistics, custodian survey); and
- settlement information for all transactions not covered by the first three sources.

For the time being, this four-pillar approach seems to be the optimal combination in order to reach best quality for statistics and lowest burden for respondents.

3.2 REPORTING AGENTS

(i) *Banks:* These are banks and other financial institutions, as defined in the Second EU Banking Directive. Coverage is extended to include non-bank institutions so as to cover the Monetary Financial Institution (MFI) sector. The "Comptes Chèques Postaux" of Luxembourg (CCPL), is assimilated to a financial institution for b.o.p. reporting purposes. Banks are required to report external transactions undertaken on behalf of their resident customers and for their own account (also see Sub-section 3.3). These reports are of the "open" type and are generally established on a daily basis and in the original currencies.

(ii) *Direct respondents:* Enterprises have to report directly to the BcL or STATEC all external transactions made through a channel other than resident credit institutions. This reporting covers bank accounts abroad, netting procedures and current accounts. General direct respondents (GDRs) report directly to the BcL or STATEC on all transactions with non-residents. These reports are denominated either in the original currencies or in euro.

(iii) *Monetary authorities:* The BcL provides data on reserve assets and other transactions of the monetary authorities.

Within the framework of the relevant legislation, the BcL and STATEC are authorised to organise surveys for the compilation of the b.o.p./i.i.p. At the moment, two surveys are being carried out, namely one on *trade credits* and one on *foreign direct investment* (inwards and outwards), which covers stock and flow data on equity capital, results, dividends, loans, interest payments and commercial credits, as well as some other economic data on each direct investment relationship.

3.3 THRESHOLDS

Exemption and justification thresholds are applied in the Luxembourg collection system.

An exemption threshold of €12,500 is applied to both inward payments and outward payments. Below this threshold, no reporting is required for transactions by third parties settled through banks. For transactions above this exemption threshold, the identification of the resident transactor, the economic nature, the currency and the amount of the transaction, as well as the country of residence of the counterpart have to be reported. For reports on outgoing payments, written justification is required for amounts in excess of €12,500, given that this information should be readily available as customers have to fill in a payment order for the bank. In view of the fact that written justification is far more burdensome in the case of incoming payments, the threshold for written justification is €625,000.

3.4 AVAILABILITY OF DATA

Quarterly and annual b.o.p. data for Luxembourg are available from January 2002 onwards. Quarterly results of the current account (without a geographical breakdown) are available from 1995 onwards.

The Luxembourg b.o.p. (quarterly and annual data) includes most of the major IMF standard components.

3.5 TIMELINESS

The reporting banks have to submit their daily reports within five working days. Direct respondents have 15 working days after the end of the reference month to submit their reports. Some adjustments are made to cover any missing data whenever direct respondents are late in sending their reports. A similar procedure is followed for the banking statements. This procedure enables the national compilers to respect the six-week time-lag granted by the ECB for the submission of the data on the monthly b.o.p.

3.6 COMPILATION FREQUENCY

A monthly b.o.p. is compiled for ECB purposes only. The statistical tables are published on a quarterly basis.

3.7 DATA CONTROLS

Data are checked within the workstation for validation purposes, as well as at the technical level to verify their content (adequacy, completeness, etc.) and cohesion. These controls consist of checking, inter alia, the accuracy of the identification number and of certain cross-checks (transaction, country and currency codes). Corrections can be made to the individual data stored on the server, as well as on a more aggregated level. All manual corrections to received data are included in the individual audit trail of the particular transactions reported.

Individual controls are carried out on a transaction-by-transaction basis. These controls consist of an evaluation of a selection of individual transactions, based on ad hoc criteria for each item, the result of which may be corrections. Plausibility analyses are also carried out for each b.o.p. component at two levels: by transaction code (time series) and by respondent (on the basis of its profile).

Comparisons between flows and stocks for MFI and CII (collective investment institution) issues are made on a monthly basis. For portfolio investment assets and for all sectors, the comparison is carried out on a quarterly basis.

3.8 REVISION POLICY

Data revision is a continuous process. Individual records can be updated on a daily basis. These updates can be tracked in detail via historical files. Aggregated data for dissemination are currently revised as follows.

Monthly figures are produced within six weeks, in order to fulfil the requirements of the ECB. The revision process is carried out at quarterly and annual frequency. The revision of a year or a quarter involves the revision of every month concerned.

The time periods given for reporting are as from the end of the month, quarter or year concerned.

3.9 PUBLICATION

The current national presentation of the Luxembourg b.o.p. is, in principle, in line with the fifth edition of the IMF Balance of Payments Manual (BPM5).

Publication of complete b.o.p. figures began on a quarterly basis in 2002.

The figures for the Luxembourg b.o.p. are available on the BcL and STATEC websites (www.bcl.lu and www.statec.lu respectively). On 12 May 2006 Luxembourg subscribed to the IMF's Special Data Dissemination Standard (SDDS) and b.o.p. figures have since been published within this framework.

The main users of the b.o.p./i.i.p. data are the BcL's Economic Research Section, STATEC's National Accounts Division, STATEC's service de conjoncture, international organisations, banks, ministries, professional associations, embassies, researchers and students.

4 GOODS

Trade statistics are used for the goods component of the b.o.p. These trade statistics are not taken over as such, but are adjusted in order to adapt them to the BPM5. Missing data are estimated and imports are valued on an f.o.b. basis. There is no seasonal adjustment.

5 SERVICES

Financial services are included on the basis of the settlement system plus monthly estimates for CII commissions and administration fees assigned to non-resident investors.

For travel, the main sources are surveys, other statistics and administrative sources. Personal expenditures on goods and services by non-resident cross-border workers are recorded under business travel.

Insurance services are valued by applying a ratio to gross premiums. Remaining premiums and claims are recorded under current transfers/other sectors, except for life insurance (recorded in the financial account).

The other services items are mainly covered by settlement data, other statistics and administrative sources.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

The reporting system is based on a sectoral approach in order to focus on the main entities involved in b.o.p. income. These entities are the resident banks and CIIs for which monthly stocks are available. Specific sources for government, the BcL and other residents complete the data collection system for investment income.

6.1.1 COMPENSATION OF EMPLOYEES

Social security data are the main source for compiling this item on a gross basis.

6.1.2 INCOME ON DIRECT INVESTMENT

Reinvested earnings are included for all sectors, but only a few of the special-purpose entities (SPEs) are covered. The estimate of dividends is based on the calculation of gross dividend yields for the major partner countries, as applied to existing stocks of equity capital.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income is calculated on the basis of stock data, together with benchmark yields on a monthly basis (see Sub-section 6.6). Taking into account the calculation process, all instruments are treated in the same way, i.e. there is no specific treatment for different types of bonds (e.g. zero-coupon bonds or indexed bonds).

Income on resident CIIs is compiled on the basis of stock data. The total income of CIIs is attributed to the investors (see Sub-section 6.6).

The geographical breakdown on the credit side is mainly made according to the residency of the issuer. On the debit side, flows are allocated to the trading country of the securities. An exception is made for resident holders other than CIIs in the other sectors, for which the geographical breakdown is done accordingly to the country of payment.

6.1.4 INCOME ON OTHER INVESTMENT

For the loan and deposit components of other investment, income is computed in the same way as for portfolio investment. Furthermore, certain income transactions are not registered, such as the share of interest in financial leasing.

6.2 DEFINITIONS

Definitions are in line with the BPM5, except for the deviations set out in Sub-section 6.3. All financial derivatives are treated as such, including those on interest rates. Dividends are recorded as of the date they are payable.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

A deviation relates to income on bonds and notes between affiliates, which is recorded as portfolio investment income since the underlying transactions in the financial account cannot be recognised as direct investment transactions.

6.4 GAPS

None.

6.5 INTENDED HARMONISATION

None.

6.6 ESTIMATION METHODS

Reinvested earnings are mainly estimated on the basis of the annual survey of foreign direct investment. The estimation procedure determines the rate of reinvested earnings to be applied to the total direct investment figure.

Income on trade credits is estimated on a monthly basis using quarterly stocks and monthly benchmark yields. As separate data on stocks are available for affiliates and non-affiliated enterprises, the resulting incomes are included respectively in direct investment income and other investment income.

Income on portfolio investment and other investment is estimated using the same method as follows:

- detailed monthly stock positions for banks and CIIs, broken down by country and instrument, are based on monthly, quarterly and yearly sources;
- monthly benchmark yields, broken down by country and instrument, are applied to the detailed stocks for the estimation of income.

The treatment of income of investors in the resident CIIs differs from this principle. The total income of CIIs (i.e. all income, including that of residents) is attributed to the investors. The geographical breakdown is based on the first counterpart country and on an estimation for the part sold directly in Luxembourg to non-resident investors with security accounts in Luxembourg banks and OFIs.

The income of the government and the central bank is available from administrative sources.

The income of other sectors, except that of CIIs, is provided by the ITRS.

7 CURRENT TRANSFERS

General government data are mainly based on administrative sources.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Data collection forms part of the general reporting system (see Section 3). For capital transfers, extensive use is made of administrative sources.

8.2 DEFINITION

The definition of the capital account is in line with the BPM5 and the harmonisation proposals made by the ESCB's Working Group on External Statistics (WG-ES) and its predecessors. The distinction between current and capital transfers is made by using different transaction codes in the collecting system, in line with the BPM5 criteria.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The data for all components except reinvested earnings are compiled from an ITRS, which covers cash transactions made through the domestic banking system or through the foreign bank accounts of enterprises and non-cash transactions. The data on reinvested earnings are estimates derived from an annual survey of resident enterprises, the results of which are divided into four parts. Articles of Association (*Mémorial C*) and press reports are used as a secondary data source for equity capital. Information on trade credits obtained from a quarterly survey of resident enterprises is used as a secondary data source for other capital.

Geographical allocation is based, in principle, on the country of settlement. However, in order to identify the split between intra-euro area and extra-euro area transactions, reporting agents are requested to take into account the actual residency of the non-resident counterpart.

A yearly survey is organised on foreign direct investment abroad and in the reporting economy. Here, the debtor/creditor principle is fully applied, with the information being collected for each individual direct investment relationship. In the event of a change of ownership of a resident company from a non-resident to another non-resident direct investor being revealed by the survey, the change is recorded in the FDI stocks, but not in the corresponding b.o.p. flows. The survey conducted covers not only direct investment stocks, but also other components (earnings, reinvested earnings and distributed earnings as well as income on debt and Foreign Affiliates Trade Statistics, FATS). The survey is also useful for reconciliation purposes. The information obtained from the survey is expected to rectify most of the deviations and to fill the gaps mentioned, with the exception of transactions in bonds between affiliates. Corrections of flows are made on the basis of the survey results, except in the case of bonds.

The valuation of equity capital transactions made without any settlement is based on official publications, if available (a prospectus is a statutory requirement when a transaction is

public), specialised media information and stock exchange data.

Direct investment transactions settled through an exchange of shares are recorded at the time when the exchange of shares takes place.

Valuation of transactions settled through an exchange of shares is based on the official estimates of the market price published by the parties involved.

9.2 DEFINITION

In principle, Luxembourg plans to comply with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

The definitions of the different concepts used in direct investment statistics are in line with the BPM5 and the OECD Benchmark Definition of Foreign Direct Investment (threshold of 10% ownership, direct investor, direct investment enterprise, direct and indirect relationship).

Cross-border transactions in real estate are covered.

In accordance with international standards, most activities of SPEs are included in the direct investment data. However, in some particular cases, e.g. SPEs with the primary purpose of financial intermediation, transactions are excluded from the direct investment data, except those involving equity capital and permanent debt.

Offsetting entries for reinvested earnings (with a MFI/non-MFI split) are included.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Transactions in bonds and notes between related enterprises are not included in direct investment, but rather in portfolio investment. Reinvested earnings are included for all sectors, although they are not for a large number of SPEs.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

The information content of the quarterly data is similar to that of the monthly data. No specific estimates are made.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The source for data collection on portfolio transactions is the ITRS (settlement data). The codification used for these transactions is based on a classification by instrument, by country of issuer (Luxembourg, euro area or non-euro area) and by maturity (up to one year or more than one year). The euro area/non-euro area split has been produced since mid-1998, but it is not possible to differentiate between Belgian and Luxembourg holders of those instruments prior to January 2002.

The geographical allocation on the liabilities side follows the transactor principle (first counterpart of the settlement) in full. For the assets side, two types of information are available: the first counterpart, as in the case of liabilities, and the issuer in an aggregated way (euro area/non-euro area split).

For the MFI sector, flows are derived from the available stock data where the allocation is made by country of issuer for assets.

For the general government sub-component, data are obtained from the Treasury Administration.

There is no separate reporting system for transactions settled through financial centres,

custodians, etc.: they have to be reported within the framework of the ITRS. Within Luxembourg, one important clearing house operates, namely Clearstream Banking SA. A large number of transactions pass through that clearing house. When Clearstream acts as custodian, it intervenes in the transactions as counterpart for both sides of the transaction involved; this should theoretically result in large flows with other countries and should have a serious impact on the geographical allocation in a number of countries as well. However, in the national presentation of the b.o.p., without the geographical breakdown, those transactions relating to the role of Clearstream as intermediary between non-residents are neutralised.

Finally, trading in loan portfolio (securitisation of loans) is classified under portfolio investment.

10.2 DEFINITION

In general, the BcL and STATEC comply with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors and to the final report of the Task Force on Portfolio Investment Collection Systems.

For securities, the split between domestic and foreign securities is available, with a further breakdown into euro area/non-euro area assets and liabilities.

The collection system provides a single maturity breakdown for debt instruments: over one year (long-term) and up to one year (short-term). Only for domestic issues have separate codes been created for government and other issues.

In principle, income, commissions, charges and fees on portfolio transactions should be recorded separately in the collection system; where this is not the case, however, these items are included in the settlement amount for the portfolio transaction.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

In general terms, data on portfolio investment can be considered to be reliable, although there are some areas in which there is still some progress to be made.

As yet no offsetting entries are made for accrued interest.

Transactions in bonds between affiliated enterprises are recorded under portfolio investment and not under direct investment (see Sub-section 8.3).

Another deviation is the problem encountered when applying the valuation principle to the market value: the recorded value is the payment value. Nevertheless, this should be a good proxy for the market value.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

Some estimates based on time series analysis are made for missing data and lead to some adjustments, if necessary.

The geographical allocation among non-euro area countries of portfolio investment assets is based on the geographical allocation of flows derived from detailed quarterly stocks, exchange rates and price indicators.

The intra portfolio asset breakdown by issuer sector is estimated on a monthly basis using the overall issuer sector breakdown for all intra-euro area issues contained in the CSDB.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

For financial derivatives and other investment, no specific estimates are made. The available data are taken from the ITRS, in which ad hoc transaction codes are identified in order to isolate those components.

The nomenclature and codes for derivatives have been modified in order to distinguish between option-type derivatives and others (forward, interest and currency swaps, and futures). For the former, a supplementary breakdown has been introduced in order to produce a split between assets and liabilities according to the issuer. No further adjustments are made to ensure that derivatives follow the required methodology for options and futures.

The geographical counterpart is the counterpart in the transaction, because the counterpart is usually the market itself in the case of organised markets.

11.2 DEFINITIONS

The definitions used for the instruments are in line with the BPM5. Nevertheless, no distinction is made by type of margin; all are included in financial derivatives.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

The BcL and STATEC comply with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

All types of margins are included in financial derivatives.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The figures are based on the settlement data collected via the ITRS and from MFI balance sheets. The ITRS provides data on the MFI sector and other sectors (excluding the central bank and the government). The information on the MFI sector is based on the assets and liabilities data of the MFI sector and on the general collection system for the other sectors.

Data on trade credits are covered by a quarterly survey, from which a sectoral breakdown can be obtained. The survey provides end-quarter information on assets and liabilities related to transactions in goods and services for selected companies.

For the MFI sector, the flow data are derived from stock data (contained in their balance sheet reporting). There is an instrumental split between loans and deposits, and a sectoral breakdown is also available. The geographical breakdown can be provided, as well as a maturity split (based on the initial maturity of up to one year or more than one year). All these breakdowns are available for all periods (monthly, quarterly and annually).

The breakdown into extra-euro area and intra-euro area b.o.p. flows is derived from the geographical breakdown available in the balance sheets of the MFIs for both assets and liabilities.

Transactions settled via TARGET are registered by the intervening MFIs in the same way as other cross-border settlements. In the

organisation of the reporting procedures, the BcL, as the operator of TARGET, is considered to be a second intervening MFI. As a result, interbank transactions are registered between the BcL and the domestic MFI that intervenes for the resident counterpart, using neutral codes.

12.2 DEFINITION

In general, the BcL and STATEC comply with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

Repo transactions are included in other investment, where they are recorded as loans. This instrument, which is used by the banking sector, is very important; most of these transactions are genuine repos, although sale and buy-back transactions also occur. By contrast, bond lending is not very well-developed. Trading in loan portfolios does take place, but is not yet very significant; it is treated as portfolio transactions.

Variations on short-term claims and liabilities between affiliated companies are classified under the direct investment component.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no significant deviations.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Some estimates based on time series analysis are made for missing data and may lead to some adjustments, if necessary.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2).

13.2 DEFINITION

The information is obtained from the BcL's Accounting Department.

Financial derivatives are recorded on a net basis. Embedded financial derivatives are recorded together with the underlying financial instruments and are not recorded and valued separately.

All transactions in reserve assets are registered at market prices and converted into euro using the market exchange rates at the time of the transaction.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

No significant deviations.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

Luxembourg produced its i.i.p. for the first time in 2003. The production of an i.i.p. within nine months implies that some data are of a provisional nature. For instance, the period of nine months is too short to include the stock data from the yearly survey on foreign direct investment abroad and in the reporting economy. A minimum of 13 months is deemed necessary to produce a first set of reliable data.

The following sources are used to compile the i.i.p. data:

(i) *stocks:*
- banking sector: portfolio investment (equities, long-term debt instruments and money market instruments) and other investment (short- and long-term loans and deposits);
- general government: portfolio investment (government bonds) and other investment;
- monetary authorities: reserve assets and other assets; and
- CIIs and insurance: portfolio investment (equities, long-term debt instruments and money market instruments) and other investment (short- and long-term loans and deposits);

(ii) *stocks of the previous year and yearly flows:*
- the permanent inventory method is used for data on direct investment, financial derivatives and other investment (only for other sectors). However, direct investment stocks of SPEs are derived by simply accumulating past flows.

(iii) *flows and BIS stocks*:
- other sectors except CIIs, insurance: all items.

The breakdowns by sector and by instrument are based on the data sources.

Production of quarterly data began in 2004. Most quarterly i.i.p. data are derived using the permanent inventory method. However, data on portfolio investment, reserve assets and MFIs' other investment are derived from actual stocks.

14.2 DEFINITIONS

14.2.1 GENERAL

The definitions for the i.i.p. items refer to the BPM5, as do the definitions for the respective b.o.p. items.

14.2.2 DIRECT INVESTMENT

The directional principle is applied partly. For SPEs, direct investment stocks are computed by simply accumulating past flows. Valuations of FDI stocks at market value are derived from stock exchange data for those companies quoted on the stock exchange.

14.2.3 PORTFOLIO INVESTMENT

See Sub-section 13.2.1.

14.2.4 FINANCIAL DERIVATIVES

Financial derivatives are computed on the basis of real stocks for options and by accumulating past flows for other kinds of derivatives. Therefore, no valuation of market prices is carried out for the resulting total stocks.

14.2.5 OTHER INVESTMENT

See Sub-section 13.2.1.

14.2.6 RESERVE ASSETS

Stocks of reserve assets are compiled in cooperation with the BcL's Accounting Section.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

See the b.o.p. financial account.

14.4 GAPS

See the b.o.p. financial account.

14.5 INTENDED HARMONISATION

See the b.o.p. financial account.

14.6 ESTIMATION METHODS

The permanent inventory method is commonly used for some items (direct investment, financial derivatives, other investment of other sectors) of the quarterly i.i.p.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Banque centrale du Luxembourg:
"Annual Report"
"Bulletin" (quarterly)
Website: www.bcl.lu

STATEC:
"Annuaire statistique" (annual)
"Note de conjoncture" (quarterly)
"Indicateurs rapides – série N" (quarterly)
Website: www.statec.lu

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Luxembourg. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Luxembourg should be addressed to:

Mr Germain Stammet
Banque centrale du Luxembourg
Boulevard Royal 2
L - 2983 Luxembourg
Luxembourg

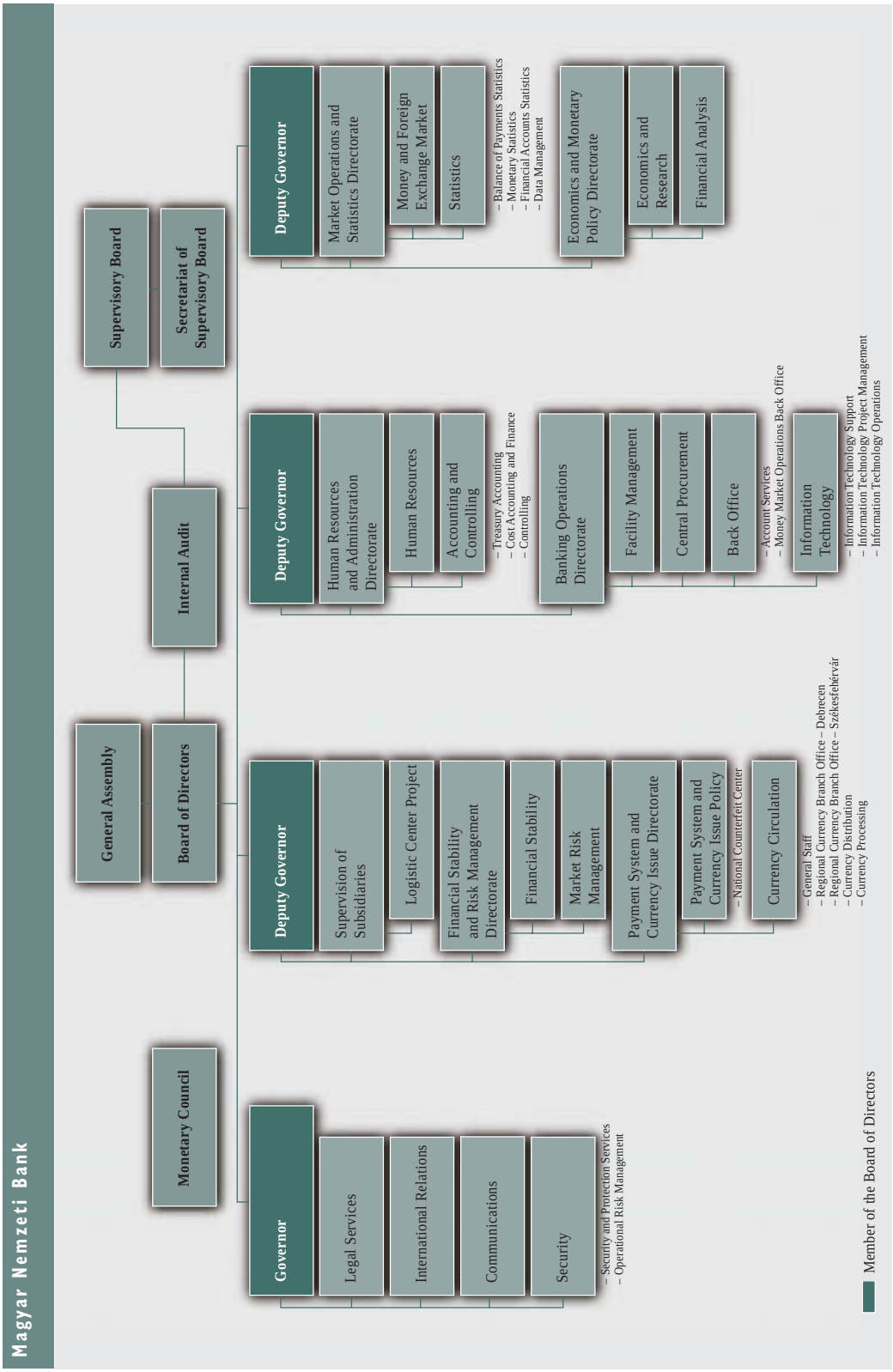
Tel.: 00 352 47 74 4279
Fax: 00 352 47 74 4920
E-mail: germain.stammet@bcl.lu

Mr Guy Schuller
STATEC
Rue Erasme 13
B.P. 304
L - 2013 Luxembourg
Luxembourg

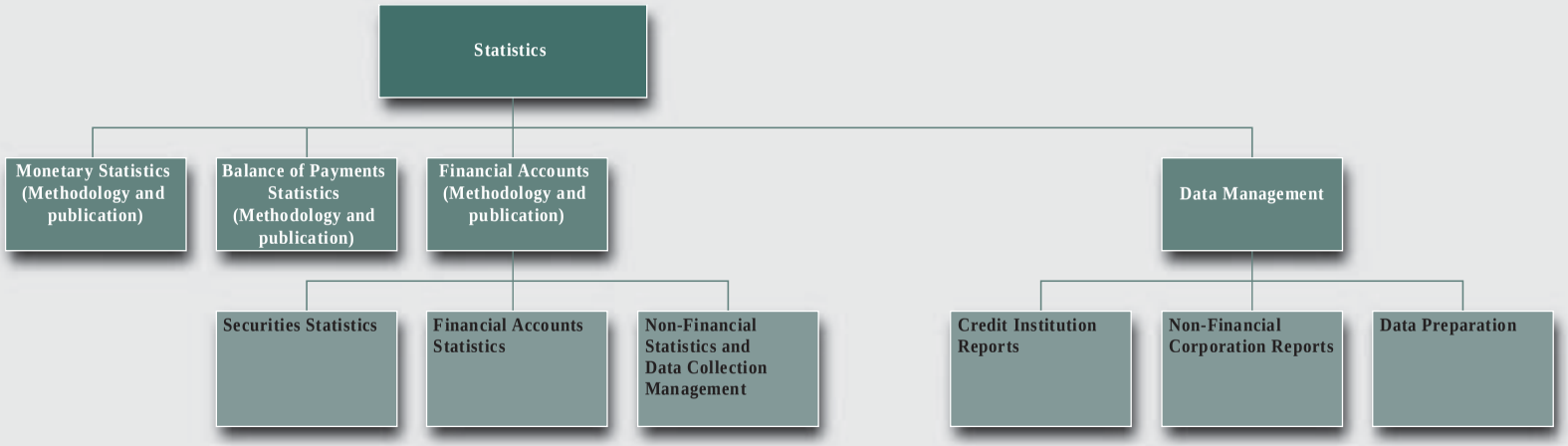
Tel.: 00 352 478 4271
Fax: 00 352 46 42 89
E-mail: guy.schuller@statec.etat.lu

4.16 HUNGARY

I ORGANISATION CHARTS



Statistics


Statistics
Monetary Statistics (Methodology and publication)
Balance of Payments Statistics (Methodology and publication)
Financial Accounts (Methodology and publication)
Data Management
Securities Statistics
Financial Accounts Statistics
Non-Financial Statistics and Data Collection Management
Credit Institution Reports
Non-Financial Corporation Reports
Data Preparation

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

In Hungary, the central bank is responsible for the compilation and official publication of balance of payments statistics and the international investment position. Data collection is based on the international transaction reporting system (ITRS), combined with statistical surveys (e.g. on FDI, trade in services) and foreign trade statistics based on the Intrastat/Extrastat system for trade in goods. A major restructuring of the compilation system took place in the mid-1990s in order to meet the international methodological standards set out in the fifth edition of the IMF Balance of Payments Manual (BPM5), the data needs of economic policy formulation, the business community, academic circles and other users, as well as the reporting requirements set by international organisations, such as the European Commission (Eurostat), the International Monetary Fund and the Organisation for Economic Co-operation and Development. The main stages of this process were the setting-up of the Statistics Department within *Magyar Nemzeti Bank* (MNB) as an independent organisational unit in 1994 and the launch of a new mainframe computerised system in 1997, forming the core of a five-year b.o.p. project designed to integrate the functions of the statistical process (data collection and processing with b.o.p. compilation and dissemination). In 2005, a project was launched by the MNB to set up a new data collection system for b.o.p. and i.i.p. statistics, the general aim being to replace the ITRS system with direct reporting of respondents by 2008.

The following sections reflect the status of the compilation of b.o.p. and i.i.p. statistics in Hungary as at end-March 2007.

2.2 LEGISLATIVE PROVISIONS

The general legal background of b.o.p. and i.i.p. compilation consists of the Act on *Magyar Nemzeti Bank* (Act LVIII of 2001), the Act on Statistics (Act XLVI of 1993) and related government decrees and decrees of the President of the MNB.

The reporting obligations of credit institutions, exchange offices and security custodians are specified in decrees by the President of the MNB. The reporting obligations for accounts held at non-resident banks, direct corporate loans, FDI of residents abroad, FDI of non-residents in Hungary, foreign assets and liabilities of the State (i.e. of the Hungarian State Treasury (MÁK) and the Government Debt Management Agency (ÁKK)), and EU transfers (managed by the MÁK and the NAO Office) are prescribed in the annually revised Government Decree on the National Statistical Data Collection Programme.

The decree of the President of the MNB entering into force from January 2008, which will serve as a legal basis for the new data collection system based on direct reporting was already passed and announced in February 2007, in order to provide sufficient time to have the respondents got prepared to the new reporting requirements.

In the case of non-compliance with compulsory reporting requirements, legal sanctions are imposed on reporting agents.

2.3 INTERNAL ORGANISATION

As a result of the restructuring of the Statistics Department in December 2002, the core function of the Balance of Payments (BOP) Division has been substantially changed. The field of responsibility has been narrowed and focuses mainly on methodological and publication issues. The remaining tasks relate to the compilation of b.o.p. and i.i.p. statistics and what had previously been carried out by the BOP Division (i.e. data collection and processing, formal checks and controls of data reports) was allocated to a newly created Data Reception and Preparation Division, called as Data Management Division since January 2006. This development is reflected in the decrease in

the number of staff of the BOP Division. The BOP Division of the Statistics Department has nine staff members, all of whom are professionals (holding university degrees or high-school diplomas). Four of the staff members have attended b.o.p. training courses offered by the IMF.

There are no further sub-sections within the BOP Division but the division of labour in the field of the compilation of b.o.p. and i.i.p. statistics within the Statistics Department has been intensified.

The *Non-Financial Corporation Reports Section* of the Data Management Division receives and compiles data from directly reporting enterprises on: (a) their cross-border accounts at non-resident banks and transactions affecting these accounts; (b) direct borrowing and lending; and (c) inward and outward direct investment. The Credit Institution Reports Section of the same division serves the BOP Division with respect to receiving and processing bank and exchange office reports. The Data Preparation Section is responsible for the compilation of data from different sources within an integrated statistical framework. There are built-in computerised logical and formal tests in data processing by all sections.

The *BOP Division* has retained the responsibility for methodological issues covering statistical and analytical (e.g. seasonal adjustment) fields of interest. B.o.p. statistical press releases are also drafted by this division. Statistical time series analysis to check the feasibility of data is carried out on a regular basis and integrated into the compilation process. The Economics and Monetary Policy Directorate carries out economic analysis and prepares projections for external accounts. It is mainly the staff of this Directorate that maintains contacts with the different users of BOP Division statistics. In addition, the BOP Division is responsible for updating the guidelines for bank reports, which contain a detailed description of data needs, statistical tables that banks are required to report and instructions for each reportable data entry. The same also applies to the non-financial corporations' reporting guidelines.

2.4 EXTERNAL COOPERATION

The Act on Statistics (XLVI/1993) designates *Magyar Nemzeti Bank* as a body of the official statistical service, thereby providing the legal basis for inter-agency coordination. The MNB has the overall responsibility for the compilation and publication of b.o.p. and i.i.p. statistics, although this overall responsibility is not laid down by law. At an operational level, all the source data are received and compiled by the MNB, based on the reporting of: (i) credit institutions and the MNB; (ii) other financial and non-financial enterprises; (iii) the Hungarian State Treasury; (iv) the Government Debt Management Agency; and (v) the Hungarian Central Statistical Office (KSH).

The MNB has undertaken joint initiatives with the KSH. In 1999, they launched annual and quarterly surveys on inward and outward direct investment. As from 2003, trade in goods in the b.o.p. is compiled using the KSH's foreign trade data (see Sub-section 4.1). The two institutions are also cooperating to establish a new data collection system for international trade in services. As a result, from 2005 data are compiled from KSH surveys in the areas of travel and business services (see Sub-section 5.1). The development of the new data collection system is also under way for the remaining services items (i.e. transportation, insurance, financial and government services). According to the MNB's plan, from September 2006 data for these services will also be published on the basis of the KSH's data collection.

With regard to international relations, the MNB's Statistics Department (just called Statistics since January 2006) is represented at meetings of Eurostat's Balance of Payments Working Party and the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), as well as those of the OECD's Workshop on International Investment Statistics and of the Joint OECD-Eurostat "Trade-in-

services statistics" experts. MNB staff participate regularly in ad hoc international statistical meetings and seminars, including those organised by the IMF and the ECB. Hungary is a subscriber to the IMF's Special Data Dissemination Standard (SDDS).

Since 1995 the BOP Division has received bilateral technical assistance from the Finnish, Austrian and Belgian central banks in its main fields of interests concerning the data collection system and the compilation process. To enhance the efficiency of its operations, the MNB has decided to carry out a comparative study using *Sveriges Riksbank* as a benchmark. This benchmarking exercise also affects the field of statistics.

2.5 USERS

The MNB disseminates b.o.p. and i.i.p. statistics through its website (www.mnb.hu) and updates them on a quarterly basis. International investors, government bodies, academic circles and the general public are among the users of the BOP Division's statistics. In addition, this Division reports directly to international organisations such as the European Commission (Eurostat), the IMF, the OECD, the World Bank and the BIS. Other departments within the MNB (e.g. the Economics and Monetary Policy Directorate) use BOP Division data, notably in macroeconomic analysis and monetary policy formulation.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The primary data sources for Hungary's b.o.p. statistics are the monthly reports of: (i) the MNB; (ii) credit institutions; (iii) enterprises on their stocks of overall assets and liabilities vis-à-vis non-residents held outside the resident banking sector and on accumulated transactions and other changes affecting these positions; (iv) exchange offices on their accumulated turnover and cash holdings; (v) the ÁKK on the government sector's foreign currency-denominated liabilities (vis-à-vis non-residents); (vi) the MÁK on the government sector's foreign currency-denominated assets (vis-à-vis non-residents); and (vii) the KSH monthly on trade in goods (Intrastat/Extrastat statistics) and quarterly on trade in services (including travel).

Since 1998, credit institutions have separately reported all settlement transactions above a simplification threshold, set at USD 100,000 in 1998 and lowered to USD 50,000 in 1999. The threshold was reset in EUR instead of USD in 2004. Below this threshold, credit institutions report all their own and their clients' transactions affecting their claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type (under a closed system). On EU accession, an €12,500 simplification threshold was introduced for credit institutions by an agreement with the reporting banks. Transactions below this threshold are reported aggregately under a single transaction code by currency.

In the period 2000-03, enterprises had a monthly reporting requirement on their direct borrowing/lending activities for loans from/to non-residents of USD 500,000 or more; annual reporting was required for loans below this threshold. (Before 2000, each loan transaction and position had to be reported on a monthly basis, regardless of any threshold.) As for the direct external borrowing and lending, from 2004 a cut-off survey was launched, in which only selected enterprises have to report regularly. The information is used as a secondary data source in the compilation process, serving checking purposes.

Non-financial enterprises report on a monthly basis their stock of overall assets and liabilities held outside the resident banking sector vis-à-vis non-residents, as well as their accumulated transactions and other changes affecting these positions. Intra-group transactions and positions are also required to be reported.

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Hungary

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Enterprises holding accounts with non-resident banks	Balance of payments report of residents holding non-resident bank accounts or having offsetting arrangements with non-residents	Opening position Transactions (credit, debit) Other volume changes Closing position	Monthly	8 working days
Enterprises directly borrowing from/ lending to non-residents	Report on direct borrowing/lending from/to non-residents	Opening position Amount borrowed/lent from/to non-residents during the reference period Capitalised interest Other volume changes Closing position Interest payments Maturity structure of the closing position	Monthly	8 working days
Resident direct investors	Direct investment flows abroad	Equity capital flows Other capital flows Dividend flows Interest flows Reverse investment flows	Quarterly	15 days
FDI companies	Direct investment flows in Hungary	Equity capital flows Other capital flows Dividend flows Interest flows Reverse investment flows	Quarterly	15 days
Resident direct investors	Direct investment abroad (position)	Equity capital and reinvested earnings position Other capital position Reverse investment position Reinvested earnings flows Resident direct investor's proportion in subscribed capital	Yearly	180 days
FDI companies	Direct investment in Hungary (position)	Equity capital and reinvested earnings position Other capital position Reverse investment position Reinvested earnings flows Foreign direct investor's proportion in subscribed capital	Yearly	180 days
Cooperative credit institutions, Exchange offices, as agents of credit institutions	Report on foreign exchange cash transactions and stocks of exchange offices	Opening and closing balance by currencies Sales/purchases of foreign exchange to/from residents/non-residents against national currency (HUF) Conversions Other transactions Technical transaction	Monthly	8 working days
Central bank, credit institutions	Report on stocks of assets and liabilities outstanding at the end of reporting period	Stocks of assets and liabilities outstanding at the end of reporting period by instruments and currencies	Monthly	8 working days

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Hungary (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Central bank, credit institutions	Monthly transactions	Monthly credits and debits of nostro, vostro and loro accounts by currency, country, transaction code. Items over EUR 50,000 should be identified by transactions.	Monthly	8 working days
Central bank, credit institutions	Transactions due to trade-related credits	Transactions in kind and cash transactions due to trade-related credit assets and liabilities	Monthly	8 working days
Central bank, credit institutions	Other volume changes and price changes	Other volume changes (increase/decrease) accruals and price changes by currency, instrument and code	Monthly	8 working days
				15 working days
Central bank, credit institutions, Government Debt Management Agency	Maturity breakdown	Maturity breakdown by instrument	Monthly	10 working days
Central bank, credit institutions	Stocks and flows of resident banks in syndicated loans to other resident sectors	Stocks and flows of resident banks in syndicated loans to other resident sectors by paying agent, debtor and loan	Monthly	8 working days
Central bank, credit institutions	Stock and transactions in bonds issued abroad by resident banks, the central bank and central government	Transactions in bonds issued abroad by resident banks, the central bank and central government (stock and flow data by bond, issuer)	Monthly	8 working days
Hungarian State Treasury, Government Debt Management Agency	Stock, flows and other volume changes of inter-governmental credits	Stock, flows and other volume changes of inter-governmental credits, by credit	Monthly	8 working days
Government Debt Management Agency	Financial derivatives and mark-to-market deposits	Stock and flows of financial derivatives and mark-to-market deposits	Monthly	8 working days
Hungarian State Treasury and NAO Office	EU transfers	Transfers to and from EU	Monthly	12 working days
KSH	Foreign trade statistics for trade in goods; correction item to the transportation services due to parity conversion to goods	General merchandise, goods for processing, all on f.o.b. basis	Monthly	1 working days prior to the KSH's release date for customs-based foreign trade statistics
KSH	Trade in services	Communication services, construction services, computer and information services, royalties and licence fees, other business services, personal, cultural and recreational services communication services, transportation services, insurance, financial and government services	Quarterly	70-75 days

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Hungary (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
KSH	Expenditures of foreign travellers in Hungary (border survey)	Travel credit	Quarterly	70-75 days
KSH	Expenditures of Hungarian travellers abroad (border survey)	Travel debit	Quarterly	70-75 days

The MNB, together with the KSH, launched a joint set of four questionnaires in 1999, aimed at the statistical monitoring of the corporate sector's direct investment transactions and positions. The quarterly questionnaires for transactions are used mainly to check the settlement data from the banking sector, to obtain more detailed figures for transactions (geographical and economic activity breakdowns) and to supplement settlement data with non-cash transactions. These quarterly questionnaires enable the MNB to compile a breakdown by country and economic activity of equity capital investments for the period under review. The annual questionnaires are designed to obtain information on reinvested earnings and stock data. The first annual FDI survey was completed at the beginning of 2001. The results are carefully analysed and checked against other available sources (i.e. tax records). The data derived from the annual questionnaires (reinvested earnings and positions based on balance sheet information) were published in the b.o.p. and i.i.p. for the first time in March 2004. (Time series were accordingly revised back to 1995.)

As a supplementary source, reports by security traders and the Central Clearing House and Depository (Budapest) Ltd. (KELER) are also used for compilation purposes.

3.2 REPORTING AGENTS

(i) *Magyar Nemzeti Bank* provides data on reserve assets, other claims and liabilities vis-à-vis non-residents and all its own transactions affecting its claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type (under a closed system). In addition, the MNB's report covers government transactions with non-residents, which are channelled through the MNB.

(ii) *The other monetary institutions sector* is composed of commercial banks, special credit institutions, cooperative credit institutions, building societies and subsidiaries of foreign banks operating in Hungary. They submit monthly reports on their assets and liabilities vis-à-vis non-residents and on all their own and their clients' transactions affecting their claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type (under a closed system). Above a simplification threshold of €50,000, each transaction is reported separately (transaction-by-transaction reporting). From May 2004, transactions below a threshold of €12,500 are reported aggregately under a single transaction code by currency. All credit institutions conducting foreign exchange transactions or holding accounts in HUF

for non-residents are obliged to meet the reporting requirements. Since 2004, KELER has been classified as a specialised monetary institution.

(iii) *The general government sector* comprises the central and local governments, extra-budgetary funds and social security funds. The State Holding and Privatisation Company (ÁPV Rt.) also belongs to this sector. The sector's b.o.p. transactions are reported either indirectly by the MNB or directly by the ÁKK and MÁK for the transactions managed by institutions other than the MNB.

(iv) *Other sectors include* non-financial corporations (corporations subject to the Act on Corporate Tax, except those with financial intermediation as their principal economic activity), other financial corporations (GIRO Ltd., insurance corporations and pension funds, and other financial intermediaries and auxiliaries), households and non-profit institutions serving households. Enterprises holding accounts at non-resident banks or participating in an intra-group settlement system fill out a structured b.o.p. and i.i.p. questionnaire, which is used for compilation of the monthly statistics. They submit the data in aggregated form, broken down by currency. Below a threshold of HUF 500 million of total annual current account (either credit or debit) transactions, details of current account transactions other than total credits and debits are not reported. For certain financial account items, the following supplementary sources are used: reports by enterprises directly borrowing from/lending to non-residents (other investment), reports by FDI companies and resident direct investors (direct investment), and reports by security traders and KELER (equity securities, HUF-denominated government bonds).

3.3 THRESHOLDS

Since 1998, credit institutions have separately reported all settlement transactions above a simplification threshold, set at USD 100,000 in 1998 and lowered to USD 50,000 in 1999. The threshold was reset in EUR instead of USD in 2004. Below this threshold, credit institutions report all their own and their clients' transactions affecting their claims and liabilities vis-à-vis non-residents in aggregated form, broken down by currency, country and b.o.p. transaction type. On EU accession, an €12,500 simplification threshold was introduced for credit institutions by an agreement with the reporting banks. Transactions below this threshold are reported aggregately under a single transaction code by currency.

Before 2000, each loan transaction and position had to be reported on a monthly basis, regardless of any threshold. In 2000, enterprises started reporting their direct borrowing/lending activities for loans of USD 500,000 or more from/to non-residents on a monthly basis; annual reporting was required for loans below this threshold. In 2004, a cut-off survey, in which only selected enterprises have to report regularly, replaced the previous reporting scheme. The selection is made on the basis of combined criteria considering the positions and total transactions. The information is used as a secondary data source in the compilation process, serving checking purposes.

Enterprises holding accounts with non-resident banks, or participating in an inter-company settlement system, submit their reports in an aggregated b.o.p.-structured form, broken down by currency. Below a threshold of HUF 500 million of total annual current account (either credit or debit) transactions, details of current account transactions other than total credits and debits are not reported.

3.4 AVAILABILITY OF DATA

3.5 DATA CONTROLS

The b.o.p. project launched in 1997 sought to improve data management procedures through the development of computerised edit checks to identify coding and other errors in source data and to minimise processing errors in editing and coding. Formal computerised checks of individual reports are built into the compilation process.

The reporting formats, where feasible, allow for the verification of classification. Internal data processing checks are built into the ITRS to minimise classification errors. All the consistency requirements within one report and between different reports of a single reporting entity are clearly identified in the instructions attached to each reporting form. High-value transactions are routinely checked with respondents.

If possible, there are formal cross-checks between different reports of different reporting agents. For example: (i) a credit institution's report on a cross-border transfer between its customer's domestic and non-resident accounts is checked against the customer's report on its bank account held outside the resident banking sector; (ii) monthly reports of security traders, KELER and other custodians are also used for b.o.p. validation purposes: the changes in monthly closing-day positions for each security are used to check the credit institutions' transaction reports (in the b.o.p. HUF-denominated government and central bank securities are computed according to the monthly changes in security holdings); (iii) results of the quarterly FDI enterprise surveys are used to control settlement data from the banking sector and to obtain a detailed classification of transactions (e.g. geographical and economic activity breakdowns); (iv) loan transactions reported directly by enterprises are checked against the relevant transactions reported by the credit institutions; and (v) foreign currency cash transactions reported by exchange offices are checked against the data reported by banks.

Plausibility checks are also carried out on both individual reports and aggregate levels. At both these levels, time series analysis is an essential tool for this purpose. Consistency checks with other statistics are also carried out at an aggregate level. Should there be any inconsistency at this level, there is a feedback to the individual report level and the reporting entity is asked to clarify the reason for the inconsistency.

Staff closely monitor the scale of errors and omissions and seek to minimise them by carrying out cross-checks between current, capital and financial accounts. The behaviour of the b.o.p. statistical time series is routinely assessed against related series, e.g. financial flow data are validated with the corresponding stock of external debt data, and reported data on investment income are assessed in relation to the corresponding stock in the i.i.p. statistics. Information reported in the financial press is used to verify high-value FDI and other transactions.

3.6 REVISION POLICY

Due to the changes affecting the compilation of the statistical data on trade in goods (i.e. the shift from customs-based statistics to the Intrastat/Extrastat system in May 2004) and on trade in services (i.e. the introduction of quarterly questionnaires by the KSH on some categories of services in 2005 and on the remaining services items in September 2006), accruals-based b.o.p. data are compiled and released only on a quarterly basis. Based on past experience, maintaining the practice of releasing settlement-based data at a monthly frequency and accruals data on a quarterly basis would be a source of confusion for users and would not allow for a consistent economic interpretation of b.o.p. statistics. For this reason, the MNB has stopped releasing monthly b.o.p. data to the general public.

Detailed b.o.p. and i.i.p. statistics are only published quarterly, with a deadline of reference quarter + 3 months, in accordance with the international data reporting requirements.

– In accordance with the data revision practice of the Intrastat system, b.o.p. data for the previous two quarters are revised at the time of release of the data for the reference quarter. Yearly b.o.p. data are first released nine months after the reference year. They include final data for trade in goods and services, as well as preliminary data for reinvested earnings. However, yearly b.o.p. data are first revised – but are not the subject of a separate press release on the annual b.o.p. – 15 months after the reference year when detailed statistics for direct investment (in a geographical and industry breakdown) are published. As in the publication method the MNB does not release yearly b.o.p. data three months after the reference period (i.e. in March), the release of data 15 months after the reference year only serves the purpose of publishing detailed direct investment statistics. Nevertheless, although a separate b.o.p. press release is not issued at that date, the annual b.o.p. time series are adjusted on the internet accordingly. The b.o.p., including final data for reinvested earnings and the stock of direct investment, are released 21 months after the reference year.

The status of the data (i.e. first release, revised and final) is notified in the press release attached to the data dissemination. The actual time series and the methodological notes are posted on the MNB's website.

3.7 DISSEMINATION

To meet the SDDS requirement, an advance release calendar giving the precise release dates for the next 12 months is posted on the IMF's website. The calendar is updated twice a year, in June and December. An advance release calendar is disseminated through the MNB's website as well, indicating the release dates for the upcoming 6 months.

Statistics are released simultaneously to all interested parties via the press releases "Hungary's balance of payments" in Hungarian and English; detailed tables are posted at the same time on the MNB's website, and the components prescribed in the SDDS are disseminated on Hungary's National Summary Data page on the day of release. Unpublished, non-confidential, sub-aggregated data are made available upon request.

Detailed documentation on the concepts, scope, classifications, basis of recording, data sources and deviations from internationally accepted standards are disseminated, in Hungarian and English, through the MNB's website. Publications such as the IMF's Balance of Payments Statistics Yearbook and the KSH's Annual Statistical Yearbook also contain metadata identifying deviations from internationally accepted standards.

Detailed information on all components of the b.o.p. (current, capital and financial accounts) is available on the MNB's website in time series format (in English and Hungarian).

A change in the recording of stock and flow data of special-purpose entities (SPEs) in the b.o.p. and i.i.p. statistics was introduced on 1 January 2006. Under an amendment to the Corporate Taxes Act in November 2002 effective from 1 January 2003, enterprises with offshore status could not be established in Hungary and existing offshore firms had to be transformed into normal businesses by 1 January 2006 at the latest. In the case of these transformed businesses, however, the MNB continued to apply the earlier recording approach, irrespective of the change in legal status, provided that the core activities of the firms had remained broadly unchanged.

According to the international statistical standards, an offshore firm is resident in the country in which it is registered, similarly to

any other enterprise. Accordingly, data on flows and stocks of these enterprises must be recorded on a gross basis, as these overall figures allow for international and bilateral comparisons of statistics. However, the data on enterprises playing a passive role in the intermediation of substantial financial resources within a group of related companies distort the statistics underlying the real economic and financial developments of the national economy. These firms set up business in a given country mainly in order to exploit tax advantages. Their function is more just to play an intermediary role within a given enterprise group as a pass-through entity channelling funds, the direction and size of which are controlled by their ultimate beneficiary owners, than being a target for genuine direct investment. Taking a longer period, net flows in various financial instruments (e.g. FDI equity) are close to zero. SPEs have only marginal, if any, links to the domestic economy. In principle, their activities influence the current account balance calculated on an accruals basis, although only the gross figures. One major characteristic of SPEs is that they channel relatively large funds. Consequently, recording their transactions significantly raises the gross figures of the financial accounts. The role that debt-generating instruments play in the financing of the current account deficit are of special importance. Decision-makers, investors and rating agencies treat this information as highly important in terms of the vulnerability of the national currency and the sustainability of external equilibrium. Consequently, problems arise when the assets and liabilities of an SPE are not in the same instrument category.

In defining the range of SPEs, the MNB cooperates with the KSH. Of the indicators available, only those that capture the major characteristics of these firms (i.e. the fact that they act abroad and their linkages to the domestic economy are marginal) are used to set up the SPEs register:

- in their balance sheets, the weight of real assets is negligible relative to that of financial assets, with the latter consisting mainly of shares, long-term loans and securities;
- their sales are made up primarily of export revenue;
- the number of staff is very low (90-95% of these firms employ a maximum of two staff);
- their material costs are negligible; and
- the name of the firm refers to the offshore type of activity.

From January 2006, based on economic considerations, the MNB continues to distinguish between stock and flow data for SPEs and to compile the b.o.p. and i.i.p. statistics excluding SPEs. The MNB publishes Hungary's balance of payments excluding SPE data in a press release. Nevertheless, it also compiles the b.o.p. and the i.i.p. including SPEs, in accordance with international statistical standards, and reports these data to international institutions. These statistics can also be downloaded from the MNB's website by the general public. However, no estimates of SPEs' reinvested earnings and dividends are provided and reported data are only included in the annual statistics.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

At the time of the publication of 2002 annual b.o.p. statistics in February 2003, the settlement data for goods were replaced by the KSH's foreign trade data. The b.o.p. time series were revised back to 1995 and, as from 2003, the trade in goods item is compiled using this source. The Intrastat/Extrastat system replaced customs statistics in May 2004.

4.2 DEFINITION

Using foreign trade data as a source of information, exports and imports are recorded on an f.o.b. basis; a geographical and the standard category breakdown of goods are available.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

None.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

As for the monthly b.o.p., services are recorded when the settlement transactions appear in the reporting system of credit institutions or enterprises. In addition, monthly reports by exchange offices are also used for the compilation of the travel item.

With regard to the quarterly b.o.p., at the time of publication of Q4 2004 b.o.p. statistics the settlement data for 7 sub-items out of a total of 11 standard services sub-items were replaced by the KSH's survey data. This has not only affected the figures for the fourth quarter of 2004, it has affected those for the whole year. Time series for travel recorded on a cash basis have been revised back to 2000 consistently with the methodology used in 2004.

Two border surveys are used to compile travel data, one for inbound and one for outbound tourism. Business services are captured by the KSH's quarterly survey. Its questionnaires are filled in by selected companies on the basis of invoicing information.

In the case of the remaining types of services, (i.e. transport, insurance, financial and government services) the switch to data collection system based on the survey conducted by the KSH was completed in September 2006 for 2005 as a reference year. As a result, since then trade in services data in quarterly b.o.p. have been completely derived from the KSH's surveys.

5.2 DEFINITION

Eleven separate sub-items are published under the services heading:

(i) transportation services;
(ii) travel;
(iii) communication services;
(iv) construction services;
(v) insurance services;
(vi) financial services;
(vii) computer and information services;
(viii) royalties and licence fees;
(ix) other business services;
(x) personal, cultural and recreational services;
(xi) government services

Rental fees for real estate paid by legal person tenants are recorded as other business services, while such fees paid by natural person tenants are recorded as travel.

Rental fees paid by resident tenants to non-resident owners of real estate in Hungary and the rental fees paid by non-resident tenants to resident owners of real estate abroad are recorded under direct investment income.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

Insurance services were valued on the basis of total premiums (rather than service charges included in total premiums earned) until the KSH data were used in the b.o.p. (before 2005)

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

Cash transactions affecting households' foreign exchange accounts held at resident banks are used as a proxy to capture cross-border cash transactions without banking intermediation and are partly included as travel in the monthly data.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

This is part of the general reporting system. From 2004, investment income is recorded on an accruals basis in the monthly and quarterly b.o.p. Also from 2004, reinvested earnings are included in the b.o.p. and time series are accordingly revised back to 1995.

Since 1999, in line with the 1997 change in b.o.p. methodology, interest payments related to interest rate swaps and currency swaps have been recorded as financial derivatives in the financial account, instead of as income in the current account.

A sector, currency and country breakdown is available for each type of investment income. Income on international reserves is reported by the MNB and recorded under the underlying type of instrument.

6.1.1 COMPENSATION OF EMPLOYEES

Part of the general reporting system.

6.1.2 INCOME ON DIRECT INVESTMENT

Part of the general reporting system. No special source of information is used. In line with the BPM5, any participation greater than or equal to 10% in a corporation's equity capital is classified as a direct investment. Contributions in kind and reinvested earnings are included in the b.o.p.

Since 1996, direct investment includes not only equity investment, but also other non-equity capital transactions (such as inter-company capital transactions). There is a single item for each type of recorded direct investment income, i.e. income on equity (dividends and distributed income, reinvested earnings) and income on inter-company capital. Reporting agents use separate transaction codes for each income category.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Part of the general reporting system. No special source of information is used. Each recorded income transaction has a specific code in the bank reports and a separate heading in the direct company reports. Income on equity, income on bonds and notes and income on money market instruments are recorded separately. Since 1999, in line with the change in b.o.p. methodology, interest payments related to interest rate swaps and currency swaps have been recorded as financial derivatives in the financial account, instead of as income in the current account. Income is recorded according to the accruals principle (except for equity securities) in the monthly and quarterly b.o.p.

6.1.4 INCOME ON OTHER INVESTMENT

Income on other investment is captured by the general reporting system and is supplemented by the direct enterprise reports on direct borrowing from/lending to non-residents. Each recorded income transaction has a specific code in the bank reports and a separate heading in the direct company reports. Income on short-term and long-term other investment is broken down by type of instrument (e.g. deposits, loans, etc.). Income is recorded according to the accruals principle in the monthly and quarterly b.o.p.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

Direct investment income is compiled according to the all-inclusive concept instead of the current operating performance concept.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

It is foreseen to apply the current operating performance concept (COPC) instead of the all-inclusive concept from 2008.

6.5 ESTIMATION METHODS

Cash transactions affecting households' foreign exchange accounts held at resident banks are used as a proxy to capture cross-border cash transactions without banking intermediation and are partly included as compensation of employees. Reinvested earnings and dividends declared payable are calculated as an average proportion of the stock for the previous three years until the reported values deriving from the annual FDI questionnaires become available. The accruals for income on other investment of non-financial enterprises are estimated on the basis of historical settlement data.

7 CURRENT TRANSFERS

Data for current transfers are compiled on the basis of the general reporting system outlined in the previous sections. As a supplementary source, the MÁK reports cash transfers received on a monthly basis.

In principle, the definition of current transfers is in line with the BPM5. The use of different transaction codes in the bank reports and a separate line in the direct enterprise reports enables a distinction to be made between current and capital transfers.

Cash transactions affecting households' foreign exchange accounts held at resident banks are used as a proxy to capture cross-border cash transactions without banking intermediation and are partly included as current transfers.

A significant amount of transfers are received from European Union institutions. The split between current and capital transfers is determined on a transaction-by-transaction basis. If, at the time of the compilation of the monthly or quarterly statistics, the information needed to enable the correct classification is missing, the following rule of thumb is applied: transfers received under the PHARE programme, from the European Social Fund and from the Guarantee section of the European Agricultural Guidance and Guarantee Fund are recorded as current transfers, while transfers from the Guidance section of the latter Fund, from the cohesion funds, from the European Regional Development Fund and under the SAPARD (Special Accession Programme for Agriculture and Rural Development) programme are recorded as capital transfers. The use of the Eurostat figures for the EU institutions' balance of payments is considered as an important supplementary source of information for validating the split between current and capital transfers.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

As part of the standard classification of the b.o.p. harmonised with the revised System of National Accounts (SNA 93), the capital account in its recent form has been presented in BPM5 format since 1995. The capital account for 1995 is estimated.

Data for capital transfers and non-produced, non-financial assets are compiled on the basis of the general reporting system outlined in the previous sections. As a supplementary source, the MÁK reports cash transfers received on a monthly basis.

8.2 DEFINITION

In principle, the definition of capital transfers is in line with the BPM5. The use of different transaction codes in the bank reports and a separate line in the direct enterprise reports enables a distinction to be made between current and capital transfers. Net capital transfers are published separately for the government sector and for other sectors.

The category acquisition/disposal of non-produced, non-financial assets emerged as a result of the split of property income in the BPM4 current account into the use and sale of intangible assets. Transactions related to the sale of intangible assets are recorded in the capital account. This item is published in net terms with no sector breakdown.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Transactions without banking mediation and not directly reported by reporting agents are excluded.

8.5 INTENDED HARMONISATION

The use of the Eurostat figures on the EU institutions' balance of payments is considered an important supplementary source of information for validating the split between current and capital transfers (see also Section 7).

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

As direct investment is covered by the general reporting system, no special source of information is used. Direct investment data mainly reflect cash contributions and contributions in kind from foreign trade statistics. Data for inter-company loans are checked and supplemented by the information from direct enterprise reports.

Subordinated loans of credit institutions received from their own direct investor have been classified as inter-company loans since 1999. Before 1999, this item was recorded under equity capital.

Breakdowns by sector (according to the debtor principle), instrument, country (according to the transactor principle) and industry are available for each component. The last two are based on the quarterly survey launched in 1999 (see Sub-section 3.1, paragraph 4).

9.2 DEFINITION

In accordance with the BPM5, any participation greater than or equal to 10% in a corporation's equity capital is classified as a direct investment. Since 1996, direct investment not only includes equity investment, but also other non-equity capital transactions, such as inter-company loans. Real estate investments by natural persons are also classified under this heading.

As opposed to other types of investment recorded in the financial account, direct investment is primarily recorded on a directional basis, instead of under an asset/liability arrangement. Thus, direct investment in Hungary and direct investment abroad are the two major sub-groups within the main heading.

Equity cross-participation is recorded under direct investment from 2004. Before 2004, if an affiliated company had acquired a claim on equity in its direct investor, the transaction was recorded either under portfolio investment (if less than 10% of the equity capital) or as a separate direct investment transaction (if greater than or equal to 10%).

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The MNB partially applies the fully consolidated system. Direct ownership relationships are

classified as direct investment, as are financial transactions between non-financial corporations and affiliated financial SPEs, which have been recorded as FDI under other capital in line with international standards since 2002. (Before 2002, these transactions were treated as other investment.)

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

There is a joint project with the KSH on issues related to the fully consolidated system. It is foreseen to apply the fully consolidated system from 2008.

9.6 ESTIMATION METHODS

Cash transactions affecting households' foreign exchange accounts held at resident banks are used as a proxy to capture cross-border cash transactions without banking intermediation and are partly included as direct investment (estimated transactions in real estate).

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Portfolio investment is covered by the general reporting system and is supplemented by monthly reports from security traders, KELER and other custodians, which are used for b.o.p. validation and compilation purposes. In the b.o.p., liabilities represented by HUF-denominated government and central bank securities are computed according to the monthly changes in security holdings. However, the changes in monthly closing-day positions for each security are used to check the credit institutions' security transaction reports. Transactions in financial assets traded or tradable in organised or other financial markets (e.g. equity and debt securities, and financial derivatives) are recorded under this heading. Portfolio investment has been published as a separate item since 1996.

Except for HUF-denominated government securities and central bank securities, data for other categories are compiled as credit institutions and enterprises report the relevant information. As for HUF-denominated government and central bank securities, transaction data are derived from changes in stocks at nominal value, net of other volume changes. Although between January 2000 and February 2003 transactions in equity securities recorded in the financial account as liabilities were also derived from changes in stocks security by security at market prices net of valuation and other volume changes, for technical reasons since February 2003 data have again been compiled as credit institutions and enterprises report the relevant information.

A debit is recorded on the liabilities side of debt securities for transactions involving a purchase by residents on the secondary markets of foreign exchange-denominated bonds issued by residents abroad.

A transaction is recorded as a change in assets under financial derivatives in the following cases: premiums paid on purchased options (put or call), trading in derivative positions, transactions related to derivative positions having a positive net present value at the time of transaction, and closing derivative positions with net gains.

A transaction is recorded as a change in liabilities under financial derivatives in the following cases: premiums received on written options (put or call), transactions related to derivative positions having a negative net present value at the time of transaction, and closing derivative positions with a net loss.

Since 1999, in line with the change in b.o.p. methodology, interest payments related to interest rate swaps and currency swaps have been recorded under financial derivatives in the

financial account, instead of as income in the current account.

Breakdowns by sector (according to the debtor principle), instrument, country (according to the transactor principle) and currency are available for each data category, except for those where the transaction is calculated from a change in position (HUF-denominated government securities, central bank securities and equities).

10.2 DEFINITION

The following portfolio investment sub-items are published separately according to the asset/liability principle:

(i) equity securities (<10%);
(ii) bonds and notes;
(iii) money market instruments; and
(iv) financial derivatives.

Since 2000, repurchase agreements (repos) have been treated as collateralised loans in accordance with the BPM5.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

Financial derivatives are classified as a separate sub-item under portfolio investment. Financial derivatives of the MNB are intentionally classified under portfolio investment instead of reserve assets.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

The use of a security-by-security database is planned. Furthermore, the preparation of an instrument breakdown for derivatives is foreseen.

10.6 ESTIMATION METHODS

As for HUF-denominated government and central bank securities, transaction data are derived from changes in stocks at nominal value, net of other volume changes.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Financial derivatives are classified as a separate sub-item under portfolio investment (see Section 10).

11.2 DEFINITIONS

See Sub-section 11.1.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 11.1.

11.4 GAPS

See Sub-section 11.1.

11.5 INTENDED HARMONISATION

See Sub-section 11.1.

11.6 ESTIMATION METHODS

See Sub-section 11.1.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment is covered by the general reporting system and is supplemented by the direct enterprise reports on direct borrowing from/lending to non-residents. Transactions in financial instruments not included under direct investment and portfolio investment, such as syndicated loans, interbank loans and trade credits, are recorded under this heading, broken

down by original maturity (short-term is classified as up to one year and long-term as over one year).

As far as assets and liabilities of non-financial enterprises are concerned, from 2004 a cut-off survey (the cut-off being a function of the value of end-year outstanding stocks or gross annual transactions) has replaced the monthly and annual reporting obligations. There has been no change in the frequency of the reporting obligation for loans guaranteed by the Government, for which a monthly report is prescribed. Since 2000 settlement data checked against direct reports and supplemented by non-cash transactions have been published in the statistics.

Transactions affecting cash in foreign exchange, sight deposits and current accounts of banks are derived as changes in stocks, net of valuation and other volume changes. The same applies for such transactions by the enterprise sector.

Breakdowns by sector (according to the resident counterparty), instrument, maturity, country and currency are available for each data category, except for transactions of non-financial enterprises channelled outside of the resident banking sector.

As for trade credits, within the framework of the incorporation of foreign trade statistics, from 2003 (and adjusting the data back to 1995) the difference between transactions in goods as recorded in foreign trade statistics (excluding contributions in kind and goods for processing without fees and including net repairs based on additional information received from the KSH) and settlement-based goods data (including reported fees for processing and repairs and excluding goods procured in ports by carriers) is offset by means of corresponding entries under other short-term claims/liabilities of the financial account. This means that the difference between payments and the balance of exports and imports recorded during the physical movements of goods is financed by economic agents through trade credit. The stock of this difference is not monitored directly, but it can be assumed that economically its magnitude does not differ significantly from the level of trade in goods over the long term. By contrast, experience has shown that mainly since EU accession (i.e. since the second half of 2004) trade credit assets have been growing significantly and permanently, which cannot be explained by economic reasons. Therefore, based on available information, the MNB has decided to review the financing side and since accession it has been recording asset growth exceeding the level assumed on the basis of estimates for errors and omissions in the b.o.p. statistics. When incorporating the data from the questionnaire on services (except for travel), the MNB uses the same method, i.e. the difference between the data provided by the KSH and those derived from the ITRS system is shown as a trade credit (for travel the difference is recorded as net errors and omissions).

12.2 DEFINITION

In principle, the definitions for other investment transactions are in line with the BPM5.

Up to the end of 1999, repos were recorded as transactions in underlying securities under portfolio investment (or change in international reserves). Since 2000, repos have been treated as collateralised loans and recorded under other investment (or change in international reserves).

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

The difference between payments and the balance of exports and imports recorded during the physical movements of goods in foreign trade statistics is supposed to be financed by economic agents through trade credit and recorded under other short-term claims/liabilities. The stock of this difference is not monitored directly, but it can be assumed that economically its magnitude does not differ significantly from the level of trade in goods over the long term. By contrast, experience has shown that mainly since EU accession (i.e. since the second half of 2004) trade credit assets have been growing significantly and permanently, which cannot be explained by economic reasons. Therefore, based on available information, the MNB has decided to review the financing side and since accession it has been recording asset growth exceeding the level assumed on the basis of estimates for errors and omissions in the b.o.p. statistics. When incorporating the data from the questionnaire on business services, the MNB uses the same method, i.e. the difference between the data provided by the KSH and those derived from the ITRS system is shown as a trade credit.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Gross international reserves are external assets of the monetary authorities that are readily available for directly financing payments imbalances, for indirectly regulating the magnitude of payments imbalances through intervention in foreign exchange markets to affect the HUF exchange rate, and/or for other purposes. The change in international reserves is computed as the change in the stock of comprising instruments, net of valuation and other volume changes.

Instrument and currency breakdowns of reserve assets are available, although the latter breakdown is confidential.

13.2 DEFINITION

The definition of international reserves is in line with the BPM5. These reserve assets are under the effective control of the monetary authorities. They refer only to:

- highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of currency, deposits and securities) on non-residents; positions vis-à-vis residents and positions in local currency are excluded;
- monetary gold;
- special drawing rights; and
- the reserve position in the Fund.

Reserve assets are compiled in accordance with the gross concept (i.e. no netting with monetary authorities' liabilities) and are valued at market prices. They are accounted for on an accruals basis.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

Financial derivatives are intentionally excluded from international reserves.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

As from 2003, the i.i.p. is compiled and published on a quarterly basis, except in the case of the international reserves, where the monthly periodicity is observed. The full sequence of data on opening positions, transactions, exchange rate changes, price changes, other volume changes and closing

positions is compiled and published in HUF in hard copy for all standard components of the BPM5:

(i) international reserves;
(ii) direct investment (equity capital and reinvested earnings, other capital);
(iii) portfolio investment (equity securities, bonds and notes, money market instruments, financial derivatives); and
(iv) other investment, broken down by original maturity.

Assets and liabilities are compiled separately.

Stocks of external assets and liabilities are disseminated in time series format in HUF and EUR through the MNB's website. External debt data are integrated into the i.i.p. framework (total liabilities less liabilities in equity).

Breakdowns by sector (according to the resident counterparty) and currency are available for all types of investment. Coverage and concepts are in line with the definitions used in the financial account.

A maturity breakdown of long-term debt instruments by sector (according to the debtor principle), which does not include the non-guaranteed debt component of non-financial enterprises and other sectors, is compiled and published quarterly.

14.1.2 DIRECT INVESTMENT

The stock of resident direct investment abroad has been published since 1993. Since 2004, apart from when recognising reinvested earnings, direct data provision by companies has allowed for the replacement of end-year stock data, calculated by cumulating flow data, with stock data reported by enterprises for the period starting from 1998. Quarterly positions and the pre-1998 data have remained calculated using the perpetual inventory method. The stock of assets in the form of other FDI capital transactions is derived from accumulated flows. Since 1999, the subordinated loans of credit institutions extended to their own affiliates have been classified as inter-company loans. Before 1999, this item was recorded under equity capital.

The stock of non-resident direct investment in Hungary has been published since 1990. Since 2004, apart from when recognising reinvested earnings, direct data provision by companies has allowed for the replacement of end-year stock data, calculated by cumulating flow data, with stock data reported by enterprises for the period starting from 1998. Quarterly positions have continued to be compiled using the perpetual inventory method. Since 1996, the stock of liabilities in the form of inter-company loans has been directly reported by enterprises. On the assets side, subordinated loans of credit institutions received from their own direct investor have, since 1999, been classified as inter-company loans. Before 1999, this item was recorded under equity capital.

An annual survey of inward and outward direct investment provides information on the stock of equity capital at book value (quoted enterprise equity is revalued at market prices), reinvested earnings and a geographical breakdown (see Sub-section 3.1, paragraph 4).

Stock data for inward and outward direct investment, broken down into equity capital and other capital, are compiled on a sectoral basis and published at a quarterly frequency with a timeliness of three months.

14.1.3 PORTFOLIO INVESTMENT

With regard to portfolio assets, the MNB and credit institutions submit reports on their portfolio transactions and stocks. Concerning the other sectors, given the lack of reports on stock data, positions are derived from accumulated flows. In these reports, the currency in which the transaction is reported is linked to the denomination of the settlement, rather than to the actual denomination of the securities. Stocks computed from flows in euro area legacy currencies have been recorded in EUR since January 1999.

The assets of the MNB and credit institutions in the form of debt securities are valued at market prices. For the other sectors, stocks are recorded as accumulated flows at the actual transaction price.

The MNB and credit institutions have been reporting stock data for financial derivative positions at market (replacement) value since 1999, and the ÁKK started doing so in 2005. By contrast with transactions, there is no information on the derivative positions of enterprises and other sectors. Derivative positions are published in aggregated form with no breakdown.

As regards portfolio liabilities, the MNB and credit institutions submit reports not only on transactions, but also on their own portfolio stocks.

As for the other sectors, owing to a lack of reported portfolio equity stock data, positions are derived from accumulated flows, aggregated and recorded in HUF. The figure is revalued on the basis of the change in the index of the Budapest Stock Exchange (BUX) at the end of each month.

Liabilities of the MNB, credit institutions and the government sector in the form of debt securities are recorded at face value. For the other sectors, stocks are recorded as accumulated flows at actual transaction price. The outstanding stock of foreign exchange-denominated bonds held by residents is subtracted from the stock issued by residents abroad.

The MNB and credit institutions have been reporting the stock of financial derivative positions at market (replacement) value since 1999, and the ÁKK started doing so in 2005. In contrast to transactions, there is no information on derivative positions of enterprises and other sectors. Derivative positions are published in aggregated form with no breakdown.

As from 2003, stock data for assets and liabilities under portfolio investment, broken down by instrument, sector and currency, are compiled and published at a quarterly frequency with a timeliness of three months.

14.1.4 FINANCIAL DERIVATIVES

Financial derivatives are classified under portfolio investment (see Sub-section 14.1.3).

14.1.5 OTHER INVESTMENT

The stock of claims of residents on non-residents is broken down by original maturity. All sectors, except households, report stock data for the statistics. With regard to the MNB, the monetary institutions and the government sector, the reported data are published in the i.i.p., while for the other sectors the cumulated transaction figures are used instead.

The stock of claims of non-residents on residents is broken down by original maturity. All sectors, except households, report stock data for the statistics. Regarding the MNB, the monetary institutions and the government sector, the reported data are published in the i.i.p., while for the other sectors the cumulated transaction figures are used instead.

As from 2003, stock data for assets and liabilities under other investment, broken down by original maturity, sector and currency, are compiled and published at a quarterly frequency with a timeliness of three months.

14.1.6 RESERVE ASSETS

In accordance with international standards, reserve assets comprise:

(i) monetary gold;
(ii) liquid foreign exchange assets (cash, current accounts, sight deposits, securities, etc.);
(iii) SDRs; and
(iv) the reserve position in the Fund.

Data are obtained from the MNB's balance sheet.

Gold is valued at London fixing prices. Since 2000, securities have been valued at market prices.

The stock of reserve assets is published on a monthly basis with a one-week lag for the preliminary data and a lag of 30 working days for the final data. Instrument and currency breakdowns of reserve assets are available, although the latter breakdown is confidential.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

Financial derivatives are intentionally excluded from international reserves.

14.3 GAPS

None.

14.4 INTENDED HARMONISATION

None.

14.5 ESTIMATION METHODS

None.

15 CONTACTS

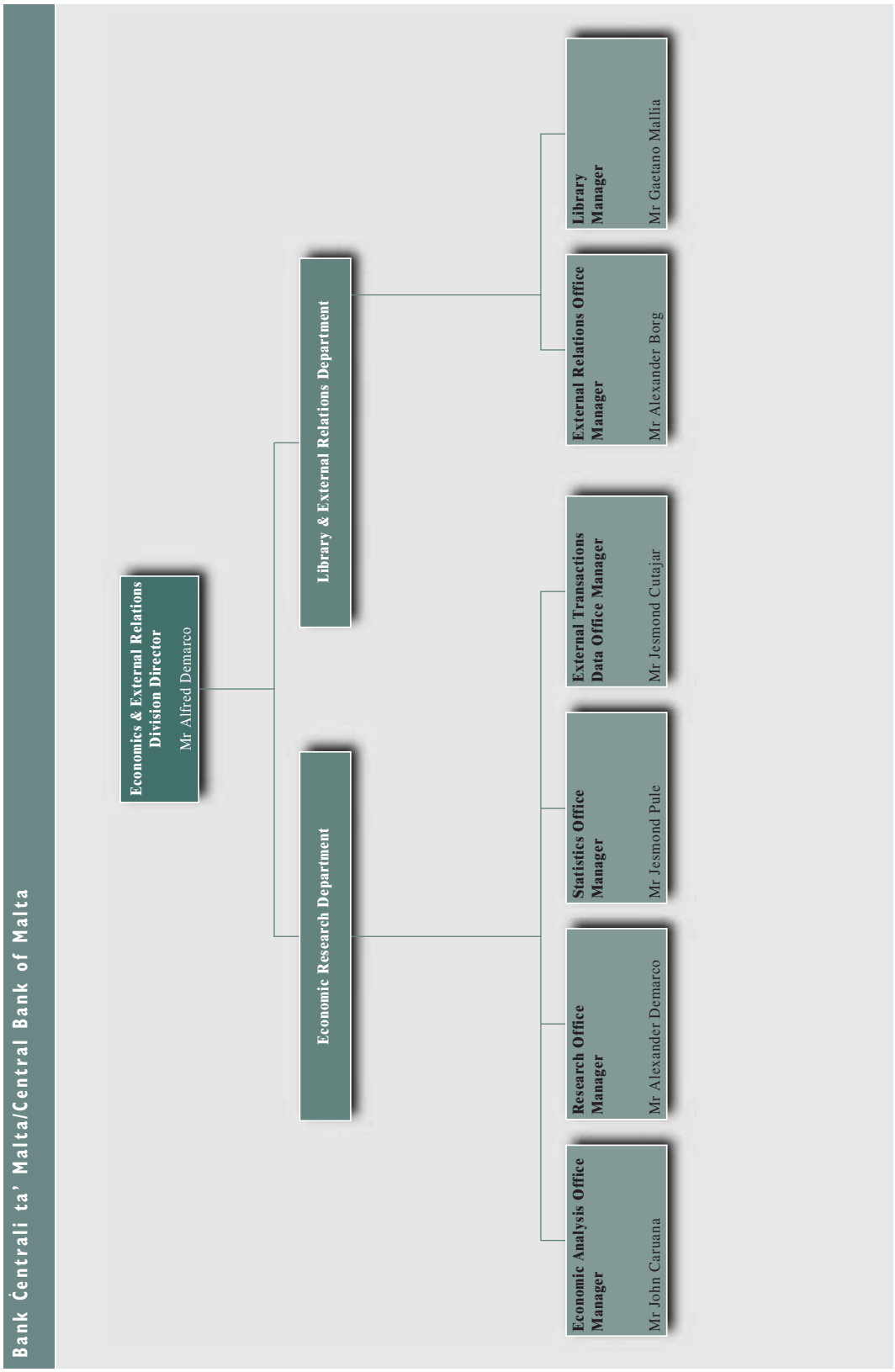
This country information was drafted by Hungary and agreed with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Hungary should be addressed to:

Mr Mihály Durucskó
Deputy Head of Balance of
Payments Statistics
Magyar Nemzeti Bank
Statistics
Szabadsag ter 8-9
H - 1850 Budapest
Hungary

Tel.: 00 36 1 428 2600/2305
Fax: 00 36 1 428 2539
E-mail: durucskom@mnb.hu

4.17 MALTA

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The preparation and presentation of the balance of payments statement of Malta has been the responsibility of the National Statistical Office (NSO) since 1954, the year that such data started to be published by the statistical authorities in Malta. Since 1993, the compilation process has been enhanced by the participation of the Central Bank of Malta (CBM). The CBM, through its Balance of Payments Section, cooperates actively with the NSO in the collection, vetting and compilation of b.o.p. data throughout the year. The b.o.p. statement is compiled on a transaction basis. Both the current and the capital and financial accounts are published quarterly and annually.

In July 2003 a cooperation agreement was signed between the CBM and the NSO on the collection and compilation of b.o.p./i.i.p. data. Under the agreement, the NSO became responsible for collecting data from reporting agents in the non-financial sectors of the economy as specified in the European System of Accounts 1995. The CBM, on the other hand, became responsible for the collection of data from reporting agents in the financial sector. This will be done with the necessary cooperation of the Malta Financial Services Authority (MFSA) and the Malta Stock Exchange

The CBM has an additional role in the b.o.p. compilation process. It collects data on cash-based transactions between residents and non-residents, as recorded by local banks, on a monthly basis. However, this will be replaced by banks' SWIFT transaction records, which will be used for register purposes.

The CBM and the NSO have shared competency in the compilation of the international investment position. In 1999, the CBM and the NSO undertook to align b.o.p. and related data with international standards. By March 2000, data covering the years 1995 to 1999 were revised and reclassified in accordance with the fifth edition of the IMF Balance of Payments Manual (BPM5).

The NSO together with the CBM have developed a framework for a direct reporting data collection system (DR), which will be based on statistical surveys. The system will be used for compiling both monthly and quarterly b.o.p. and i.i.p. statistics.

2.2 LEGISLATIVE PROVISIONS

The Malta Statistics Authority Act (Act XXIV of 2000) provides for the establishment of an Authority to regulate functions regarding resources relating to the collection, compilation and publication of official statistics. The legislation also regulates the NSO and establishes its functions, which include the collection, compilation, extraction and release of official statistics. The Director General who heads the NSO is also an ex officio member

of the Board of the Authority. He carries out the day-to-day operations of the office within the Authority in accordance with the general lines of policy established by the Authority (Section 9).

One of the main functions of the Authority is to regulate and generally supervise the production of official statistics in accordance with international requirements and standards (Section 7 (b)).

The First Schedule to the Act covers matters, including the b.o.p., in respect of which statistics may be collected, prepared and published. Section 43 of the Act outlines the administrative penalties. A person is liable to pay a penalty of MTL 50 (€127)[1] for every month that elapses from the end of the deadline for the provision of requested information (Section 43-1 (a)). A person is liable to pay a penalty of MTL 100 (€254)[1] if that person fails

1 Opening middle EUR/MTL exchange rate on 31 May 2001: MTL 2.5369.

or refuses to provide information requested by the Director General (Section 43-1 (b)).

The Central Bank of Malta Act of 2002 empowers the CBM to collect statistical information from persons. In fact, Section 24A (3) (g) allows the bank to collect b.o.p./i.i.p. data from any "person who holds external assets and liabilities or carries out cross-border transactions which the Bank determines are relevant to compile b.o.p. statistics or to establish the balance of the stock of external financial assets and liabilities for Malta, otherwise referred to as the International Investment Position." The CBM may, through the adoption of appropriate directives, provide for administrative penalties.

2.3 INTERNAL ORGANISATION

The BOP Section of the NSO is responsible for the collection, checking and processing of data relating to the non-financial sector and the overall consolidation and dissemination of b.o.p. and i.i.p. statements. A similar section at the CBM collects data from the financial sector and actively participates in the overall compilation and vetting process. There are ten staff members working in these units, six at the NSO and four at the CBM.

An analysis of the quarterly b.o.p. is given in the NSO News Release, which is published less than three months after the reporting period. Furthermore, an analysis of b.o.p. data is carried out by the Economic Analysis Office of the CBM's Economic Research Department. This analysis is published in the CBM's Quarterly Review and Annual Report. Annual data are also analysed and published by the CBM and the Economic Policy Division of the Ministry of Finance.

2.4 EXTERNAL COOPERATION

At the NSO, the BOP Section works closely with the National Accounts Section, particularly where GDP and GNP issues are concerned. As regards merchandise trade data, these are received by the Trade Section of the NSO and passed on to the BOP Section of the NSO every month, while travel data are received from the NSO's Tourism Section. In addition, the BOP Section of the NSO receives data in line with specific requests made to the Ministry of Finance and the Treasury Department. These data cover debt servicing, the acquisition of immovable property in Malta by non-residents and capital grants.

The BOP Section of the CBM has been in close contact with a b.o.p. expert from *De Nederlandsche Bank* in connection with the development of a security-by-security reporting system. The Section has also been working closely with Eurostat on electronic data interchange (EDI) requirements and with the European Central Bank on new developments in the area of b.o.p./i.i.p. statistics. Technical missions from the International Monetary Fund have also advised the Maltese statistical authorities on b.o.p. issues in recent years. The NSO sends b.o.p. and i.i.p. data to the IMF and Eurostat on a regular basis. Moreover, the CBM's BOP Data Compilation Section also sends quarterly b.o.p. and annual i.i.p. data to the ECB. In the near future, monthly b.o.p. data will be sent backdated to January 2004.

2.5 USERS

The main user within the NSO of b.o.p. and related statistics, where data on exports and imports of goods and services as well as investment income are concerned, is the National Accounts Section. The CBM's Economic Research Department also uses b.o.p. and related statistics for economic analysis.

The external user of b.o.p. and related statistics at the government level is the Economic Policy Division of the Ministry of Finance. Outside the public sector, there are several organisations and enterprises in tourism, industry and the financial sector which frequently make use of such data. International organisations also using these data include the IMF, Eurostat, the

ECB, the Organisation for Economic Co-operation and Development and the United Nations. Other external users are credit rating agencies and financial institutions.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The type of data collection system used to compile b.o.p. statistics is a direct reporting system supplemented by other data sources.

An important element of the collection system is the monthly survey sent to reporting agents of both the non-financial and financial sectors. Using the 2003 Business Register, companies with a turnover of MTL 100,000 or more or more than 50 employees are included in the census. Companies with a turnover below MTL 100,000 and which have NACE categories in services form the basis of samples by NACE categories for services. The top companies operating in the non-financial sector of the national economy are surveyed on a monthly basis and an annual survey is sent to an even larger number of companies. This survey is based on a stock/flow/income model and covers all the financial instruments and related income as well as the services transactions of these enterprises.

The financial sector is also now being surveyed. A monthly census is conducted for credit and financial institutions, domestic insurance companies and bureaux de change. The main insurance agents are surveyed on a monthly basis and the rest annually. The main collective investment schemes (CIS) will be surveyed on a quarterly basis and the rest annually. A monthly net asset value of each CIS will be forwarded to the CBM by the MFSA in order to derive estimates. Discussions are being conducted with the regulatory authority (the MFSA) on how best to survey investment service providers (ISPs).

The merchandise trade data are based on: (a) the customs declarations for imports from and exports to countries that are not Member States of the European Union; and (b) the Intrastat supplementary declaration that traders in merchandise goods must submit in respect of arrivals (imports) and despatches (exports) of goods from and to the EU Member States. Exports are reported f.o.b., while imports are given on a c.i.f. basis.

In addition, the b.o.p. compilers obtain further statistical information on specific current and financial account transactions from various government departments.

Data on external reserves are also based on a stock/flow/income model and are submitted to the b.o.p. compilers by the CBM's Finance Office on a monthly basis. These data are also used to compile Section 1A of the IMF Data Template on International Reserves and Foreign Currency Liquidity.

The i.i.p. is compiled for all sectors of the economy. Details on data sources, concepts, methods and the coverage of the i.i.p. are given in Sub-section 14.1 below.

As from 2004 all b.o.p. and i.i.p. information submitted by reporting agents includes a country breakdown. In the case of merchandise trade data reported by the Trade Section of the NSO, a complete country breakdown is provided. However, a classification by currency of b.o.p. and i.i.p. data is not available.

Additional sources of information for b.o.p. purposes include:

- newspaper clippings on b.o.p. issues and developments; and
- annual financial reports of non-financial enterprises.

Reporting scheme for b.o.p. and i.i.p. data collection in Malta

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (deadline for submission after the end of the reference period)
Enterprises	BOP 10 – Companies questionnaire	Financial account, services, transfers and income	Monthly	15 working days
Companies	BOP 10 (SME) Companies annual questionnaire	Financial account, services, transfers and income	Annual	1 month
	BOP 10S (SME)	International Transactions in Services questionnaire	Annual	1 month
Companies undertaking international business activity	BOP 11 – CIBAs Annual Questionnaire	Financial account, services, transfers and income	Annual	1 month
Non profit organisations	BOP 13 – non-profit Organisations Questionnaire	Financial account, services, transfers and income	Annual	1 month
Airline companies	BOP 20 – resident airlines companies questionnaire	Financial account, services and income	Monthly	1 month
	BOP 20 (SME) – resident airlines companies annual questionnaire	Financial account, services and income	Annual	1 month
	BOP 21 – non-resident airlines companies questionnaire	Financial Account Services and income	Monthly	1 month
	BOP 21 (SME) – non-resident airlines companies annual questionnaire	Services and income	Annual	1 month
Shipping companies	BOP 22 – resident shipping questionnaire	Financial account, services and income	Monthly	1 month
	BOP 22 (SME) – resident shipping annual questionnaire	Financial account, services and income	Annual	1 month
	BOP 23 – non resident shipping questionnaire	Services and income	Monthly	1 month
	BOP 23 (SME) – non resident shipping annual questionnaire	Services and income	Annual	1 month
Insurance companies	BOP 30 – resident insurance questionnaire	Financial account, services and income	Monthly	1 month
Insurance agents/ brokers and branches	BOP 31 – insurance agents/ brokers and branches questionnaire	Financial account services and income	Monthly	1 month

Reporting scheme for b.o.p. and i.i.p. data collection in Malta

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (deadline for submission after the end of the reference period)
Shipbuilding and shiprepair companies	BOP 40 shipbuilding and shiprepair questionnaire	Financial account, services and income	Monthly	1 month
	BOP 40 (SME) shipbuilding and shiprepair annual questionnaire	Financial account, services and income	Annual	1 month
Regulator of ship registration and related services	BOP 41 – Malta maritime authority questionnaire	Financial account, services and income	Monthly	1 month
Investment services providers	BOP 50 – Providers of Investment Services (Category 1) Questionnaire	Financial account, services and income	Quarterly	To be determined
	BOP 52 – Providers of Investment Services (Category 2 & 3) Questionnaire	Financial account, services and income	Quarterly	To be determined
Central bank of Malta	BOP 60 – Central Bank of Malta Monthly Questionnaire	Financial account, services and income	Monthly	15 working days
Banks	BOP 61 – Banks Monthly Questionnaire	Financial account, services and income	Monthly	15 working days
Exchange Bureaux and other financial institutions	BOP 62 – Exchange Bureaux & Other Financial Institutions Monthly Questionnaire	Financial account, services and income	Monthly	15 working days
Malta Stock Exchange	BOP 63 – Malta Stock Exchange Monthly Questionnaire	Financial account, services and income	Monthly	15 working days
Collective investment schemes (MMF)	BOP 70 MMF – Collective Investment Schemes Monthly Questionnaire (For the reporting of Money Market Funds only)	Financial account, services and income	Quarterly	To be determined
Malta government	BOP 80 – Government Monthly Questionnaire	Financial account, services and income	Monthly	15 working days

3.2 REPORTING AGENTS

(i) *The monetary authorities* sector: the CBM's statutory functions to conduct monetary policy, promote a sound financial system and advise the government on economic and financial matters are performed mainly on the basis of money and banking statistics compiled by the CBM's Statistics Office, and b.o.p. and related data compiled by the BOP sections of the CBM and the NSO.

The CBM's Finance Office prepares the Bank's monthly balance sheet, which is submitted to the Statistics Office for consolidation with the rest of the banking sector. The Finance Office also submits to the b.o.p. compiler data on external reserves.

The CBM's Statistics Office is responsible for preparing aggregated money and banking statistics on a monthly basis. It submits such data and selected aggregated items of reserve assets to the IMF for inclusion in the IMF's International Financial Statistics (IFS) publication. Monetary and related data, including details of reserve assets, are published monthly by the CBM in a report entitled "Release of Monetary Aggregates and their Determinants". Detailed tables on monetary and related data are also published quarterly and annually in the CBM's publications.

(ii) *The banking sector*: the definition of the banking sector in Malta comprises credit institutions and does not include money market funds. The current monthly and quarterly statements and schedules of credit and financial institutions received by the CBM are incorporated in a Banking Directive (BD 06) issued in terms of the Banking Act cap. 371 and in a Financial Institutions Directive (FID 02) issued in terms of the Financial Institutions Act cap. 376. The documents submitted provide detailed information on the financial position of these institutions. They include a balance sheet, a profit and loss account and an appropriation account. The statements and schedules show resident and non-resident stocks and flows separately. Financial account transactions are derived from end-of-period stock positions. Current account transactions are derived from the profit and loss accounts.

A new set of statistical returns have been recently adopted. These new returns are to meet all requirements regarding money and banking statistics. These returns are received on a monthly basis by the CBM's Statistics Office.

A b.o.p./i.i.p. survey form called BOP 61 is now being collected directly from the banks and the practice of deriving flows from positions reported in the monetary schedules has been discontinued for data from 2004 onwards. However, the process of reconciliation between the monetary and b.o.p. data is being carried out monthly.

(iii) *General government*: the definition of the general government is in line with the ESA 95 for the purposes of b.o.p. and i.i.p. data collection. The Ministry of Finance is requested by the b.o.p. compiler to provide data on external loans and related interest payments. Moreover, the Ministry of Finance provides information on grants received from overseas by the government, as well as on the acquisition of real estate by non-residents. Services transactions effected by the central government which pass through the central bank are reported through the BOP 80, the new direct reporting form. Data on extra-budgetary units are collected from the monthly DR questionnaire.

(iv) *Other sectors*: the corporate sector is surveyed on a monthly basis to provide data on the financial account and related

income and services transactions. A 100% response rate is achieved for the largest companies, which account for approximately 95% of the b.o.p. data. The response rate for the remaining companies is somewhat lower.

3.3 THRESHOLDS

There are no exemption thresholds stipulated by the b.o.p. compilers.

3.4 AVAILABILITY OF DATA

B.o.p. data on a transaction basis in line with the BPM5 are available quarterly. However, work is currently under way to compile b.o.p. data on a monthly DR basis. The quarterly b.o.p. data are available before the end of the three months following the end of that quarter. Classifications by sector and instrument are available. However, only in the case of the current account has data been classified by region, i.e. the European Union (EU) and the rest of the world.

External reserves are compiled on a daily basis by the CBM and made available to the b.o.p. compilers on a monthly basis.

The i.i.p. data have so far been compiled on an annual basis nine months after the end of the reporting period. The i.i.p. is currently classified by instrument and sector. The information submitted does not include a geographical or currency breakdown. However, with the first publication of the monthly b.o.p. on a direct reporting basis, the quarterly i.i.p. on a geographical basis will be made available.

3.5 DATA CONTROLS

Formal checking and vetting of DR survey forms is carried out on a regular basis. Data are verified using, inter alia, company balance sheets and newspaper clippings. Validation checks have been built into the DR software program.

On an aggregate level, checks are also undertaken to ensure consistency between data received from the DR questionnaires and data received from banking institutions covering transactions of the various economic sectors. Particular attention is paid to the magnitude of the errors and omissions item and to large transactions that significantly depart from past trends. The compilers try their best to discover the underlying causes of such movements in the data.

3.6 REVISION POLICY

Quarterly b.o.p. accruals data are revised on a quarterly basis. The previous year's data remain subject to revision. Data are considered final once published in the annual publication of the NSO entitled "Balance of Payments". This is normally published one year after the end of the reporting period.

3.7 DISSEMINATION

Users have access to b.o.p. data in regular publications issued by the NSO and the CBM. These include the NSO's news releases, the b.o.p. publication and yearly economic surveys (issued by the Ministry of Finance), and the CBM's Quarterly Reviews and Annual Report. The b.o.p. data are published regularly in IMF and Eurostat publications. Data are also available on the NSO's website at www.nso.gov.mt. B.o.p. data are disseminated in accordance with the IMF's General Data Dissemination System (GDDS).

Data on external reserve assets are published regularly on a monthly basis and in the CBM's quarterly and annual publications. They are also available on the CBM's website at www.centralbankmalta.com. A detailed statement of external reserve assets is submitted to the ECB by the CBM.

i.i.p. data are published in the NSO's news releases, the publication entitled "Balance of Payments", the IFS of the IMF and the CBM's publications. It is also available on the NSO's

website at www.nso.gov.mt. I.i.p. data are disseminated in accordance with the GDDS.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

(i) *General merchandise*: the main source for merchandise trade data is the trade statistics compiled by the Trade Section of the NSO. Adjustments for coverage are subsequently made by the b.o.p. compiler to both imports (reported on a c.i.f. basis) and exports. Thus, merchandise trade data are reported on an f.o.b. basis.

The adjustments that are made to the trade data are also based on information obtained through the issuance of ad hoc letters to various respondents. In addition, deposits and advance payments made on large and exceptional items are also used to adjust the trade data.

(ii) *Repairs on goods*: data on repairs on goods are collected from the monthly survey of private and public entities. The data essentially include information about income earned on aircraft and ship repairs carried out locally, as well as expenditure on aircraft and ship repairs carried out abroad.

(iii) *Goods procured in ports by carriers*: statistical data on goods sold in domestic ports to non-resident carriers are derived from trade statistics, whereas data on goods purchased by resident entities in foreign ports are compiled on the basis of the quarterly survey of resident shipping and airline companies.

(iv) *Non-monetary gold*: data for non-monetary gold are derived from trade statistics.

4.2 DEFINITION

Goods data conform to the definitions set out in the BPM5. Imports and exports are adjusted on an f.o.b. basis and merchandise trade statistics by country of destination are also compiled.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from the BPM5, except for transactions related to ship repairs and shipbuilding, which are included under general merchandise.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

Where shipment data (insurance and freight) are not available separately, the shipment content is estimated at around 10% of the c.i.f. value of the merchandise imports (see Sub-section 5.1 below).

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

(i) *Transportation*: data for transportation services are subdivided into three identifiable categories, namely passenger, freight and other transportation.

Data on receipts and payments for passenger carriage are primarily retrieved from the monthly DR survey carried out for both shipping and airline companies (including their representative agencies operating in Malta).

Data on revenue from freight are derived from the same survey. For freight payments,

however, where shipment data (insurance and freight) are not available separately, an estimate of 10% of the c.i.f. value of imports is made. Of this estimate, 90% is allocated to freight and the remainder to the insurance payments item (which is included in the current transfers account). A statistical adjustment is made for freight on imports transported by domestic carriers.

Other transportation services are obtained from the monthly DR survey and specific data requests sent to the Malta International Airport and the Maritime Authority.

(ii) *Travel*: data on gross earnings from tourism are now derived from cross-border surveys and expenditures by residents travelling abroad are derived mainly from estimates based on historical settlement data.

(iii) *Other services*: the primary sources of data for other services are the monthly and annual DR surveys. The data sources for government transactions are the Ministry of Finance and the CBM's DR return BOP 80. Data on services of households will be partly estimated and partly based on historical settlement data and administrative records.

5.2 DEFINITION

The reporting of services transactions conforms to the definitions and guidelines set out in the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from the BPM5, except for transactions in connection with financial services, which are currently classified under other services.

5.4 GAPS

Country data are collected but not yet disseminated.

5.5 INTENDED HARMONISATION

A more comprehensive classification of services on a country-by-country basis will be made available from the DR data collection system.

5.6 ESTIMATION METHODS

Estimates for non-respondents are extrapolated from historical data.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

Data are obtained from the monthly DR questionnaires and from the CBM's monthly b.o.p. cash statement.

6.1.2 INCOME ON DIRECT INVESTMENT

The main source of data on income on direct investment is the DR questionnaires, which provide information on reinvested earnings, dividends and interest income.

Data on income are collected by type of financial instrument. A country classification is also compiled but not yet disseminated.

Income on equity is recorded in accordance with BPM5 recommendations. Reinvested earnings of all sectors of the economy are reported on an annual basis in the DR FDI questionnaire. Monthly estimates are derived using past data.

When earnings are reinvested, an offsetting entry in the financial account is recorded under direct investment.

With regard to income on debt, income on inter-company loans is recorded as income on direct investment. The DR questionnaires indicate whether the income on loans is derived from a foreign parent company, a subsidiary or other non-resident sources. Income on debt securities

between affiliates is recorded as income on direct investment. To qualify as an affiliate, and thus be recorded as income on direct investment, the criterion of a minimum 10% shareholding is applied (see Sub-section 9.2 below for a detailed explanation). If any income on debt is not yet paid/received, an offsetting entry is recorded in the receivables/payables item under direct investment.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

The DR questionnaires provide information on interest on bonds, notes and money market instruments, as well as on dividends on equity. The income on portfolio investment is classified according to the type of portfolio investment instrument. Information on the sectoral classification is also available. The monthly DR questionnaire provides for a full country and sectoral breakdown. The criterion applied in this regard is the country of the issuer.

With the exception of the personal sector, income on equity and debt securities follows the definitions recommended in the BPM5. Dividends are obtained from the monthly DR questionnaire.

6.1.4 INCOME ON OTHER INVESTMENT

There are two main data sources for income on other investment. Financial and non-financial enterprises provide information on interest income and expenditure through the monthly DR survey, which also includes information on income from trade credits. The Ministry of Finance provides data on interest payments on the government's external debt. Income on the external reserve assets of the CBM is provided by its Finance Office and is recorded monthly on an accruals basis.

The definitions of the BPM5 are followed, except in the case of accrued interest of the personal and government sectors.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

The accruals principle is not followed for the personal sector.

6.3 GAPS

Although information on income is collected by the type of financial instrument, investment income is presently being compiled without a distinction being made between the type of instruments.

6.4 INTENDED HARMONISATION

Under the new direct reporting system, income will be compiled by type of instrument. Moreover, the introduction of the new DR questionnaire for investment service providers should enhance data coverage for the personal sector.

6.5 ESTIMATION METHODS

In the absence of reliable statistics on the external financial assets and liabilities of the personal sector, estimates are made and government administrative sources are used. An offsetting entry is recorded in portfolio investment and/or other investment. Estimates are also made for monthly reinvested earnings.

7 CURRENT TRANSFERS

See the following section on the capital account.

8 CAPITAL ACCOUNT

8.1 SPECIAL FEATURES OF DATA COLLECTION

Current transfers

(i) *General government*: data on official transfers, which are shown under this account, are obtained from the CBM and government sources.

(ii) *Other sectors*: aggregated data on personal remittances, pensions and other transfers are estimated and government administrative records are also used. Also

included under this classification are non-life insurance premiums and claims reported by private and public entities in the CBM's quarterly enterprise survey; additional information is obtained through specific data requests.

As from 1995, following the recommendations set out in the BPM5, the data related to current and capital transfers were disaggregated. Hence, data on emigrants' capital transfers, debt forgiveness and government grants are currently included in the capital account. Data on government grants are provided by the Ministry of Finance, while other related data are obtained from the CBM.

8.2 DEFINITION

The definitions of the BPM5 are adhered to. For the data sources, see Sub-section 8.1.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

There are no gaps. Both migrants' transfers and the acquisition/disposal of non-produced, non-financial assets are no longer captured through the CBM's settlement-based system and other data sources are being used.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The monthly DR questionnaires are used to collect foreign direct investment (FDI) data from all sectors of the economy with the exception of households. The DR questionnaires are designed in such a way as to identify all inter-company transactions, including loans and trade credits. Information on the acquisition of real estate in Malta by non-residents is provided by the Ministry of Finance. Banks' SWIFT transaction records are being used for data on the acquisition of real estate by Maltese abroad and on other types of direct investment abroad by households. The b.o.p. register for the largest companies in Malta was constructed on the basis of detailed information obtained from the CBM's monthly b.o.p. settlement-based statement. In addition, further information was obtained from the statistical forms submitted to the CBM's External Transactions Information Office, historical data from the enterprise survey, trade data, annual reports of companies and newspaper clippings.

Data are available by sector and by instrument. A country breakdown will be made available for all sectors of the economy once the new direct reporting survey data are disseminated.

9.2 DEFINITION

The 10% ownership criterion is used to distinguish between direct and portfolio investment. This guideline is applied to identify types of investment (i.e. direct or portfolio) relationships in the corporate sector. The monthly DR questionnaire is structured in such a way as to indicate the direction of the FDI relationship.

Special-purpose entities (with the exception of 14 SPEs considered to have a centre of economic interest in Malta) are currently considered non-residents and are included under other investment – currency and deposits.

All transactions between affiliated companies are included under direct investment. Moreover, an offsetting entry for reinvested earnings is shown as part of income and included under FDI. As a general rule, direct investment transactions are recorded when the transactions occur. Geographical allocation of FDI is based on the country of residency of the parent, subsidiary or affiliate, as the case may be.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no deviations from the agreed definition.

9.4 GAPS

Information on the switching of overseas assets between the FDI, portfolio investment and other investment categories by households is not available (see Sub-section 9.3).

9.5 INTENDED HARMONISATION

The statistical treatment of the residency of all SPEs is presently under consideration.

9.6 ESTIMATION METHODS

Estimates for non-respondents are extrapolated from historical data.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on portfolio investment are collected on an aggregated basis. The DR questionnaires are used to collect portfolio investment data. Information on the portfolio investment transactions of households is being obtained from custodians and banks acting as custodians. Purchases of domestic equity and debt securities by non-residents on the Malta Stock Exchange (MSE) are reported directly to the b.o.p. compiler by the MSE.

Classifications by country, sector and instrument are available. No currency breakdown is available.

10.2 DEFINITION

The compilation of portfolio investment transactions is generally in line with the BPM5. Equity securities, bonds and notes as well as money market instruments are included in the definition. Service charges, fees and commissions are recorded separately under services. Portfolio investment data will be available by country under the direct reporting system. The sector of the issuer will also be available for most sectors of the economy.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no deviations from the agreed definition.

10.4 GAPS

Information on the switching of overseas assets between the FDI, portfolio investment and other investment categories by households is not available.

10.5 INTENDED HARMONISATION

Under the new DR reporting system, surveys of custodians and partial end-investors will also be conducted.

10.6 ESTIMATION METHODS

Estimates of the value of transactions carried out by non-respondents are made. These are based on historical data where these are available.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The monthly DR questionnaire also collects financial derivative data from all sectors of the economy with the exception of households. The DR questionnaire is structured to differentiate between options and derivatives other than options.

11.2 DEFINITIONS

The compilation of financial derivatives is generally in line with the BPM5.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no deviations from the agreed definition.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The DR questionnaires are used to record the other investment transactions of all sectors of the economy. The household sector, however, is captured through bank records. Breakdowns are available by country, sector and instrument. No currency breakdown is available.

12.2 DEFINITIONS

Other investment transactions are generally in line with the BPM5. Transactions related to repurchase agreements and trade credits are included under other investment.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 12.2 above.

12.4 GAPS

Information on the switching of overseas assets between the FDI, portfolio investment and other investment categories by households is not available.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Estimates are made for currency and deposits and for receivables and payables vis-à-vis non-residents.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The CBM's Finance Office is the source of data on reserve assets. A new reporting form has been introduced to capture b.o.p. and i.i.p. data. This new form provides for an instrument, sector of issuer and country breakdown.

Reserve assets are compiled in accordance with the gross concept.

13.2 DEFINITIONS

The definition of reserve assets is in line with the BPM5. Reserve assets are under the effective control of the CBM. Reserve assets include highly liquid claims on non-residents in foreign currency. Positions in local currency are excluded.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 13.2.

13.4 GAPS

See Sub-section 13.2.

13.5 INTENDED HARMONISATION

None

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The i.i.p. is now compiled quarterly under the DR data collection system. The following is a breakdown by sector of the financial account items which are compiled:

(i) *banking sector*: compiled for all financial account items;

(ii) *non-financial enterprises (including public companies)*: based on the top 700 companies, all financial account items are compiled;

(iii) *households*: the only information available with regard to households is the amount of borrowing/lending with non-residents and investment abroad as reported in the Investment Registration Scheme of 2001, 2002 and 2003; and

(iv) *central government*: all financial account items are available.

Reserve assets are included.

Assets and liabilities are compiled separately and Malta's i.i.p. is published annually in the NSO's news releases and in the IMF's IFS.

14.1.2 DIRECT INVESTMENT

The i.i.p. of the banking sector is compiled by instrument and is also available by country. No currency breakdown is available. The main data source is the Bank's DR questionnaire, which is submitted to the CBM's BOP Data Compilation Section three weeks after the end of the reference period and collects real stock positions.

There are no significant deviations from BPM5 definitions. The valuation criteria used for equity securities are generally at market values. However, all other direct investment instruments, such as inter-company loans, are recorded at the end-of-period exchange rates.

The direct investment stock of the non-financial enterprises (including public companies) is compiled by instrument. No currency breakdowns are available. Data are compiled on the basis of the monthly and annual DR surveys submitted to the NSO. Data are available approximately three weeks after the surveys are received by the NSO.

Until 2003 the stock of long-term financial instruments, with the exception of loans from abroad, was derived from accumulated flows. However, with the introduction of the new DR questionnaire real stock positions are now available. Short-term instruments are compiled from real stock positions. There are no deviations from BPM5 definitions.

Equity securities are given at book value, but all other direct investment instruments are recorded on the basis of market value. A reconciliation exercise is carried out for the loans of the public entities.

The government sector has no direct investment abroad and no data are available for the household sector.

Since 2002 data on the purchase of property abroad have been included in the i.i.p. based on information obtained from the IRS.

14.1.3 PORTFOLIO INVESTMENT

The portfolio investment stocks of the banking sector are compiled by instrument, maturity and country. No currency breakdown is available. As in the case of FDI stocks, the portfolio investment position is available from the DR questionnaires. Similarly, data on real stock positions are available approximately three weeks after the end of the reference period and follow BPM5 definitions. Securities are recorded at market value.

The portfolio investment position of non-financial enterprises (including public

companies) is compiled by instrument, maturity and country. However, no currency breakdown is available. Data for this sector are compiled from the monthly and annual DR questionnaires submitted to the NSO. These survey data are available approximately three weeks after the end of the reference period. Until 2003 the initial portfolio investment stock position was compiled in accordance with the BPM5, while subsequent stock data were based on accumulated flows. No reconciliation exercise was carried out for portfolio investment. However, since the introduction of the new DR questionnaire, real stock positions are available and a full reconciliation is possible.

Data on the government sector is made available by instrument and by country. There are no maturity or currency breakdowns. Real stock positions are collected using the government's Annual Financial Report (available six months after the end of the year) and replies to quarterly data requests to the MSE on government securities held by non-residents. Market valuation criteria are used and the compilation of the government's portfolio investment position is in line with the definitions of the BPM5. A reconciliation exercise is carried out taking price changes into consideration.

Since 2002 data on portfolio investment for the household sector have been included in the i. i.p. based on information obtained from the IRS. Subsequent stock data are based on accumulated flows. No reconciliation exercise is carried out for this sector. Data for the personal sector should be enhanced once the ISP questionnaire is introduced.

14.1.4 FINANCIAL DERIVATIVES

Until 2003 data on financial derivatives were not shown separately, except for the banking sector. From 2004 data on financial derivatives are available for all sectors with the exception of households.

14.1.5 OTHER INVESTMENT

The other investment stock position of the banking sector is compiled by instrument, maturity and country, but no currency breakdown is available. As in the case of FDI and portfolio investment stocks, the other investment position is available from the DR questionnaires. Similarly, a full reconciliation in accordance with the BPM5 is available approximately three weeks after the end of the reference period. Market valuation criteria are used.

The other investment stock position of non-financial enterprises (including public companies) is compiled by instrument, maturity and country. However, no currency breakdown is available. Data for this sector are compiled from the monthly and annual DR questionnaires submitted to the NSO three weeks after the end of the reference period. Until 2003 the stock of long-term financial instruments, excluding loans of public enterprises taken out abroad, was derived from accumulated flows. This has now been rectified with the introduction of the new DR questionnaires. Short-term assets and liabilities are compiled from real stock positions.

The government sector is compiled by instrument. Data for loans are available by country, but there are no currency or maturity classifications. Data on other investment are compiled from replies to specific data requests sent to the Ministry of Finance and information provided by the CBM's Statistics Office. Data on real stock positions are available approximately two months after the end of the quarter. There are no deviations from BPM5 definitions. Market valuation criteria are used and a reconciliation exercise is carried out taking exchange rate movements into consideration.

The data available for the household sector are for loans from non-residents and deposits. Data on loans are compiled on a monthly basis from the direct reporting statistical returns.

Breakdowns by country and maturity are available.

Since 2002 data on deposits held abroad by the household sector have been included in the i. i.p. based on information obtained from the IRS. Subsequent stock data are based on accumulated flows. No reconciliation exercise is carried out for this sector.

14.1.6 RESERVE ASSETS

The source for these data is the CBM's Finance Office. Data are in line with the BPM5 and a reconciliation is performed on a monthly basis for price and exchange rate movements.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-sections 14.1 to 14.1.5.

14.3 GAPS

See Sub-sections 14.1 to 14.1.5.

14.4 INTENDED HARMONISATION

During 2005 the data for the personal sector should be enhanced with the introduction of the ISP DR questionnaire. This questionnaire will report nominees' holdings of the household sector, including an annual reconciliation for price and exchange rate movements. The statement should also include a country breakdown.

14.5 ESTIMATION METHODS

See Sub-section 14.1 on the banking sector.

15 CONTACTS

This country information was drafted by Malta in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Malta should be addressed to:

Mr Gerard Grant
Central Bank of Malta
Balance of Payments Data Compilation Section
Castille Place
Valletta CMR 01
Malta

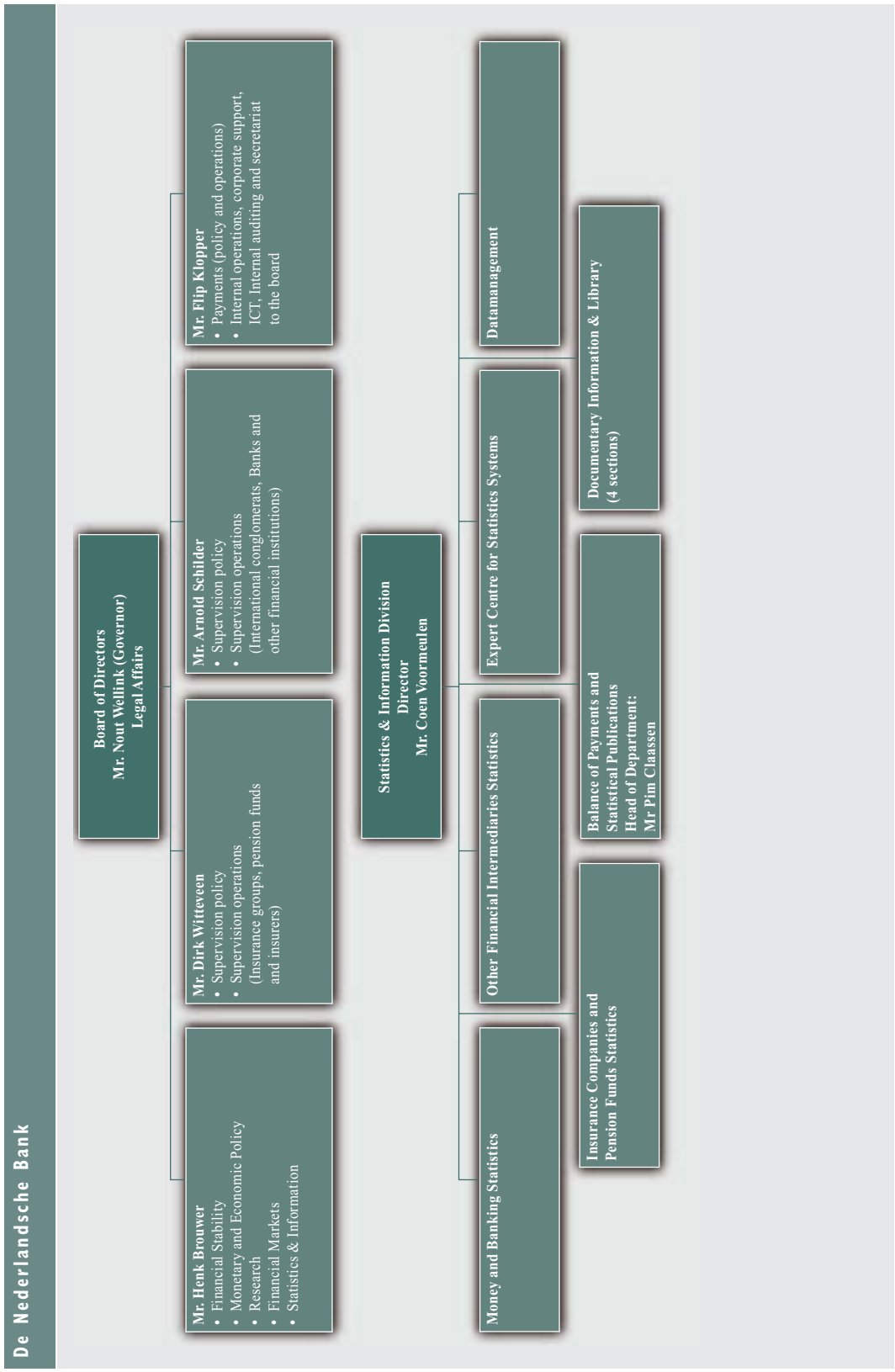
Tel.: 00 356 21247480
Fax: 00 356 21243051
E-mail: grantg@centralbankmalta.com

Mr Ray Micallef
National Statistics Office
Balance of Payments Section
Lascaris
Valletta CMR 02
Malta

Tel.: 00 356 25997260
Fax: 00 356 21249841
E-mail: ray.micallef@gov.mt

4.18 NETHERLANDS

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

De Nederlandsche Bank (DNB) has been responsible for compiling full balance of payments statistics since 1945. It compiled the first full b.o.p. for 1946, based on a settlement system. In 2003 the transition to a survey system became effective.

2.2 LEGISLATIVE PROVISIONS

Until 1981 the legal basis for the collection of b.o.p. data was the Foreign Exchange Decree of 1945, which established a general prohibition principle that required prior permission for all cross-border transactions. The exchange control regime gradually became more flexible, with a growing list of exceptions to the general prohibition against cross-border transactions. In principle, the External Financial Relations Act of 1981 permits all external transactions unless these are explicitly prohibited. The legislation imposed a general obligation on banks and non-banks to report their external positions and all transactions that are settled on the accounts held with/by non-residents. In return, full confidentiality is ensured. In 1994, the External Financial Relations Act was revised, also to enable DNB to exchange confidential data within the ESCB. In 2004, a similar adjustment occurred for the exchange of confidential b.o.p. information between DNB and Statistics Netherlands.

2.3 INTERNAL ORGANISATION

All statistical activities of DNB are centralised within the Division Statistics & Information. Since 1 February 2007, this division consists of seven departments, one of which is the Balance of Payments and Statistical Publications Department. The division is, amongst others, responsible for the processing of all reports and the design and maintenance of the reporting tools and the accompanying framework.

The individual b.o.p. reports received by DNB comprise the data for the financial account, including the i.i.p., related investment income and some additional information. All DNB's reporting requirements for specific groups of reporting agents are combined in so-called (reporting) profiles. The statistical departments elaborating the data for specific groups of reporting agents (sectors) assess not only these reports as regards the b.o.p. information, but also the other micro data contained in the profiles for these reporting agents (e.g. for the quarterly sector accounts).

The division has been reorganised by sector-orientation. By creating departments which are sector-oriented, maximum clarity is given to data users, such as Statistics Netherlands and data providers where to ask for or provide the data. In addition, sector-orientation leads to specialisation and more quality of the products, in particular because the data are analysed both at a sectoral level and at the level of the sub-accounts of the b.o.p.

The Balance of Payments and Statistical Publication Department has 20 staff, of which 14 are involved in b.o.p. and i.i.p. The others are involved in real economic statistics and/or publications. The department is responsible for overall b.o.p. compilation and the dissemination of all b.o.p. output. In addition, the department is responsible for the reporting and the so-called macro-micro analysis of the sectors government and non-financial institutions. The activities entail the complete process of account management, the assessment of data on a micro (reports) and a macro level. Only the reports of the largest reporters are analysed; additional analysis of individual reports only occurs when the macro data (aggregated level) give rise to that. To ensure a good integration of micro and macro analysis, account managers, statisticians as well as economists are assigned to the department.

2.4 EXTERNAL COOPERATION

The transition to the survey system has led to a strategic decision regarding the allocation of tasks between DNB and Statistics Netherlands. It implies that Statistics Netherlands provides the greater part of the data for the current account and DNB for the financial account. This roughly corresponds with the core business of each institution, viz. the real economy for Statistics Netherlands and the financial economy for DNB. The strategic decision furthermore includes cooperation in the field of the registers maintained by both institutions for b.o.p. purposes, including their regular updating and attuning. DNB remains responsible for the overall compilation of the b.o.p. and the i.i.p.

The data provided by Statistics Netherlands for the goods account comprise intra- and extra-EU trade. This information is adjusted for the c.i.f./f.o.b. margin. After the adoption of the Intra-Community Trade Statistical System (Intrastat), the quality of trade statistics diminished. Consequently, Statistics Netherlands' National Accounts Department makes corrections to the trade data. These corrections are also adopted by DNB.

As of the second quarter of 2003, Statistics Netherlands also provides quarterly data on international trade in services. To that end, a new quarterly survey was adopted. In 2005, the reporting population for this survey comprised a sample of around 2,100 reporting agents (approximately 7% of the total population).

Furthermore, Statistics Netherlands compiles quarterly data on the compensation of employees and on some items of current transfers, both partly based on estimates.

There are several platforms on which statistical issues regarding the b.o.p. and the i.i.p. are discussed with Statistics Netherlands. This includes the joint analysis of the data provided by Statistics Netherlands, as well as fitting in the b.o.p. data in the national accounts.

2.5 USERS

Links with international organisations generally focus on the dissemination of Dutch b.o.p. data and methodological issues. The Netherlands Bureau for Economic Policy Analysis (CPB), generally uses national accounts data, although data from DNB are also used in the short term and for forecasts. The b.o.p. is also used as input for the Rest of the World (RoW) account compiled by Statistics Netherlands. Detailed b.o.p. data are obtained from DNB.

Data are supplied to international organisations, such as the European Central Bank, the European Commission (Eurostat), the Organisation for Economic Co-operation and Development, the International Monetary Fund and the Bank for International Settlements, on a regular basis.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The survey system, effective since April 2003, can be defined by the following features. Firstly, the cross-border transactions and positions are basically obtained directly from the residents involved, i.e. through direct reporting. At the same time, it includes some intermediary reporting by banks and custodians, especially in the field of derivatives and portfolio investment, to enhance the efficiency of data collection. Secondly, the collected information does not consist of individual settlements, but of aggregated transactions (and positions), as recorded in the reporting agents' business administration. Thirdly, the reporting population is largely confined to representative samples.

The reporting requirements of the DNB survey are included in 14 so-called reporting profiles for each specific group of reporting agents. The reporting profiles comprise the main data for the i.i.p. (i.e. stocks, including accrued interest), as well as for the financial and investment income accounts of the b.o.p. They include

breakdowns by country, sector and type of financial instrument. Most reporting requirements request a full reconciliation between flows and stocks including a reconciliation of accrued interest. The "reconciliation model" implies that all changes between the opening and closing positions of the reporting period need to be explained. The changes are generally broken down into gross transactions, changes in market prices, exchange rate changes and other changes (e.g. write-offs). Portfolio investments are for the larger part reported on a security-by-security basis whereby the ISIN codesystem is used as security identifier. Only a very limited number of reporting agents prefer to return aggregated portfolio reports.

Most reporting requirements, both for stocks and flows, have a monthly reporting frequency. However, some data which are generally not available at a monthly frequency, need to be reported on an annual basis only. This mainly concerns the stocks of equity participations and real estate, as well as related profits and losses and reinvested earnings (see also Sub-section 9.1). Direct and other investments of MFIs have been integrated in money and banking statistics. To that end, the reporting requirements for these statistics have been extended to allow for the derivation of flows. Moreover, investment income related to these financial instruments has been included in the reports.

The reporting requirements of the 14 profiles are imposed on sample populations of specific groups of reporting agents (see table). Overall, these samples comprise around 2,075 reporting agents that were drawn in such manner to cover around 95% of total transactions and positions of the complete population (of approximately 43,000 entities).[1] The data for the entities that are not included in the sample are estimated through a grossing-up procedure. This applies notably to investment income and financial stocks. The estimates are based on historical data for these entities. DNB does not apply a grossing-up procedure with regard to financial transactions. The estimates may be subject to further adjustments due to benchmarking with additional sources and fitting in the b.o.p. in the national accounts.

3.2 REPORTING AGENTS

(i) *MFIs:* the profile for DNB comprises the official reserves held by DNB. All other portfolio investments of the sampled MFIs (including DNB) are reported through the profile for MFIs. MFIs' direct and other investments are derived from money and banking statistics. Their reporting requirements also concern cross-border participations in syndicated loans for residents. Additionally, MFIs in their role of clearing members and custodians separately report data on portfolio investments and derivative contracts of their clients (see Sections 10 and 11).

(ii) The *Dutch central securities depository (CSD) and custodians (BWB):* monthly reports on specific cross-border holdings of securities (see Sub-section 10.1). With regard to the recording of migrants' transfers, custodians additionally provide data on changes of residency of their clients.

(iii) *Special financial institutions (SFIs):* stock data are only reported annually. As regards investment income, only interest paid and received have to be reported (i.e. no accrued interest and full reconciliation).

(iv) The *non-banking sector:* the profiles for the non-banking sector to some extent differ for different groups of reporting agents, notably investment companies, insurance companies, pension funds, other financial and non-financial corporations. Basically, however, these profiles all

1 These entities have the option to either return single reports for their own cross-border business, or so-called centralised reports for all sampled and/or other residential enterprises belonging to their group. The use of the latter option has led to about 2,075 entities actually reporting the profiles. In total, these reporting agents represent around 3,300 single enterprises that are included in the centralised reports.

Table Reporting scheme for b.o.p. and i.i.p. data collection in the Netherlands

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form [1]	Contents of reporting form	Frequency of reporting	Timeliness after the end of the reference period
Insurance companies	VRK/VRM	Foreign assets and liabilities (stocks and flows) and investment income	Monthly; annually [2]	15 working days; 4 months[3] 4 months[3]
Central government	OVH	Foreign assets and liabilities (stocks and flows) and investment income; also includes current and capital transfers	Monthly	15 working days
Non-financial corporations	NFV	Foreign assets and liabilities (stocks and flows) and investment income	Monthly; annually[2]	15 working days; 4 months[3]
De Nederlandsche Bank (DNB)	DNB	Official reserves (securities and derivatives) and current and capital transfers	Monthly	15 working days
MFIs, DNB (excluding official reserves)	MFI	MFIs' own security holdings and transactions.	Monthly	15 working days
Investment companies	BLG	Foreign assets and liabilities (stocks and flows) and investment income	Monthly, annually[2]	15 working days; 4 months[3]
Pension funds	PNK/PNM	Foreign assets and liabilities (stocks and flows) and investment income[4]	Monthly; annually[2]	15 working days; 4 months[3]
Special financial institutions (SFIs)	BFI	Foreign assets and liabilities (stocks and flows), investment income and international trade in services	Monthly: transactions/ services/income; annually: stocks, full reconciliation	15 working days 4 months
Other financial intermediaries	OFI	Foreign assets and liabilities (stocks and flows) and investment income	Monthly; annually[2]	15 working days; 4 months[3]
Other MFIs: syndicated loans (1)	SLB	Syndicated loans to residents with foreign lead manager	Monthly	15 working days
Other MFIs: syndicated loans (2)	SLN	Syndicated loans to residents with Dutch lead manager and foreign participations	Monthly	15 working days
MFIs and clearing members	CLM	Cross-border derivatives contracted both for MFIs own account and for their customers	Monthly	15 working days
Custodians	BWB	Foreign securities kept for Dutch households	Monthly	15 working days
		Dutch securities kept for non-residents	Monthly	15 working days
		Dutch securities held in foreign custody	Monthly	15 working days
		Migrants' transfers (part of capital transfers)	Monthly	15 working days
Centralised security depository	CSD	Dutch securities kept for foreign CSDs	Monthly	15 working days

1) A profile contains the reporting requirements for a specific group of reporting agents.
2) Annually as regards reinvested earnings and stocks of direct investment and real estate.
3) For monthly and annual requirements, respectively.
4) Pension funds reporting securities with ISIN codes do not need to report transactions and accrued interest for these securities.

coincide with the general reconciliation model.

(v) *Statistics Netherlands:* monthly data on goods imports and exports and quarterly data on compensation of employees, international trade in services and non-governmental current transfers.

3.3 THRESHOLDS

Since the survey system only collects aggregated transactions, thresholds regarding single payments are not applicable.

3.4 AVAILABILITY OF DATA

DNB compiles, on behalf of the ECB, a preliminary, complete monthly b.o.p. on a transactional basis after six weeks for all requested items. It includes a breakdown between the euro and non-euro area, as well as a split between euro-area assets and liabilities for portfolio investment. As of June 2004, it also contains a more detailed geographical breakdown (according to "step 3").

These monthly data contain estimates for:

- trade in services (quarterly survey; see Sub-section 5.6);
- reinvested earnings (annual survey; see Sub-section 9.6);
- short-term trade credits (no survey; see Sub-section 12.6);
- compensation of employees (quarterly survey, supplemented with estimates); and
- non-government transfers (quarterly survey, supplemented with estimates; see Section 7).

Estimates (or imputations) at the level of individual reporting agents are made for non-response.

3.5 TIMELINESS

When the monthly b.o.p. is compiled, almost 95% of the monthly reports have been received and processed. There is a system of monthly formal reminders which, if necessary, are followed up by administrative fines.

3.6 COMPILATION FREQUENCY

The Dutch b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

E-line Bop, the application for data transmission, contains two on-line logical tests of the data that need to be reported. One test checks for each financial instrument whether the sum total of the opening balance and all reported changes add up to the closing balance. The second test compares the closing balance of the previous and the opening balance of the present reporting period, which must be identical. If logical errors occur, the data cannot be transmitted before the reporting agent has adjusted them. As a result, the need to assess the plausibility of the micro data received by DNB is limited. Attention therefore, is especially focused on the macro results, which may lead to the detection of (implausible) outliers at the micro level.

3.8 REVISION POLICY

At the micro level the data are revised and corrected on an ongoing basis, as new information becomes available. Once every quarter, all changes of the previous six months are processed in the macro data and assessed, leading to a revision of the data for the two previous quarters. In principle, only once a year (in September) all previous quarters (14 quarters) are revised.

3.9 PUBLICATION

DNB publishes the national balance of payments on a quarterly basis, both in its Statistical Bulletin and on its website (see Sub-section

15.1). The website includes the release calendar. As of 2005 DNB also publishes a balance of payments and IIP including the transactions and positions of SFIs. Sub-section 15.1 gives a list of b.o.p. publications of DNB.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

External trade statistics are compiled by Statistics Netherlands on the basis of customs declarations and Intrastat for extra- and intra-EU trade, respectively. These data are available within six weeks. Both intra-EU and extra-EU trade statistics are compiled according to the country-of-consignment principle. The c.i.f./f.o.b. margin is calculated by Statistics Netherlands through the so-called f.o.b. delivery terms method. Insofar as the customs declarations include f.o.b. delivery terms, these are applied as a proxy to calculate the margins for country groups. The same method is used to calculate the margins for intra-EU trade, based on the customs declarations from non-EU European countries (adjusted for the average distances from the Netherlands).

4.2 DEFINITION

In principle, DNB follows the recommendations set out in the IMF's Balance of Payments Manual, fifth edition (1993; BPM5) and the harmonisation proposals made by the ESCB's Working Group on External Statistics (WG-ES) and its predecessors.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from agreed definitions.

4.4 GAPS

No data are collected on purchase and sale of goods not crossing frontiers.

4.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

4.6 ESTIMATION METHODS

The expenditures on goods procured in ports by carriers are estimated by Statistics Netherlands.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

As of the second quarter of 2003, Statistics Netherlands also provides quarterly data on international trade in services. To that end, a new quarterly survey was adopted. In 2004, the reporting population for this survey comprised a sample of around 2,100 reporting agents (approximately 7% of the total population).

5.2 DEFINITIONS

In principle, DNB follows the recommendations set out in BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from agreed definitions.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

5.6 ESTIMATION METHODS

Monthly data on trade in services, broken down by transport, travel and other, are extrapolated from historical data by means of an ARIMA model. After the results of the quarterly data are obtained, a similar method is used to distribute

the data over the separate months that are included in the quarter.

6 INVESTMENT INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 GENERAL

Investment income is collected through the general direct reporting system, i.e. the reconciliation model (see Sub-section 3.1). Dividends are recorded as of the date they are paid. All interest income is recorded on an accruals basis, except for SFI earnings (see also Sub-section 3.2).

6.1.2 INCOME ON DIRECT INVESTMENT

Dividends are recorded on the date that they are paid. Reinvested earnings on equity participations are collected annually. Reporting agents have to submit this information within four months after the end of their financial year. After this information has been received from a reporting entity, the estimates regarding its reinvested earnings are replaced (see Sub-section 6.6).

Income on direct investment debt, like on all other interest-bearing debt, is reported on an accruals basis. Income on real-estate liabilities is estimated by applying a gross yield on the reported stocks. This yield is published by ROZ (Raad voor Onroerende Zaken), an institute which collects information on transactions and rate of return on real estate in the Netherlands.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

No difference is made in the system between normal shares and shares in collective investment institutions. Distributed income from shares in collective investment institutions is therefore treated as dividend income and is recorded when paid.

6.2 DEFINITIONS

DNB follows most of the recommendations set out in BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from agreed definitions.

6.4 GAPS

No data are collected on reinvested income from investments in collective investment institutions. Instead, reinvested earnings in this case are recorded as price changes. No data are available on income from short-term trade credits. The amounts involved are expected to be relatively small, because in many cases no interest is charged on short-term trade credits.

6.5 INTENDED HARMONISATION

For reinvested earnings on FDI equity, it is planned to estimate total earnings instead of reinvested earnings, as recommended by the STC. This change will be effectuated in 2007.

6.6 ESTIMATION METHODS

Reinvested earnings on FDI equity participations, which are included both in the income and the financial account, are estimated for the current year as the average of reinvested profits over the previous three years at the level of individual reporting agents. The estimates are revised once the actual data on reinvested earnings have been collected through the annual reports, which reporting agents need to submit within four months after the end of their financial year.

7 CURRENT TRANSFERS

The following information is only collected (and partly estimated) on a quarterly basis:

– compensation of employees; and

– social security and other (non-government) current transfers.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Private sector non-produced, non-financial assets are collected through the quarterly survey for trade in services of Statistics Netherlands. A quarterly estimate is made by Statistics Netherlands of inheritances (based on inheritance tax) and change of residence of bank accounts (based on number of emigrants and immigrants). Other items of the capital account (including non-produced, non-financial assets of the government) are integrated in the general reporting system.

The distinction between current and capital transfers according to BPM5 is problematic, since it requires information on the use of funds abroad which is generally not available. Information from Eurostat on European Commission accounts is used to estimate this breakdown.

Private sector non-produced, non-financial assets are collected through the quarterly survey for trade in services. The estimates for the current and previous months are made in the same manner as for trade in services (see Sub-section 5.6).

8.2 DEFINITION

In principle, DNB follows the recommendations set out in BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from agreed definitions.

8.4 GAPS

Coverage is poor in the case of other sectors.

8.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on direct investment are collected through the general direct reporting system, i.e. the reconciliation model (see Sub-sections 3.1 and 3.2). Information is collected on equity investments, equity-related investments, and various types of inter-company assets and liabilities. For each of these direct investment instruments a distinction is made between long-term and short-term loans, financial leases, repurchase agreements, long-term trade credits, inter-company current accounts, and other assets and liabilities. For both assets and liabilities, a further breakdown is made between positions vis-à-vis the direct investor and the affiliates (directional principle).

Reporting agents included in the sample population have to submit annual reports on the stocks of equity participations within four months after the end of their financial year. Geographical breakdowns are based on the residency of the direct cross-border debtor or creditor (first-shot principle). Financial derivatives contracted between affiliates (excluding the MFI sector) are not identified separately and are included in financial derivatives.

Direct equity investment (and other investments) of MFIs are integrated in monthly money and banking statistics. Additionally, banks have to report direct investment equity stocks (at market values), revaluations and profits paid and retained as an integral part of their annual reports on foreign affiliates, collected for prudential purposes.

The additional breakdown of equity stocks by valuation in market and book value, is done manually. Because almost all reporters report

on basis of net asset value (book value), a book/market ratio is applied to calculate market value.

9.2 DEFINITION

DNB follows the recommendations set out in BPM5 and the harmonisation proposals made by the WG-ES and its predecessors. In addition, the guidelines of the "Fully Consolidated System" of the OECD Benchmark Definition of Foreign Direct Investment are applied.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The 10% rule for identifying FDI relationships is not strictly adhered to. In the Netherlands, direct investment is assessed according to effective control according to the reporting entity. This treatment does not lead to significant deviations from the agreed concepts. If a large investment is found to bear the features of a direct investment, the investor will be consulted.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

9.6 ESTIMATION METHODS

Reinvested earnings are estimated for the current year See Sub-section 6.6.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on portfolio investment assets (foreign securities) are collected through the general direct reporting system (see Sub-sections 3.1 and 3.2), except for holdings of households which are collected from custodians. Data on portfolio-investment liabilities (domestic securities), on the other hand, are collected by means of the depository approach, which combines direct and indirect reporting (notably by Dutch custodians and the CSD).[2] Both portfolio assets and liabilities are compiled on the basis of economic ownership. As from January 2006, the data collected from the reporting agents also relates to economic ownership.

Reporting by ISIN code is not compulsory, although practically all of the data is reported in this way. When investments are reported without ISIN code, reporting agents have to submit a full reconciliation of stocks, flows and revaluation, including interest accrued for debt, on a monthly basis. Reporters have to submit all data classified by country and sector of the issuer and by type of instrument (shares, bonds and notes and money market instruments). When reporters use security-by-security reporting, stocks are reported as number of shares for equity or nominal value for debt. The market value of stocks, price and exchange rate changes and interest accrued is calculated by the compilation system. The system also classifies the data by country and sector of the issuer.

The transformation of the data reported by ISIN code is based on data from a securities database. The database, which is updated daily using information from a commercial data provider, contains information on:

- ISIN code and other security identification codes
- type of security (by ESA 95 instrument classification);
- outstanding capital (number and value of shares/debt);
- issue date and price;

2 The method was referred to as the "mixed approach for portfolio liabilities" in Chapter IV of the Task Force on Portfolio Investment Collection Systems' Final Report of June 2002.

– monthly price information including its source;

– interest (fixed/floating, current coupon rate), and

– the issuer (name, sector, country of residence).

As from April 2006 portfolio investment intra assets are broken down by issuer sector.

10.2 DEFINITION

In principle, DNB follows the recommendations set out in BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

The geographical allocation criteria used are debtor/creditor for both stocks and flows.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

10.6 ESTIMATION METHODS

No estimates are used for portfolio investment.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on financial derivatives are collected through the general direct reporting system, i.e. the reconciliation model (see Sub-sections 3.1 and 3.2). Data on contracts traded directly on foreign exchanges and on OTC contracts are collected directly from the reporting agents. Contracts traded on foreign exchanges but executed through domestic banks and clearing members, on the other hand, are collected from the banks and clearing members concerned. Information regarding contracts executed by non-residents on the domestic derivative exchange is also collected from resident banks and clearing members. Reporting agents must submit a full reconciliation of stocks, flows and revaluation on a monthly basis. Revaluations do not need to be broken down further into price and exchange rate changes.

11.2 DEFINITIONS

The data are reported by instrument:

– options (including warrants);

– futures (variation margins)

– forward rate agreements

– interest rate swaps (only swaps where no principals are exchanged);

– cross-currency interest rate swaps (including other swaps);

– outright forwards and foreign exchange swaps (forward legs only); and

– all other OTC contracts.

For exchange-traded derivatives, the geographical allocation is made according to the country where the exchange is based or, in the case of a contract traded on a Dutch exchange, the country of residency of the client. OTC contracts are allocated to the country of the actual counterpart.

Transactions for assets and liabilities are collected separately, except for interest rate swaps. For these types of contracts receipts are recorded as transactions in assets and payments as transactions in liabilities, which is in line with IMF proposals.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from the definitions given in BPM5 or those agreed by the WG-ES and its predecessors.

11.4 GAPS

Receipts on interest rate swaps are considered as transactions in assets. Payments on interest rate swaps are considered as transactions in liabilities. Transactions in outright forwards are not collected.

11.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

11.6 ESTIMATION METHODS

No estimates are used for financial derivatives.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on other investments are collected through the general direct reporting system, i.e. the reconciliation model (see Sub-sections 3.1 and 3.2). The items of the other investment account are broken down by long- and short-term loans, financial leases, repurchase agreements, long-term trade credits, current accounts and other assets and liabilities. Information on the sector of the foreign counterparts (banks or non-banks) are requested on the reporting forms for both assets and liabilities.

Short-term trade credits are estimated through an econometric model which uses merchandise trade data as explanatory variables (see Sub-section 12.6).

Other (and direct) investments of MFIs are included in money and banking statistics (see also Sub-section 3.2).

12.2 DEFINITION

In principle, DNB follows the recommendations set out in BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from the definitions given in BPM5 or those agreed in the WG-ES and its predecessors.

12.4 GAPS

Transactions of private accounts held abroad are not included. However, the use of BIS data to fill this gap is under investigation.

12.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

12.6 ESTIMATION METHODS

No data on short-term trade credits are collected in the survey system. All data for this item are estimated. The estimates are made through an econometric model which relates the supply of short-term trade credit (on the assets side) to exports and the demand for short-term trade credit (on the liabilities side) to imports. The model's results effectively mimic an inventory process, whereby trade credits supplied and demanded in a given month are compiled from trade credits from the same month plus a certain percentage of the trade credits from previous months. The percentages thus decline for months further back, so as to take redemptions into account.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on securities and financial derivatives are collected through the general direct reporting system (see Sub-sections 3.1 and 3.2). Data on monetary gold, receivables from the IMF and

currency and deposits are derived from monthly balance sheet information, broken down by currency and by country.

13.2 DEFINITION

Since January 1999 the Eurosystem's definition of reserve assets has been applied.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no deviations from the Eurosystem's definition.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

The stock data for the i.i.p. are mostly collected on a monthly basis through the general direct reporting system, i.e. the reconciliation model (see Sub-sections 3.1 and 3.2).

Stocks of equity participations and real estate abroad are collected annually, only. Reporting agents must complete their annual reports on these items within four months after the end of their financial year. The annual reports contain a full reconciliation between transactions and stocks (i.e. revaluations, profits and dividends are reported separately) and a complete breakdown by country. For special financial institutions, all stock data (including accrued interest) are only collected annually. These annual reports include a full reconciliation for all items (standard components) of the financial account.

Data on reserve assets are collected from administrative sources at DNB.

14.2 DEFINITIONS

14.2.1 GENERAL

In principle, all data comply with the definitions set out in BPM5 and those agreed by the WG-ES and its predecessors. All positions are valued at end-of-year market prices and exchange rates, except for direct investment equity positions, which are generally based on the net asset value of the equity participations and, in some exceptional cases, (i.e. minority participations) on (historical)[3] book values, especially if no "market values" are available.

14.2.2 DIRECT INVESTMENT

The 10% rule for identifying FDI relationships is not strictly applied, although – in practice – quantitative differences are negligible (see Sub-section 9.3).

14.2.3 PORTFOLIO INVESTMENT

In principle, all data comply with the definitions set out in BPM5 and those agreed by the WG-ES and its predecessors.

14.2.4 FINANCIAL DERIVATIVES

Since data on stocks are collected through the general reporting system, the relevant definitions for stocks are the same as for transactions (see Section 11). For exchange-traded futures, no data on positions are collected, as all positions are assumed to revert to zero owing to the practice of daily marking-to-market.

14.2.5 OTHER INVESTMENT

In principle, all data comply with the definitions set out in BPM5 and those agreed by the WG-ES and its predecessors.

14.2.6 RESERVE ASSETS

As agreed by the WG-ES, the Eurosystem's definition of reserve assets was applied for the first time in the i.i.p. for end-1998.

3 E.g. in some cases regarding SFIs.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no serious deviations from agreed definitions.

14.4 GAPS

Stocks of private accounts held abroad are not included. However, the use of BIS date to fill this gap is under investigation.

14.5 INTENDED HARMONISATION

No further harmonisation efforts are planned.

14.6 ESTIMATION METHODS

Since the data collection on direct investment stocks is only completed after nine months, preliminary totals on behalf of the compilation of the i.i.p. after six months are estimated. These estimates, which are broken down by country and sector, are based on the survey results received up to that moment.

Stocks of short-term trade credits are estimated (see Sub-section 12.6).

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Periodicals:
De Nederlandsche Bank, *Statistical Bulletin*, quarterly.

Statistical Bulletin, special issues:
- Sparling, R. P., 2002, Dutch external assets, *Statistical Bulletin*, Special issue, *De Nederlandsche Bank*, February 2002.
- Van Wersch, M. P. F. M., 2003, Balance of payments in the Netherlands, the road to a modern survey system, *Statistical Bulletin*, Special issue, *De Nederlandsche Bank*, May 2003.

Internet:
Balance of payments reporting website: http://bb.dnb.nl
General website of *De Nederlandsche Bank:* http://www.dnb.nl/
Statistics website: http://www.statistics.dnb.nl/

15.2 CONTRIBUTORS

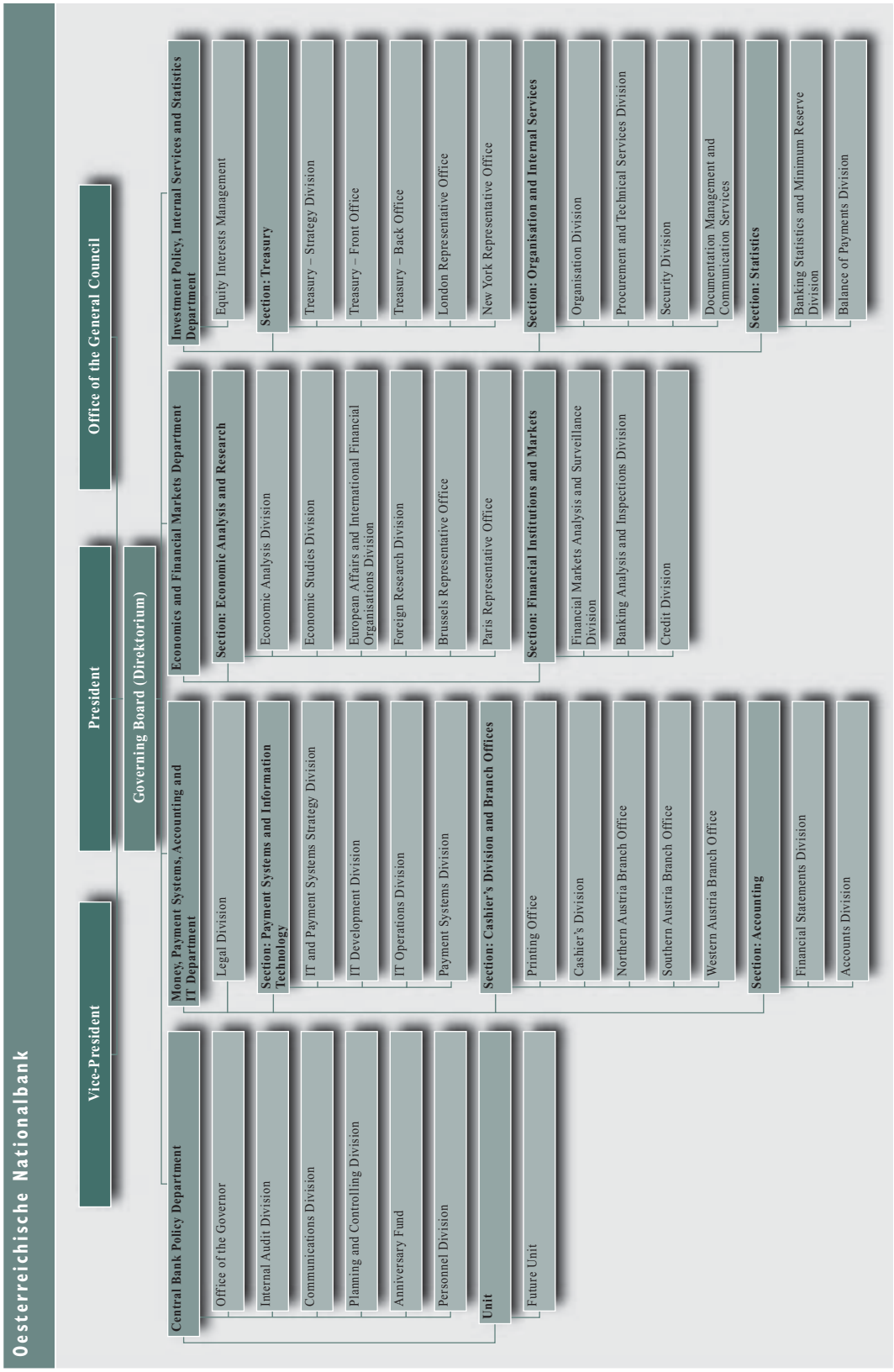
This country information was drafted by DNB's Balance of Payments and Statistical Publication Department and subsequently amended and agreed with the ECB. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to the Netherlands should be addressed to:

De Nederlandsche Bank
Balance of Payments and Statistical Publications Department
P.O. Box 98
NL - 1000 AB Amsterdam
Netherlands

Tel.: 00 31 20 524 2355
Fax: 00 31 20 524 2512
E-mail: stat-info@dnb.nl

4.19 AUSTRIA

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The Oesterreichische Nationalbank (OeNB) is responsible for producing the following macroeconomic statistics: monetary, balance of payments, international investment position and financial accounts statistics.

The OeNB has been responsible for compiling the Austrian b.o.p. statistics since 1946. The system for collecting and compiling the statistics has altered over time to reflect the dramatic development of the international integration of the Austrian economy over the past decades and the liberalisation process which took place during the 1980s.

Since the impact of external transactions on the Austrian economy is considerable, b.o.p. statistics are seen as an essential ingredient in monetary, exchange rate and general economic policy. In order to improve the analytical value of these statistics, as well as to meet international standards, such as those established by the IMF, the European Commission (Eurostat) and the ECB, several conceptual and presentational changes were introduced over a period of several years. A compilation system based on the reporting of cross-border payments made by banks on their own behalf and on behalf of their customers (settlement system) with some degree of automation was set up in 1974. In 1978 the definition of external reserves was brought into line with the IMF standards. In 1982 the coverage of the current account was extended in the sense that the difference between trade figures and payments for goods was included in the current account and excluded from errors and omissions. Exchange controls were fully abolished in Austria on 4 November 1991, which resulted in the establishment of a completely revised closed settlement system that was the basis for compiling data on cross-border stocks and flows from November 1991 to December 2005. To meet additional requirements originating from Austria's membership of the EU and participation in EMU, a major restructuring of this system took place 1998 with an emphasis on enhancing security-by-security compilation processes.

By the beginning of 2003 the Statistics Section of the OeNB came to the conclusion that settlements could not serve as the basis for collection b.o.p./i.i.p. data in the long run. This was based mainly on the following developments:

- Ongoing technical and organisational changes in payment systems of EU banks in the wake of the introduction of the euro made it more and more difficult to distinguish domestic from cross-border payments and to determine the correct classification for a large part of these payments.

- Reporting based on settlements was increasingly seen as a burden for banks and as an obstacle to further integration of payment systems in Europe. Legal measures were taken by the European Commission to limit the scope of settlement reporting by introducing high reporting thresholds (see Regulation EC/2560/2001 on cross-border payments in euro).

- Multinational companies were becoming more and more involved in cash-pooling and clearing activities, thereby circumventing the traditional payment channels via banks. Complex additional direct reports had been necessary since the 1990s in order to complement the settlement-based data.

The decision was made to introduce a collection system based on surveys and direct reports without any further reliance on cross-border payments reported by banks on behalf of their customers. This direct reporting system went live with 1 January 2006. Some double reporting according to the new and old systems was done for end-December 2005 stocks for parts of the portfolio and other investment items.

The following sections reflect the status of the collection and compilation of b.o.p. statistics in Austria as of January 2006 (reporting period). The implementation of data requirements outlined in Guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template is reflected in the Austrian system, as are the data requirements laid down in the fifth edition of the IMF Balance of Payments Manual (BPM5) and the ESA 95.

2.2 LEGISLATIVE PROVISIONS

Resident banks and non-banks are obliged to report cross-border transactions and related stocks to the OeNB under the Foreign Exchange Law of 2004 (*Devisengesetz 2004*, BGBl No 123/2003); detailed reporting requirements may be published by the OeNB in the form of Regulations (*Verordnungen*). The relevant reporting Regulations were published in mid-2004 (*Meldeverordnung ZABIL 1/2004*, with an emphasis on financial account reporting) and mid-2005 (*Meldeverordnung ZABIL 1/2005*, with an emphasis on current account reporting). Both went into effect on 1 January 2006, thereby revoking the previous "Official Announcements" that had regulated the old settlement data collection system.

The Foreign Exchange Law gives the OeNB the right to access other statistical data (e.g. foreign trade statistics, structural business survey) as well as administrative data sources (e.g. registers, tax records) in order to avoid double reporting or to update the register of potential reporting agents for b.o.p. purposes.

Data reported by Austrian residents are only used for statistical purposes. A strict confidentiality regime is applied.

2.3 INTERNAL ORGANISATION

2.3.1 THE OESTERREICHISCHE NATIONALBANK (NATIONAL CENTRAL BANK)

The OeNB has a separate Statistical Department. The production of basic statistical information (primary statistics) is concentrated in two divisions within this department, namely the Banking Statistics and Minimum Reserve Division and the Balance of Payments Division.

The Banking Statistics and Minimum Reserve Division is in charge of the compilation, publication and observation of banking statistics, statistics concerning investment institutions, and interest rate statistics as well as the BIS Banking Statistics. The Balance of Payments Division is responsible for the compilation, publication and analysis of data on Austria's external economic relations, namely its b.o.p., i.i.p. (including external debt statistics), portfolio investment (flows and stocks) and direct investment (flows and stocks). The compilation and publication of financial accounts statistics are also carried out by the Balance of Payments Division in cooperation with the Accounting Department, the Banking Statistics Division and the Economic Analysis Division.

The Balance of Payments Division of the OeNB comprises 42 staff members at present. B.o.p. and i.i.p. statistics are compiled and published by a unit composed of 12 members. The group is supported by a data collection unit responsible for reports received from banks and non-banks (16 members). The Head of the Division has one deputy and is advised directly by the Macroanalysis and Quality Control Unit, which is composed of eight members. Financial accounts are compiled by two staff members with support from several members of the other aforementioned units. Administrative duties are carried out by two staff members.

The Balance of Payments and IIP Statistics Unit is responsible for both the compilation, following international guidelines, and the

Reporting scheme for b.o.p. and i.i.p. data collection for Austria

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Non-Financial Corporations	*Meldung des grenzüberschreitenden Dienstleistungsverkehrs betreffend Abschnitte C bis I, K, M bis O und Abteilung 67 der ÖNACE – Services* and Transfers for non-financial coporations	Exports and imports of services and transfers	Quarterly	15 calendar days
Financial Corporations	*Meldung des grenzüberschreitenden Dienstleistungsverkehrs betreffend Abteilungen 65 und 65 der ÖNACE - Matrixmeldung – Services* and Transfers "Matrix" (item + country - breakdown) for financial coporations	Exports and imports of services and transfers	Quarterly (monthly on voluntary basis)	15 calendar days
Financial Institutions	*Meldung des grenzüberschreitenden Dienstleistungsverkehrs für Kartenorganisationen gem. §1 Abs1 Z6 BWG* Credit- and Bankcard Payments (country breakdown)	Creditcard and bankcard payments with / from non-residents per country	Monthly	15 calendar days
Financial Institutions	*Meldung des grenzüberschreitenden Dienstleistungsverkehrs für Kartenorganisationen gem. §1 Abs. 1 Z6 BWG* Credit- and Bankcard Payments (business breakdown)	Creditcard and bankcard payments with / from non-residents per sector of economic acitivity	Annually	1½ months
Insurance companies	*Meldung des grenzüberschreitenden Dienstleistungsverkehrs für Versicherungsunternehmen vierteljährlich* Insurance services (fewer details)	Insurance premiums, claims and reinsurance (fewer details)	Quarterly	15 calendar days
Insurance companies	*Meldung des grenzüberschreitenden Dienstleistungsverkehrs für Versicherungsunternehmen jährlich* Insurance services (more details)	Insurance premiums, claims and reinsurance (more details)	Annually	1½ months
All respondents	*Meldung zu grenzüberschreitenden Liegenschaftstransaktionen und Vermögensübertragungen* Capital transfers, real estate and rents	Capital transfers, real estate and rents	Monthly	15 calendar days
All respondents	*DI-Transaktionsmeldung* Direct investment equity transactions and dividends	Direct investment equity transactions and dividends	Monthly	20 calendar days
All respondents	*Meldung Stammdaten aktive DI und Meldung Stammdaten passive DI* Direct investment primary data about foreign counterpart	Direct investment primary data about foreign counterpart	Monthly	20 calendar days
MFIs	*Meldung zusätzlicher Daten zur EZB-MONSTAT-Meldung* Additional data to be reported for BOP in context of BSI-statistics	Loans and deposits with additional country and currency breakdowns in addition to regular BSI-data reporting	Monthly	Same timing as BSI-data
MFIs	*Meldung DI-Ausleihungen und DI-Einlagen MFIs* Loans and deposits with affiliated non-banks and permanent debt	Loans and deposits with affiliated non-banks and permanent debt broken down by counterpart and currency	Monthly	15 calendar days
Non-MFIs	*Meldung SI-Forderungen und SI-Verpflichtungen* Other investment assets and liabilities with third parties	Other investment assets and liabilities with third parties	Monthly	15 calendar days

Reporting scheme for b.o.p. and i.i.p. data collection for Austria

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Non-MFIs	*Meldung SI-Forderungen und SI-Verpflichtungen gegen ausländische Konzernunternehmen* Other investment assets and liabilities with affiliates	Other investment assets and liabilities with affiliates	Monthly	15 calendar days
Non-MFIs	*Meldung SI-Forderungen und SI-Verpflichtungen aus Handelskrediten* Trade credits assets and liabilities with third parties	Trade credits assets and liabilities with third parties	Monthly	15 calendar days
Non-MFIs	*Meldung SI-Forderungen und SI-Verpflichtungen aus Handelskrediten gegen ausländische Konzernunternehmen* Trade credits assets and liabilities with affiliates	Trade credits assets and liabilities with affiliates	Monthly	15 calendar days
All respondents	*Meldung fälliger Zinsertrag und/oder Zinsaufwand aus Sonstigen Investitionen* Interest payments for other investment assets or liabilities	Interest payments for other investment assets or liabilities	Monthly	15 calendar days
MFIs involved in export financing with government guarantees	*Überfällige Exportförderungskredite* Export financing loans with government guarantees	Export financing loans that have become overdue (arrears)	Monthly	15 calendar days
All respondents	*Meldung zu Finanzderivaten* Financial derivatives	Financial derivatives (not included in securities reports)	Monthly (Flows) Quarterly (Stocks)	15 calendar days
MFIs and non-banks	*Direktinvestitionsbefragungen – Aktiv und Passiv* Direct investment survey – abroad and in reporting economy	Balance sheet data and supplementary data (for instance number of employees) to be supplied by resident subjects which are direct investment enterprises and/or have direct investments abroad	Annually	10 months
Custodians (mostly MFIs)	*Wertpapier-Depotmeldung für inländische Depotführer* Securities holdings of custodians	Securities holdings of custodians (own account and customers)	Monthly	7 working days
Non-custodians	*Wertpapiermeldung* Securities holdings with custodians abroad or self-custody	Securities holdings with custodians abroad or self-custody	Quarterly or annually (depending on threshold)	15 calendar days (quarterly) or 1 monthy (annually)
Custodians (mostly MFIs)	*Meldung zu Wertpapierein- und –ausgängen zu echten Pensionsgeschäften mit Wertpapieren und Wertpapierleihe-Geschäfte* Repos and securities lending of banks/custodians	Transactions concerning repos and securities lending of banks/custodians (own account)	Monthly	7 working days
Non-custodians	*Meldung von echten Pensionsgeschäften mit Wertpapieren und Wertpapierleihe-Geschäften* Repos and securities lending of non-custodians	Repos and securities lending of non-custodians with non-residents	Quarterly or annually (depending on threshold)	15 calendar days (quarterly) or 1 monthy (annually)
All respondents	*Meldung von Stammdaten zu internen Wertpapier-Kennnummern* Primary data on securities reported with inofficial identifiers	Primary data on securities reported without ISIN	Monthly	7 working days

quality-checking of the following statistics: b.o.p., i.i.p., direct investment survey (FDI survey) as well as the portfolio investment position. The group also prepares figures for national and international reports.

The Data Collection Unit is responsible for the availability of reports by banks and non-banks within the time and in the format requested. The group also prepares guidelines for the reporting agents and runs the master file of the securities database (individual securities according to ISIN codes).

The Macroanalysis and Quality Control Unit is responsible for the analysis and publication of final data, as well as the preparation of estimation methods and contact with the IT Section. This group also carries out the macroeconomic analysis of the b.o.p. and i.i.p. figures, i.e. the relationship between the b.o.p., the i.i.p. and the financial accounts. In addition, members of this unit deal with SDDS coordination for Austria, monitor reporting to international institutions, maintain a Statistics Hotline and coordinate an institution-wide economics database.

In autumn 2006 a reorganisation project is planned to determine what consequences the newly introduced collection system should have for the internal organisation of the Statistics Department.

2.3.2 STATISTICS AUSTRIA, THE AUSTRIAN STATISTICAL OFFICE (STATISTIK ÖSTERREICH)

Besides two divisions (the Registers, Technology and Methods Division and the Information Technology Division) Statistics Austria has four statistical directorates (Directorate Population Statistics, Directorate Business Statistics, Directorate Spatial Statistics and Directorate Macro-economic Statistics) and is headed by a Director General-Statistics and a Director General-Finance. Three directorates and about 60 employees are engaged some full-time in compiling parts of the b.o.p.

In accordance with its cooperation agreement with the OeNB, Statistics Austria has been commissioned to undertake the compilation of the current account. Whereas investment income for all sectors and services and transfers of the financial sector are compiled by the OeNB and forwarded to Statistics Austria, all other items as well as the current account are compiled by Statistics Austria, as are:

- imports and exports of goods following the definitions of the BPM5;
- compensation of employees for the whole economy; and
- services and current transfers for the units of the non-financial corporation sector, the government sector, the household sector and non-profit institutions serving households.

These responsibilities have been internally organised into six sub-projects ("TP1" to "TP6"). The following overview lists the sub-project titles and the directorates involved. The Directorate Macro-economic Statistics is responsible for the overall project management.

TP1: Imports and exports of services and current transfers of the units of the non-financial corporation sector and of the non-financial unincorporated enterprises sector (excluding NACE Sections A and B and Divisions 65 and 66) – Directorate Business Statistics

TP2: Travel statistics – Directorate Spatial Statistics

TP3: Imports and exports of services and current transfers of the units of the non-profit institutions serving households sector and the government sector, current transfers of the units of the household sector and compensation of employees– Directorate Macro-economic Statistics

TP4: Imports and exports of goods (including the c.i.f./f.o.b. correction) – Directorate Business Statistics and Directorate Macroeconomic Statistics

TP5: Imports and exports of services of the units of the non-financial corporation sector and of non-financial unincorporated enterprises, NACE section A – Directorate Spatial Statistics

TP6: Coordination of the overall compilation of the current account to avoid overlapping of the individual sub-projects and to ensure exhaustiveness; merging the data; checking the results and transferring the data to the OeNB – Directorate Macroeconomic Statistics

2.4 EXTERNAL COOPERATION

For the compilation of b.o.p./i.i.p. statistics, the OeNB cooperates with other statistical authorities in Austria, but retains overall responsibility for their production. As mentioned in the previous sub-section, at beginning of 2006 (reporting period) the OeNB and Statistics Austria started very close cooperation on compiling data for the current account. The official foreign trade statistics collected by Statistics Austria have always been used in the b.o.p., as well as in the national accounts. From 2006 onwards services, transfers and compensation of employees will also be collected by Statistics Austria on behalf of the OeNB from non-financial entities. Services and current transfers for banks, other financial intermediaries, insurance companies and pension funds are collected by the OeNB. The two institutions use the same reporting framework with identical breakdowns and definitions but different layouts and reporting channels for their respective reporting population.

The following table illustrates how the tasks of collecting data for the balance of payments are divided between the OeNB and Statistics Austria along the lines of sectors and items.

This intensive cooperation is governed by two legal agreements between the OeNB and Statistics Austria. The first is a Framework Cooperation Agreement, which broadly outlines the shared competences and fields of mutual interest of both institutions. The balance of payments is only one of the statistical areas where cooperation and mutual exchange of information is covered by this agreement.

The more detailed cooperation arrangements for collecting and compiling current account data are laid down in a bilateral contract between the OeNB and Statistics Austria on

Table 2 Cooperation of Statistics Austria and the OeNB

	Non-financial corporations	Financial corporations	General Government	Households	Nonprofit Institutions
Current account					
Goods	Statistics Austria	Statistics Austria	Statistics Austria	Statistics Austria	Statistics Austria
Services	Statistics Austria	OeNB	Statistics Austria	Statistics Austria	Statistics Austria
Income					
Compensation of employees	Statistics Austria	Statistics Austria	Statistics Austria	Statistics Austria	Statistics Austria
Investment income	OeNB	OeNB	OeNB	OeNB	OeNB
Current transfers	Statistics Austria	OeNB	Statistics Austria	Statistics Austria	Statistics Austria
Capital account	OeNB	OeNB	OeNB	OeNB	OeNB
Financial account					
Direct investment	OeNB	OeNB	OeNB	OeNB	OeNB
Portfolio investment	OeNB	OeNB	OeNB	OeNB	OeNB
Financial derivates	OeNB	OeNB	OeNB	OeNB	OeNB
Other investment	OeNB	OeNB	OeNB	OeNB	OeNB
Official reserve assets		OeNB			

b.o.p. compilation. In this contract it was agreed that Statistics Austria would carry out the data collection from non-financial institutions according to reporting regulation (*Meldeverordnung*) ZABIL 1/2005 and also derive information from administrative sources (e.g. tax records, government budgetary reports) for the items services, transfers and compensation of employees. Statistics Austria would also carry out the necessary compilation of quarterly results by grossing up and making estimates for data that could not be collected directly (i.e. providing estimates for cases of non-response, for companies below reporting thresholds, for illegal production and for household transfers). Using these data and the data collected and compiled by the OeNB (i.e. services and transfers from financial institutions and investment income) Statistics Austria would provide a first version of quarterly current account data. Monthly data for the current account is not covered by this contract. The contract also requires Statistics Austria to monitor the quality of the data it has collected and compiled on behalf of the OeNB and to provide regular quality reports

It is worth emphasising that the overall responsibility for compiling, publishing and disseminating the final results remains with the OeNB. The legal requirements for data collection (see Sub-section 2.2) also fall under the sole competence of the OeNB. Under the rules of this contract, Statistics Austria acts as a paid provider of services to the OeNB.

Several other external sources are used for the compilation of the Austrian b.o.p. In this context, as well as in their capacity as users, the OeNB cooperates closely with Austrian economic research institutes and with the Austrian Government. National accounts statistics are compiled by Statistics Austria. In this context, current account data published under the auspices of the OeNB are used for the calculation of the gross domestic product. Since the collection and compilation of current account data were largely transferred to Statistics Austria at the beginning of 2006, full consistency has been achieved between the rest of the world sector and the corresponding b.o.p. data, with the exception of financial services indirectly measured (FISIM), which does not fall under the b.o.p. methodology.

Outside Austria the Balance of Payments Division maintains close contact with other central banks which involves, inter alia, the exchange of data. Naturally, contacts with the ECB have been of particular importance in this context since the start of Stage Three of Economic and Monetary Union, given that the Balance of Payments Division has to fulfil reporting obligations vis-à-vis the ECB. The OeNB has also developed close contacts to eastern European Countries. Among various other forms of (bilateral) support, various activities are undertaken for the Joint Vienna Institute, which was established by the OeNB, the IMF and the Austrian Ministry of Finance.

2.5 USERS

B.o.p., i.i.p. and special direct investment data are sent to the following international organisations: the European Commission (Eurostat), the ECB, the BIS, the IMF and the OECD.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The current b.o.p. system, which was introduced in 2006, is a survey and direct reporting system which consists mostly of direct reporting by entities involved in cross-border business and which does not depend on cross-border payment data from banks, even to update registers. Only portfolio investment involves some indirect reporting by custodians on behalf of their customers.

The reporting frequency for flow data (real or derived from stocks) for the capital account, for the financial account and for related investment income is monthly in the majority of cases.

Only direct reports of non-custodians and reports on stocks of financial derivatives for portfolio investment have quarterly reporting frequencies. For services, compensation of employees and transfers, the reporting frequency is quarterly.

Since most current account items have been compiled on a quarterly basis since 2006, monthly current account data are available as flash estimates, starting with the reference period January 2006. The exception is investment income, which is compiled monthly.

For estimating the monthly figures, time series estimation models based on the method of seasonal decomposition are employed. For each item, the regression model is chosen which, over an estimation period of 24 single months, showed the least deviation from the actual value. The OeNB provides a euro area/non-euro area split for the monthly current account data. The estimated global figures are split into euro area/non-euro area aggregates by statistical means, mostly by applying a linear regression over the past 24 months.

Wherever possible, other statistics (i.e. balance sheet item (BSI) data from the Banking Statistics Division and foreign trade statistics collected by Statistics Austria) and existing administrative data sources (e.g. tax records, stocks and transactions of government accounting statements) are used instead of collecting the data separately for b.o.p. purposes, thereby reducing the burden on respondents.

Some of the reports are tailor-made for certain types of respondents (banks, non-banks, government) and some are addressed to all entities.

A number of distinct principles have been applied in the design of the reports for the various areas of the financial account, as follows.

In case of portfolio investment data, collection and compilation are based exclusively on security-by-security-reporting and processing. Stocks and flows of securities held are reported simultaneously in one report. The reports always cover all holdings and transactions of both issues by residents and non-residents. No data on income has to be reported. There are special reports for transactions and/or positions in connection with repurchase agreements (repos) and securities lending. Liabilities are not reported directly but calculated as a residual of total outstanding amounts and holdings by residents. The securities stock data are used in combination with the securities database to make accruals calculations for the flow statistics (portfolio investment income and offsetting entries in financial account). Dividends and coupon payments in context of portfolio investment are also derived from the securities database and are not collected from respondents. Information from the securities database is also used to derive automatically a correct geographical, instrumental and sectoral allocation for the securities transactions and stocks. Additional details of this system are given in Sub-section 10.

Annual surveys (FDI surveys) are conducted in the area of direct investment equity stocks (balance sheet and profit and loss account data). Apart from its incorporation into the i.i.p., the information is also used to check information on direct investment transactions which fall under the monthly direct reporting. All reports in connection with direct investment (equity and other capital) are broken down by individual counterpart (company-by-company reporting). The annual survey data are also used to estimate reinvested earnings in combination with general economic indicators (such as nominal GDP) and expectations. In the area of direct investment it is also common practice to use information from various news sources to anticipate and identify direct investment transactions. In addition, the OeNB has acquired access to a commercial database on mergers and acquisitions to check the completeness of the direct investment reports. In order to reduce the

reporting burden for respondents, direct investment cases below certain equity stock thresholds (below €370,000 for direct investment in the reporting economy and below €750,000 for direct investment abroad) only have to be reported every two years. These cases are surveyed alternately, i.e. one-half of those enterprises whose direct investment relations fall below the above-mentioned thresholds fill in the reporting form in one year, while the other 50% of those enterprises report in the following year. For those enterprises, which do not report direct investment stocks for a certain period, estimates are made on the basis of the report of the previous year.

In the case of other investment (including trade credits and direct investment loans) only stocks are reported broken down by nominal currency and country (or company in the case of direct investment affiliates). Flows are always notional flows derived from stocks. Interest income on a due-for-payment basis is reported directly on a monthly basis.

For the current account, commodity trade figures are based on the official foreign trade statistics including a c.i.f./f.o.b. correction on the import side. However, since trade data with required breakdowns are usually not available with the necessary timeliness, only flash estimates are used for monthly compilation. Monthly services and transfer data are largely the result of the extrapolation of quarterly data.

For the quarterly travel item in the services item of the current account, special external surveys are used in addition to the data taken from the general survey on services. Statistics Austria is conducting a household survey on behalf of the OeNB to gather data on the travel expenditure of Austrians abroad. The results are not only used to derive the overall value and the geographical allocation of the debit side of the travel item but also to determine the amount of goods bought by travellers abroad and to determine the purposes of their visits. Moreover, Statistics Austria, on behalf of the OeNB, has included balance of payments-related questions in regular surveys of tourists coming to Austria in order to determine the credit side of travel. In addition, cross-border credit and bank card transaction data collected from Austrian credit card institutions are also used as an indicator for estimating and grossing up the travel item.

As reporting channels, the following possibilities are generally open to respondents:

- reporting via an internet application ("web-online") with extensive support for the user (i.e. automated feedback and pre-population of forms);
- reporting via uploaded and downloaded forms (PDF format) with less user support – places demands on the respondent's internet infrastructure;
- transfer of XML files via Secure Mail or Connect Direct for fully automated reporting;
- other electronic formats used for reporting to Statistics Austria where relevant; and
- paper forms.

The following tables give an overview of the data sources, collection principles and breakdowns requested per item of the b.o.p./i.i.p and per respondent sector.

Table 3 Data sources – direct/indirect collection per item and respondent sector

Item/sector	Non-financial enterprises	MFIs	OFIs and insurance companies	Government	Households and non-profit organisations
Goods	O	O	O	O	O
Services	D	D	D	O	D
Compensation of employees	D + O	D + O	D + O	O	O
DI income	D	D	D	D	D
PI income	C	C	C	C	C
OI income	D	D	D	D + C	D
Transfers	D + O	D + O	D + O	O	O
Capital account	D	D	D	D	D
Direct investment/equity	D	D	D	D	D
Direct investment/other	D	D	D	D	D
Portfolio investment	I + P	D	I + P	I + P	I + P
Other investment	D	O	D	D + O	D
Financial derivatives	D	D	D	D	D

D = direct reporting, I = indirect reporting, P = partial direct reporting (deposits abroad), C = calculation/estimation, O = other sources (administrative data, other statistics, registers, etc.).

Table 4 Breakdowns requested – reporting details per item and respondent sector

Item/sector	Non-financial enterprises	MFIs	OFIs and insurance companies	Government	Households and non-profit organisations
Goods	(CO)	(CO)	(CO)	(CO)	(CO)
Services	CO	CO	CO	CO	CO
Compensation of employees	CO	CO	CO	CO	CO
DI income	IN	IN	IN	IN	IN
PI income	-	-	-	-	-
OI income	CO, CU	CO, CU	CO, CU	CO, CU	CO, CU
Transfers	CO	CO	CO	CO	CO
Capital account	CO	CO	CO	CO	CO
Direct investment/equity	IN	IN	IN	IN	IN
Direct investment/other	IN, CU	IN, CU	IN, CU	IN, CU	IN, CU
Portfolio investment	IS	IS	IS	IS	IS
Other investment	CO, CU	CO, CU	CO, CU	CO + IN, CU	CO, CU
Financial Derivatives	CO	CO	CO	CO	CO

CO = country, CU = currency, IS = ISIN (or other security identifier), IN = individual counterpart.

Table Requirements - stocks/flows and frequencies per item and respondent sector

Item/sector	Non-financial enterprises	MFIs	OFIs and insurance companies	Government	Households and non-profit organisations
Goods	(F / M)	(F / M)	(F / M)	(F / M)	(F / M)
Services	F / Q	F / Q or M	F / Q	F / Q	F / Q
Compensation of employees	F + C / Q	F + C/ Q	F + C / Q	C / Q	C / Q
DI income	F + C / M	F + C / M	F + C/ M	F + C / M	F + C / M
PI income	C / M	C / M	C / M	C / M	C / M
OI income	F / M	F / M	F / M	F / M	F / M
Transfers	F / Q	F / Q or M	F / Q	F / Q	F / Q
Capital account	F / M	F / M	F / M	F / M	F / M
Direct investment/equity	F / M + S / A	F / M + S / A	F / M + S / A	F / M + S / A	F / M + S / A
Direct investment/other	S / M	S / M	S / M	S / M	S / M
Portfolio investment	F + S / Q or A	F + S / M (as custodians)	F + S / Q or A	F + S / M	F + S / Q or A
Other investment	S / M	S / M	S / M	S / M	S / M
Financial derivatives	F / M + S / Q	F / M + S / Q	F / M + S / Q	F / M + S / Q	F / M + S / Q

F = flows reported, S = stocks reported (and write-offs), C = calculated by compiler (no direct collection of data), M = monthly reporting, Q = quarterly reporting, A = annual reporting

3.2 REPORTING AGENTS

(i) The *banking sector*: according to the Austrian Banking Act (*Bankwesengesetz*), banks comprise monetary financial institutions (MFIs) as defined in Regulation ECB 2001/13 as well as other credit institutions and financial intermediaries engaging in business similar to banking. All b.o.p.-related reports have to be directed to the OeNB. Special reporting rules apply to this sector in the following cases:

- Credit and bank card services: banks that engage in credit and bank card business according to Section 1.1.6 of the Austrian Banking Act have to report their cross-border transactions involving incoming and outgoing settlements with non-resident credit and bank card institutions.

- Other services and transfers: banks have to report all cross-border services (mainly relevant for financial services) and transfers to the OeNB on a quarterly basis. Almost all banks voluntarily report these data on a monthly basis. The structure of the service reporting form is identical to those submitted by other sectors to Statistics Austria.

- Portfolio investment: in their capacity as custodians (keeping and administering of securities deposits for third parties according to Section 1.1.5 of the Austrian Banking Act) banks have to report stocks and transactions in securities held for their own account and for account of their customers. In addition, they have to report all securities transactions in the context of repurchase agreements and securities lending conducted on their own account.

- Other investment: banks that qualify as MFIs have to report additional geographical, currency and item breakdowns for b.o.p. purposes in context of loans and deposits collected by the Banking Statistics Division of the OeNB via the BSI statistics (*EZB-MONSTAT*). If loans and deposits are held with affiliates abroad, a supplementary report giving a breakdown by non-resident counterpart has to be submitted to the Balance of

Payments Division of the OeNB. Financial intermediaries that do not fall under the definition of MFIs have to report other investment in the same way as the non-banking sector.

– Financial derivatives (stocks): reporting of stocks on a quarterly basis is mandatory for banks if they are obliged to follow principles of market valuation in the context of solvency reporting according to Section 22.6 of the Austrian Banking Act. In all other cases no reporting obligation for stocks exists. The reporting forms are the same as for non-banks.

All other reporting obligations for income, the capital account and direct investment are covered by the same reporting forms and standards as for non-banking sectors as described in Sub-paragraph (iii). Special rules exist for certain reporting thresholds only (see Sub-Section 3.3).

(ii) Insurance companies: enterprises that fall under the scope of the Insurance Supervisory Act (Versicherungsaufsichtsgesetz) have to submit special quarterly and annual reports to the OeNB regarding cross-border insurance-related services and transfers (insurance claims, premiums, fees and reinsurance transactions). The quarterly reports are less detailed as regards reinsurance (only net transactions) and can include estimates and extrapolations for claims and premiums. Final data and more detailed breakdowns (reinsurance claims, premiums and fees) have to be submitted annually.

All other reporting obligations for non-insurance-related services, transfers, income, capital account, other investment, portfolio investment, financial derivatives and direct investment are covered by the same reporting forms and standards as for other non-banking sectors as described in sub-paragraph (iii) and have always to be directed to the OeNB. Special rules exist for certain reporting thresholds only (see Sub-Section 3.3)

(iii) The *non-banking sector* (enterprises and households not included in sub-paragraphs (i) and (ii) above): a number of different reporting obligations for cross-border transactions and/or stocks exist for these entities:

– Quarterly services and transfers (credits and debits) must be reported to Statistics Austria. The reporting agents can choose between two reporting models:
  – reporting all breakdowns (service items and countries) on a quarterly basis; and
  – reporting only country breakdowns on a quarterly basis and submitting additional annual reports with item breakdowns.

– Capital account, real-estate transactions and income from real-estate (rents) must be reported monthly to the OeNB.

– Direct investment equity and dividend transactions must be reported monthly to the OeNB.

– Portfolio investment flows and stocks for securities held in custody with non-resident custodians or held in self-custody to be reported quarterly or annually to the OeNB, depending on a threshold.

– Repurchase agreement and securities lending transactions and stocks with non-resident counterparts must be reported quarterly or annually to the OeNB, depending on a threshold.

– Other investment stocks, trade credits and related interest payments vis-à-vis both third parties and affiliates must be reported monthly to the OeNB.

– Financial derivatives flows must be reported monthly to the OeNB.

– Financial derivatives stocks must be reported quarterly to the OeNB, if the accounting rules according to International Accounting Standard (IAS)/International Financial Reporting Standards (IFRS) 39 have to be applied by the respondent

(iv) General government: administrative data are available for certain transactions of the federal government (i.e. government services and EU transfers). In addition, data are received from the Federal Ministry of Finance concerning the area of current and capital payments of the public sector vis-à-vis EU institutions and concerning transactions with monetary and non-monetary international organisations. Special reports are received from the Austrian Federal Financing Agency (*Oesterreichische Bundesfinanzierungs-agentur*) on behalf of the general government sector regarding other investment stocks and transactions (including interest) and regarding portfolio investment stocks and transactions. Loans taken out by the general government are reported on a loan-by-loan basis together with certain primary data on counterparts, interest rates, maturity, etc. These data are processed in the same way as securities in the compilation process of the OeNB. There are also special reports covering primary data on short-term debt securities issued and held by the general government to complement the securities database of the OeNB.

(v) State and local government: the most relevant transactions and stocks are collected via existing administrative data sources and via special reports that have to be submitted to Statistics Austria in accordance with the Government Finance Statistics Regulation (*Gebarungsstatistik-verordnung*).

(vi) Monetary authorities: in the case of securities held by the OeNB but regarded as portfolio investment (not reserve assets), the Treasury Back Office Division of the OeNB generates monthly security-by-security stock and flow reports with the same formats, breakdowns and definitions as those of commercial banks/custodians (see sub-paragraph (i)). Special monthly b.o.p./i.i.p. reports are generated by the Accounting Division and by the Payment Systems Division of the OeNB on all other (non-portfolio investment) external stocks and flows, including accrued interest and intra-Eurosystem transfers in the context of monetary income. These reports mirror the special role of the monetary authorities in the b.o.p. due to the treatment of reserve assets as a separate functional category. All these reports include a breakdown by country and currency and, where relevant, by sector (bank, non-bank, monetary authority) of the non-resident counterpart. In addition, a full reconciliation between flows and stocks with a breakdown into transactions, price, exchange-rate and other changes is produced. All b.o.p./i.i.p. data of the OeNB (including monthly data) are compiled on an accruals basis.

The following tables give an overview of all the reports and their relevance for banks/non-banks.

Table 6 Input summary – reporting forms overview (non-portfolio investment)

Reporting form	Number of form(s)	Banks/ MFIs	Non-banks	Frequency	Stocks/ flows
Services and transfers "matrix" (item + country breakdown)	L1	Y	Y	Quarterly (monthly on voluntary basis)	Flows
Services and transfers, simplified report (only country breakdown)	L2	Y	Y	Quarterly	Flows
Services and transfers, simplified report (only item breakdown)	L3	Y	Y	Annually	Flows
Credit card and bankcard payments (country breakdown)	L5	Y	N	Monthly	Flows
Credit card and bankcard payments (business breakdown)	L6	Y	N	Annually	Flows
Insurance premiums, claims and reinsurance (fewer details)	L7	N	Only insurance companies	Quarterly	Flows
Insurance premiums, claims and reinsurance (more details)	L8	N	Only insurance companies	Annually	Flows
Capital transfers, real estate and rents	L4	Y	Y	Monthly, if transaction takes place	Flows
Direct investment equity transactions and dividends	D1	Y	Y	Monthly, if transaction takes place	Flows
Direct investment, primary data on foreign counterparts	D2/D3	Y	Y	Once, at the creation of the FDI relationship	Address, activity, share of nominal capital, motive, etc.
FDI survey	D6/D7	Y	Y	Annually	Stocks, primary data and balance-sheet items
Additional data to be reported for b.o.p. in the context of the BSI statistics	23 (banking statistics reporting form)	Y	N	Monthly	Stocks
Loans and deposits with affiliated non-banks and permanent debt	S7	Y	N	Monthly	Stocks
Other investment assets and liabilities with third parties	S1/S2	N	Y	Monthly	Stocks
Other investment assets and liabilities with affiliates	S3/S4	N	Y	Monthly	Stocks
Trade credit assets and liabilities with third parties	SA/SB	N	Y	Monthly	Stocks
Trade credit assets and liabilities with affiliates	SC/SD	N	Y	Monthly	Stocks
Interest payments for other investment assets or liabilities	S5/S6	Y	Y	Monthly	Flows
Export financing loans with government guarantees	S8	Y (one specialised MFI)	N	Monthly	Stocks
Financial derivatives (not included in securities reports)	F1	Y	Y	Monthly/ quarterly	Flows (monthly mandatory) Stocks (quarterly for selected respondents)

Table 7 Input summary – reporting forms overview (portfolio investment)

Reporting form	Number of form	Custodians	Non-custodians	Frequency	Stocks/flows
Securities holdings of custodians (own account and customers)	P1	Y	N	Monthly	Stocks + flows, security-by-security, domestic + non-domestic
Securities holdings with custodians abroad or self-custody	P2	N	Y	Quarterly or annually (threshold)	Stocks + flows, security-by-security, domestic + non-domestic
Repos and securities lending of banks/custodians (own account)	P3	Y	N	Monthly	Flows, security-by-security, domestic + non-domestic
Repos and securities lending of non-custodians with non-residents	P4	N	Y	Quarterly or annually (threshold)	Stocks + flows, security-by-security, vis-à-vis non-residents
Primary data on securities reported without ISIN	P5	Y	Y	Monthly, if the need arises	Primary data on non-official securities
Special reports of central government on loans	P6	N	Central government	Monthly	Stocks + flows + interest, loan-by-loan
Special reports of central government on securities issue/holdings	P7	N	Central government	Monthly	Stocks + flows, security-by-security

3.3 THRESHOLDS

For quarterly services and transfers the following rules apply:

- In the case of non-financial institutions a reporting obligation exists if the sum of all transactions in a year exceeds a threshold. There are thresholds for exports and imports (€50.000 and €200.000) and for every section of economic activity (NACE) to which the respondent belongs.

- In the case of banks, a reporting obligation exists if the annual sum of domestic and cross-border financial fees paid and received according to supervisory reports (*Quartalsbericht*) exceeds €10 million or if total external assets and liabilities exceed €250 million.

- In the case of insurance companies, all insurance-related services and transfers have to be reported; there are no thresholds. Other (non-insurance) services have to be reported if annual insurance-related cross-border revenues and expenses exceed €20 million.

For monthly reporting regarding direct investment (equity and dividends), the capital account, real estate and income on real estate, a general reporting threshold of €100,000 per transaction exists.

Banks, non-banking private companies and households (acting as a direct investor and/or as a direct investment company) are asked to respond to an annual survey concerning direct investment. The survey population is usually selected using thresholds based on the value of the nominal capital and on the balance sheet total of the direct investment enterprise.

For portfolio investment reported by custodians, no reporting threshold exists. Non-custodians (non-banks) have to report stocks and flows of securities held in custody abroad or held in self-custody:

– quarterly, if the stock (market values) at the end of the quarter exceeds €30 million; and

– annually, if the stock (market values) at the end of the year exceeds €5 million.

For stocks and flows in the context of genuine repurchase agreements and securities lending, the same reporting thresholds apply.

For other investment reports made by MFIs, the reporting threshold follows the cutting-off-the-tail principle (i.e. 95 % of balance sheet total) used in the BSI statistics, both for stocks (integrated in BSI statistics in any case) and for income on loans and deposits. Other investment stocks (excluding trade credits) have to reported monthly by non-MFIs if the sum of stocks of assets and liabilities exceeds €3 million. For trade credits the same monthly reporting threshold exists, however it has to be applied separately from the remaining other investment assets and liabilities. All other investment income (interest) has to be reported monthly (no threshold) if a reporting obligation for other investment stocks exists.

Financial derivatives flows have to be reported monthly if the net total of all credit and debit payments exceeds €1 million per month. Financial derivative stocks have to be reported quarterly if the sum of assets and liabilities exceeds €1 million at the end of the quarter.

3.4 AVAILABILITY OF DATA

The b.o.p. is available monthly with limited details for the current account, and quarterly on a transaction basis with more details for individual items as well as for partner countries. Monthly current account data are largely estimates and are used mainly as indicators for trends. Monthly data are published nationally in press releases around eight weeks after the reference period. For the purposes of the euro area aggregates, data are sent to the ECB after six weeks.

The i.i.p. is available quarterly, with some limitations regarding breakdowns and market valuation for direct investment. Full market valuation can only be achieved annually.

3.5 TIMELINESS

The OeNB compiles monthly b.o.p. data within six weeks of the end of the reporting period. A monthly country-by-country geographical breakdown is available internally, for financial account items and related income only. Quarterly b.o.p. data are compiled within three months of the end of the reporting period, with a more detailed item and country breakdown for all items of the current account and of the financial account.

3.6 COMPILATION FREQUENCY

The Austrian b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

Formal data controls are carried out once data have been received from reporting agents. These checking procedures for individual reports include controls concerning completeness, plausibility and consistency. If potential errors are detected, inquiries with the reporting agents are started and any corrections made. Once the checks have been completed a first aggregation of the data is undertaken for both flows and stocks.

This first major aggregation leads to the data being broken down according to the following dimensions: reporting agent; individual debtor (if available); individual creditor (if available); country, sector and NACE of the creditor; country, sector and NACE of the debtor; type of instrument or transaction; currency; original maturity; residual maturity; income or principal payment; type of the report; functional category (direct, other, portfolio etc); and valuation principle. This breakdown results in up to 200,000 separate data sets existing simultaneously at this level of aggregation for

every month. For portfolio investment data, another level of intermediate aggregation exists, at which security-by-security information is also stored, together with information about the reporting agent and the holder. This sub-aggregate comprises up to 1,000,000 separate data sets per month. Plausibility checks and data content checks are carried out at this stage of the compilation process. Among the other methods applied, the development of different items which are economically linked to one another is compared (ratio analysis). In addition, significant transactions are checked on an individual basis. Comparisons with previous periods are used to assess plausibility. Again, reporting agents are asked for clarification in the event of discrepancies being detected.

The second level of aggregation is achieved by summing up and eliminating all individual information (reporting agent, debtor, creditor). At this stage breakdowns by sectors and economic activities (NACE) are still available. The instrumental breakdowns used at this level of aggregation are similar to the assets and liabilities classifications in the financial accounts. The data volume available in the second major round of aggregation is approximately 50,000 data sets per month.

In the next step of aggregation, data is aggregated according to output needs using mainly the standard b.o.p. item codes as defined by the IMF, ECB and Eurostat. Several building blocks for the output are aggregated: by b.o.p. item (or sub-item), by b.o.p. item and country, by b.o.p. item and country and currency, by b.o.p. item and country and economic sector, by b.o.p. item and country and economic activity (NACE).

Once both formal and plausibility controls have been completed, a first "round up" of preliminary results is made for the reference period. Any discrepancies detected at a later stage are included in the revision process by repeating the aggregation process from the bottom up (see Sub-section 3.8). After three years, individual reports and datasets including individual respondent identifiers are destroyed for reasons of confidentiality and in order to gain storage capacity, unless data is needed to maintain the reporting register.

3.8 REVISION POLICY

Regular revisions as of the reporting period January 2006:

Preliminary monthly b.o.p. data are produced and published without subsequent revision. Accruals and reinvested earnings are already included in monthly data. However, goods, services and transfers are still largely the results of estimates. The monthly b.o.p. data are used mainly as a source of quickly available information which is aimed at providing a rough assessment of trends based on the accumulation of monthly and quarterly data actually given. This type of data is not usually subject to major corrections. More detailed information in terms of real data for goods, services and transfers is only incorporated in the quarterly and annual data. Consequently, the data for the three months do not add up to the quarterly data. Quarterly and annual data are published with a time-lag of three months in a "provisional" version.

Quarterly data are usually revised when data for another quarter from the same reference year is published. This means that, for example, the publication of the data for the fourth quarter of a reference year coincides with a revision of the data for the first three quarters. These revisions of quarterly and annual data are completed in September (t + 9 calendar months) of the following calendar year. At this point in time the latest available figures or estimates on reinvested earnings and all other revisions that might have occurred for the reference year are incorporated. Then the data for the reference year have the status of revised figures and are not changed for the following 12 months. The last revision of quarterly and annual data is completed 21 calendar months after the end of the reference year. Then the data have the status of final figures. The main reasons for the

revisions are updates of figures concerning direct investment based on information from the latest available surveys. There are also some administrative data sources for transfers and income which are only available with a time-lag of almost two years. This policy for the revision of national data is largely consistent with the revision policies of the ECB and Eurostat for euro area and EU aggregates and coordinated as far as possible with the national accounts.

More frequent revisions of historical data: new requirements, changes of the underlying b.o.p. concepts or general improvements in the reporting and compilation system lead to more frequent revisions of historical data. The length of the revision period may vary depending on the circumstances. It is planned to carry out such a revision of historical data for periods prior to 2006 in the course of 2007 in order to produce a more consistent time series for the new data from the survey system in the area of goods, services and transfers.

3.9 PUBLICATION

The OeNB publishes monthly b.o.p. data as well as revised quarterly and annual data, including trade figures and investment income on an accruals basis.

The titles of the publications produced by the OeNB on b.o.p. statistics are listed in Sub-section 13.1.

The main user of b.o.p. and i.i.p. data within the OeNB is the Economic Analyses Division, which uses them for the purpose of general economic analyses.

In Austria b.o.p. and i.i.p. data are mainly relevant for the following institutions with which the OeNB exchanges data on a regular basis:

- the Austrian Statistical Office (Statistics Austria) for the purpose of the System of National Accounts;
- government ministries and other government institutions;
- the Chamber of Commerce, Chamber of Labour and similar official institutions that play a major role in Austria's social and economic system; and
- private research institutes (i.e. WIFO and IHS) for analysis and forecasting purposes.

The data sent to the WIFO are included in a database maintained by this research institute which is publicly accessible and which is seen as an important source of economic information within Austria.

Apart from those main clients, data are delivered upon request and/or on a regular basis to universities, private companies and commercial banks. The latter mainly use the data for the purpose of drafting brochures for promoting Austrian bonds.

The main clients abroad are the ECB, the European Commission (Eurostat), the IMF, the OECD and the BIS.

Statistical data from the OeNB are available on the Internet at the following address: http://www.oenb.at. This OeNB website includes all the b.o.p. and i.i.p. data that are published in the quarterly statistical bulletin and additional b.o.p. data, in particular data concerning the current account, services and direct investment. Monthly and quarterly press releases and more detailed quarterly reports from the Balance of Payments Division are also available on the Internet.

Inquiries regarding statistical data produced and published by the OeNB can be addressed to a Statistics Hotline (00 43 1 40420 5555), which is available on weekdays from 9 a.m. to 4 p.m.

Since the OeNB has committed itself to following the rules of the Special Data

Dissemination Standard (SDDS), release dates are published in advance.

4 GOODS

4.1 QUARTERLY DATA

Goods data are based on the official foreign trade statistics, which are compiled monthly by Statistics Austria. These statistics were also the main source for good data in the old system, but now a new, more detailed method for calculating the c.i.f./f.o.b. correction has been implemented, based on the results of an EU-sponsored project.

In the Austrian foreign trade statistics, imports of goods are surveyed on a c.i.f. basis. However, the b.o.p. and national accounts require an f.o.b. valuation of imports. The difference between the c.i.f. value and the f.o.b. value is the aggregate cost of all freight, insurance, and other charges incurred in transporting merchandise from alongside the carrier at the point of exportation and alongside the carrier at the first point of entry. These costs are not part of imports of goods but are treated as imports of services in the b.o.p. and national accounts. A c.i.f./f.o.b. adjustment is not necessary for the import values of neighbouring countries, because in this case c.i.f.-valued imports equal f.o.b.-valued imports by definition.

To calculate the c.i.f./f.o.b. correction, Austria uses the volume-freight rates methodology, which is based on the transaction volume, the freight rates for each mode of transport and the distance covered by the transport (i.e. the distance from the partner country).

For each partner country and mode of transport, the volume of transported merchandise is multiplied by the corresponding freight rate to estimate the transportation costs. Additionally, the insurance costs are calculated as a fixed percentage of the difference between the statistical value of the merchandise and the costs of transportation. Together the transportation and insurance costs add up to the total c.i.f./f.o.b. correction. The main source of information for the c.i.f./f.o.b. correction is the foreign trade statistics, but the transport statistics are also used for adjustments in this methodology. The freight rates are either derived from explicit transport tariffs or estimated using a statistical model.

As a result the c.i.f./f.o.b. correction is around 0.8 % of the c.i.f.-valued imports of goods.

4.2 MONTHLY DATA

Since Statistics Austria's official trade statistics are not available within 30 working days, as required, the OeNB is using flash estimates, which are produced by Statistics Austria for the needs of EUROSTAT.

The estimation model is based on the Holt-Winters method, taking into consideration level, trend and seasonal components for time series. The time series are built up from detailed monthly data up to the last available results derived from intra-EU trade statistics.

As done for the quarterly and annual data, c.i.f./f.o.b. adjustments are also carried out for the monthly data on trade in goods, according to the definition given above. Neither the monthly, nor the quarterly and annual data on trade in goods are seasonally adjusted.

5 SERVICES

5.1 QUARTERLY DATA

5.1.1 TRAVEL

The compilation system chosen for the travel item is a hybrid system. By definition a hybrid system encompasses those systems that:

– do not give the status of "main" component to any individual type of source, and that

– do not require the exchange of data with partner countries to complete the coverage of travel transactions.[1]

As a consequence a broad variety of data sources is used:

– credit and bank card data (from banks and credit card issuers);

– household surveys (quarterly surveys on holiday and business trips);

– surveys of travellers at destination (i.e. guest inquiries, Tourism Monitor Austria – "T-Mona");

– surveys of tourism providers (i.e. hotels);

– surveys of tourism intermediaries (i.e. travel agencies);

– partner country data (mirror statistics);

– estimation models;

– administrative sources (i.e. tax statistics, statistics on wages, etc.); and

– other sources (i.e. studies on fuel tourism, or on same-day visits).

5.1.1.1 MAIN DATA SOURCES

The main sources are the quarterly household surveys (for the debit side), the accommodation statistics (for the credit side), T-Mona (a survey of resident and non-resident travellers on their expenditure) and data from partner countries (debit and credit side) as well as credit card information (debit and credit side).

One of the most important sources for the credit side in the new system is the official statistics on overnight stays and arrivals of non-resident visitors, which is the key indicator of the volume of overnight non-resident visitors to Austria.[2]

Furthermore, studies and sources provided by other institutions are used, e.g. the new Austrian Guest Inquiry "T-Mona", which is an instrument that measures the average daily expenditure of foreign tourists in Austria.

The main source for measuring the expenditure of Austrians abroad is a quarterly household survey operated by Statistics Austria.

Credit card data are mainly used for plausibility checks on the data from the above-mentioned sources and for compiling the geographical breakdowns on a detailed country level.

5.1.1.2 SUPPLEMENTARY DATA SOURCES

Various supplementary data sources are used in the compilation process to provide the necessary data that cannot be obtained from the main sources:

These sources are used to measure directly specific variables, for example direct imports of cars by households are taken from the car registration statistics. The expenditure of "fuel tourists" contributing to the credit side of the travel item is relatively high; a model is therefore used to measure it. Concerning the debit side of the travel item, expenditure on health services abroad – in particular related to "dental tourism" – are significant. As this kind of travel is not or only partly covered by the household survey, an estimation model is employed, which takes into account the supply structure of dentists near the Austrian border (in particular the border with Hungary).

Supplementary data sources are also used to corroborate the reliability of outcomes of highly important variables that depend on weaker data sources. Examples of supplementary sources are data provided by other countries or institutions such as Eurostat or the World Tourism Organization (UNWTO), data from

1 Eurostat, Technical Group "Travel" Report, Statistical Office of the European Communities, draft, 18 February 2000.

2 It should be mentioned that only overnight stays in official accommodation establishments are counted; therefore the results do not include those staying at the houses of friends or relatives or in second homes.

private institutions, or other macroeconomic indicators such as GDP, the consumer price index, statistics on wages studies on the mobility of students.

Comparing the system used from 2006 onwards with the prior, mainly settlement-based system shows the following similarities:

First, the household survey carried out at present already played an important role in the settlement system. Whereas previously it was used as a supplementary source for compiling the travel item, it now contributes to the realisation of the breakdown both by purpose and by partner country on the debit side. The survey, running continuously under the responsibility of Statistics Austria and the OeNB, gathers information on outbound expenditure by means of 12,000 annual telephone interviews.

Second, data on travel are exchanged with other countries and estimates are also considered an important supplementary source. The system can therefore be said to consist of a different combination of sources already used, with greater importance attached to the sources that were only used as supplementary tools. This mainly concerns the household surveys, which have been expanded due to travel item and for the purposes of tourism statistics, and the exchange of data, which is an indispensable requirement of the system.

Third, package tours comprise in most cases a variety of components that might be attributed to the domestic economy on the one hand (e.g. margins, taxes, service charges, transportation) and the economy of the travel destination on the other hand (e.g. hotel supplier, transfer service, transportation). For the requirements of the b.o.p., it is necessary to identify those components that are relevant for the travel item. According to these requirements, package tour expenditure is disaggregated (on a net basis) with the help of a model based on demand and supply-oriented indices.

5.1.2 OTHER SERVICES

Trade in services statistics are derived from a variety of sources. Besides secondary statistics (e.g. revenue and expenditure of state and local governments, and statistics on research and development) three different surveys are used to compile the imports and exports of services other than travel.

The main source for measuring the trade in services of non-financial corporations and non-financial unincorporated enterprises is a quarterly survey undertaken by Statistics Austria. Enterprises falling under Sections C to K and M to O of NACE 2003 (except Divisions 65 "Financial intermediation" and 66 "Insurance and pension funding") above the thresholds have to report their trade in services.

5.1.2.1 FRAME OF SELECTION

The register for this survey has been built up using two sources:

– in a survey, 32,000 enterprises were asked to report the sum of their exports and imports of services to identify possible respondents and to determine thresholds for the reference year 2003; and

– information from the previously used settlement system.

5.1.2.2 SURVEY

The obligation to report trade in services applies to approximately 4,900 enterprises. Two thresholds (€50,000 or €200,000) are applied on the respondent's total imports or exports of services in the year prior to the reference period or in the current year. The thresholds vary according to the main activity of the enterprise.

Enterprises can choose between two reporting options:

– a quarterly report of exports and imports of services by partner country plus an annual report of exports and imports of services by type of services; and

– a quarterly report of the full matrix of exports and imports of services by partner country and type of services (57 types of services).

60% of the enterprises have chosen the second reporting option.

Statistics Austria sends the questionnaires by mail to the enterprises on around the 20th day of the last month of the reporting quarter. The enterprises have to report the data by the 15th of each month following the quarter under review. The enterprises can also report the data electronically. A response rate of more than 90% was reached in the first quarter 2006.

A quarterly survey among non-profit institutions serving households is carried out by Statistics Austria. This survey focuses on transfers (services are only a by-product). Further details can be found in Sub-section 7.

The trade in services of the government sector is based on accrual-adjusted closed accounts of central government.

5.I.2.3 ESTIMATION FOR ENTERPRISES BELOW THRESHOLDS

The estimation for enterprises below thresholds is based on a statistical model (LogNorm Model), which takes into account the information about the distribution of the reporting entities in the reference year and the reporting quarter for each activity. About 10% of the final result of imports and exports of other services is generated by grossing up.

To ensure exhaustive coverage some additions for transactions that are not covered by surveys are obtained from various secondary statistics (e.g. for trade in services of agriculture and forestry or parts of services of research and development) or estimations (e.g. for cross-boarder illegal activities).

5.I.2.4 SURVEYS AND ESTIMATES WITHIN THE FINANCIAL SECTOR

A quarterly survey among financial corporations is carried out by the OeNB, in which the corporations must report of the full matrix of exports and imports of services by partner country and type of services (57 types of services) as described above. Only a few banks and insurance companies choose to report on a quarterly as well as an annual basis. The OeNB's survey is the main source for data on financial services. The reporting agents have to respond by the 15th day after the end of the reference period.

Besides the general survey on services, the OeNB also receives information about insurance services in particular. The Foreign Exchange Law gives the OeNB the right to access other statistical as well as administrative data. In Austria the Financial Market Authority (FMA) is in charge of supervising insurance corporations. In order to minimize the reporting burden, the FMA shares with the OeNB on a quarterly basis data on premiums and benefits concerning insurance service exports. The OeNB accepts a longer term of delivery than for the general survey on services, as the reports are checked for plausibility by the FMA.

Data on insurance service imports are also available to the OeNB. The sources are data from other supervision authorities within the EU, which are communicated to the FMA with a time-lag of about 12 months. Therefore these data can be used by the OeNB for b.o.p. revision purposes. For the first version of insurance service imports the OeNB uses the data collected by Statistics Austria via its survey among non-financial corporations.

With the start of the new compilation system at the beginning of 2006, the OeNB introduced the methodology for compiling insurance services as defined by the BPM5 as well as by the United Nations' Manual on Statistics of International Trade in Services. Only the estimated insurance service charge enters the b.o.p. service account. The estimation rests

upon the net premium, i.e. reported premiums minus reported benefits for the respective reference period. In order to avoid economically non-rational results, a ratio calculated by Statistics Austria from national time series in the context of the input-output table is applied. For each counterpart country, therefore, the insurance service charge is calculated and the remainder of reported premiums is recorded under transfers. This compilation method is applied to insurance service exports as well as imports and allows the b.o.p to be harmonised with the national accounts. For the reference year 2006, the ratio is calculated on the basis of 2004 data.

The above method of estimating the insurance service charge is applied to direct insurance. For compiling reinsurance, the FMA has augmented its survey by including two further items, termed active and passive reinsurance. Under these items insurance corporations report the balance of all payments concerning inward and outward reinsurance on a quarterly basis. On an annual basis the OeNB receives more detailed information about reinsurance, which is used for revision purposes.

5.1.3 MONTHLY DATA

The estimation model for monthly services figures relies on time series estimation (using a regression model with exponential smoothing after Holt) employing an independent variable. For services exports the model incorporates utilisation data of the Austrian hotel industry concerning foreign tourists as compiled by Statistics Austria. These data are available for t-2 months as actual data and for t-1 as extrapolation data and form the basis for estimating tourist receipts. This approximation is complemented by time series estimation of the difference between total services and tourist receipts.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 COMPENSATION OF EMPLOYEES

6.1.1.1 QUARTERLY DATA

The calculation of compensation of employees (non-residents) is based mainly on an evaluation of a combined dataset of income tax and social security statistics. This dataset allows the most commuters and their income to be identified. In addition, the income of employees in Austrian embassies is derived from the federal closed account.

Administrative data are also used for the income of residents working abroad. Income tax statistics (and also the commuter statistics provided by the population census) are used for the wages of "ordinary" commuters and special secondary statistics for the salaries paid by international organisations and embassies to Austrian residents.

All these flows are recorded on a gross basis, including taxes and social security payments. The counter entries for the taxes and social security transactions are recorded as transfers.

6.1.1.2 MONTHLY DATA

Monthly figures are forecasted on the basis of an estimation series of the prior reference periods. The method employed as the best estimation model for past data is a linear regression model with moving average smoothing. The monthly trend has to be projected as no independent variable is available within the quarterly reporting period.

6.1.2 INCOME ON DIRECT INVESTMENT

Data on dividends are collected monthly via direct reports (reporting form D1). The reporting register is derived from the register of the annual FDI survey. All dividends over €100,000 have to reported broken down by individual non-resident counterpart. This company-by-company breakdown is used for plausibility checks (i.e. it is checked whether

the counterpart is a known affiliate in the register). It also serves as the basis for checking the completeness of reports. Since it is difficult to do such checks using external data (i.e. data taken from news sources), all direct reporters with active or passive direct investment relationships are contacted if no report on dividends is received in the course of a year. Reporting agents are instructed to report dividends as of the date they are payable. Negative dividends (coverage of losses) are recorded as direct investment flows in the financial account and not as income.

Direct investment income is calculated according to the accruals principle, since it includes reinvested earnings. Final results of reinvested earnings are taken from the annual FDI surveys (mainly balance sheet and profit and loss information relating to subsidiaries). Since these surveys have a time-lag of 18 months after the reporting year, estimates are made for the intervening period. Estimates of the total profits of direct investment enterprises are derived from the annual FDI surveys of previous periods and from the latest available information concerning general economic indicators and profit and business expectations of enterprises. In practice, an expected rate of return is assumed for every target country in the case of direct investment abroad and for every resident economic activity sector (NACE) in the case of direct investment in the reporting economy. These rates of return are applied to the latest available direct investment stock data, which are also broken down by country or economic activity. Dividend flows from direct reports (see above) are deducted from total profits to calculate reinvested earnings. Estimates of reinvested earnings are already included in monthly data and are calculated for every direct investment enterprise abroad or in the reporting economy in the register. Therefore, a country-by-country geographical breakdown is also available.

Direct investment income also includes income from real estate (rents received from or paid to non-residents). These data are collected via a separate monthly survey (reporting form L4) that also includes questions on purchases and sales of real estate from/to non-residents. The volume of these data on rents are, however, not very significant compared with dividends and reinvested earnings.

Direct investment income on debt (i.e. loans) are derived from the reports on other investment income (see Sub-section 6.1.4).

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Portfolio investment income on an accruals basis is calculated on a security-by-security basis using the monthly security reports that include stock data (reporting form P1) and a securities database which includes all the relevant information, such as issuers, maturities, outstanding amounts, interest rates, issue and redemption prices and the classification of the securities. All securities transactions and stocks are reported with the ISIN number of the respective security. If a security does not have an ISIN number, the reporting agent can use an internal number and give additional details on the security (type of security, quotation, interest rate, etc.) in a special report. The nominal interest rate ("debtor approach calculation") is the main input variable for calculating accruals from the outstanding stocks per security and per issuer (in the case of liabilities) or per holder sector (in case of assets). Issue and redemption prices are considered in this accruals calculation in order to also treat zero bonds, deep discounted papers and bonds issued at a premium correctly. The accruals calculation is based on monthly data, and there is no conceptual difference between monthly, quarterly and annual data. The result of the accruals calculation cannot be considered an estimated value, since it is based on in-depth calculations and reported data. Revisions only occur when the underlying stock data or primary securities data are revised or updated. For more information on the use of the securities database, please refer to Sub-section 10.1.

Data on dividends paid or received for portfolio investment shares are not collected from

respondents but derived from the securities database in a way similar to the method used to derive accrued interest for debt instruments. The main source for dividends on shares is the Centralised Securities Database operated by the ECB. On the basis of the outstanding stocks per issuer or holder it is possible to compile the relevant flow. However, the lack of information in terms of disbursement dates for securities makes it difficult to determine the exact period when the dividend flow took place.

Income earned by collective investment institutions (CIIs) on their cross-border assets is recorded just like other portfolio investment income, i.e. dividends when they are payable and interest on an accruals basis. Income earned by holders of the CIIs' equity capital is treated on an accruals basis. Unlike other accruals calculations, this is not implemented as an automated security-by-security approach, but as a yearly estimate. This estimation is based on the following variables: resident holdings of non-resident CIIs, non-resident holdings of resident CIIs, the cash distribution of income of these institutions, the rates of return of these institutions and assumptions about the degree of capitalisation of and the distribution of income by these institutions. A considerable improvement is expected in the quality of accrued income of CIIs once information becomes available from the Centralised Securities Database of the ECB. Particularly on the credit side, the coverage of the current estimate is relatively limited.

Offsetting entries of accruals and coupons in portfolio investment (financial account) are also recorded with all relevant breakdowns. The sectoral breakdown is derived from a companies database which includes information about the sector of the issuer of a security. This information is automatically processed in the security-by-security collection and calculation.

A geographical allocation (country-by-country) according to the issuer principle (actual counterpart) is automatically derived on the credit side of portfolio investment income using the comprehensive securities database. The connection with the securities database and a companies database delivers the country of the issuer of the security for the reported credit transaction. On the debit side no geographical allocation of portfolio investment transactions is possible, since the country of the final non-resident holder cannot be determined and the portfolio investment stocks on the liabilities side cannot be broken down by country.

6.1.4 INCOME ON OTHER INVESTMENT

The main source of data is monthly direct reports for interest income on loans, deposits and other assets/liabilities received from non-resident debtors (reporting form S5) and interest income paid to non-resident creditors (reporting form S6). Both banks and non-banks have to fill in these reports. Breakdowns by country and nominal currency of the underlying asset or liability are included. In addition, a breakdown by non-resident sector (non-resident bank or non-resident non-bank) is required. Reporting agents are instructed to submit the interest data on a due-for-payment basis (irrespective of the actual payment date, if possible). This largely mirrors the data available within the respondents' accounting systems and is a very good proxy for the accruals principle, particularly at a quarterly level of aggregation.

Part of the interest income reported is automatically reallocated to direct investment income on the basis of the assumption that income paid/received between resident and non-resident non-financial corporations will be caused by direct investment relationships. The reporting agents do not have to make this distinction in their reports.

Other investment income also includes all accrued income of the OeNB on reserve assets taken from the special b.o.p./i.i.p. reports of the OeNB's Accounting Division.

6.2 DEFINITIONS

In principle, the OeNB intends to follow the recommendations of the BPM5 and the harmonisation proposals of the ESCB's Working Group on External Statistics (WG-ES).

In terms of geographical allocation, data on the actual counterpart countries are available for all credits and debits of income with the exception of portfolio investment debits (see Sub-section 6.1.3).

A complete geographical breakdown (country by country) on the credit side is achieved by using these principles both for monthly and for quarterly data. On the debit side an equivalent breakdown is only available for non-portfolio investment. Estimates for portfolio investment can only be made on an annual basis with a very long time-lag, on the basis of mirror data received via the IMF Co-ordinated Portfolio Investment Survey.

The accruals principle for portfolio investment income has been applied to quarterly and annual data from the first quarter of 1997 onwards. Since January 2002, the accruals principle has also been used for the monthly contributions to the euro area aggregate. In monthly publications at the national level, however, figures were given on a pure cash basis until the reporting period December 2005.

Income on equity is also derived from stock reports and general information on dividend payments on a security-by-security basis. It also includes income on investment in CIIs on an accruals basis. Income on bonds and notes and on money market instruments is calculated, entirely on an accruals basis, from stocks (see Sub-section 6.1). The securities database used in this calculation comprises all kinds of securities, with the necessary information for every security. Average stocks in the periods under consideration are used for the accruals calculations. This is based on the assumption that securities are bought or sold, on average, in the middle of the period.

Reinvested earnings are included in monthly and quarterly/annual direct investment income data from 1992 onwards. Until December 2005 the monthly data on reinvested earnings were exclusively compiled for the purposes of the ECB. Estimates of reinvested earnings are usually revised at least twice for quarterly/annual data, on the basis of the latest available information from direct investment surveys and other sources of data (see Sub-section 6.1.2). Once the final direct investment survey for the reference year is completed (usually at t + 18 months), the corresponding figures for reinvested earnings are also considered to be final. These data are then published in the course of the regular revisions at t + 21 months at the latest.

Direct investment income on debt can also be automatically identified by reallocating other investment income flows reported directly by banks and non-banks. If both counterparts in the transaction are non-banks, it is automatically assumed that the income belongs to direct investment. In addition, the ratio between stocks of direct investment loans (vis-à-vis affiliates) and other investment loans (vis-a-vis third parties) per reporting agent gives an indication of the correct functional allocation of interest payments.

Other investment income mainly comprises income from deposits, loans between non-affiliated enterprises, trade credits and other capital (i.e. arrears) both from banks and from non-banks. The compilation of other investment income is closely linked to the reporting of other investment stocks. Reporting agents are required to submit reports on all interest as soon as it is due for payment, if they are obliged to report the underlying stocks. Respondents that regularly report stocks but do not report income flows within a certain period of time (i.e. quarterly for banks, annually for non-banks) are automatically reminded of their reporting obligation. The interest share in financial leasing is also part of other investment income, since financial leasing operations are recorded as loans for which interest payments

are always fully covered. Financial leasing is also a separate category in other investment stock reports.

Income generated from reserve assets, as reported by the Accounting Division of the OeNB, is also recorded under other investment income. Both on a quarterly and on a monthly basis, these data are calculated according to the accruals principle.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

None

6.4 GAPS

There are no gaps concerning investment income data.

6.5 INTENDED HARMONISATION

Improvements in the quality of estimates for credits and debits of income in the context of CIIs (see Sub-section 6.1.3) is expected once the CSDB system is fully operational (also in terms of quality of data) and once the OeNB's security-by-security compilation system has fully automated access to these security-by-security data.

6.6 ESTIMATION METHODS

Regular estimates are made for the following areas:

– total profits of direct investment enterprises as part of the calculation of reinvested earnings are estimated for up to 18 months until data from annual FDI surveys become available (see Sub-section 6.1.2); and

– accruals of CIIs are to a large extent estimated, due to the lack of actual data (see Sub-section 6.1.3)

No further estimation methods are used within the area of investment income. Accruals for portfolio investment are calculated security-by-security on the basis of stock data, using a securities database. Accruals figures cannot therefore be considered to be estimations.

7 CURRENT TRANSFERS

7.1 QUARTERLY DATA

Transfers paid or received by corporations (banks and non-banks) are reported quarterly. A description of these direct reports can be found in Sub-section 5.1.

Transfers paid or received by households consist of income tax payments, social security payments and workers' remittances. Tax and social security payments are by-products of the calculation of compensation of employees. The main source for the debit side of workers' remittances is a combined dataset of income tax and social security statistics. This dataset allows the number of foreign workers in Austria and their income to be identified. Workers remittances debits are estimated on the basis of an assumed transfer rate, which is based on an average ratio of saving. The estimation of the credit side of workers' remittances is based on statistics on the number of Austrian citizens living abroad and on assumptions for their average income and a transfer rate.

Data on transfers is collected from non-profit institutions serving households via a quarterly survey is based on a quarterly survey. 250 organisations are surveyed on cross-border transfers paid or received (e.g. for foreign aid, membership fees, bounties, etc.) and their trade in services. The survey thus provides information for the calculation of trade in services as well as for transfers. As this is the first ever mandatory survey among non-profit institutions in Austria, the information gathered so far is insufficient to set thresholds. But after evaluation of the reporting of the first four quarters of 2006, cut-offs will be applied to cover at least 90% of their cross-border current transfers.

The transfers of the government sector, including payments to and from the European institutions, are based on accrual-adjusted closed accounts of the central government.

Transfers of monetary authorities mainly consist of monetary income-related transactions between euro area countries and are already available on a monthly basis.

7.2 MONTHLY DATA

Monthly data on current transfers are forecasted using actual data on EU payments together with time series estimation. Monthly information from the Austrian government on receipts and payments vis-à-vis the EU enter the model as an independent variable, while the time series estimation refers to the residual (current transfers minus EU payments). The method employed here is non-linear regression using moving average smoothing. The regional structure is calculated based on the residual.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

A specific monthly survey for capital account transactions (reporting form L4) is used to capture transactions above €100,000 for the following:

- gifts, dowries and inheritances abroad;
- establishment of private trusts, charities;
- establishment of scientific, cultural or religious institutions;
- transfer (including purchase/sale) of market share, customer bases, delivery rights;
- transfer fees for professional athletes; and
- migration.

The reporting form also includes questions about real-estate transactions. This combination of survey items in one report has been chosen because most of these types of transaction are settled with the help of resident lawyers and notaries, who have been informed about these reporting requirements and are expected to inform their clients of any potential reporting obligation.

In addition, the following sources and estimates are used:

- In the services and transfer survey (see Sub-section 5.1), data on purchases and sales of patents and licences (as distinct from pure licence fees) are collected with a country breakdown and reallocated to the capital account.
- Part of the incoming EU transfers as reported in the closed accounts of the central government (see Sub-section 7.1) are allocated to capital transfers.
- Since only a few of the bigger transactions in context of migration will be captured by the above-mentioned capital account survey, an estimate is made for migrant transactions below the threshold. This estimate is based on population (i.e. migration) statistics and assumptions for the average wealth of migrants.
- Debt forgiveness regarding interest payments on arrears is reported quarterly by the *Oesterreichische Kontrollbank*, which manages loans guaranteed by the central government and granted to heavily indebted developing countries. A counter entry is made under other investment income.
- All other investment (loans and deposits) stock reports include a reporting field for debt forgiveness and write-offs. In the event of substantial amounts being reported under this item, an inquiry is started with the reporting agent to determine whether this qualifies as a transaction (debt forgiveness

in relation to other investment) or as a write-off (other adjustment). This is particularly relevant for banks that also report stocks of arrears.

8.2 DEFINITION

In principle, the OeNB follows the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES.

The distinction between current and capital transfers is laid down in the reporting guidelines of the OeNB, in accordance with the BPM5 definitions. Items such as debt forgiveness, migration and other capital transfers are all reported separately. Therefore private sector capital transfers as well as the acquisition and disposal of non-produced, non-financial assets can be clearly identified.

For public sector transfers, the coverage and distinction of capital and current transfers is based on administrative data available for national accounts purposes. In addition, information regularly received from the Federal Ministry of Finance is used to cross-check capital transfers vis-à-vis EU institutions. Data on current transfers are also provided by the Federal Ministry of Finance.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

As of January 1998 there are no major deviations.

8.4 GAPS

Migrants' transfers are generally difficult to capture. Data are only partially available for migrants' transfers in other sectors and the acquisition/disposal of non-produced, non-financial assets. One of the challenges in the context of migrants' transfers is the transfer of portfolio deposits in connection with migration. Since such transfers of deposits (without payment) are separately identified in the security-by-security portfolio investment reports, it is possible to identify and correctly allocate significant cases. This is an important improvement compared with previous reporting years.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Equity transactions in the context of direct investment are collected monthly from all sectors through direct reports (reporting form D1, which also includes dividends, see Sub-section 6.1.2). The reporting form has to be submitted only when a transaction actually takes place (no nil reporting). A distinction is made between active and passive direct investment and between increases and decreases of equity capital. A breakdown of all transactions by non-resident counterpart is requested, ensuring both the correct geographical allocation and the correct application of the directional principle in the compilation process. If the counterpart is new to the direct investment register (i.e. if the transaction reported is its first transaction with a new parent or subsidiary) then the respondent is required to fill in an additional form (reporting form D2/D3) with details about the foreign counterpart (i.e. address, country, share of participation, economic activity, motive for investment).

In order to check the completeness of reports the following sources are used:

- news sources (i.e. newspapers and database of the Austrian Press Agency);
- a commercial database on mergers and acquisitions (the ZEPHYR database);
- the official business register of the Ministry of Justice; and

– supervisory reports on affiliated enterprises submitted by banks to Banking Statistics Division of the OeNB.

Potential respondents are actively contacted before the presumed reporting date in order to ensure that the reporting obligation is fulfilled.

In addition to monthly direct reports, the annual FDI survey is used to check and clearly identify transactions between affiliates. In the event that a change of ownership of a resident company from a non-resident to another non-resident direct investor takes place, the resident company involved is also obliged to submit a monthly direct report. Even if the direct investment company does not have full information on the transaction between its former and present parent companies (i.e. amount involved), it is still required to inform the OeNB that some change in ownership has taken place. In addition, such changes in ownership can be detected once the annual survey is available.

For direct investment cases settled through an exchange of shares, the transaction is usually recorded when the exchange takes place. Unless a price has explicitly been agreed between the parties involved in the exchange of shares, the share price of the direct investor's company on the day of the exchange and the exchange relation (e.g. one share of A equals one share of B) are used to value the transaction. The direct investor in this case is usually identified as the "bigger" or "buying" party that has the majority in the newly formed group after the exchange has taken place. If both of the exchanged shares have a market price, then these prices should anyway be considered equal on the day of the exchange. More problematic would be cases where no market prices are available, as in the case of unquoted shares.

A counter-entry for reinvested earnings (see Sub-section 6.1.2) is made under direct investment flows.

Transactions between residents and non-residents concerning real estate are collected via separate reports (reporting form L4).

Direct investment/other capital (debt) is an integral part of the collection of other investment stocks (and derived flows). A distinction between loans and deposits with third parties and with affiliates has to be made by respondents for all other capital. This is also true for trade credits. A breakdown by individual counterpart is required for other capital reports in order to determine the nature of the relationship between debtor and creditor and to correctly fulfil the directional principle. For more information see Sub-section 11.1.

9.2 DEFINITION

In principle, the OeNB follows the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES.

The OeNB applies the 10% criterion and the directional principle to direct and indirect participations.

Direct investment figures comprise transactions on equity, reinvested earnings and other capital (short and long-term, including trade credits). Significant equity contributions in the form of real or financial assets without payments are usually included by directly contacting and questioning the enterprises concerned. With regard to the issue of transactions in equity securities, it is possible to distinguish clearly between direct investment and portfolio investment based upon the information in the securities and companies databases and upon specific reporting requirements. If an equity transaction concerns a share with an ISIN code, then the respondent is obliged to give this code in the monthly direct reports on transactions. Furthermore, all cross-border transactions in real estate are covered.

Data on real-estate transactions and stocks are included in direct investment for b.o.p./i.i.p. purposes. However, they are not included in

dedicated annual publications on direct investment or in direct investment data compiled with an economic activity breakdown for EUROSTAT.

Special-purpose entities are not subject to a different treatment.

The geographical breakdown is based on the residency of the actual issuers (i.e. debtor/creditor principle). It is also available for historical data.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

9.4 GAPS

None – the implementation of the methodology for reinvested earnings is based on the proposals made by the proposals of WG-ES and its predecessors.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

For information on the estimation of reinvested earnings, see Sub-sections 6.1.2 and 6.6.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

A comprehensive and reliable compilation system is used for portfolio investment flows and stocks. The system is based on data collection on a security-by-security basis using the ISIN (or other security identifier, if no ISIN exists). A first version of a security-by-security compilation system was developed during 1988-89 in order to improve the reliability of portfolio investment data. Experience showed that instructions to reporting agents regarding the classification of securities for b.o.p. purposes were proving to be increasingly complicated in fast developing international financial markets. It was therefore decided to base the reporting of transactions and of stocks of securities on the ISIN code for each individual security, which has now been the case for almost two decades. Until the end of 2005 this breakdown by ISIN was an integral part of monthly stock reports by custodians and of monthly transactions captured via the settlement system. The two reports were reconciled by the compiler. From reporting period 2006 onwards, due to the cancellation of the settlement system, both custodians and non-custodians report stocks and flows in one integrated report with an ISIN breakdown, which is very beneficial for the reconciliation of flows and stocks. These integrated stocks/flows reports with a breakdown by ISIN include the following data:

- nominal stocks at the end of the period;
- price at the end of the period (mandatory if no official ISIN code was available or in the case of non-quoted shares);
- increases and decreases in stocks in nominal terms (nominal value or number of shares) with or without payment (e.g. transferral of deposits without payment);
- value of credit and debit transactions (purchases and sales) in euro in the context of increases/decreases in stocks;
- accrued interest paid/received included in the transaction values of purchases and sales; and
- value of credit and debit transactions in euro without an increase/decrease in stocks (e.g. partly paid transactions or transactions related to mortgage-backed securities with pool factors).

Custodians are required to report their own holdings and the holdings of their (non-custodian) customers with a breakdown into

19 groups/sectors of customers. This breakdown is derived from the sector classification of the ESA 95 (including a breakdown of various resident sectors and non-resident banks, non-residents households and other non-residents). Reporting form P1 is used for custodian reports. Non-custodians report on their own holdings with custodians abroad or on self-custody (reporting form P2). Both reports cover all securities (domestic and non-domestic issues) and all transactions, with no distinction according to the residency of the counterpart. Financial derivatives with ISIN codes are also included in these reports but are not classified as portfolio investment later in the compilation process.

In order to correct for transactions and stocks in context of repurchase agreements (repos) and securities lending, two special reporting forms have been introduced. Custodians use reporting form P3 to report all domestic and non-domestic repo transactions on their own account per ISIN and per counterpart (broken down into the same groups/sectors used in the stocks/flows reports). Non-custodians report stocks and flows of their own repo business with non-resident counterparts (reporting form P4).

The central government sector also files special reports about its holdings (mainly commercial paper) and issuance (treasury bills).

In the event that a security has no official ISIN code (e.g. unlisted shares, private placements) or that information is not available to respondents at the time of the reporting, then the respondents can assign their own internal (unofficial) ISIN code and have to submit an additional report (form P5) with the necessary primary data on financial instrument classification, country of issuer, interest rate, maturity and other details of the security involved.

Based on the reported ISIN code in connection with the securities database, all necessary b.o.p. and i.i.p. classifications (by financial instrument, resident and non-resident sector, country) and the reconciliation of flows and stocks are made.

Maintaining and developing a comprehensive securities database with all the necessary primary data per ISIN is a decisive part of the collection systemas a whole. The main external information contained in this so-called master file is purchased from the Austrian and German National Numbering Agencies, i.e. the *Oesterreichische Kontrollbank* (OeKB) and the German *Wertpapiermitteilungen*. While the OeKB provides data on domestic securities and euro-denominated foreign securities traded in Austria, the *Wertpapiermitteilung* primarily delivers data on foreign securities and domestic securities issued abroad. Moreover, the Austrian banks and non-banks reporting portfolio stocks and transactions also have to supply information concerning "internal" securities which – to the best of their knowledge – do not have an ISIN code (see reporting form P5 mentioned above). If information on the same security is received by more than one institution, then the OeKB data are usually given preference. These external securities databases form the starting-point for the internal master file constructed for b.o.p. purposes. Since 2005 a data exchange between this master file of the OeNB and the ECB's CSDB has taken place. Data received from the CSDB are currently used mainly as a source for prices and also to increase the coverage of the master file in terms of the number of ISIN codes. Moreover, the CSDB is currently the only source for information on thenon-resident issuers sector (necessary for the special sector breakdowns of intra euro area assets required by the ECB) and for information on total dividends of shares and mutual funds (no data collection for these income flows exists in Austria).

The internal master file used by the OeNB for the compilation of portfolio investment flows and stocks contains around 200,000 debt securities, 30,000 financial derivatives and some 160,000 equity securities, thus covering around 99% of the securities traded with Austrian residents on a

cross-border basis. Data on around 900,000 historical securities which are no longer valid or traded are also available. Not all the securities in the database are actually involved in cross-border trading. Stocks and transactions are usually reported for approximately 40% of all non-expired securities in the database for a certain period of time. The database is updated on a weekly basis. Comprehensive quality checks and amendments are made by the Balance of Payments Division in order to render the information received from external sources suitable for statistical purposes. These checking procedures comprise formal controls (completeness of information), as well as plausibility checks. The main source of quality problems regarding the information received on securities is the fact that the National Numbering Agencies maintain their databases for their customers (banks), and that the latter use the information for their own business needs, which differ from those of statistical compilers. Therefore data fields which are particularly important for statistical purposes (i.e. outstanding amount) are not always of the desired quality and have to be checked in detail.

As for the compilation of harmonised euro area portfolio investment aggregates, the OeNB is of the opinion that a securities database (master file) for statistical purposes should be generated and maintained centrally for all EU Member States, as is the ultimate target of the CSDB project. Owing to the time-consuming quality controls carried out on commercially available information on securities, a centralised checking procedure would be most effective. This centralised database should contain information useful for all statistics required by the ECB and not only those data necessary for b.o.p. purposes. Therefore, the OeNB strongly supports the project to enhance the quality and the functionality of the CSDB. The main advantages of the ISIN compilation system for portfolio investment flows and stocks are seen in the increased accuracy and the higher degree of flexibility for adapting the compiled aggregates to the new requirements, often without the need to address further requests to the reporting agents.

10.2 DEFINITION

The OeNB mainly applies the recommendations set out in the BPM5 when compiling statistics on portfolio investment. The OeNB is in a position to provide a country-by-country breakdown of portfolio investment on the assets side.

The use of the securities database allows a geographical allocation of portfolio investment assets according to the country of the actual counterpart (issuer). On the liabilities side, no information is available on the real holder of the security. As a consequence, the transactions on the liabilities side cannot be broken down geographically. The geographical breakdown described is available on a monthly basis from January 1992 onwards. Offsetting entries in portfolio investment for the accruals calculated in investment income are available on a quarterly basis as from the first quarter of 1997, and on a monthly basis as from January 2002 (see Sub-sections 6.1 and 6.2).

The sectoral breakdown of portfolio investment flows is achieved by using information from the securities database and from portfolio reports (reporting forms P1 and P2). On the liabilities side, the information on the sector of the issuer derived from the master file (see Sub-section 10.1) is almost 100% complete. On the assets side, the monthly reports, which include both stocks and flows, provide reliable information about the sectoral composition of domestic holders for a certain period. The breakdown by groups of holders requested in indirect custodian reports is much more detailed than the sectoral breakdowns for both b.o.p. purposes and the purposes of monetary union financial accounts. Sectoral breakdowns on the assets side by non-domestic issuer are, however, less reliable, because the only data source for this classification is the CSDB, and the relevant coverage for short-term debt securities is not sufficient for the time being. Portfolio

transactions and holdings between domestic sectors are also covered by the reporting system.

Service charges, fees and commissions are not included in portfolio investment if separate payments are made for such components. In most cases, the reporting agents are able to identify and label such payments correctly. If they are indistinguishably included in payments for portfolio investment capital, then no separation is possible.

Trading in assets other than securities (particularly loans) is not recorded under portfolio but under other investment.

On the liabilities side, the residual approach is used to derive cross-border flows. The above-mentioned reports cover all trading of resident issues with domestic and non-domestic sectors. Assuming that there is no change in outstanding amounts of a security, the sum of all transactions of domestic sectors is the cross-border flow, as domestic-domestic transactions cancel each other out. In the case of primary market transactions, however, it is necessary to use flows derived from stocks, which are in turn calculated using the residual approach.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

In principle, the OeNB aims to follow the recommendations set out in the BPM5 and the harmonisation proposals of the WG-ES.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

There are no estimations included in portfolio investment.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Derivatives are collected on a monthly basis from all relevant sectors via direct reports (reporting form F1). The reporting for financial derivatives includes a breakdown by country and a breakdown by the following types of derivative:

- options held (bought) by the respondent (assets);
- options issued (written) by the respondent (liabilities);
- futures; and
- other derivatives (swaps, forwards, etc.).

The respondents have the choice between reporting gross or net flows for each category and country.

The financial derivatives reports mostly cover OTC (over-the-counter) derivatives. In the case of derivatives which have an official ISIN code and which are usually traded on stock exchanges (e.g. warrants) a clear distinction between reporting for financial derivatives and reporting for portfolio investment is required. Custodians have the choice of including data on their holdings of derivatives with ISIN codes in the derivatives reporting form or in the portfolio investment reports (see Sub-section 10.1). Most respondents choose the latter option for technical reasons (i.e. these derivatives are treated as securities in the respondents' systems). Non-custodians are instructed to report only those derivatives with ISIN codes in reporting form F1 which they do not have deposited with a resident custodian. Liabilities arising from derivatives with ISIN codes do not have to be reported at all by resident issuers, since these data are calculated as a residual in the portfolio investment compilation process.

The geographical breakdown for financial derivatives is based primarily on the country of the actual counterpart, as reported by the respondents. These counterparts are usually available for OTC-style derivatives. In the case of trading on organised markets, especially in that for negotiable financial derivatives with ISIN-codes, the country of the first-known counterpart is available. The latter is usually identical to the market where the instrument has been traded. In the case of derivatives with ISIN codes included in portfolio investment reporting forms, the country of the issuer is derived from the securities master file.

I1.2 DEFINITIONS

The recommendations set out in the BPM5 and the proposals of the WG-ES are followed.

For interest rate swaps, all three payments are usually recorded: the actual interest payment and both swap payments with the country of the foreign swap partner. Fees and commissions in connection with financial derivatives can be identified separately and are recorded under financial services. Initial margin payments for options and futures are recorded under other investment. Variation margins are recorded as financial derivatives. It is not possible to make the distinction between options-style and futures-style variation margins.

A geographical breakdown according to the country of the actual counterpart as well as a sectoral breakdown are available on a monthly basis. For financial derivatives without an ISIN code, the sectoral breakdown may not be totally reliable where the domestic swap partner cannot be identified correctly. The following distinctions between instruments are possible: options, futures and other derivatives. For the government sector it is also possible to identify swaps among other derivatives.

Data for options and for financial derivatives issued with ISIN codes are available on a gross basis (i.e. with a clear separation of assets and liabilities). For futures and other derivatives only partial gross data are available, depending on the respondents' choices of gross or net reporting and on the availability of stocks. If only net values are reported, then a net outflow in a certain period will be recorded as an increase in assets and a net inflow will be recorded as an increase in liabilities. If stocks are available for the other derivatives category together with flows (required at least at a quarterly frequency for major market participants), then all flows (gross or net) will be allocated to assets or liabilities depending on the sign of the corresponding stocks.

I1.3 DEVIATIONS FROM AGREED DEFINITIONS

All deviations concerning the treatment of financial derivatives have been removed with the beginning of the year 2000. Consistent historical data back to 1992 are also available.

I1.4 GAPS

Coverage of financial derivatives can be considered complete as from the beginning of 1997. Currency and interest rate swaps, which are thought to be the only significant kinds of transactions in this context, are, in particular, very well covered.

I1.5 INTENDED HARMONISATION

None.

I1.6 ESTIMATION METHODS

No estimation methods are used in the field of financial derivatives.

I2 OTHER INVESTMENT

I2.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment data are collected via a number of direct reports which have the common feature that only stocks and write-offs are collected and transactions are always derived from stocks by the compiler. All reports contain a breakdown by currency to enable the

exchange-rate effects to be correctly calculated in the derivation of these notional flows.

A distinction is made between MFIs and non-MFIs regarding specific reporting requirements.

In the case of MFIs, the main source of other investment is the BSI statistics collected by the OeNB's Banking Statistics division for the purpose of monetary statistics. In order to satisfy the needs of the b.o.p./i.i.p (as well as of BIS statistics) additional details and breakdowns have been added to these reports:

– a full country breakdown, including non-EU counterparts;

– a full breakdown by international organisation according to b.o.p. standards;

– additional currencies that may play a significant role in the of capturing exchange-rate effects: the Australian dollar, the Canadian dollar and the Norwegian Krone; and

– additional items for non-performing loans (arrears) and reverse repos.

MFIs that are involved in direct investment abroad or direct investment in the reporting economy also have to file a supplementary report (form S7) for direct investment/other capital (vis-à-vis non-MFIs or in case of permanent debt).

Another special report (reporting form S8) is received from an Austrian bank that acts as an agent in providing export financing loans guaranteed by the government. Cross-border export loans that have become overdue cannot normally be reported by the original resident lenders, because they have already been compensated for their loss and the loans no longer appear in their balance sheets. Statistically, however, these claims still exist in the form of arrears and are reported centrally by the *Oesterreichische Kontrollbank* to the OeNB for b.o.p. purposes. In addition, a register update for other investment loans granted under export financing programmes is reported annually in this context.

In the case of non-MFIs, the following monthly stock reports exist:

– claims on third parties from loans, deposits, financial leasing, repos and other assets (reporting form S1);

– liabilities vis-à-vis third parties from loans, deposits, financial leasing, repos and other assets (reporting form S2);

– claims on affiliates from loans, deposits, financial leasing, repos and other assets (reporting form S3);

– liabilities vis-à-vis affiliates from loans, deposits, financial leasing, repos and other assets (reporting form S4);

– claims on third parties from trade credits (reporting form SA);

– liabilities vis-à-vis third parties from trade credits (reporting form SB);

– claims on affiliates from trade credits (reporting form SC); and

– liabilities vis-à-vis affiliates from trade credits (reporting form SD).

All the reports are made in the original currency of the asset or liability (i.e. the conversion non-euro claims or debts into euro is done by the compiler, not by the respondent).

The central government reports its loans in a special format (reporting form P6) on a loan-by-loan basis for processing in the portfolio investment system.

A breakdown by original maturity into long-term (over one year) and short-term (up to one year) is available for all other investment reports and also for trade credits.

Reports of stocks vis-à-vis third parties are broken down by country and currency and are made in the original currency of the asset/liability. Reports of stocks vis-à-vis affiliates are broken down by individual counterpart (company-by-company reporting) and by currency. The information on individual counterparts is used to determine whether a case has to be recorded under the functional category direct investment instead of under other investment. Most reports vis-à-vis affiliates are actually reallocated to direct investment/other capital (see Sub-section 9.1).

All required geographical, sectoral, maturity and instrumental breakdowns are available on a monthly basis. For the most part, the breakdowns are derived directly from the reports. Some sectoral breakdowns are achieved by linking the reported data (including those on the domestic counterpart) to a company database. In the case of trade credits, the respondents have the option of reporting only the three biggest counterparts/countries and reporting the remaining stocks as a lump sum to decrease the reporting burden. Approximately a third of all respondents are using this simplified trade credit reporting procedure. For those stocks and corresponding derived flows, the geographical breakdown is estimated using the structure of stocks reported with a geographical breakdown.

Other investment of monetary authorities is included in special monthly reports of the Accounting Division and the Payment Systems Division of the OeNB for b.o.p./i.i.p. purposes. Unlike the reports of other sectors, the OeNB's own data include stocks, real flows and non-transactional changes.

I2.2 DEFINITION

The OeNB generally applies the recommendations set out in the BPM5.

Other investment figures also include financial leasing, bond lending and repos. These three categories can be distinguished from other types of loans in the reporting system. Clearing and cash-pooling accounts and non-performing loans are also items compiled separately from "normal" loans and deposits.

Accounts with frequently changing signs (i.e. working balances and clearing accounts) are recorded under assets or liabilities, depending on the sign of the outstanding stock at the end of the month.

Short and long-term loans, including trade credits, between affiliated enterprises can be identified and are recorded under direct investment according to the directional principle.

Trading of loan portfolios is recorded under other investment, although the amounts in question have not been significant in recent years.

I2.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

I2.4 GAPS

None.

I2.5 INTENDED HARMONISATION

None.

I2.6 ESTIMATION METHODS

Geographical breakdowns of trade credits are estimated for about 20% of total stocks due to a simplified reporting procedure. The geographical structure of the approximately 80% of trade credits reported with a country

breakdown are applied to the unallocated stocks and derived flows.

I3 RESERVE ASSETS

I3.1 SPECIFIC FEATURES OF DATA COLLECTION

Reserve assets are included in monthly reports generated by the Accounting Department of the OeNB. These reports cover transactions (including accrued interest), stocks and non-transactional changes for all reserve asset instruments. A full breakdown by geographical area and currency is also available. The reports are reconciled with the IMF Data Template on International Reserves and Foreign Currency Liquidity.

I3.2 DEFINITION

In principle, the recommendations of the BPM5 are applied for the recording of reserve assets.

A reliable instrumental breakdown is available on a monthly basis. Financial derivatives within reserve assets are available on a gross basis; however, very few transactions have yet been recorded. Gold swaps are recorded as repos.

Market prices are used for valuation. The conversion into euro is carried out using average monthly exchange rates.

Reserve assets are compiled on a full accruals basis on a monthly level.

I3.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

I3.4 GAPS

None.

I3.5 INTENDED HARMONISATION

None.

I4 INTERNATIONAL INVESTMENT POSITION

I4.1 SPECIFIC FEATURES OF DATA COLLECTION

Stock data for the i.i.p. are usually fully integrated in the reports and surveys for b.o.p. purposes. In the case of other investment, stocks are actually the main data source while flows are derived from stocks. In the case of portfolio investment and financial derivatives, both flows and stocks are collected simultaneously via direct and indirect reports. Reconciliation of flows and stocks are an important source for regular quality checks on a micro level.

The securities database is used for portfolio investment stock data in the same way as for portfolio investment flows (geographical, sectoral and instrumental allocation on a security-by-security basis, see Sub-section 10.1). The coverage and concept are in line with the quarterly/annual b.o.p./i.i.p. position of the financial account.

Pure stock data are used for portfolio investment stocks, financial derivatives stocks, other investment stocks and reserve assets.

In the case of direct investment, stocks of real estate are exclusively compiled by using accumulated flows (approximately 4% on the assets side and 2% on the liabilities side of overall assets and liabilities of direct investment stocks, respectively). Additionally, since the final results of direct investment surveys only become available after 18 months, accumulated flows are used for the provisional version of direct investment stocks available after six to nine months. This provisional version is compiled as the sum of the stock data of the previous reference year plus the accumulated flows (including reinvested earnings) of the reference year. For the final version of direct investment stocks (published at t + 21 months), the pure stock data from the survey (also including reinvested earnings) are used. In the framework of the direct investment survey, stocks are collected according to the "own

funds at book value" valuation principle, which is largely the sum of equity items in the balance sheet of the direct investment company. In the case of listed companies, the OeNB has, since the reporting period 2004, also compiled market values using various information sources:

- For direct investment in the reporting economy data from the OeNB's securities database (see Sub-section 10) and data received directly from the Vienna Stock Exchange are used to identify and value direct investment in listed companies.

- For direct investment abroad, primary data on the direct investment enterprises from the annual FDI survey and from the OeNB's company database are used to identify firms that could be listed on stock exchanges. For these cases, both information available in the securities database on non-resident issues (prices, outstanding amounts) and information publicly available from foreign stock exchanges are used to derive a market value.

The number of listed direct investment companies is relatively limited compared with the overall number of companies involved in direct investment. For 2004 only 25 out of more than 3,000 direct investment companies were listed on a stock exchange. However, the difference in valuation between book and market values for these few cases can be substantial.

The required sectoral and instrumental breakdowns are covered by the collection system for all parts of the i.i.p. from the reference year 1997 onwards.

A geographical allocation between euro area and non-euro area data is possible to a substantial extent. Essentially, geographical data are collected on a country-by-country basis. However, the geographical breakdown will be of lesser quality or not available at all in the following areas:

- trade credits within other and direct investment, for about 20 % of trade credit stocks reported without a country breakdown, which is derived by default from the remaining stocks;

- real estate within direct investment (purely accumulated flows); and

- portfolio investment liabilities (only mirror data from the IMF Co-ordinated Portfolio Investment Survey will be available, with a long time-lag).

Austria participated in the Co-ordinated Portfolio Investment Survey of the IMF for 2004, providing all the mandatory items and most encouraged items (currency and sectoral breakdown). The data requested for this survey could be compiled regularly on a quarterly basis with a timeliness of t + 6 months. Pure stock data would be used for this task.

The data for the i.i.p. can be made available quarterly. Provisional quarterly i.i.p. data can be produced with a time-lag of three months. Data compilation for the quarterly and annual i.i.p. are based on the same sources and methods, except for direct investment (where survey data are only available annually). In addition, it should be noted that the procedures for checking and correcting quarterly data necessary to achieve a quality comparable to annual data would take at least six months.

14.2 DEFINITIONS

14.2.1 GENERAL

The recommendations and definitions set out in the BPM5 are applied in the compilation of the i.i.p.

14.2.2 DIRECT INVESTMENT

The directional principle is strictly applied in the area of direct investment stocks. Reinvested earnings also form part of the stock data. Reconciliation adjustments between flows and stocks pose a problem for direct investment in particular, because book values are primarily

used for stocks and market values for flows. Therefore, other adjustments (in the sense of residual adjustments) can be very high. Price adjustments and other adjustments (in the sense of reclassifications) can be identified to a limited extent. Exchange rate adjustments are calculated on the basis of average monthly exchange rates for transactions and end-of-month exchange rates for stocks.

To the extent that accumulated flows are used (real estate and remaining provisional data after six months), market valuation can be largely assumed for direct investment stocks. As soon as final results of surveys are available (t + 18 months), book values are available for both listed and unlisted direct investment cases in the i.i.p., with the exception of real estate components. Market valuation for direct investment stocks based on an "earning-method estimation" is compiled for a separate statistical publication, but these figures cannot be used for the i.i.p.

From reporting period 2004 onwards it has also been possible to value listed direct investment companies abroad and in the reporting economy at market prices using stock exchange quotations.

I4.2.3 PORTFOLIO INVESTMENT

Stock data on portfolio investment include accruals (calculated on a security-by-security basis). In that context, it is important to note that interest rate components derived from discount prices and redemption at higher prices are included in the accruals calculation and therefore in the stocks. This mechanism was especially designed for zero-coupon bonds, but it also works for all other kinds of short and long-term securities.

Stocks and flows are reported simultaneously and are therefore closely reconciled. Exchange rate and price adjustments are calculated security-by-security, using information from the securities database (mainly quotations and exchange rates). Other adjustments (sectoral and instrumental reclassifications) are also identified automatically in this context. The remaining differences are calculated as residual adjustments. Portfolio investment stocks are valued at market prices.

On the liabilities side of portfolio investment stocks, no geographical information is available from the compilation system. On the assets side, portfolio investment stocks can be allocated geographically according to the debtor principle, using the securities database (see Sub-section 10.1).

I4.2.4 FINANCIAL DERIVATIVES

Financial derivatives stocks are based on pure stocks of OTC derivatives directly reported by holders/debtors on a quarterly basis. These stocks comprise mainly options, swaps and forwards. In case of futures, it is assumed that no stocks arise due to the usual daily margining of these instruments. Stocks of derivative securities with ISIN codes (mainly warrants) as collected via the reporting channels for portfolio investment are also recorded under financial derivatives. These stocks are highly reliable and are calculated at market prices.

These sources for financial derivatives stocks include a distinction between negative and positive market values with very limited possibilities for net reports. Therefore, financial derivatives are largely available on a gross basis.

I4.2.5 OTHER INVESTMENT

As described in Sub-section 3.1, monthly stocks and write-offs as well as debt forgiveness are reported directly by banks and non-banks with a full currency and country breakdowns. Only the central government also reports net flows. Since most flows are derived from stocks in the first place, there is no need for quality checking in terms of reconciliation of flows and stocks. Price adjustments (mainly relating to asset trading) are usually treated on a case-by-case basis. Other adjustments (reclassifications and write-offs) can be taken directly from the reports. Due to the availability of a full currency breakdown of stocks, it is possible to derive

both exchange rate adjustments and flows with a high degree of accuracy. These calculations are done using average monthly exchange rates for transactions and for reported adjustments, and end-of-month exchange rates for stocks. Other investment assets and liabilities are based on nominal values.

14.2.6 RESERVE ASSETS

Reserve assets are directly reported by the Accounting Department of the OeNB in the form of special monthly reports. These reports comprise stocks, transactions and all kinds of adjustments. The data are taken directly from the accounting database. All reserve asset instruments are covered by the reports. The valuation is executed according to market values using closing market prices for gold and closing mid-market exchange rates. Stocks also include accumulated accrued interest.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.4 GAPS

None.

14.5 INTENDED HARMONISATION

None.

14.6 ESTIMATION METHODS

Accumulation of flows is used in the area of direct investment to obtain provisional stock data after six to nine months and to obtain stock data on real estate.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Statistical bulletins:

"Statistiken – Daten und Analysen" (quarterly)

"Monetary Policy & the Economy" (quarterly)

Other:

"Annual Report of the Oesterreichische Nationalbank".

15.2 CONTRIBUTORS

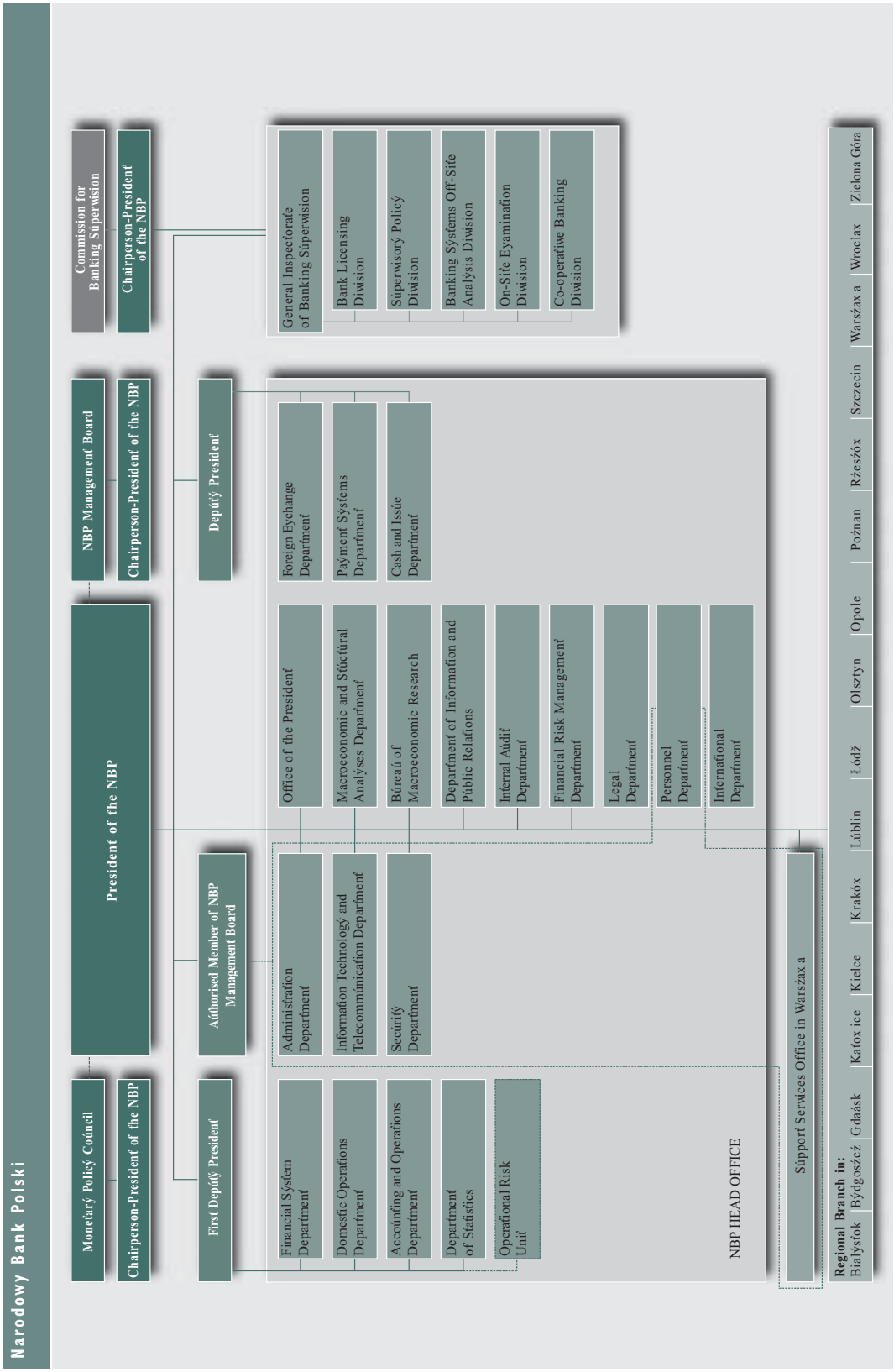
This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Austria. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Austria should be addressed to:

Mr Robert Zorzi
Oesterreichische Nationalbank
Balance of Payments Division
Otto-Wagner-Platz 3
A-1011 Wien
Austria

Tel.: 00 43 1 404 20 5413
Fax: 00 43 1 404 20 5499
E-mail: robert.zorzi@oenb.at

4.20 POLAND

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Narodowy Bank Polski (NBP) is responsible for compiling and publishing Poland's balance of payments and related statistics (e.g. the international investment position, external debt, foreign direct investment statistics, reserve assets).

The NBP is the central bank of the Republic of Poland. In line with its statute, the basic objective of the NBP's activity is to maintain price stability and to strengthen Poland's currency. This objective is pursued by:

- developing and implementing monetary policy;
- creating the institutional basis for ensuring the requisite level of financial safety and stability within the banking sector; and
- regulating the relevant principles and mechanisms for guaranteeing the liquidity of monetary settlements within the economy.

Under the Constitution of the Republic of Poland of 2 April 1997 (Article 227), the NBP is the central bank of the State and has the exclusive right to issue legal tender as well as to develop and pursue monetary policy.

Responsibility for b.o.p. and related statistics lies with the NBP's Department of Statistics.

The tasks performed involve:

(i) maintaining statistical records on the basis of bank and non-bank reports (including collaboration with NBP regional branches in collecting and analysing the statistical data required);

(ii) developing instructions and guidelines for, and providing ongoing guidance to, banks and other parties compiling statistical reports;

(iii) conducting monthly analyses of movements and developments impacting particular items of b.o.p. and other related statistical statements,

(iv) conducting methodological studies regarding the b.o.p. and related statistics,

(v) preparing and publishing data on b.o.p. and related statistics,

(vi) cooperating with domestic and foreign institutions in work on b.o.p. and related statistics.

2.2 LEGISLATIVE PROVISIONS

According to the Act on the National Bank of Poland of 29 August 1997, as published in the *Dziennik Ustaw* (Journal of Laws) of 1997, No 140, Item 938, the NBP is obligated to compile the b.o.p. and the i.i.p. and to report thereon to Parliament.

The Act on the National Bank of Poland and the Foreign Exchange Act (*Prawo dewizowe*), as published in the Journal of Laws of 2002, No 141, Item 1178, specifies the reporting requirements. Under these acts and other legal regulations, namely (i) the Government's Decree dated as published in the Journal of Laws of 2002 No 218, Item 1835s and (ii) the Resolution of NBP's Management Board dated 14 November 2003, as published in the Official Journal of the NBP (*Dziennik Urzędowy NBP*) of 2003, No 21, with further amendments, the NBP is authorised to request data from residents for the purposes of compiling b.o.p. statistics.

In cases of non-compliance with legal requirements, sanctions are imposed on non-reporting agents in the form of a fine that is regulated by the Penal and Fiscal Code (*Kodeks Karny Skarbowy*), as published in the Journal of Laws of 1999, No 83, Item 930.

2.3 INTERNAL ORGANISATION

Within the NBP's Statistics Department, three divisions are in charge of the methodology, compilation, publication and analysis of b.o.p. and related statistics. These are the Balance of Payments Compilation Division, the Balance of Payments Statistics Division (responsible for data collection) and the Portfolio Investment Statistics Section. There is also an expert for b.o.p. current account statistics.

The staff of NBP's regional branches are also involved in b.o.p. data collection and control.

2.4 EXTERNAL COOPERATION

The NBP cooperates with domestic organisations (mainly the Central Statistical Office (CSO) and the Ministry of Finance (MoF)) and foreign institutions in the exchange of data and other tasks related to b.o.p. statistics.

Several institutions provide the NBP with additional information on certain b.o.p. items. The CSO, as a result of cooperation on the methodology of statistical research, supplies trade figures corresponding to turnover for the goods item of the b.o.p. The CSO uses NBP data for the production of national accounts, in particular data on income, current transfers and services for the compilation of the account for the rest of the world (RoW). The CSO also supplies the information necessary to maintain a b.o.p. business register.

The Institute of Tourism (IoT) provides data for the travel item.

The Commission of Securities and Stock Exchanges (CSSE) supplies data on major non-resident shareholders in Polish public companies.

The MoF supplies data on external transactions of the government sector.

Furthermore, the NBP is cooperating with EU institutions (the ECB and Eurostat) and international organisations (the International Monetary Fund, the Organisation for Economic Co-operation and Development and the World Bank) regarding the b.o.p. methodology and reporting.

2.5 USERS

Data on the b.o.p., the i.i.p., the external debt, the official reserve assets, the international reserves and foreign currency liquidity are posted on the NBP's website and are thus made available to all users.

Moreover, data and publications are forwarded to Parliament, the Government, the CSO and to private and public research institutes, universities, rating agencies, etc.

B.o.p., i.i.p. and direct investment statistics are supplied to the ECB, the European Commission (Eurostat), the IMF, the OECD and the World Bank on a regular basis.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The Polish b.o.p. compilation system is mixed. Settlement data are supplemented by data from surveys of enterprises and public statistics (the CSO and the IoT).

One of the most important information sources for b.o.p. data collection purposes is payments recorded by the Polish banks. The settlements include transactions made by the banks on their own account and on behalf of their clients. It is a closed system, i.e. all changes in the level of external accounts are explained. The balance on the external accounts at the beginning of the period *plus* transactions during the period *equals* the balance at the end of the period.

The settlement system provides data for the compilation of the b.o.p. with detailed instrument/category and sector breakdowns. The reports include the reporting of all

credit and debit transactions and country breakdowns.

The system for the quarterly b.o.p. incorporates data from the banks, as well as data derived from surveys of enterprises and other entities for goods, services, income, FDI, trade credits and loans. It also includes transactions on accounts held by Polish residents with banks abroad. In general, it is a full-coverage system with a limited application of exemption and simplification thresholds. The system provides for the compilation of the b.o.p. with a detailed item-by-item breakdown. Credit and debit entries are available for all items. Data on trade credit flows are derived from pure stock data. For portfolio investment, settlement data are used.

The geographical breakdown is available for data since 2004.

Flow data are reconciled with stocks. Other sources, such as securities databases, the internet and the press, are used for cross-checking.

In the case of the monthly b.o.p., estimates of key items are made. These estimates are based on the interpolation of the quarterly b.o.p. data using monthly settlement statistics and additional available sources.

3.2 REPORTING AGENTS

(i) *Banks:*
- self-balancing monthly reports on stocks and flows on current accounts (vostro and nostro);
- self-balancing quarterly reports on foreign borrowing/lending;
- self-balancing monthly reports on foreign currency cash transactions;
- monthly reports on assets/liabilities positions;
- individual reports of Polish banks issuing securities on foreign markets;
- quarterly reports on holdings of securities issued by non-residents;
- quarterly reports on the value of positions in foreign exchange derivatives with non-residents;
- monthly reports on non-resident holdings of Polish securities issued by entities other than the Treasury and registered on custody accounts;
- annual reports of enterprises with foreign participations on FDI to Poland; and
- annual reports on Polish direct investment abroad.

(ii) *Enterprises and individuals:*
- self-balancing quarterly reports on stocks and flows on accounts with banks abroad;
- self-balancing quarterly reports on stocks and flows of foreign lending/borrowing;
- annual reports of enterprises with foreign participation on FDI to Poland;
- annual reports on Polish direct investment abroad;
- quarterly reports on trade credits;
- quarterly reports on netting;
- individual reports of Polish non-bank companies issuing securities on foreign markets;
- monthly reports on non-resident holdings of Polish securities issued by entities other than the Treasury, registered on custody accounts with Polish brokers;
- quarterly (for financial institutions other than banks) and annual (for non-financial institutions) reports on residents' holdings of securities issued by non-residents;
- quarterly reports on the value of residents' positions in foreign exchange derivatives with non-residents; and
- reports on real estate transactions of individuals with non-residents.

(iii) *NBP:* reports on self-balancing documents like other banks. Being the central government agent, the NBP reports on government transactions/accounts.

(iv) *CSO:* supplies trade figures corresponding to turnover of goods for the goods item;

(v) *IoT:* provides data for the travel item;

Reporting scheme for b.o.p. and i.i.p. data collection in Poland

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Banks		Payments on the nostro, vostro and other nonresidents' accounts made by banks on on their own behalf and on behalf of their clients	Monthly	10 days
Banks		Sales and purchases of foreign banknotes	Monthly	10 days
Banks	BIS (Money and banking statistics)	Balance sheets – stocks of assets and liabilities	Monthly	15 working days
Enterprises	ZO/Stany, ZU/ Stany, OPE/stany, OPI/Stany	Trade credits	Quarterly	20 days
Enterprises, individuals, banks	IB-1, IBZ-1 IB/ BANK, IBZ/BANK	Foreign direct investment in Poland and Polish direct investment abroad	Annually	135 days
Enterprises, individuals	NZ, NP	Real estate transactions	Declaration of transaction	20 days after transaction
Enterprises, individuals	KZ, KZ-1, KU, KU-1	Loans	Quarterly	20 days
Enterprises, individuals	URA, RACH	Accounts abroad	Quarterly	20 days
Enterprises	NET, UKO, KOM	Netting	Quarterly	20 days
Brokerage houses and banks as custodians	ZIP-MP, ZIP-D, ZIP-MNP	Securities issued on domestic market by residents, held by non-residents (public securities and private placements)	Monthly (publicly traded securities – banks) Monthly (publicly traded securities – non-banks) Annually (private placement – banks and non-banks)	5 working days 10 days 30 days
Issuers of securities on foreign markets	ZIP-INF, ZIP-RZ	Information on securities issued by residents (characteristics)	Monthly (banks) Quarterly (non banks)	14 working days 20 days
Residents holding securities issued by residents on foreign markets and by non-residents	AUD4 – PL, AUD4	Securities issued by residents on foreign markets held by reporting agent, securities issued by non-residents held by reporting agent	Quarterly (financial entities) Annually (non-financial entities)	20 days 30 days
Residents having positions in FX derivatives	D-WT, D-WT-B, D-WO, D-WO-B	Value of resident positions and underlying instrument in foreign exchange derivatives	Quarterly	20 days

(vi) *MoF:* reports data on the external transactions of the government sector, local government transactions and non-resident holdings of Treasury securities.

(vii) *CSSE:* monthly reports on major non-resident shareholders in Polish public companies (shareholdings of over 5%).

3.3 THRESHOLDS

For settlements provided by banks, the EUR 12,500 threshold is applied for all transactions. Below this value, transactions are reported but are not given an individual code (i.e. the nature of the transaction is not specified) and the resident ordering customer/beneficiary is not identified.

Exemption thresholds: for trade credits, data are supplied for stocks above EUR 100,000 at the quarter end. For foreign lending/borrowing by enterprises, a threshold of EUR 10,000 is applied. In the case of compensation, the obligation to provide statistical data arises when quarterly turnover on compensation exceeds EUR 100,000. Above the threshold of EUR 10,000, real estate transactions made by individuals require statistical reporting. In FDI statistics, there is a reporting obligation when the stock value of foreign direct investment in Poland exceeds EUR 25,000. In the case of Polish direct investment abroad, a threshold of EUR 10,000 is applied.

With regard to portfolio assets held by non-financial entities, the obligation to report statistical data arises when the total value of foreign securities held at the end of the year exceeds EUR 10,000. A threshold of the same value is applied to Polish non-financial entities' holdings of securities issued by Polish residents on foreign markets. For financial derivatives, a threshold of EUR 100,000 is applied to the value of the underlying instrument (potential claims or liabilities vis-à-vis non-residents resulting from the total position in financial derivatives held by Polish end-investors). This threshold is not applicable to Polish intermediaries.

Simplification thresholds: for foreign lending/borrowing by enterprises of an amount above EUR 10,000 but less than EUR 1,000,000, a simplified form is applied.

3.4 AVAILABILITY OF DATA

The monthly b.o.p. is published 30 working days after the end of the reference period. Since 2003, the b.o.p. has been compiled quarterly and distributed three months after the reference quarter. The series of monthly and quarterly data are available as from 2000.

An advance release calendar, providing the precise release dates one quarter ahead, is available on the NBP's website (http://www.nbp.pl). A note to this effect is published in "Preliminary Information".

The information posted on the website is in the form of limited breakdowns into key items.

The quarterly b.o.p. is available with detailed instrument/category and sector breakdowns. Currency and country breakdowns are available for selected items. The breakdowns posted on the website are limited in detail.

3.5 DATA CONTROLS

At the level of individual information, the data are checked for errors by means of an automatic procedure for the data sent by file transfer and on a PC for data sent in paper form.

The data are also controlled at an aggregated level for validation of classification errors as well as for an evaluation of time series for specific items.

Flow data are reconciled with relevant stocks.

Data derived directly from enterprises' reports and information derived from banks' reports on enterprises' transactions are cross-checked before being published.

The data are cross-checked with other sources, e.g. information on relevant stocks from b.o.p. and monetary statistics, securities databases, the internet, the press, commercial data providers, data on privatisations, etc.

3.6 REVISION POLICY

Quarterly b.o.p. data:

- first revision when the data of the following quarter become available;
- next revision when fourth quarter data are available (end-March);
- further revisions, yearly when the data referring to corresponding annual i.i.p. become available or are revised (end-September).

Monthly b.o.p. data:

- first revision when the data of the following month become available;
- further revisions when the data referring to the corresponding quarterly b.o.p. become available or are revised.

3.7 DISSEMINATION

The data on the b.o.p., the i.i.p., the external debt, the official reserve assets, the international reserves and foreign currency liquidity are released simultaneously to all interested parties by posting them on the NBP's website (http://www.nbp.pl). Publication schedules are posted on the website in advance.

More detailed data on the b.o.p., i.i.p., external debt, reserve assets, direct investment, etc. are published in separate publications at quarterly/annual intervals. The titles of the publications are:

- "*Bilans płatniczy Rzeczypospolitej Polskiej*" ("Balance of Payments of the Republic of Poland") – on a quarterly basis;
- "*Zagraniczne inwestycje bezpośrednie w Polsce*" ("Foreign Direct Investment in Poland") – on an annual basis; and
- "*Polskie inwestycje bezpośrednie za granicą*" ("Polish Direct Investment Abroad") – on an annual basis.

The titles of other publications (both in Polish and in English) produced by the NBP that include information on b.o.p. statistics are:

- "Preliminary Information" – on a monthly basis;
- "Information Bulletin" – on a monthly basis; and
- "NBP's Annual Report" – on an annual basis.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The main source of data on goods for the b.o.p. is the foreign trade statistics (FTS) compiled by the CSO on the basis of Intrastat declarations (for intra-EU trade) and customs statistics (for extra-EU trade).

Data from the FTS are adjusted and converted in line with the definitions and methodology of the BPM5, including a c.i.f./f.o.b. adjustment and reclassification of services registered in the FTS as goods. Additional estimates are made for foreign trade flows not recorded by the FTS. Estimates of shuttle trade are derived in consultation with the CSO. The CSO provides information from the national accounts balancing procedure of GDP and the CSO and the NBP agree on the value of exports and imports in shuttle trade not captured by the custom statistics.

4.2 DEFINITION

The goods item of the b.o.p. covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold. Data on exports and imports are presented on an f.o.b. basis.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

When compiling monthly data, estimates are made using FTS and payments data.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on services are based on settlements made through the banking system. Those data are supplemented with information derived from surveys of enterprises' transactions in services with non-residents. The travel item is compiled using IoT data. The detailed breakdown of services is consistent with BPM5 recommendations.

(i) *Transportation*
Data provided by the banking system on payments and by the surveys on enterprises for transportation services include services broken down by the mode of transport and by passenger, freight and other forms of transportation. The geographical breakdown for those data is available.

Data received from the c.i.f./f.o.b. adjustment of the goods item are also included in freight transportation services. The value of these services is compiled as a fixed rate of the value of goods imports in the foreign trade statistics. The geographical breakdown is available in the FTS.

(ii) *Travel*
The b.o.p. travel item is compiled using data of the Institute of Tourism, which come from surveys. The NBP receives data on amounts of travellers' expenditures: foreigners in Poland and Poles abroad. Since data 2004 those data will be provided to the b.o.p. compilers quarterly with the required geographical breakdown.

When compiling monthly data, estimates are made using information of the Border Guard (on numbers of arrivals and departures) and payments data (including settlements on travel items recorded in the banking system and also purchases and sales of foreign banknotes).

(iii) *Other services*
Monthly settlement data are supplemented quarterly with data from surveys of enterprises.

5.2 DEFINITION

Definitions and the detailed breakdown of services are generally in line with the requirements of the BPM5. Insurance services are calculated as a net balance of gross premiums paid and gross claims received.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

Monthly data are estimated (see Sub-section 5.1).

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

Compensation of resident employees comprises wages, salaries and other benefits in cash, earned by individuals, paid by non-resident employers and transferred to Poland. Compensation of non-resident employees comprises wages, salaries and other benefits in cash, earned by individuals, paid by resident employers and transferred abroad. The data are derived from banking statistics.

6.1.2 INCOME ON DIRECT INVESTMENT

In the monthly and quarterly b.o.p., income on direct investment, for both inward and outward investment, includes interest on equity (e.g. dividends and remittances of branch profits) and on debt.

The data on inter-company loans are collected from direct investors (for outward investment) and direct investment enterprises (for inward investment) in quarterly surveys. The data on dividends and bonds and money market instruments are recorded on a cash basis. Interest on inter-company loans is recorded for both directly and indirectly owned enterprises at the date on which it is due for payment. Capitalised interest is offset on a directional basis under other capital. The data on interest on trade credits are not calculated because they are negligible. The information on income on equity is supplemented through the annual survey.

Dividends and distributed branch earnings are recorded when payable, and reinvested earnings as well as undistributed profits are recorded in the period in which they are earned.

Reinvested earnings are calculated as profits earned (collected on an all-inclusive basis) during the period less dividends payable. The fully consolidated system is not applied: reinvested earnings are counted for directly-owned enterprises only. Since 1996, direct investors' shares of losses have been introduced as negative reinvested earnings. The flows equal to reinvested earnings are recorded as additional equity capital in the financial account.

Data are broken down by country, region, economic zone and economic activity. The income is allocated to the countries as a result of the debtor/creditor principle of foreign assets and liabilities.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Data on portfolio investment income are derived from settlements made by banks. The information is available in a breakdown by instrument (equity, bonds and notes, money market instruments). For income on equity securities, only dividends are registered as income on portfolio investment; other gains (or losses) on equity securities are classified under portfolio investment in the financial account.

6.1.4 INCOME ON OTHER INVESTMENT

Interest is recorded on a settlement or due-for-payment basis.

Income from other investment includes interest on credits extended and received and interest on bank account deposits and repos. Interest flows on loans, deposits, etc. are provided by banks engaged in foreign exchange operations abroad.

The settlement data are supplemented by interest on loans unrecorded by the banks, and interest received on deposits of non-banking institutions held with banks abroad.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

The data on investment income are not recorded on an accruals basis.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

The security-by-security portfolio investment data compilation system is under construction. The new system will provide for the separation of debt security transactions into principal and accrued interest and, as a result, for the correct classification of accrued interest as income on portfolio investment. There is also a plan to introduce the accruals principle for other investment income.

6.5 ESTIMATION METHODS

Quarterly and monthly data on reinvested earnings are estimated on the basis of available information concerning the quarterly financial results as well as key performance indicators of the direct investment enterprises in relevant sectors and of data derived from payments made by Polish banks concerning dividends.

7 CURRENT TRANSFERS

Current transfers data are mainly compiled on the basis of settlements. The classification of current transfers on items, required by the BPM5, is made using transaction codes of banking settlements. Current transfers are broken down in the b.o.p. into governmental and other sectors, in which workers' remittances and other transfers are recorded separately. For estimates of workers' remittances, the information on cash transactions through banks' bureaux de change is used as an additional source. These estimates are made on a net basis.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The settlement data are supplemented with information on debt forgiveness and grants in kind.

8.2 DEFINITION

The capital account covers capital transfers that include donations and grants to finance fixed assets, debt forgiveness, the acquisition/disposal of non-produced, non-financial assets and migrants' transfers.

Capital transfers include donations and grants to finance fixed assets and debt forgiveness. The acquisition/disposal of non-produced, non-financial assets refers to patents, copyrights, trademarks, etc. purchased by residents or sold to non-residents, and land sold to foreign embassies in Poland or purchased by Polish embassies abroad.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The monthly data on foreign direct investment are derived from the flows of international payments reported by the domestic banking sector and supplemented through estimation

of other capital. The data are broken down into equity and inter-company loans. Equity contributions without payment are not covered.

On a quarterly basis, the survey on external loans of more than EUR 10,000 to enterprises provides further details on inter-company loans in accordance with the directional principle.

Annual data on equity capital and reinvested earnings come from surveys of direct investment enterprises in Poland and from Polish direct investors. Equity contributions without payment are covered. Enterprise surveys are a unique source for the compilation of the data. Information from additional sources, e.g. press reports, published company accounts, bilateral sources and exchange control authorities, are used only to update the business register.

The data on direct investment flows are available by country, region, economic zone and industrial sector according to the NACE nomenclature.

9.2 DEFINITION

The criterion of 10% ownership of directly owned enterprises is used to identify a direct investment relationship. The flows of direct investment are recorded on a directional basis. Reverse capital investments are observed, but are negligible for the moment.

Inter-company loans are broken down by maturity. Financial leasing is also included. Trade credits between affiliated enterprises are derived from stock data.

Until now, special-purpose entities (SPEs) have not been established in the Polish economy, although resident enterprises establish enterprises abroad that have the sole purpose of serving as financial intermediaries. Only equity investments of these SPEs are included in the direct investment item.

For banks, only equity capital, reinvested earnings and permanent debt are included.

The debtor/creditor principle serves as a basis for the geographical allocation of direct investment flows.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The fully consolidated system is not applied.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Quarterly and monthly data on reinvested earnings are estimated – see Sub-section 6.5.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The source of data is settlements made by Polish banks.

Data on flows of inward and outward portfolio investment are generally collected on an aggregated basis. Data on portfolio investment stocks (see the i.i.p. section) are collected on a security-by-security basis, using the ISINs for the assets and the major proportion of the liabilities (Polish securities issued on the domestic public market or abroad). The only exception with respect to adherence to the security-by-security principle are Polish securities issued as a private placements on the domestic market.

10.2 DEFINITION

Equity securities include all types of tradable shares, and, as regards data on stocks for the i.i.p., other types of non-tradable equity securities bearing ISINs (e.g. nominative shares). Shares in investment funds and depositary receipts (e.g. ADRs or GDRs) are also treated as equity. Debt securities include all kinds of long and short-term securities. The one-year original maturity criterion is applied to classify securities as long or short-term. Included are Treasury bonds and notes, corporate bonds, Treasury bills, commercial paper and negotiable certificates of deposit. Debt securities with

embedded financial derivatives (e.g. convertible bonds or bonds with a put option) are also included.

Financial derivatives (tradable separately) are excluded from portfolio investment and are recorded in a separate item of the b.o.p. Transactions in repurchase agreements and related operations are also excluded from portfolio investment and are presented as currency and deposits in the other investment category.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

Interest on debt securities is not accrued. No data enabling a separation of the transaction value into principal and interest are collected.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

The security-by-security data compilation system, providing for calculation of net transaction data (flows derived from stocks), is under construction. The new system will enable the separation of debt security transactions into principal and accrued interest and, as a result, will allow accrued interest to be classified correctly as income on portfolio investment.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The source of data on financial derivatives is settlements made by Polish banks.

All financial flows resulting from the settlement of transactions in financial derivatives (except for repayable initial margins) are registered as financial derivatives. This means that variation and option margins are classified as financial derivatives. The data are collected on a gross basis.

In January 2004 a new codification was introduced, providing for breakdowns by underlying instrument (foreign exchange, interest rates, other instruments) and by the type of derivative (options, futures, FX swaps, currency swaps, IRS, FRAs, other).

11.2 DEFINITIONS

Financial derivatives constitute a separate category of the financial account in the Polish b.o.p. statement. The definitions used by the NBP are generally in line with the BPM5 (i.e. with the publication *Financial Derivatives: A supplement to the Fifth Edition of the Balance of Payments Manual, 2002)*. The financial derivatives category includes all symmetric risk instruments such as futures, forwards and swaps, and asymmetric risk instruments such as options. Income on foreign exchange derivatives transactions is recorded under financial derivatives.

The first-known counterpart criterion is used to identify the residency of counterparts.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment covers trade credits, loans, currency and deposits and other assets and liabilities.

Data for trade credits are collected through quarterly surveys of major exporters and importers. The surveys provide quarter-end information on assets (prepayments on imports and trade credit extended to exports separately) and liabilities (prepayments on exports and trade credits received on imports). Data on trade credits regard the other sectors, although the low amount of credit received by local governments are covered. The breakdown of long-term and short-term trade credits by maturity is available as from 2003.

Data regarding the external loans and borrowings of the general government are provided by the NBP and *Bank Gospodarstwa Krajowego* (both play the role of government agents). For the banking sector (including the monetary authorities), the data published in the quarterly b.o.p. are derived from a survey conducted on a quarterly basis. A breakdown by maturity is available.

The data on enterprises' loans in the monthly b.o.p. are estimated on the basis on bank reports and they are broken down by maturity. The data published in the quarterly b.o.p. are derived from a survey conducted on a quarterly basis. The information concerns loans extended and repaid in cash, goods or services as well as a cancellation of the loan amount or a reorganisation of debt through rescheduling or refinancing. Data on financial leasing are recorded. Information reported by private individuals is also included. A breakdown by maturity is available.

Currency and deposits comprise transactions of Polish banks' assets and liabilities arising from current accounts and deposits as well as foreign currency banknotes and coins held in banks' vaults. The data are supplemented with information on changes of stocks in accounts the Polish non-banking institutions hold with banks abroad.

12.2 DEFINITION

In principle, the definitions for other investment transactions are in line with the BPM5.

The other investment item covers loans, trade credits, currency and deposits and other assets and liabilities. Financial leasing is covered under loans. Foreign currency banknotes and coins, as well as repurchase agreements, are included under currency and deposits.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

None.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on transactions in reserve assets are obtained from the NBP's records on a monthly basis.

A breakdown by instrument is available. The data on reserve assets are collected in currencies in which particular transactions were settled.

13.2 DEFINITION

The NBP is the holder of the official Polish international reserves. In principle, the recommendations of the BPM5 are applied for the recording of reserve assets. The reserve assets comprise monetary gold, special drawing rights, the reserve position in the IMF, foreign exchange (currency and deposits, securities and financial derivatives) and other claims (repurchase agreements). Transactions with residents are excluded.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

The accruals principle is not applied.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The i.i.p. is compiled for all financial account items (i.e. direct investment, portfolio investment, financial derivatives, other investment and reserve assets). Assets and liabilities are compiled separately.

The i.i.p. is compiled annually and published nine months after the end of the reference year. Components constituting external debt items are compiled quarterly. The information on external debt is published three months after the end of a reference quarter.

14.1.2 DIRECT INVESTMENT

The data on direct investment stocks are derived from an annual survey among Polish direct investors and direct investment enterprises resident in Poland. Data from the surveys cover information on investment in equity, contributions in kind, reinvested earnings, inter-company loans, trade credits, and bonds and money market instruments. The data on equity refer to the balance sheet value based on an interim but not current revaluation. The data on stocks of loans are based on the face value. The bonds and money market instruments are recorded at market value. Only pure stock data are used. The reconciliation exercise includes adjustments for exchange rate changes and other adjustments.

A full geographical (by immediate country and ultimate beneficiary owner) and industrial allocation (NACE) can be provided.

14.1.3 PORTFOLIO INVESTMENT

Data on non-resident holdings of securities issued by Polish residents in the domestic market are generally supplied by intermediaries, i.e. custodian banks, brokerage houses and clearing houses. With regard to Treasury securities issued in either domestic or foreign markets, data on non-resident holdings are supplied by the Ministry of Finance. Data on securities issued on foreign markets by banks and enterprises are reported individually to the NBP. The residual approach is applied. Data on non-resident holdings of Polish securities issued in foreign markets are adjusted with resident end-investor data on holdings of such securities.

Data on government portfolio investment assets in the form of securities are obtained from a bank serving as settlement agent. Data on non-government portfolio investment assets are supplied directly by Polish end-investors.

For liabilities, the information on equity securities is based, in general, on the market value and information on debt securities is based, in general, on the face value. For assets, information on both equity securities and debt securities is based on the market value.

For data on portfolio investment assets, a geographical breakdown (by country of issuer) and a currency breakdown are available.

For the separation of direct and portfolio investment in liabilities, the value of non-resident direct investors' holdings of equity securities registered on custody accounts with Polish banks is estimated using the results of the survey of direct investment in Poland and data on major shareholders in Polish companies provided by the Polish Securities and Exchange Commission. The 10% holding criterion is applied. This is a company-by-company estimation rather than a security-by-security estimation based on the assumption that preferred, nominative and other types of non-tradable shares of each public company are priced as ordinary shares of this company. They are classified as portfolio investment in the i. i.p. Assets separation is carried out by the reporting entities (Polish end-investors). Holdings of non-resident equity securities that entitle the reporting entity to a share of 10% or more in the capital or voting power of a single company are excluded from the reports. No separation is carried out for corporate debt securities, neither in the case of liabilities nor in that of assets.

The i.i.p. stocks and b.o.p. flows are reconciled (only for liabilities) with regard to exchange rate changes and with regard to price changes (for equities only; estimated with the WIG – Warsaw Stock Exchange Index).

14.1.4 FINANCIAL DERIVATIVES

Stock data (at market value) on foreign assets and liabilities resulting from positions in foreign exchange derivatives, such as foreign exchange swaps, cross currency interest rate swaps, currency forwards and currency options, between residents and non-residents are collected on a quarterly basis from Polish end-investors and financial intermediaries. These data are not yet published.

14.1.5 OTHER INVESTMENT

Other investment covers trade credits, loans, currency and deposits, as well as other assets and liabilities.

Trade credits data are based on the answers to a quarterly survey of major exporters and importers. The information is based on the nominal value. The data refer mainly to other sectors.

Information on loans is broken down by sector. Data on central and local government's loans are provided by settlement agents and the MoF. Figures on banks' external loans are derived from quarterly surveys of banks. Data on corporate loans are obtained from quarterly surveys and are compiled on a loan-by-loan basis and in the original currency. The information is based on the face value.

The data on currency and deposits are derived from the NBP's balance sheet and from money and banking statistics for other banks. Data on assets of non-government and non-bank entities in the form of accounts with banks abroad are also included. The position covers repurchase agreement transactions. The data are based on the face value.

Other assets and liabilities cover data on assets and liabilities other than loans, debt securities, trade credits, currency and deposits.

14.1.6 RESERVE ASSETS

The NBP is the holder of the official Polish international reserves. The information on stocks of official reserve assets is derived from the NBP's balance sheet and is available on a monthly basis. The coverage and concepts are in line with the BPM5. Reserve assets are calculated at market or approximate-to-market value and cover only actually existing assets denominated in foreign currencies. Claims on residents are excluded.

A detailed instrument breakdown is published monthly in the IMF Data Template on

International Reserves and Foreign Currency Liquidity.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.3 GAPS

No data on financial derivatives.

14.4 INTENDED HARMONISATION

It is intended to further develop the data collection system for financial derivatives.

14.5 ESTIMATION METHODS

None.

15 CONTACTS

This country information was drafted by Poland in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Poland should be addressed to:

Ms Anna Wlostowska
Head of the Balance of Payments Compilation Division
Department of Statistics
Narodowy Bank Polski
Swietokrzyska 11/21
00-919 Warsaw
Poland

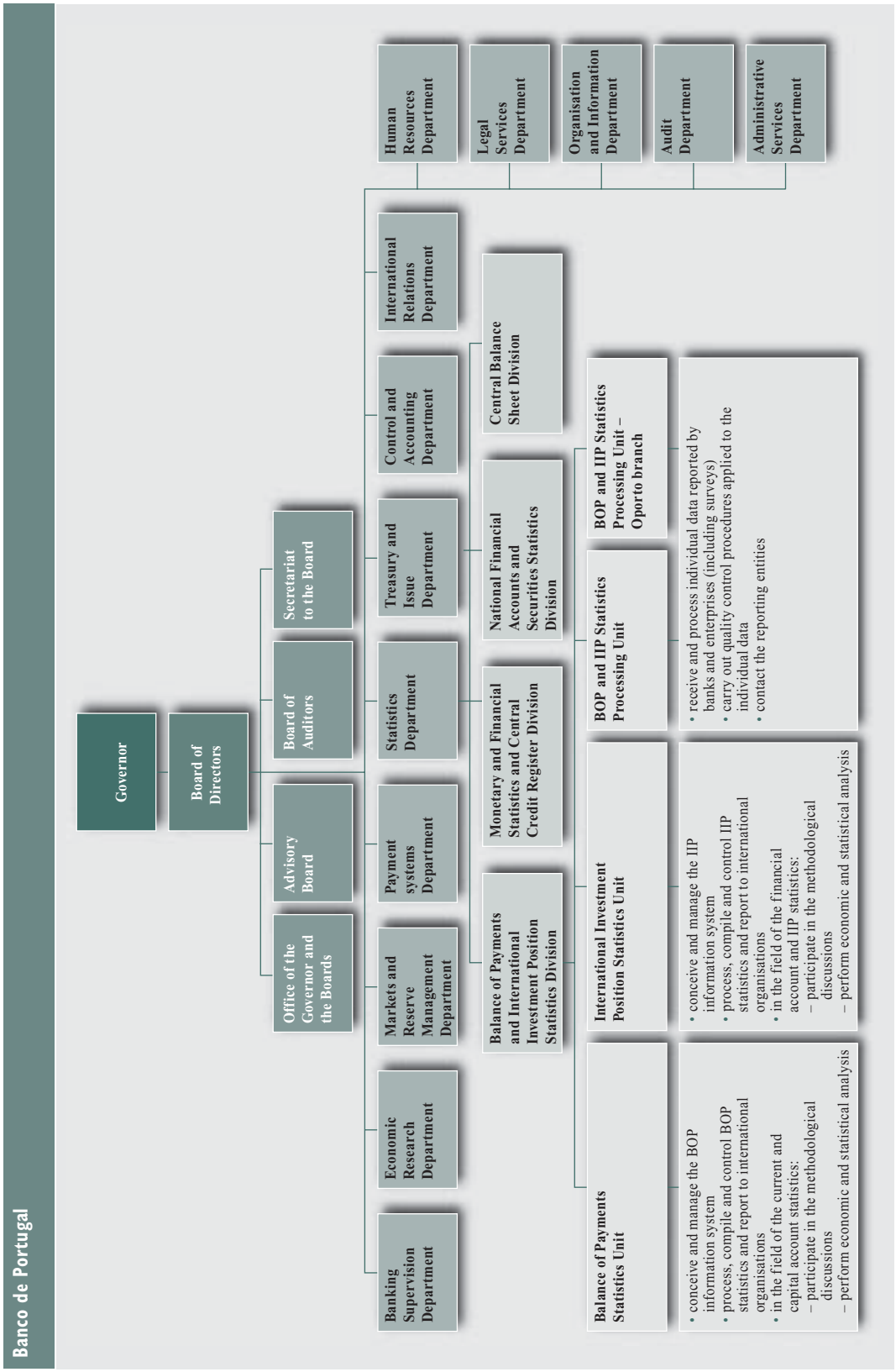
Tel.: 00 48 22 653 12 26
Fax: 00 48 22 653 23 27
E-mail: anna.wlostowska@mail.nbp.pl

Mr Jacek Kocerka
Head of the Portfolio Investment Statistics Section
Department of Statistics
Narodowy Bank Polski
Swietokrzyska 11/21
00-919 Warsaw
Poland

Tel.: 00 48 22 653 18 20
Fax: 00 48 22 653 22 82
E-mail: jacek.kocerka@mail.nbp.pl

4.21 PORTUGAL

1 ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The *Banco de Portugal* has been responsible for compiling and producing the Portuguese balance of payments statistics since 1963. Between 1948 and 1962 the banking supervisory authority (*Inspecção do Comércio Bancário para as Instituições Bancárias*) was responsible for their collection. Further to the full liberalisation of foreign exchange regulations and the commitment by Portugal with regard to statistical harmonisation at the European level, a new methodological and statistical production system was introduced in 1993 in close cooperation with the banking community.

2.2 LEGISLATIVE PROVISIONS

The legal basis for the compilation of b.o.p. and i.i.p. statistics is the Organic Law of *Banco de Portugal* (Law No 5/98 of 31 January), as amended by Decree Law No 118/2001 of 17 April and No 50/2004 of 10 March and No 39/2007 of 20 February. This law allows the *Banco de Portugal* to request information from any public or private body for statistical purposes, in particular within the scope of its cooperation with the European Central Bank.

The *Banco de Portugal* is authorised to collect data from both banks and non-banks (direct reporters and the official sector), and Decree Law No 295/2003 of 21 November imposes a general obligation on banks and non-banks to report b.o.p. transactions.

Details of the information to be reported under the b.o.p. framework are provided in *Banco de Portugal* Instruction No 1/96 of 17 June on External Statistics, as amended by Instruction No 21/2001 of 17 September mainly regarding the introduction of an exemption threshold (€12,500) for bank reporting. In the field of portfolio investment, specific reporting details are defined in the Instruction No 31/2005 of 15 November on Securities Statistics.

2.3 INTERNAL ORGANISATION

Within the Statistics Department of the *Banco de Portugal*, the Balance of Payments and International Investment Position Statistics Division, with a staff of 35, is in charge of the methodology, compilation, production and analysis of the b.o.p., the i.i.p. and the international reserves template. It consists of four units: the Balance of Payments Statistics Unit, the International Investment Position Statistics Unit, the BOP and IIP Statistics Processing Unit, and the BOP and IIP Statistics Processing Unit – Oporto branch.

The Balance of Payments Statistics Unit is responsible for conceiving and managing the b.o.p. information system, as well as data processing, compilation and quality control, reporting to international organisations, participating in methodological discussions and conducting economic and statistical analysis concerning current and capital account statistics.

The International Investment Position Statistics Unit is responsible for conceiving and managing the i.i.p. information system, as well as for data processing, compilation and quality control, reporting to international organisations, participating in methodological discussions and conducting economic and statistical analysis concerning financial account and i.i.p. statistics.

The BOP and IIP Statistics Processing Units deal with the processing, validation and quality control of information reported by banks and enterprises (including information from direct investment surveys). Around one million records are received every month from resident banks, mainly via a file-transfer system. Enterprises, including around 1,000 direct reporters, send data to the *Banco de Portugal* by electronic means, but also on printed forms in the case of small companies.

Data validation and quality control are carried out in close cooperation with the other divisions in the department, namely in the fields of money and banking statistics and securities statistics.

2.4 EXTERNAL COOPERATION

Several institutions provide the *Banco de Portugal* with supplementary information on some b.o.p. items. The National Statistical Institute (*Instituto Nacional de Estatística* – INE) supplies data on both external trade, according to physical movements of goods, on the basis of which estimates are made for the goods item in the current account, and trade credits. The INE and the Directorate-General for Tourism (*Direcção-Geral do Turismo* – DGT) provide additional data for the travel item. *Euronext Lisbon* (Lisbon and Oporto Stock Exchange) and the Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* – CMVM) provide the *Banco de Portugal* with information useful for the compilation of the portfolio investment item. The Treasury (*Direcção-Geral do Tesouro*) and the Public Debt Management Office (*Instituto de Gestão do Crédito Público* – IGCP) supply data on the external transactions of the general government sector.

2.5 USERS

The *Banco de Portugal* maintains regular contacts with users such as the Ministry of Finance and the Higher Council for Statistics (*Conselho Superior de Estatística* – CSE) which is responsible for the coordination of statistics produced in various areas, e.g. between the *Banco de Portugal* and the INE. Regular contacts are maintained with users/suppliers of data through bilateral meetings. The b.o.p. is also used by the INE in the production of the national accounts, particularly the RoW sector account, and by the *Banco de Portugal* in the production of the national financial accounts (Statistics Department), for economic analysis (Economic Research Department) and in the context of cooperation arrangements (International Relations Department). Some private economic agents (e.g. banks, companies and universities) also make use of b.o.p. data.

Data in compliance with the standard components of the fifth edition of the IMF Balance of Payments Manual (BPM5) are supplied to international organisations, such as the ECB, the European Commission (Eurostat), the IMF, the OECD, the BIS and the United Nations, on a regular basis.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

In addition to settlements, which are collected on a transaction-by-transaction basis from banks and direct reporters, the general collection system also includes specific reporting for the following sets of information:

- trade statistics are obtained from the INE (foreign trade statistics) and the debit side of the freight transport and freight insurance items is also derived from information provided by the INE;
- estimates for the credit side of the travel item include information from tourism statistics provided by both the INE and the DGT;
- security-by-security databases both on domestic and foreign securities ensure compliance with the accruals principle regarding portfolio investment income;
- reinvested earnings are obtained from surveys on direct investment stocks;
- a security-by-security reporting system on portfolio transactions is the source used in the compilation of the portfolio investment item;
- a monthly survey of banks is the source used for compiling the financial derivatives item; and
- monthly trade credits are estimated from quarterly surveys among key Portuguese exporters/importers.

Banking statistics on the banks' external positions are used for compiling data on the monetary financial institution (MFI) sector within the other investment component. The accounting registers of the *Banco de Portugal* are used to derive data on reserve assets and on the monetary authorities sector within the

portfolio investment and the other investment items of the financial account.

3.2 REPORTING AGENTS

(i) *Banks* are required to report the following types of external transactions: those carried out on behalf of their resident and non-resident customers or on their own account, whether acting as an intermediary between a non-resident (bank or non-bank) and another resident bank, or carrying out interbank operations affecting an external position. Banks trading in financial derivatives are also requested to report these operations through a monthly survey.

(ii) *Direct reporters:* general direct reporters provide information on all transactions with non-residents, whether settled through a resident bank or not. Residents holding accounts abroad must report settlements via non-resident banks. Residents holding current accounts with non-residents must report all settlements cleared through those accounts.

(iii) *Enterprises involved in FDI:* data on stock surveys for direct investment, both abroad and in Portugal, are collected from resident FDI enterprises in either the financial or the non-financial sector.

(iv) *Securities custodians:* resident securities custodians provide information about portfolio investment transactions/positions in domestic securities on behalf of their non-resident clients and those in foreign securities on behalf of their resident clients. MFIs are also asked to report transactions/positions concerning their own portfolio. Investors operating through non-resident custodians have to report directly their transactions and stock data.

(v) *Other sources:*
- the INE reports overall statistical data on international trade (goods) and trade credits;
- the Treasury and the Public Debt Management Office report data on the external transactions of general government; and
- the *Banco de Portugal* supplies data on its external operations (Accounting and Markets Departments) and on MFIs' external positions (Statistics Department – Monetary and Financial Statistics Division).

3.3 THRESHOLDS

Under the general reporting system, banks may be exempted from reporting transactions in an amount of below €12,500. Missing data concerning transactions below €12,500 are estimated according to historical information about such transactions.

The portfolio investment collection system has a simplification threshold of €500 million. All reporting institutions whose monthly transactions do not reach €500 million and, at the same time, have less than €500 million in outstanding amounts may report only once a year.

3.4 AVAILABILITY OF DATA

The *Banco de Portugal* compiles and produces a monthly Portuguese b.o.p. on a transaction basis and a quarterly i.i.p., both with detailed sector and geographical breakdowns for some items, which are first released on the website of the *Banco de Portugal* and subsequently published in the *"Boletim Estatístico"*. Monthly b.o.p. data consistent with the BPM5 are available since January 1996, while quarterly i.i.p. data are available since the fourth quarter of 1995. Seasonally adjusted time series for the current and capital accounts are also available since January 1996 and published in the *"Boletim Estatístico"*.

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection for Portugal

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)	Average number of working days after the expiry of the deadline before 95% of the data have been collected from respondents [1]
MFIs	External Transactions Reporting	Detailed external flows.	Monthly	10 working days	0
Enterprises (including GDRs), individuals	Statistical forms; External Transactions Reporting; External Positions Reporting.	Deposits abroad, loans, direct investment, real estate investment, netting	Monthly	10 working days	2
MFIs	MFI's balance sheet	Monthly external positions	Monthly	10 working days	0
MFIs, depository institutions, enterprises, individuals	Integrated System for Securities Statistics	All portfolio investment transactions and positions on a security by security basis	Monthly	12 working days	2
MFIs, insurance companies, non-financial enterprises	FDI surveys	FDI stocks	Biennially	30 days after receiving the questionnaire	40
the NSI		Estimate on trade statistics	Monthly	35 days (5 weeks)	0
the NSI		Trade credits	Quarterly	90 days (3 months)	20
MFIs	Financial derivatives survey	Financial derivatives	Monthly	10 working days	0
the Banco de Portugal		Daily external positions	Daily	1 day	0

1) This column will not be published.

The *Banco de Portugal* provides full monthly and quarterly b.o.p. data and quarterly and annual i.i.p. data to the ECB in line with the timeliness laid down in Guideline ECB/2004/15 on the statistical reporting requirements of the European Central Bank in the field of balance of payments and international investment position statistics, and the international reserves template. A euro area/non-euro area breakdown is possible for all the items in the b.o.p. statistics. In the case of delays by the respondents, which do not generally occur, the Balance of Payments and International Investment Position Statistics Division produces estimates.

3.5 TIMELINESS

The reporting agents have ten working days from the end of the reporting period (month) to submit data to the *Banco de Portugal*. For the portfolio investment collection system, the deadline is the twelfth working day. The Balance of Payments and International Investment Position Statistics Division has until the tenth working day of the second month following the reference period to produce reports for the various publications. Monthly b.o.p. data (on a transaction basis) are available within six weeks. They include estimates for trade statistics, which are received from the INE with

a delay of five weeks (preliminary statistics on external trade are sent to the *Banco de Portugal* within ten weeks), for the transport, insurance, travel and current transfers items, for reinvested earnings of direct investment, for the accruals of portfolio investment and other investment (non-banks) income, and for trade credits. Quarterly i.i.p. data are available within ten weeks of the reference period.

3.6 COMPILATION FREQUENCY

The Portuguese b.o.p. on a transaction basis is compiled on a monthly basis. I.i.p. statistics are compiled on a quarterly basis.

3.7 DATA CONTROLS

There are different levels of checking controls for the information reported via the settlement system and the portfolio investment system. Firstly, data are checked for errors concerning the protocol and label (e.g. file name, recording month or number of records) by means of an automatic procedure for data sent by file transfer, and on a PC for data sent on disk or in paper form (after being entered on a PC).

Secondly, quality controls are incorporated in both procedures in order to validate coding errors, such as type of account, statistical classification, currency and country; there is also an implicit plausibility check known as "meaningful transaction". Other controls are carried out in order to achieve consistency between flows and positions, to check transactions involving two or more resident banks, to validate data from banks and companies for those enterprises with the status of direct reporting company or holding accounts abroad, and to check settlements from banks with portfolio investment data from custodians. Additional checks are made in order to control the evolution of a time series for a specific item (within a specific bank). Amendments are made whenever reporters send further corrections.

Regarding trade in goods and MFI transactions, data on settlements are also used for checking purposes.

Data from the other sources are checked in order to identify any inconsistencies, within the information, with the other items of the b.o.p., and in relation to their evolution. In addition, other external sources, such as securities clearing houses, national institutions involved in the numbering of securities and the regulation of capital markets, other statistics, newspapers, banks' and companies' accounting reports and reports of associations in the economic sector are used for quality control purposes. Data provided by the Banking Supervision Department are used for checking statistics compiled for the MFIs, namely within the FDI stocks and the other investment income frameworks. The BIS database is used to check the quality of data obtained from the reporting system on deposits held abroad by residents.

3.8 REVISION POLICY

Monthly data are revised at the end of each semester. In practice, data for January to May will be revised with the first publication of June, and data for all months of the year will be revised with the first publication of December (as well as data for the previous year). Quarterly i.i.p. data are revised accordingly with revisions of the financial account. Extraordinary revisions may affect longer time series.

3.9 PUBLICATION

Data on the b.o.p. are published on a monthly basis, whereas data on the i.i.p. are published on a quarterly and annual basis. The titles of the publications produced by the *Banco de Portugal* on b.o.p. statistics are listed in Sub-section 15.1. Before the dissemination of those publications, a first disclosure of b.o.p. and i.i.p. statistics is made on the *Banco de Portugal*'s website (www.bportugal.pt). Since the beginning of 2006, the *Banco de Portugal* has been providing internet access to its Statistical Interactive Database (BPstat –

statistics online), which allows the dissemination of more detailed b.o.p. and i.i.p. statistics relative to the printed publication. Users are informed in advance of the date on which all the different publications will be made available. The "Boletim Estatístico" regarding a certain month contains new b.o.p. data referring to two months before. The quarterly i.i.p. is published in the third month after the reference period. Additionally, the *Banco de Portugal*'s Balance of Payments and International Investment Position Statistics Division subscribes to the IMF's Special Data Dissemination Standard (SDDS) regarding the dissemination of statistics on the b.o.p., the i.i.p., the international reserves template and external debt.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on trade in goods (foreign trade statistics) are obtained from the INE. The figures on imports and exports related to intra-EU trade are derived from data obtained within the Intrastat system. For extra-EU trade, data are derived from customs declarations. The reference time underlying these statistics is the time of the physical transaction in the goods. The INE provides preliminary estimates of international trade within five weeks, in compliance with the SDDS requirements. These estimates allow the *Banco de Portugal* to provide a first draft of the b.o.p. within a six-week period.

The estimates provided by the INE are based on data submitted by a set of major exporters/importers and on data collected through customs declarations (for trade outside the European Union). INE data are adjusted by the b.o.p. compilers for the following items:

- government trade;
- the c.i.f./f.o.b. margin;
- f.o.b. goods not included in foreign trade statistics; and
- goods procured in ports by carriers (imports).

4.2 DEFINITION

The INE compiles foreign trade statistics according to the "special trade" principle.

Data on trade in goods included in the Portuguese b.o.p. are fully compliant with BPM5 standards.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

Regarding the compilation of the b.o.p., imports reported by the INE are adjusted mainly to produce figures on an f.o.b. basis. For this purpose, an estimate is made for the implicit c.i.f./f.o.b. margin and the split between resident and non-resident carriers and insurance enterprises. Those components estimated to have been carried out by non-resident carriers and insurance companies are added to imports of merchandise transport, freight insurance services and other current transfers.

The c.i.f./f.o.b. rate was calculated using a matrix of import quantities and costs according to the types of goods, the country of origin, the modes of transport utilised and the nationality of the carriers, valued by the respective transport costs. The construction of the matrix was based on available information disclosed by the INE (namely the nationality of the carrier) for 1992 and on information gathered from the main transport agents for each mode of transport and from some insurance companies approached by the *Banco de Portugal* for that purpose.

Based on information made available by the INE, the weights of the modes of transport utilised are updated regularly.

The c.i.f./f.o.b. rate is a fixed percentage for each mode of transport, which applies to all partner countries. No additional adjustments are made for the non-euro area countries.

The geographical allocation of goods is derived from the INE data, according to the country of consignment principle (intra trade) and to the country of origin/destination (extra trade). However, estimates reported within five to six weeks are made available without a geographical allocation. In that case, the *Banco de Portugal* applies the structure of countries for the same month in the previous year.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Please refer to the information on the general reporting system (see Section 3).

5.2 DEFINITION

The *Banco de Portugal* mainly follows the recommendations set forth in the BPM5. The residency principle is fully applied. BPM5 rules with respect to the valuation of transactions and their time of recording are also applied. The services classification used follows the BPM5 and the OECD-Eurostat classification, with a few exceptions.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

The estimation of the travel item takes into account information available in the *Banco de Portugal*, namely data on payments and bank transfers, and information gathered through credit and debit card issuers. This information is complemented by estimations and validated with physical indicators.

An estimated split is made between the service and the transfer components (net premiums) of insurance.

Estimates are included in services (transport and insurance) and in transfers as a result of the procedure followed to value imports on an f.o.b. basis.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 GENERAL

The compensation of employees item is derived from the general reporting system (see Section 3) and is complemented with information disclosed by Eurostat within the framework of the b.o.p. of the European Union institutions vis-à-vis Portugal.

As regards investment income, the accruals principle is applied to all debt-related instruments. Concerning direct investment, monthly estimates are revised once the results of the stock surveys are available, at which time they become definitive.

Within investment income, a breakdown into sub-components is available on a monthly basis. The criterion applied for geographical allocation differs for each type of investment income:

(i) for *direct investment income*, excluding reinvested earnings, flows are allocated to the country reported under the settlement system; for reinvested earnings, data are

allocated to the country of residency of the actual counterpart (according to the debtor/creditor principle) on the basis of the information collected in the stock surveys;

(ii) for *portfolio investment income*, flows are allocated to the country of residency of the security issuer in the case of credits, and to the country of the first-known counterpart in the case of debits, both being fully in line with the entries registered under the respective financial account assets/liabilities; and

(iii) for *other investment income*, the geographical allocation of accruals is derived from stock data.

6.1.2 INCOME ON DIRECT INVESTMENT

Under direct investment income, reinvested earnings are accrued. The main sources for data on reinvested earnings are the annual stock surveys on direct investment activities performed abroad by residents and in Portugal by non-residents. Given the statistical requirements regarding the production of the b.o.p. on both a monthly and a quarterly basis, estimates are made on this issue. Provisional reinvested earnings for the period not yet surveyed are estimated using information from the b.o.p. collection system (for the estimation of end-of-period positions) and from the last conducted survey (global profitability rate for equity capital). For inward flows, the latter is adjusted using more recent information available from the Central Balance Sheet Database kept by the *Banco de Portugal*'s Statistics Department in the case of non-financial companies, and from its Supervision Department in the case of banks and other financial companies supervised by it.

For b.o.p. purposes, monthly estimates of reinvested earnings are obtained as the difference between a monthly net result (annual net result is divided evenly) and the monthly paid dividends (observed via the b.o.p. collection system). Settlement data are used for the compilation of income on debt transactions between direct investment companies.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

In accordance with the description in Sub-section 10.1, the current system for portfolio investment data was first introduced in the beginning of 2000. The accruals on portfolio investment income are estimated on the basis of monthly stock data and market yields following the creditor approach. This procedure is applied to portfolio investment income on all types of securities, with the exception of interest associated with the liabilities side of investment trust units (e.g. collective investment institutions, CIIs) due to a partial lack of information, the latter data being based on settlements.

The portfolio investment data collection system allows compliance with the accruals principle for all types of securities, based on security-by-security databases for both domestic and foreign securities.

6.1.4 INCOME ON OTHER INVESTMENT

Income from both deposits and loans is estimated monthly on an accruals basis, with account being taken of stock data and market interest rates, for all resident sectors.

6.2 DEFINITIONS

The *Banco de Portugal* mainly applies the recommendations of the BPM5 for income.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.4 GAPS

None.

6.5 INTENDED HARMONISATION

Income on reserve assets will be derived directly from balance sheet information. Income

on portfolio investment will be revised to meet the debtor approach.

6.6 ESTIMATION METHODS

Estimates are made on a monthly basis according to stock data and market interest rates, and aggregated to obtain quarterly figures.

7 CURRENT TRANSFERS

7.1 SPECIFIC FEATURES OF DATA COLLECTION

Please refer to the information on the general reporting system (see Section 3).

7.2 DEFINITION

The *Banco de Portugal* has implemented the recommendations of the BPM5, in accordance with the harmonisation proposals made by the ECB. In this context, transfers which do not reflect a change in the stocks of assets of one or both parties involved in the transaction are recorded as current transfers. The classification of transfers as public or private primarily takes into account the criterion of the institutional sector of the resident. Thus, transfers involving the Portuguese state are registered as public transfers and those that involve other resident sectors are classified as private transfers.

The transfers data received from the EU institutions are split into current and capital transfers. Additional details reported by the Treasury are useful in this field.

The following are recorded as current transfers: the European Social Fund (ESF) (100%); the European Agricultural Guidance and Guarantee Fund (EAGGF, Guarantee section) (100%); the European Regional Development Fund (ERDF) (15%); the EAGGF (Guidance section) (20%); and the Financial Instrument for Fisheries Guidance (FIFG) (45%).

7.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

7.4 GAPS

Data relating to transfers in kind are difficult to obtain given that the b.o.p. statistical collection system mainly relies on settlement data.

7.5 INTENDED HARMONISATION

A quality assessment is made whenever Eurostat provides information on the b.o.p. of the European Union institutions vis-à-vis Portugal. Regular contacts are established with official entities in order to monitor the quality of and the breakdown into current and capital transfers.

7.6 ESTIMATION METHODS

For transfers within the European Union, a weighting scheme is applied with the aim of performing a split between current and capital transfers.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Please refer to the information on the general reporting system (see Section 3).

8.2 DEFINITION

As far as capital transfers are concerned, the *Banco de Portugal* has implemented the recommendations of the BPM5, in accordance with the harmonisation proposals made by the ECB. In this context, only transfers which reflect a change in the stocks of assets of one or both parties involved in the transaction are included as capital transfers (please refer to the information on current transfers in Sub-section 7.2).

The criterion applied to split capital and current transfers respects, above all, the Eurostat recommendation, which was adjusted in accordance with the final destination of the EU funds transferred to Portugal. The breakdown applied is based on the purposes of the EU funds. Those EU transfers used to finance infrastructure projects – namely the Cohesion Fund (100%), the Specific Programme for the Development of Portuguese Industry (100%), the ERDF (85%), the EAGGF (Guidance section) (80%) and the FIFG (55%) – are recorded as capital transfers. All the other funds are recorded under current transfers.

The item acquisition/disposal of non-produced, non-financial assets is derived from the general reporting system (see Section 3).

Transactions related to the acquisition/disposal of property rights, trademarks, franchises, etc., are recorded in the capital account under acquisition/disposal of non-produced, non-financial intangible assets.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Data relating to certain capital transfers, such as migrants' transfers (excluding workers' remittances), investment grants in kind and debt forgiveness by companies, are difficult to obtain as the b.o.p. statistical collection system mainly relies on settlement data reported by resident banks, which might not cover these items properly.

8.5 INTENDED HARMONISATION

Please refer to the information on current transfers (see Sub-section 7.5).

8.6 ESTIMATION METHODS

Please refer to the information on current transfers (see Sub-section 7.6).

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The *Banco de Portugal* collects data on a transaction-by-transaction basis for inward and outward direct investment flows via the External Transaction Report (COE) registers submitted by the resident banking community. The *Banco de Portugal* also receives detailed data on direct investment transactions above €250,000 via the Direct Investment Statistical Declaration, i.e. data regarding the identification of the resident and non-resident parties to the transaction, a description of the transaction, and supplementary information on equity participation. Whenever transactions are performed via a non-resident bank, the resident must report directly the transaction settlement which takes place abroad to the *Banco de Portugal*.

Definitive direct investment statistics are also based on the results of annual stock surveys on both Portuguese direct investment abroad and foreign direct investment in Portugal. These surveys are the source used for recording reinvested earnings. For foreign direct investment in Portugal, the survey was first launched to gather data for end-1995. For Portuguese direct investment abroad, data based on a stock survey began to be available from 1996 onwards. Historical estimates of reinvested earnings for the years before 1996 can be made available.

The geographical breakdown is based on the residency of the actual issuers (i.e. debtor/creditor principle).

In the event that a change of ownership of a resident company from a non-resident to another non-resident direct investor is revealed by the survey, the change is, in principle, recorded both in the FDI stocks and in the corresponding b.o.p. flows.

Transactions settled via an exchange of shares are only collected from the FDI stock surveys,

being recorded at the time the exchange of shares takes place and valued according to the accounting entries reported in the surveys.

9.2 DEFINITION

The new version of the Nomenclature of External Operations has complied with the 10% rule since the introduction of Decree Law No 321/95 of 28 November 1995, which took into account the international recommendations regarding foreign direct investment. The direct investment item in the Portuguese b.o.p. includes short-term transactions between direct investors and direct investment companies. Furthermore, all cross-border transactions in real estate are covered.

Data provided by stock surveys are also being used to improve the coverage of long-term/short-term loans between enterprises with a direct investment relationship. Equity contributions without payment (provision of real or financial assets) are also covered by those surveys.

The distinction between direct investment and portfolio investment is possible using data on stocks acquired by investors through secondary markets. The 10% rule is mainly applied for this purpose.

Special-purpose entities (SPEs) are treated, both for inflows and outflows, in accordance with the BPM5 and OECD benchmark recommendations, i.e. they are included if short-term transactions between banks or other financial intermediaries are not involved.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The current operating performance concept (COPC) is not fully applied for the valuation of direct investment income. Instead, the *Banco de Portugal* has been using the net results of companies deducted from capital gains and losses and other extraordinary items.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

An improvement in the coverage of group-related enterprises' operations and of those of indirectly owned companies, as well as the full appliance of the COPC concept, are expected as a result of a new layout of the FDI survey. The launch of the new survey is planned for 2008, relating to end-2007 data.

9.6 ESTIMATION METHODS

Monthly estimates are produced for reinvested earnings (see the description in Sub-section 6.1.1 on investment income).

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The Statistics Department introduced the current portfolio investment collection system in the first quarter of 2000, based on a single report that is used to collect information for purposes of monetary and financial statistics, b.o.p. and i.i.p. statistics and financial accounts.

It is a fully automated system whereby domestic securities custodians provide information about portfolio investment transactions in domestic securities on behalf of their non-resident clients and in foreign securities on behalf of their resident clients. MFIs must also report transactions on their own account. Investors operating through non-resident custodians must report their transactions and stock data directly. This is a security-by-security and an investor-by-investor system. Resident investors are identified by their fiscal number or by their institution number in the case of pension or investment funds. Non-resident investors must have been previously identified in the system (using a specific type of record within the

reporting file), with the exception of households that must be identified by the ISO code for their country of origin (PRT if they are residents, other country codes if they are non-residents). Identification includes the country of residence and the institutional sector of the non-resident investor.

The investor or custodian must report monthly statistical information on transactions and quarterly data on end-of-period positions. However, they may choose to report both transactions and stocks on a monthly basis. There is also a simplified regime of annual data reporting for those entities whose transactions and balance sheet assets fall below a certain threshold, as described in Sub-section 3.3.

The ISIN codes are used in the codification of the securities reported to the *Banco de Portugal*. Moreover, the existence of a centralised securities database may contribute to a further harmonisation of international statistics in this domain.

The geographical allocation criteria are based on the country of residence of the issuer of the security (debtor) on the assets side, and the country of the first-known counterpart on the liabilities side, for both flows and stocks. The geographical breakdown is possible for monthly flows and stocks. A euro area/non-euro area assets split is possible for historical data.

External Transaction Report registers and MFI balance sheets are used for checking and quality control purposes.

10.2 DEFINITION

The *Banco de Portugal* mainly applies the recommendations of the BPM5 for portfolio investment.

Service charges, fees and commissions are identified separately in the specific reporting of securities. These transactions are, for the time being, still compiled through the reporting system for external operations based on COEs, with different codes in each category.

The money market instruments that may be identified are Treasury bills, commercial paper, negotiable certificates of deposit (with original maturities of one year or less) and other short-term securities.

As explained in Sub-section 6.1.3 on portfolio investment income, the offsetting entry for accrued interest in securities portfolios is recorded under portfolio investment. This procedure is carried out on a monthly basis.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

The geographical allocation approach applied to portfolio transactions is the debtor principle for assets and the first-known counterpart principle for liabilities. The first-known counterpart may be the final client or the broker engaged in the securities operation.

10.4 GAPS

The major difficulties in the portfolio collection system concern the capture of transactions in securities not deposited with resident custodians and the coverage of private placements.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

Accrued income based on monthly estimates is included in portfolio investment transactions.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The system for collecting data on financial derivatives was implemented in 1999. It is based on a monthly survey of the banks most

active in this domain, which collects both flows and positions for assets and liabilities. This survey takes into account the most recent recommendations of the ECB and the IMF.

Financial derivatives transactions are also captured through the settlement system, which has a specific code for this type of transaction.

Banks have to report both their own positions and positions taken by their clients (mainly enterprises and individuals). The *Banco de Portugal* (Markets and Reserve Management Department) reports data for the monetary authorities sector. Data for the general government sector will have to be compiled from other sources, namely the Treasury.

Monthly data are available with a breakdown by institutional sector of the resident counterpart.

A breakdown of data by inflows and outflows is available. This breakdown is consistent with the recommendations of the IMF that, if compilers are unable, due to market practices, to implement this approach (that is, a separation between assets and liabilities according to the market value of the contract), all cash settlement receipts be recorded as a reduction in financial assets and all cash settlement payments be recorded as a decrease in liabilities.

The net stream of settlement flows associated with interest rate derivatives (forward rate agreements, interest rate swaps and the income component of currency interest rate swaps) is recorded under financial derivatives.

The criteria for geographical allocation of the counterpart are based on the country of residence of the clearing house in the case of contracts traded in organised markets, and on the country of the counterpart in the case of over-the-counter contracts.

11.2 DEFINITIONS

The recording of margin payments for options and futures is carried out according to the ECB recommendations, i.e. initial margins and option-style variation margins are registered as currency and deposits under other investment, and the futures-style variation margins are recorded under financial derivatives.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

The identification of the country of the counterpart in the case of OTC contracts may not always be conducted on the basis of the risk exposure, but may in some cases be based on the country of settlement, booking or trading.

11.4 GAPS

See Sub-section 11.3.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

B.o.p. flows for the MFI sector are derived from the MFIs' balance sheet at the beginning and end of the month. Differences are calculated in foreign currency and converted into euro by using the respective monthly average exchange rates. Other adjustments, such as write-offs, are also excluded from transactions.

In order to separately identify those transactions which are carried out through TARGET, MFIs report these transactions with a "neutral" code. Finally, the *Banco de Portugal*, which carries out the real payments, supplies these data as

cross-border transactions, so that they are allocated to the monetary authorities sector.

The collection system for other investment of other sectors (excluding the monetary authorities, MFIs and general government) relies mainly on the information reported via COE registers. The Treasury provides data regarding the external loans and borrowings of the general government.

Actual flows of other investment, and not the change in stocks, are registered in the b.o.p, except for transactions concerning the MFI and monetary authorities sectors.

Transactions recorded under the sub-item other assets/other liabilities mainly relate to residual financial operations.

Geographical breakdowns of historical data concerning other investment are available from January 1996 onwards.

Sector, instrument and original maturity breakdowns are available in the other investment category on a monthly basis.

Stock data on both assets and liabilities are combined with market interest rates to derive monthly accruals.

12.2 DEFINITION

In general, the *Banco de Portugal* has implemented the recommendations of the BPM5 and the harmonisation proposals made by the ECB.

Short-term claims and liabilities between affiliated enterprises are recorded under direct investment, with the exception of those in which both companies (direct investor and investee) belong to the financial sector, which are registered under other investment.

Foreign currency banknotes and coins and financial leasing are included in loans/currency and deposits within other investment.

In January 1999, new codes were introduced in the External Operations Nomenclature in order to separately collect data on repurchase agreements, sell/buy-back transactions and bond lending within the other investment category.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Trade credits are estimated from a quarterly survey of major exporters and importers and from balance sheet information concerning the average number of days of payment/receipt. Monthly figures are derived by combining this information with exports and imports of goods and services (excluding travel). The time for recording trade credits is the time of change in the ownership of the items, based on the time of registration in the accounting books of companies involved in these operations.

Other investment includes a component estimated on a monthly basis to ensure compliance with the accruals principle.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Section 3).

13.2 DEFINITION

The *Banco de Portugal* follows the recommendations of the BPM5 and those of the

ECB regarding the definition of the reserves of the Eurosystem.

All instruments are identified separately within the monthly reserve asset figure. Daily transactions are calculated through the change in stocks, valued at market prices and converted to euro using daily market exchange rates, except regarding monetary gold, for which monthly external transactions are reported.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no significant deviations in the Portuguese b.o.p. data available for reserve assets.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

Once the stock figures on direct investment, trade credits and financial derivatives were made available, a complete i.i.p. was produced for the first time in Portugal in September 1999. A consistent time series exists, starting with 1995 stock data. When they become definitive, statistics for i.i.p. components are mostly compiled using pure stock data. The *Banco de Portugal* publishes in the "Boletim Estatístico", on a monthly basis, the last complete annual i.i.p. made available and detailed end-of-quarter figures, based on pure stocks and accumulated flows, for the main components of the Portuguese i.i.p. (assets and liabilities), namely for direct investment, portfolio investment, other investment, financial derivatives (on a net basis) and reserve assets.

14.2 DEFINITIONS

14.2.1 GENERAL

See Sub-section 14.1.

14.2.2 DIRECT INVESTMENT

Final data on stock statistics are available through the annual direct investment surveys, namely the Foreign Direct Investment in Portugal Questionnaire (first data concerning 1995) and the Portuguese Direct Investment Abroad Questionnaire (1996 data were first made available). Data supplied to the *Banco de Portugal* are based on book values. During the period in which survey results are not yet available, provisional estimates are produced via the accumulation of flows over the last surveyed stock data, taking into account also an estimate for exchange rate and price changes and other adjustments such as reclassifications.

Data on equity capital are available both at market prices and book value, according to the own funds at book value (OFBV) definition. For the valuation at market prices, additional information is collected from the Portuguese stock exchange (for inward investment) and from commercial data providers (for outward investment). No adjustment to market values is made concerning investment in equity capital of unquoted companies. In this case, the OFBV criteria apply.

A full geographical allocation can be provided on an annual basis.

14.2.3 PORTFOLIO INVESTMENT

Until the end of 1999, pure stock statistics on resident holdings of securities were produced on the basis of information reported through a specific form. Detailed annual information was provided identifying the investor, the custodian, the denomination of the security (on a security-by-security basis), the codification of the security (e.g. ISIN), the type of security, the issuer and the valuation of stocks (physical quantity, currency and quotation of securities). Additional items, such as the currency of

denomination of the securities and the sector of both the investor and the issuer, which were not included in the 1997 IMF Co-ordinated Portfolio Investment Survey, were requested. A complete geographical allocation was available according to the country of residence of the security issuer.

Data on stocks of domestic securities held by non-residents were produced on a monthly basis, until the end of 1999, through the reports collected from custodians (concerning physical quantities and nominal values of securities deposited in non-resident dossiers) and from the Portuguese stock exchange (concerning prices). A complete geographical allocation was available, based on the country of residence of the first-known counterpart.

Since 2000, stock data for both assets and liabilities have been collected monthly on a security-by-security basis using the ISIN code as the security identifier. A complete geographical breakdown is available, based on the country of residence of the security issuer (assets) or of the first-known counterpart (liabilities).

MFI balance sheets, data on stocks for collective investment institutions (CIIs), as reported by the CMVM, and Euroclear information on public debt securities holdings are all used for checking and quality control purposes.

14.2.4 FINANCIAL DERIVATIVES

Options, futures, swaps and forwards are valued at market prices. In the case of futures, the market practice usually involves a daily settlement of gains and losses (variation margin), implying that their market value is zero.

14.2.5 OTHER INVESTMENT

Data on the monetary authorities' assets and liabilities are derived from the *Banco de Portugal*'s balance sheet.

Data on the general government assets and liabilities are collected directly from the Treasury.

Data on banks' assets and liabilities are collected through external positions of the banks' balance sheets.

A mix of BIS figures and an accumulation of flows was used to compile deposits of resident non-banks with non-resident banks until 1997. Accumulation of flows has been used since then. Stock figures on loans are derived from the accumulation of flows based on pure stocks of 1994.

A quarterly survey of major exporters/importers is used to estimate stock data on trade credits.

14.2.6 RESERVE ASSETS

The balance sheet of the *Banco de Portugal* is the source of these data. It is available, for this purpose, on a monthly basis.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

In the case of direct investment, the first disclosure of data is based on a mixture of stock data and accumulated flows (see Sub-section 14.2.2). When the results of the surveys are made available, final figures based on pure stock statistics become definitive.

The first-known counterpart criterion is applied in the case of portfolio investment liabilities.

In the case of financial derivatives, contracts for hedging purposes are not always valued at market prices.

14.4 GAPS

End-of-period positions for external deposits and loans of the non-monetary private sector are currently obtained via the accumulation of flows.

14.5 INTENDED HARMONISATION

The *Banco de Portugal* is currently planning the implementation of a survey of end-of-period positions for external deposits and loans of non-monetary financial and non-financial enterprises. The launch of this survey is planned for 2008, covering end-2007 data.

14.6 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

General publications of the *Banco de Portugal*:
"Statistical Bulletin" (monthly)
"Monthly Economic Indicators"
"Economic Bulletin" (quarterly)
"Annual Report"

Specific publications on statistics related to the b.o.p./i.i.p.:

"Foreign Direct Investment in Portugal: Flow and stock statistics for 1996 and stock estimates for 1997", Supplement 2/98 to the Statistical Bulletin of December 1998

"New Presentation of the Balance of Payments Statistics", Supplement 1/99 to the Statistical Bulletin of February/March 1999

"Investimento Directo de Portugal no Exterior: Estatísticas de fluxos e stocks para o ano de 1997 e estimativa de stocks para 1998 e 1999", Supplement 1/00 to the Statistical Bulletin of December 2000 (available only in Portuguese; presents the first results for stocks of Portuguese direct investment abroad)

"Seasonal Adjustment of Balance of Payments Statistics", Supplement 4/2005 to the Statistical Bulletin of November 2005

15.2 CONTRIBUTORS

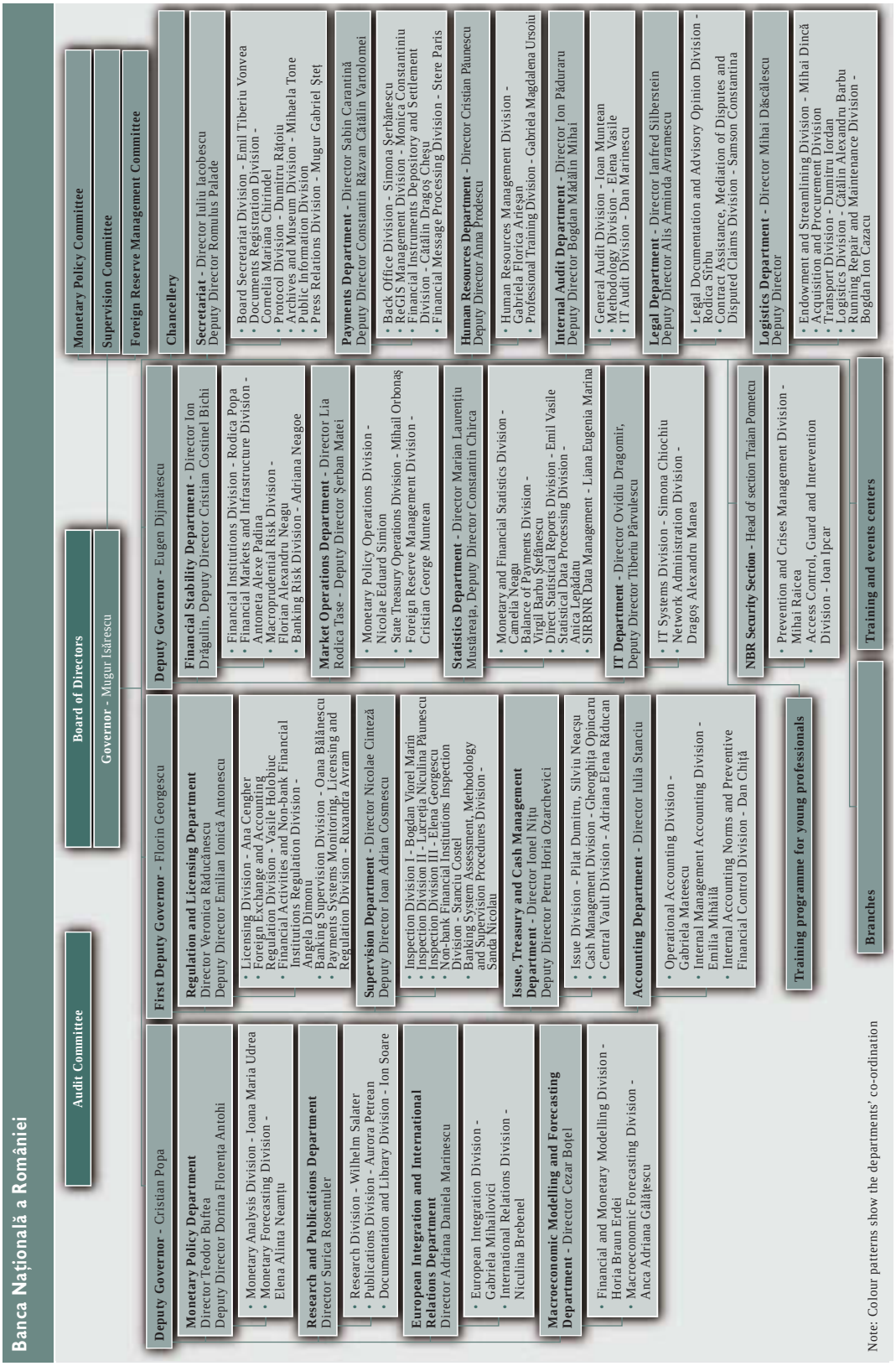
This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Portugal. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Portugal should be addressed to:

Mrs Paula Casimiro
Banco de Portugal
Statistics Department
Balance of Payments and International Investment Position Statistics Division
Av. Almirante Reis, 71
1150-012 Lisboa
Portugal

Tel.: 00 351 21 313 0909
Fax: 00 351 21 312 8478
E-mail: pcasimiro@bportugal.pt

4.22 ROMANIA

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The institution responsible for the compilation of balance of payments and international investment position statistics in Romania is the *Banca Naţională a României* (BNR) through its Statistics Department. Monthly and annual data have been compiled since 1993, following the recommendation of the fifth edition of the IMF Balance of Payments Manual (BPM5). The BNR, which is the national central bank, may act independently from the Government and cooperates with the central and local public authorities to achieve its targets. The Board of the BNR is appointed by the Romanian Parliament.

2.2 LEGISLATIVE PROVISIONS

The legal basis for the compilation of the b.o.p. is provided by: (i) Law No 312/2004 regarding the Statute of the Banca Naþionalã a României, which empowers the BNR to require information needed for b.o.p. compilation; (ii) Regulation No 26/2006 regarding b.o.p. reporting requirements. Regulation No 26/2006 creates a framework for resident bank customers to report b.o.p. transactions above EUR 12500 (or equivalent) using specially designed forms (one for receipts and one for payments) transaction by transaction via banks, stipulates the requirements regarding direct reporting to the BNR on accounts opened by resident companies with foreign banks, together with the obligation for residents having direct investments abroad to notify the BNR of their stakes in companies abroad. Regulation No 26/20026 also defines the b.o.p. reporting requirements for banks. Resident banks have to collect the completed returns from their customers and forward them to the BNR in electronic format. Banks must also report transactions made on their own account on an aggregate basis (according to the nature of the transaction/currency/country of the non-resident counterpart). Transactions performed by the clients with non-resident, below the EUR 12500 threshold, are monthly reported as a lumpsum by the banks. Residents performing non-monetary transactions with non-residents should send direct reports on these to the BNR's Statistics Department. In the case of non-compliance with legal requirements, the BNR may issue written warnings to and impose fines on reporting agents.

2.3 INTERNAL ORGANISATION

The statistical activities of the BNR are centralised in the Statistics Department, which comprises five divisions: the Monetary and Financial Statistics Division, the Balance of Payments Division, the Direct Statistical Reporting Division, the Statistical Data Processing Division, and the SIRBNR Data Management Division. At present, 21 people are involved with b.o.p. statistics. The Balance of Payments Division collects data from all reporting banks and other sources (customs, Government, agencies, etc.) via the Statistical Data Processing Division, maintains contact with the reporting community and is responsible for methodological issues. Bank customer's transactions reported individually, transactions via accounts abroad and non-monetary operations are codified by a dedicated team within the Balance of Payments Division. The codification process is partially automated. Banks are provided with a booklet (Client Guide) with standardised descriptions of b.o.p. transactions to help clients fill in the reporting forms. When clients cannot properly identify the nature of their transactions in the booklet, they are free to describe the nature of the transaction in their own words. A dedicated software package developed in the Statistical Data Processing Division then carries out a semantic analysis. The descriptions that match those in the Guide are validated electronically. A codification team then carries out a plausibility check (based on practical experience, transaction values, the nature of the transaction declared, the profile of the resident, etc.). The transactions not matching the descriptions in the booklet are codified manually. The Statistical Data Processing Division receives the data in electronic format, aggregates them and produces

standardised tables that are analysed within the Balance of Payments Division. The Balance of Payments Division is responsible for the final compilation of the b.o.p., produces various kinds of tables and analyses, and disseminates the data in the required format to Eurostat, the International Monetary Fund, users within the BNR, etc.

2.4 EXTERNAL COOPERATION

The BNR cooperates with the National Institute for Statistics (NIS) in the area of foreign trade and FDI statistics. NIS is the institution responsible for compilation of intra - EU trade data, obtained from Intrastat System, collecting extra –EU trade data from National Authority for Customs (NAC), which process custom trade declarations for exports and imports outside EU, and official dissemination of the total exports and imports of goods. Within Intrastat, a threshold is applied when selecting companies to be surveyed. In 2007 companies with exports of goods exceeding RON 900 000 and companies whose imports are greater than RON 300 000 are included in the sample. The trade data are published monthly in the NIS's Statistics Bulletin. The classification of accounts and definitions regarding foreign trade statistics are largely in line with the recommendations of the BPM5. In the area of national accounts, the principles of the System of National Accounts (SNA) 1993 and of the European System of Accounts (ESA) 1995 are used.

The Government provides monthly information on specific b.o.p. items, such as:

- expenses of Romania's diplomatic missions abroad, submitted by the Ministry of Foreign Affairs;
- expenses of Romania's military missions abroad, submitted by the Ministry of Defence;
- information on grants received (including EU financial aid), available from the Ministry of Economy and Finance (MEF);
- general government debt forgiveness when applicable;
- credits extended to non-residents (flows and stocks);
- information on public and publicly guaranteed external debt, available from the MEF; and
- transactions in bonds issued on foreign capital markets.

The BNR cooperates with Eurostat, the European Central Bank and the International Monetary Fund in the b.o.p. methodology area by participating in international meetings, working parties, seminars and statistical missions in order to harmonise national standards with the international criteria.

2.5 USERS

The monthly b.o.p. is externally disseminated to the Government, the NIS, the Institute for Macroeconomic Studies and the branch offices of international organisations such as the International Bank for Reconstruction and Development and the IMF Mission in Bucharest. B.o.p. data are also provided on a regular basis to Eurostat and the ECB in GESMES/CB format and to the IMF via the internet.

Within the BNR, it is distributed to the Monetary Policy Department, the Market Operations Department (MOD), the European Integration Department and the Research (Economic Studies) and Publications Department. In addition, the BNR's executive management receives b.o.p. (tables and analysis) on a monthly basis.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The collection system used to report b.o.p. data is an enhanced international transaction reporting system (ITRS) of an open type based on the collection of settlement data.

Banks are required to report b.o.p. transactions made on their own account on an aggregate

basis, codified according to the nature of transaction, currency and country of the non-resident counterpart. They are also asked to report neutral transactions and movements in nostro and loro accounts as a key control of the system.

Bank customers declare transactions with non-residents on special statistical forms (one for receipts, one for payments). Banks collect the forms from the customers and electronically report operations of the clients on a transaction-by-transaction basis to the BNR's Statistics Department.

The data are prepared monthly.

For some b.o.p. components, additional data sources are used:

- The NAC and NIS for trade data (including freight on the debit side).
- Bureaux de change for tourism.
- The Debt Management and Financial Analysis System (DMFAS). This is a database, which is the joint responsibility of the MEF and the BNR, used for monitoring Romania's external debt. Borrowers report medium and long-term credits contracted from non-residents directly to the MEF and the BNR. While the MEF manages public and publicly guaranteed external debt, the BNR monitors the private sector's external debt. Information is keyed into the database on a transaction-by-transaction basis. Details regarding debt securities transactions and interest payable are also entered into the database. Transactions denominated in other currencies are converted into euro at the rates applicable at the time of transaction. In the compilation process, only data regarding external debt of the Government (loans paid from the budget) are used from the DMFAS.
- The BNR's Market Operations Department provides information on daily flows of reserve assets. Changes in valuation due to exchange rate fluctuations are excluded. Balance sheet data are used as a cross-check.
- Direct reports on transactions made via accounts opened by resident companies with banks abroad.
- Direct reports on non-monetary transactions between residents and non-residents.
- The National Postal Company provides monthly information on cash transfers made on behalf of customers. These are considered to represent workers' remittances and are recorded in the current account.
- The National Securities Commission provides data on transactions in domestic securities by non-residents on a monthly basis.

The b.o.p. data are collected in the original currency and are also expressed in local currency (leu), euro and US dollars according to the different reporting requirements. The main part of the reports (banks reports, accounts abroad, non-monetary transactions) are expressed in the original currency. Wherever possible, transactions denominated in other currencies are converted into euro at the exchange rates applicable at the time. For data derived from balance sheets, the exchange rate applicable at the end of the period is used. A currency breakdown is available for all b.o.p. items. From 2005, a geographical breakdown is also available for all b.o.p. items.

3.2 REPORTING AGENTS

(i) *Banking sector:* banks are required to report all external transactions undertaken for their own account on an aggregate basis by transaction type, currency and country of the non-resident counterpart. They are also required to collect from their customers statistical reporting forms on external transactions and to send b.o.p. information electronically to the BNR, using a special network connecting the central bank and the reporting banks.

(ii) *Monetary authorities sector:* the BNR provides data on reserve assets and other transactions involving the monetary

Table Reporting scheme for b.o.p. and i.i.p. data collection in Romania

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
MFIs	Regulation No. 26/2006 on reporting of specific foreign exchange transactions	Bank customer's transactions collected on statistical reporting forms (named DIE – for receipts and DPE – for payments) (sent individually to the NBR)	Every 10 days (in trenches)	20 days
	Regulation No. 26/2006 on reporting duties for b.o.p. compilation	Transactions made on their own name and account (including specific types of transactions reported on behalf of customers: credit cards transactions, travellers cheques, money quick transfers) Reports include stocks of external assets and liabilities of banks and neutral transfers used for data control exercise	Monthly	20 days
NIS	Monthly Bulletin	Trade Balance	Monthly	40 days: total exports and imports of goods; 70 days: details on geographical breakdown and nature of transaction)
MoF	Debt Management and Financial Analysis System (DMFAS) Regulation no. 26/2006 on reporting duties for b.o.p. compilation (Annex. No. 5), Indicators reported by MoPF for b.o.p. compilation	Information on public and publicly guaranteed external debt – Interest received/paid by the Government to credits extended/ received to/from non-residents – Current transfers (inter-governmental transactions) – Financial aid – Information on general government debt forgiveness – Transaction in relation with bonds issue on foreign markets – MLT – loans extended to non-residents	Monthly Monthly	30 days 20 days
Ministry of Foreign Affairs	Letter of submission	Expenses of Romania's diplomatic missions abroad	Monthly	20 days
Ministry of Defence	Letter of submission	Expenses of Romania's military missions abroad	Monthly	20 days
NBR	Changes in net international reserves	Reserve assets Monetary Authority income	Monthly	20 days
National Commission for Securities	Regulation No. 26/2006 on reporting duties for b.o.p. compilation (Annex. No. 4), Indicators reported by National Commission for Securities for b.o.p. compilation	Transactions in domestic securities performed by residents on the domestic capital market	Monthly	20 days

Table Reporting scheme for b.o.p. and i.i.p. data collection in Romania (cond't)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Resident companies having accounts opened with foreign banks	Regulation No. 26/2006 on reporting of specific foreign exchange transactions (Annex No. 8 on transactions made through accounts abroad)	Transactions made through accounts abroad: a reconciliation between opening positions of accounts in the same currency, flows during the month and opening positions is done by the reporters in the reporting form. Transactions are described by the reporters on their own words.	Monthly	20 days
Resident companies involved in non-monetary transactions with non-residents	Regulation No. 26/2006 on reporting duties for b.o.p. compilation (Annex. No. 6)	Compensation with non-residents made systematically (netting) or occasionally (transactions are reported on a gross basis).	Monthly	20 days

authorities through its Market Operations Department.

(iii) *General government sector:* the DMFAS provides data on the general government's medium and long-term liabilities (the primary source of these data is the MEF), credits extended to non-residents, transactions in securities on foreign markets, grants and other kinds of unrequited transactions.

(iv) *Resident companies holding accounts with foreign banks:* legal persons provide monthly direct reports on transactions made via these accounts with non-residents.

(v) *Resident companies involved in non-monetary transactions with non-residents:* companies which perform transactions without actual payments with non-residents report these transactions directly to the BNR on a gross basis, whether the compensation occurs systematically (netting) or occasionally.

3.3 THRESHOLDS

Starting with January 1st, a threshold of EUR 12500 (or equivalent) for statistical reporting of cross-border transactions carried out by credit institutions has been introduced, in line with the EC Regulation no. 2560/2001on cross-border payments in euro .

3.4 AVAILABILITY OF DATA

Romania's b.o.p. data are compiled on a monthly basis by the BNR's Statistics Department and are disseminated approximately 45 days after the end of the reference period. Data are published on a cumulative basis as each month's data are produced. Revised annual figures are available approximately six months after the year-end. To the extent allowed by the data collection methodology, the classification of accounts and definitions used in Romania's b.o.p. follow the guidelines of the BPM5. While a geographical breakdown is available for all items of the current account and most of the financial account, an institutional sector breakdown is available for all the components of the financial account.

Romania's i.i.p. is produced on a quarterly and annual basis by the BNR's Statistics Department. The quarterly i.i.p. is compiled approximately two months after the end of the reporting period and annual figures are available six months after the year-end.

The i.i.p. data are largely consistent with the corresponding financial account items in the b.o.p., in accordance with a recommendation of the BPM5.

3.5 DATA CONTROLS

Transactions by bank customers with non-residents are individually monitored by the codifying staff within the Balance of Payments Division. The reporting banks are contacted in case of doubts or the need for clarification. If some transactions need to be corrected, the banks are asked to send the proper information.

As regards transactions made by banks on their own account, according to Regulation No 4/2004 regarding b.o.p. reporting requirements, banks report opening and closing positions in short-term external assets and liabilities, which can be checked against monetary balance sheets.

In order to ensure the quality of the reported data, a reconciliation exercise is performed on a monthly basis for each reporting bank. The aim is to compare the movements in nostro and loro account positions with transactions reported by banks on behalf of their customers and on their own account during the reporting month. For this purpose, banks are required to report so-called "neutral transfers", i.e. transactions between residents or between non-residents made via nostro and loro accounts, thus having a neutral effect on the balance of payments. The reconciliation is done for each bank by currency.

3.6 REVISION POLICY

If necessary, data are revised on a quarterly basis. Revised annual data, published in the BNR's Annual Report, are disseminated after approval by Parliament.

3.7 DISSEMINATION

Romania's b.o.p. data are disseminated through the BNR's website (http://www.bnro.ro) and are also published in the BNR's Monthly Bulletin, Annual Report, and Balance of Payments and International Investment Position Annual Report. The information is posted on the BNR's website approximately two weeks before publication.

Romania participates in the IMF's General Data Dissemination System (GDDS) and uses this system as a framework for statistical development. Since May 2005, Romania has been a subscriber to the IMF's Special Data Dissemination Standard (SDDS) and disseminating b.o.p., i.i.p. and external data according to the requirements of this standard.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

NIS, the institution official responsible for external trade dissemination provides information on total intra –EU trade and total extra – EU trade within 40 days. Details regarding nature of transactions (according to BPM5 recommendations) and geographical breakdown are available within 70 days after the end of the reference month (aprox. 4 weeks delay, after the dissemination deadline for monthly b.o.p). For compilation of monthly b.o.p data, the breakdown by components (general merchandise, goods for processing, nonmonetary gold) as well as geographical breakdown is estimated on the basis of the latest available data for former comparable period (the same month of the previous year). When the details are provided by the NIS, after the 70 days, the provisional estimated breakdowns are replaced with the real figures.

4.2 DEFINITION

The primary source of data is the foreign trade statistics, which is currently the only reliable data source. The data included in foreign trade statistics are classified according to the

Combined Nomenclature of the European Union. The NIS officially disseminates these data.

Imports are available on a c.i.f. basis and are converted to an f.o.b. basis by the BNR, using a transformation coefficient (1.0834 at present).

The NIS groups the countries together by continent, according to Eurostat recommendations, and by the level of development, according to United Nations recommendations (developed countries, transition countries and developing countries).

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

While international trade statistics can provide three of the five components of the trade balance (general merchandise, goods for processing and non-monetary gold), the ITRS might be a source of data for repairs of goods and for goods procured in ports, airports, etc.

4.6 ESTIMATION METHODS

No estimation methods are used for the goods item. A commodity breakdown is available when trade data are released by the NIS. Estimates are used for forecasting only. Nevertheless, in current account projections, trade data are estimated for each goods item in accordance with the Combined Nomenclature of international standards for foreign trade statistics compilation.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

As a heterogeneous position, many data sources are implied, with the primary source being banking data flows. The items requiring the use of other sources are: merchandise transport, foreign exchange through bureaux de change, embassy and consulate-related services, other business services, and professional and technical services.

A special case is the travel item. Data reported by banks and bureaux de change have mainly been used for compiling the travel balance.

In the new ITRS, additional sources have become available for travel compilation: transactions via accounts abroad reported by enterprises and transactions with credit cards. Banks report on an aggregate basis receipts from non-residents who buy goods and services using credit cards and payments made by residents for procuring goods and services from abroad.

5.2 DEFINITION

The current methodology for compiling services is largely in line with the BPM5. Data on financial services are collected through the banking system.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

Since the ITRS does not cover the whole range of transactions related to export freight, it is being considered whether to conduct a survey among resident carriers to ensure a better

measurement of freight services provided by resident operators.

5.6 ESTIMATION METHODS

An estimate is made so that the amounts of foreign exchange sold/purchased by residents through bureaux de change, which are not related to travel, do not have to be recorded in the travel balance. The method of estimation is basically as follows:

– credit entries are calculated as the difference between the amounts of foreign exchange sold and purchased by non-residents; and
– for debit entries, an assumption is made on the amounts of foreign exchange spent by residents abroad. A ratio of 0.01787% is applied to the cash purchased by residents from the bureaux de change. The ratio is calculated using the findings of a quarterly survey of domestic households conducted by the NIS which are used to estimate domestic tourist demand.

Estimation methods are also used for import freight services provided by non-residents. In the case of debits, assuming that the c.i.f./f.o.b. difference refers to transportation and insurance expenses, it is important to assess the weight of transportation services provided by non-residents in total transportation payments (for the valuation of imports on an f.o.b. basis, see Section 4). Insurance costs are calculated by applying an average insurance rate to imports calculated on a c.i.f. basis. Furthermore, insurance costs are deducted from the c.i.f./f.o.b. difference. A breakdown of imports by carrier and by mode of transportation is estimated based on historical data (available from the NAC until January 1st, 2007). Therefore, it is possible to assess the part of the c.i.f./f.o.b. difference that reflects freight services provided by non-resident operators to residents.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

Data regarding income balances are collected through banking and non-banking sources. The data collection system covers most transactions involving compensation of employees and portfolio and other investment income.

Bank reporting is the main source for compiling income data.

As regards direct investment income, an inward FDI survey was launched in 2004, which enables dividends paid in kind and reinvested earnings to be recorded in the annual b.o.p. (the first data based on this new data source were for 2003). A pilot survey on outward FDI was launched in 2006 for 2005 data, as a first exercise, allowing recording of dividends cash and in kind distributed to resident direct investors abroad, and reinvested profits under direct investment income.

6.1.1 COMPENSATION OF EMPLOYEES

Data on compensation of employees are collected from banks (banks report on their own account and on behalf of their customers wages and salaries received by or paid to non-residents) and mainly concern compensation paid to Romanian residents by foreign employers for seasonal or short-term work. In the new ITRS, new sources have become available, including transactions made through accounts abroad and some expenditures of Romanian embassies abroad.

6.1.2 INCOME ON DIRECT INVESTMENT

Direct investment income for inclusion in the monthly b.o.p. is derived from the ITRS.

While an annual survey of inward FDI was launched in 2004, a pilot survey for outward FDI was carried out in 2006. Information on dividends receivable/payable (in cash and in kind) is collected via these surveys. Reinvested

earnings are also available. In order to ensure consistency between annual and monthly figures, the total amount of reinvested earnings obtained from the survey is divided by 12 and recorded in the monthly b.o.p.

To avoid big discrepancies between monthly b.o.p. and annual final data, in absence of survey's results, reinvested earnings for inward FDI are estimated based on historical data.

Compilation of direct investment income complies partially with the principles set out in the BPM5.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

For income on equity, commercial bank reports are used. Dividends refer to shareholdings of less than 10% of an enterprise's total capital. The collection of data regarding income on debt is based on the ITRS, combined with information supplied by the DMFAS on securities issued by the general government and monitored by the MEF. This system measures actual interest payments to non-residents on medium and long-term debt securities during a specified period of time. In addition, when applicable, the BNR provides information on its own receipts from the management of portfolio securities.

Data are available broken down by instrument and institutional sector.

6.1.4 INCOME ON OTHER INVESTMENT

Data sources are in this case the ITRS, BNR reports and the DMFAS. The latter records income on government debt (income on public and publicly guaranteed debt paid directly from the budget). Except for general government borrowings, all the credits and income flows are collected from either banks for credits to/from non-residents or from banks about their customers. Information on accounts abroad and non-monetary operations is included.

Very detailed information on private debt is available from the DMFAS (e.g. maturities, amounts, the country of the non-resident creditor, disbursement and repayment schedules, income flows to be paid). Therefore, in some cases, based on the client ID it is possible to check information from the ITRS with data from the DMFAS.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

Income receipts and payments are compiled on a cash basis. The data are derived from the ITRS, which does not allow data on interest to be compiled on an accruals basis.

6.3 GAPS

Direct investment income paid in kind and reinvested earnings (and other undistributed earnings) are not included in outward FDI.

6.4 INTENDED HARMONISATION

A FDI survey will be introduced in 2006 with the aim of monitoring Romanian direct investment abroad. Data regarding reinvested earnings stocks will be provided via this survey.

As soon as this survey is introduced, an estimation method will be devised to compile monthly flows related to reinvested earnings.

7 CURRENT TRANSFERS

(i) *General government*: data are obtained from a special report sent by the MEF in accordance with Regulation No 26/2006 regarding b.o.p. reporting requirements and mainly cover subsidies granted by non-residents for current budget support, the Government's contributions to the administrative budgets of the EU and other international organisations. Technical assistance under governmental programmes (e.g. the PHARE programme, or EU funds) is recorded under general government transfers.

(ii) *Other current transfers:* additional information concerning aid, donations and contributions to various organisations is recorded under private transfers. Information on aid in kind received by the private sector is collected from the General Directorate of Customs under a special agreement between the BNR and the NAC. Workers' remittances are captured via the ITRS and are included in current transfers of the private sector. This item is becoming increasingly relevant in the current account, as many residents go to work abroad and send money back to their families after a period of time. In some cases, it is difficult to make a clear distinction between workers' remittances and compensation of employees. Furthermore, people working abroad may transfer money to their families via unofficial channels rather than through the banking system, which makes it difficult to estimate the amounts involved.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

With regard to capital transfers:

(i) *General government debt forgiveness:* this is estimated on the basis of the Government's budgetary documents and is included in the monthly report sent to the BNR in accordance with Regulation No 4/2004 regarding b.o.p. reporting requirements, whenever applicable. Debt forgiveness is not a regular occurrence in Romania. The acquisition of equipment under governmental technical assistance programmes is included in this item.

(ii) *Private transfers:* the Statistics Department receives information on financial aid on a monthly basis from the MEF. Depending on the nature of the assistance provided, transactions are assigned to capital transfers if, for example, equipment is acquired from abroad (with an offsetting entry under imports), or to current transfers (with an offsetting entry under services for the total value of the technical assistance). In addition, the forgiveness of debt of private companies is taken into account whenever it occurs.

8.2 DEFINITION

In Romania's b.o.p., current and capital transfers are compiled separately and they are recorded in the current and capital accounts, respectively. Following the recommendations of the BPM5, the criteria used to distinguish current transfers from capital transfers are linked to the definition of capital transfers:

– a transfer in kind is a capital transfer when it is related to the transfer of ownership of a fixed asset;
– a transfer in cash is a capital transfer when it is linked to, or conditional upon, the acquisition or disposal of a fixed asset by one or both parties to the transaction; and
– the forgiveness of a liability by a creditor is a capital transfer when no counterpart is received in return.

All other transfers are considered current transfers.

The definitions used for compiling current and capital transfers are theoretically in line with those recommended by the BPM5.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

A distinction between current and capital transfers is not always possible; some capital transfers may be included in current transfers.

8.4 GAPS

Estimates of migrants' transfers are recorded in the b.o.p. to the extent allowed by the data collection system, which is a settlement-based ITRS.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Monthly data on Romanian investment abroad are derived mainly from banking data collected through the ITRS. Therefore, these data measure only cash transactions by direct investment enterprises with parent companies. Still, in 2006 a pilot enterprise survey on outward direct investments was carried out.

Data source used to select the surveyed companies:

- notifications made by residents participating to non-resident companies abroad, to the central bank; Norm 26/2006 stipulates the requirement for all residents to notify the central bank their participation to the non-resident company at the time it becomes legal;
- information provided by ITRS regarding companies involved in cross-border payments in relation to FDI;
- media, other.

The results of outward FDI survey have shown that direct investments abroad are not significant yet.

As regards inward FDI, the ITRS remains the main data source for monthly b.o.p. compilation. However, the ITRS poorly measures current and financial transactions related to direct investment. For this reason, the BNR, in cooperation with the NIS, launched a new inward direct investment survey in 2004.

To establish the FDI Register, administrative sources (e.g. the Trade Register), the Statistical Business Register (REGIS) maintained by the NIS and MEF information on foreign shareholdings have been used. From a total population of approximately 30,000 inward direct investment enterprises, a representative stratified sample was selected to be surveyed. Non-financial companies with more than 50 employees, MFIs, insurance companies and some special enterprises have been exhaustively surveyed. The stratification has been carried out according to the number of employees, geographical region and economic activity.

With regard to equity capital, FDI companies report opening and closing positions, b.o.p. flows and other changes (e.g. price changes, exchange rate changes) during the year. Equity capital includes paid-in capital in kind. The monthly b.o.p. is corrected based on the survey findings: the total value of equity capital paid in kind is divided by 12 and allocated to the monthly b.o.p.

The new survey allows reinvested earnings to be derived as the difference between total profits and reported dividends (dividends payable must be reported). Profits are reported on an all-inclusive basis. The current operating performance concept (COPC) is not applied for the time being, as companies are unable to provide specific information on operational profit after taxation. The monthly b.o.p. is revised on the basis of the survey findings: the total value of the reinvested earnings estimated from the survey is divided by 12 and assigned to the monthly b.o.p.

The principle of reverse investment is applied to compile the three components of financial flows: equity capital, reinvested earnings and the other capital component of inward FDI. Romanian direct investment companies are required to report both credits received from the non-resident direct investor and credits extended to the direct investor, regardless of maturity. They provide information on opening and closing positions and flows during the year. Geographical details are available.

9.2 DEFINITION

The 10% ownership rule for distinguishing direct from portfolio investment is observed by the Romanian methodology. The directional principle for recording transactions is also

followed, with the exception of outward FDI transactions. Furthermore, in the current collection system intra-group transactions are limited to parent/subsidiary relationships as regards outwards FDI. The inward FDI survey has provided information on intra-group transactions.

All transactions in cash effected through the banking system are included in the b.o.p. when payments are made.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

Progress has been made in compiling inward FDI statistics since the introduction of the annual survey. However, the COPC is not applied yet, but it is expected to be as soon as companies fully apply the IFRS.

9.4 GAPS

See Sub-section 9.3.

9.5 INTENDED HARMONISATION

In 2003 the BNR, in cooperation with the NIS, conducted a first survey of inward FDI. Due to inadequate quality, the results were not published. The second survey was conducted in 2004, relating to the year 2003. This survey is now part of the research programme and is included in the budget of the NIS. The results have been published for the first time, and the b.o.p. and i.i.p. data for 2003 were revised accordingly.

The BNR is planning to conduct in the near future an annual survey of outward FDI to measure direct investment abroad more accurately.

9.6 ESTIMATION METHODS

None.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Several complementary sources are used to compile portfolio investment in order to obtain a more realistic picture of these transactions. Data on portfolio investment are derived from the ITRS, especially for transactions in equity shares on the assets side. For liabilities, the main data source is the National Securities Commission, which collects data from the domestic financial market on transactions by non-residents in domestic securities. Only a small proportion of transactions in domestic securities issued by residents (mainly the MEF) in foreign currency and transacted through banks are reported by banks, together with transactions made on their own account.

Data are reported on an aggregate basis in the present collection system (as is traditional), which allows for a full institutional sector breakdown and an instrument breakdown, the main distinction being between equity securities and debt securities.

Geographical and institutional breakdowns are available for all kinds of instruments.

10.2 DEFINITION

The compilation of portfolio investment data by the BNR complies with the general guidelines of the BPM5. Both equity securities and debt securities are recorded under portfolio investment. While equity securities are limited to equity shares, debt securities include various instruments such as bonds and notes, and money market instruments.

Service charges, fees and commissions are excluded from portfolio investment. Information on these items is obtained from the banking settlement system and is recorded under financial services.

The accruals principle for interest income is not applied to the compilation of portfolio income,

meaning that no offsetting entry is recorded under portfolio investment.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no major deviations from the BPM5 with regard to portfolio investment, other than the neglect of the accruals principle and the inclusion of some financial derivatives.

10.4 GAPS

The collection system does not allow recording on a security-by-security basis for the time being. The introduction of a security-by-security based system is envisaged, when portfolio investment becomes more relevant in the Romanian b.o.p. Resident issuers may receive ISIN codes from a special Commission, but for the moment numbering is not obligatory for all issuers.

10.5 INTENDED HARMONISATION

In the new data collection system, banks will submit detailed reports to the BNR on transactions for their own account and on behalf of their customers.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

In the new b.o.p. data collection system, transactions in financial derivatives are reported by banks and by the National Securities Commission. Banks report both transactions made on their own account and transactions performed on behalf of their customers. The National Securities Commission collects information on transactions made by non-residents on the domestic financial market. Although the importance of transactions in financial derivatives between residents and non-residents is increasing, only a very limited number of transactors are involved in this kind of transaction for the time being.

11.2 DEFINITIONS

The definition provided in Regulation No 26/2006 regarding b.o.p. reporting requirements is in line with the concept used by the BPM5 and other international standards: a financial derivatives contract is a financial instrument that is linked to another specific financial instrument or indicator or commodity and through which specific financial risks can, in their own right, be traded in financial markets. Due to some constraints imposed by Regulation No 2/2004 on the reporting of specific foreign currency transactions, not all types of financial derivatives contracts are traded on the Romanian financial market yet, but the new ITRS is able to capture transactions on the market.

A geographical breakdown is available.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 11.1.

11.4 GAPS

Taking into account the fact that this kind of transaction is not very relevant yet, a classification by type of contract (options, futures, etc.) is not available, information being limited to gains or loses on the underlying contracts during the reporting month.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Information regarding other investment is available by sector (monetary authorities, general government, banking system and other), by maturity and by instrument (loans, trade credits, currency and deposits, and other). A geographical breakdown is available for all instruments.

Transactions in other assets and liabilities by banks cover medium and long-term credits extended or received by the banking system, deposits of residents with foreign banks or deposits of non-residents with domestic banks, and all other kinds of transactions involving external claims and liabilities not recorded as loans. Medium and long-term financial claims and liabilities are reported by banks on a gross basis.

Short-term assets and liabilities of commercial banks are also reported by banks, together with transactions made on their own account. They are recorded on a net basis and the data are calculated as differences between opening and closing stocks. A reconciliation of the monetary balance sheets with stocks reported for b.o.p. compilation is carried out on a monthly basis.

General government assets cover the medium and long-term credits extended to the former centrally planned economies (which are now mainly residual). These data are obtained from the MEF which reports directly to the BNR's Statistics Department opening and closing positions in medium and long-term credits extended to non-residents, as well as movements during the reporting month. Data on the Government's medium and long-term liabilities are provided by the DMFAS.

Other sector assets and liabilities mainly comprise medium and long-term commercial credits contracted by the private sector and collected from bank customers, via banks, from reports on accounts abroad or on non-monetary transactions.

12.2 DEFINITION

The definitions used for other investment are in line with the recommendations of the BPM5. For trade credits, see Sub-section 12.5.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

A model for estimating short-term trade credits of the private sector is currently being tested by the staff of the BNR's Statistics Department. A better method to estimate trade credits is needed because outstanding export and import bills are not always actual claims and liabilities, but rather potential ones.

12.6 ESTIMATION METHODS

None.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Reserve asset data are compiled and disseminated by the BNR on a monthly basis. The data are provided by the BNR's Market Operations Department. The monthly flows are obtained from daily statistics collected electronically from the MOD and recorded in the b.o.p. on a net basis, without exchange rate valuation changes. The exchange rate changes are obtained from the currency structure of the assets. Reserve asset flows are broken down by instrument and by currency, with securities being divided into money market instruments and capital market instruments.

13.2 DEFINITION

In principle, the definitions are in line with the BPM5. Reserve assets comprise monetary gold, special drawing rights, currency and deposits abroad, Treasury bills and foreign securities. Foreign exchange assets with domestic banks are excluded.

The stock of monetary gold is valued using the price of an ounce gold on the London gold bullion market at the end of the month. Flows related to monetary gold include financial transactions only. Other reserve asset components are recorded on a net basis.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

13.6 ESTIMATION METHODS

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The compilation of i.i.p. statistics follows, to the extent allowed by the data collection methodology, the guidelines of the BPM5, which was introduced as the framework for Romanian statistics in 1994.

The BNR's Statistics Department compiles the i.i.p. in euro on a quarterly basis. Medium and long-term external debt is published in the BNR's Monthly Bulletin. Since May 2005, data on gross external debt and international reserves have been available on the SDDS National Summary Data Page (NSDP). The i.i.p. data are sent electronically to the IMF via the internet with a time-lag of two months. Revised annual i.i.p. data are published six months after the year-end. Sectoral and instrumental breakdowns are possible. The i.i.p. includes the stocks of direct investment, portfolio investment, other investment and reserves.

The Balance of Payments and International Investment Position Annual Report published by the BNR's Statistics Department includes stocks, flows, changes in prices and exchange rates, and other adjustments of financial external assets and liabilities vis-à-vis the rest of the world. A reconciliation between i.i.p. stocks and b.o.p. flows (including exchange rate and other adjustments) is carried out.

The data collected is a combination of pure stocks of external assets and liabilities and cumulative flows. The main statistical sources for compiling the i.i.p. are:

- the inward FDI survey and the IMF's Co-ordinated Portfolio Investment Survey (CPIS);
- Regulation No 26/2006 regarding b.o.p. reporting requirements: and
- the DMFAS.

Cumulative b.o.p. flows are recorded for short-term trade credits, for short-term financial loans of other sectors (extended and received) in the other investment category and for equity securities provided by the National Securities Commission.

14.1.2 DIRECT INVESTMENT

The Statistics Department separately compiles asset and liability stocks of direct investment on a quarterly basis. The asset position includes resident investment and contributions to banks abroad, while the liability position includes FDI in the banking and non-banking sectors and private parent/subsidiary loans.

Data on FDI and Romanian direct investment abroad are derived from data collected through the ITRS. Breakdowns by institutional sector, country and currency are available. Direct investment stock data for the banking sector are checked with the information contained in commercial bank balance sheets. The DMFAS is the initial source of data on private parent/subsidiary loans, both for banks and non-banks. Breakdowns by instrument, currency and country are possible using the DMFAS. The results of the inward and outward FDI surveys, which are available nine months after the end of the reference period, are used to revise the initial data. Information regarding reinvested earnings, short and long-term private parent/subsidiary loans (to affiliated enterprises or to direct investors) are released too. This collection system allows a breakdown by country and by economic sector.

The coverage and concepts are in line with the definition used in the financial account of the b.o.p.

The valuation of direct investment (both assets and liabilities) is based on the relevant end-of-period exchange rates.

14.1.3 PORTFOLIO INVESTMENT

Portfolio investment data are compiled and disseminated on a quarterly basis, separately for both external assets and liabilities.

The asset position includes debt securities held by commercial banks and the non-banking system. Since 2002 the BNR has participated in the CPIS. Initial data on portfolio investment by residents are derived from information collected under Regulation No 4/2004. The results of the CPIS, which are available nine months after the reference period, are used to revised the initial data. Breakdowns by instrument, country and currency are released. For securities held by banks, data are checked with the information provided by balance sheets.

The liability position includes equity securities and bonds and notes issued by all sectors. Pure stocks of external liabilities in the form of bonds and notes are compiled using the DMFAS. Breakdowns by currency, sector, instrument, country, maturity and creditor are also available. Cumulative b.o.p. flows provided by the National Securities Commission are used for equity securities and breakdowns by currency, country and economic sector are also possible.

DMFAS data are provided two months after the end of the reference period. Stocks calculated in the new b.o.p. system are available two months after the reference period.

The coverage and concepts are in line with the definitions used in the financial account of the b.o.p.

The valuation criteria used for individual portfolio investment instruments are book value for equity securities and nominal value for debt securities.

14.1.4 FINANCIAL DERIVATIVES

At present, the i.i.p. does not include data on financial derivatives, which are only used on a very small scale.

14.1.5 OTHER INVESTMENT

The other investment position is compiled on a quarterly basis, including Romanian investment abroad and foreign investment in Romania. Residents' assets include external medium and long-term claims, trade credits, financial loans extended by banks or by other sectors to non-residents, residents' deposits abroad, capital subscriptions to international bodies and balances on clearing accounts. Residents' liabilities comprise short, medium and long-term trade credits and financial loans, non-residents' deposits and balances on clearing accounts.

Stock data on general government assets (mainly medium and long-term credits extended) are supplied by the new b.o.p. system. Breakdowns by country and currency are also

available. The pure stocks of currency and deposits of residents abroad are derived from the data collected under Regulation No 4/2004. In the case of commercial banks, the stock of assets are reconciled with balance sheet information on a monthly basis. Breakdowns by country and currency for deposits are available. Short-term trade credit stocks are estimated based on cumulative b.o.p. flows.

Short-term external liabilities of the banking sector are supplied by the new b.o.p. system, while the short-term financial loans of other sectors are calculated from cumulative b.o.p. flows.

Data on medium and long-term external loans and commercial credits received from non-residents are provided by the DMFAS. Breakdowns by currency, maturity, creditor, interest rate type and economic sector of the debtor are compiled on a monthly basis. At the same time, in the case of bank liabilities, the bank balance sheet data and the DMFAS data are cross-checked, and data on short-term external liabilities supplied by the new b.o.p. system are reconciled with bank balance sheet data.

The short-term external assets and liabilities of the banking sector and medium and long-term external loans are converted into euro at the end-of-period exchange rate. External claims are recorded at nominal value.

The capital subscriptions made to bodies like the World Bank, the European Bank for Reconstruction and Development, the International Finance Corporation and the Multilateral Investment Guarantee Agency have been removed from the portfolio investment position and classified as part of other investment (assets and liabilities). Data on capital subscriptions to international bodies are provided by the BNR's Market Operations Department. Breakdowns by instrument, currency and sector are available.

The analytical accounts of commercial banks are generally available two months after the end of the reference period, while data on medium and long-term external debt and external claims are available two months after the reference period.

The coverage and concepts are in line with the definitions used in the financial account of the b.o.p.

14.1.6 RESERVE ASSETS

Reserve assets are defined as gross claims on non-residents and comprise holdings of SDRs and foreign exchange, deposits at foreign banks and holdings of securities and Treasury bills issued by foreign governments.

Reserve assets are compiled and disseminated on a monthly basis. Breakdowns by currency and instrument are available.

The source of statistical data on reserve assets is the daily reports provided by the BNR's Market Operations Department. The BNR's analytical accounts are generally available two months after the end of the reference period. The coverage and concepts are in line with the definitions used in the b.o.p. financial account.

In the i.i.p., end-of-period market price valuation is used for the BNR's gold holdings and the valuation of foreign exchange is based on the relevant end-of-period exchange rates. Foreign securities held by the BNR are recorded at the market price and holdings of SDRs are valued at the end-of-period EUR/SDR exchange rate.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

Taking into account the recommendations of the last IMF statistical mission (in August 2003), some reclassifications and changes were made to the i.i.p. reports.

In accordance with the SNA 93 and BPM5, the value of Romanian embassy buildings is treated

as part of the country's reproducible fixed capital rather than as external financial assets. This stock was removed from the other investment position.

The IMF quota subscription, which is denominated only in domestic currency, and the corresponding liability in the form of a domestic currency deposit account at the BNR have been excluded from the i.i.p. Consistent with BPM5 recommendations, only the reserve position in the Fund and the use of Fund credits are shown in the b.o.p. and i.i.p.

14.3 GAPS

None.

14.4 INTENDED HARMONISATION

The BNR is planning to conduct in the near future (most likely in 2006) an annual survey of outward FDI to measure direct investment abroad more accurately.

The new version of the DMFAS will be able to calculate transactions in and stocks of external debt on an accruals basis and the portfolio investment instruments will be valued at market prices.

14.5 ESTIMATION METHODS

None.

15 CONTACTS

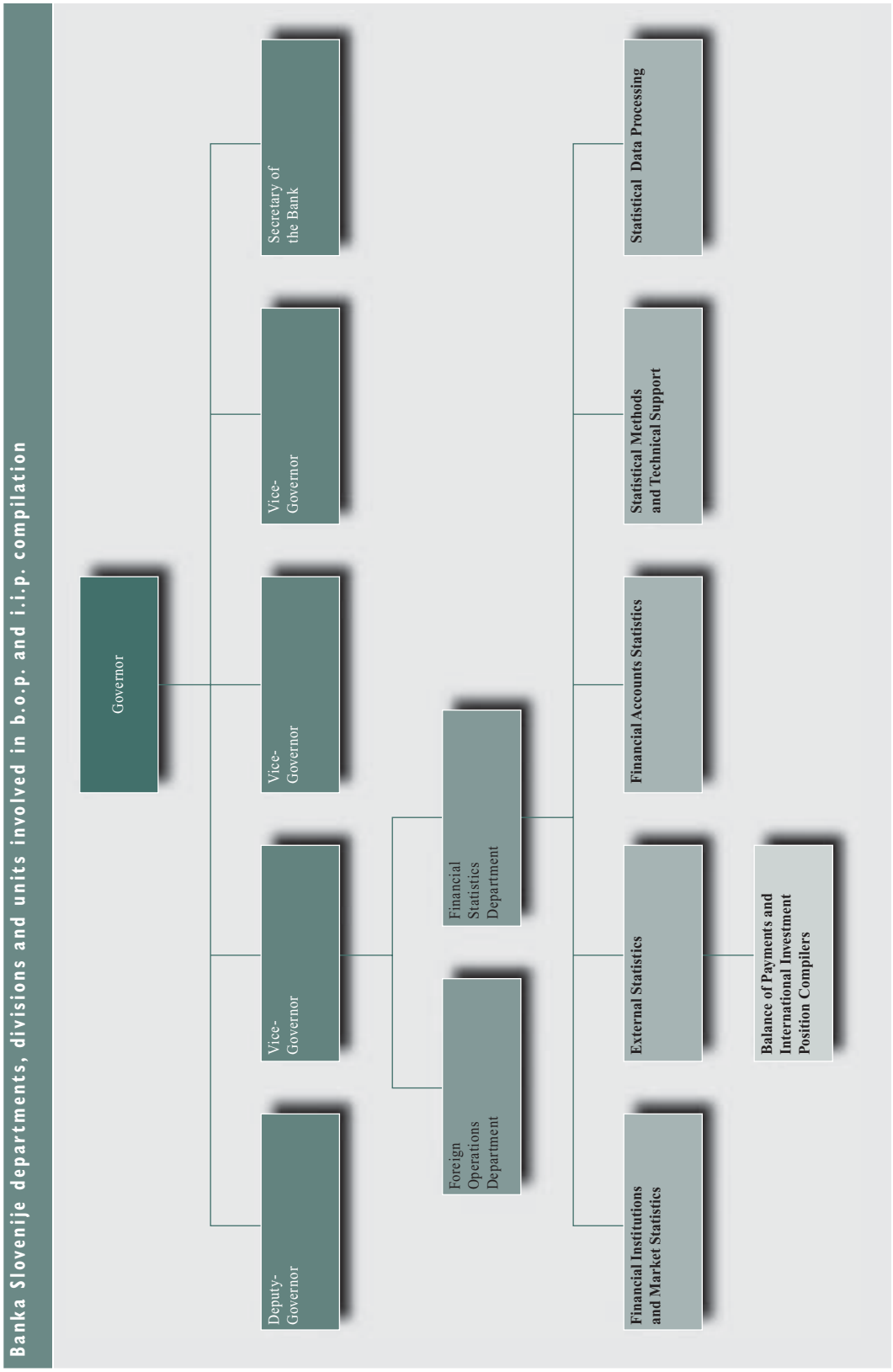
This country information was drafted by Romania in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Romania should be addressed to:

Mr Virgil Stefanescu
Head of Division
Statistics Department
Banca Națională a României
Strada Lipscani 25
70421 Bucharest
Romania

Tel.: 00 401 315 28 36
Fax: 00 401 312 71 93
E-mail: virgil.stefanescu@bnro.ro

4.23 SLOVENIA

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

In accordance with the National Programme of Statistical Surveys and the Foreign Exchange Act, the official compiler of the Slovenian balance of payments is *Banka Slovenije*.

Banka Slovenije has been responsible for compiling the b.o.p. since 1991. Before then, Slovenia was part of Yugoslavia and its b.o.p. was compiled using a different methodology.

Slovenia's b.o.p. is compiled by *Banka Slovenije* on the basis of the recommendations of the fifth edition of the IMF Balance of Payments Manual (BPM5) and under limitations as regards the availability of data.

Responsibility for the collection of the data necessary for b.o.p. compilation is shared between the Statistical Office of the Republic of Slovenia (SORS) and *Banka Slovenije*. Such data are collected through Slovenia's international transaction reporting system (ITRS). Within the framework of the ITRS, the SORS is responsible for collecting trade statistics from customs declarations, while *Banka Slovenije* collects reports on other transactions between residents and non-residents. Stock data for the international investment position are collected exclusively by *Banka Slovenije*.

2.2 LEGISLATIVE PROVISIONS

The compilation and publication of b.o.p. and i.i.p. data are governed by the Law of 1991 on the Bank of Slovenia and subsequent amendments (Official Gazette Nos 1/1991, 17/1991 and 13/1993), the Law of 1995 on National Statistics (Official Gazette Nos 45/1995 and 9/2001) and the Decree of 1992 on the Obligation of Residents to Report Data on the Stock of Claims and Liabilities and Transactions with Non-residents (Official Gazette No 60/1992), which came into effect on 1 January 1993. The data are also affected by *Banka Slovenije*'s Guidelines on Payment Transfers with Foreign Countries, which came into force in November 1991.

(i) The *Law on the Bank of Slovenia* and subsequent amendments established the Bank's independence and provide for it to collect the data needed for its operations.

(ii) The *Law on National Statistics* guarantees the confidentiality of individuals' personal data and established the annual National Programme of Statistical Surveys, under the terms of which *Banka Slovenije* is obliged to publish b.o.p. data.

(iii) The *Decree on the Obligation of Residents to Report Data on the Stock of Claims and Liabilities and Transactions with Non-residents* provides for the confidentiality of individuals' personal data.

2.3 INTERNAL ORGANISATION

Banka Slovenije is responsible for several sets of statistics provided by the Financial Statistics Department, which in turn comprises the following five divisions: the Financial Institutions and Market Statistics Division, the External Statistics Division, the Financial Accounts Statistics Division, the Statistical Methods and Technical Support Division and the Statistical Data Processing Division. As at the end of 2006, the Financial Statistics Department had a total of 48 staff, the Financial Institutions and market Statistics Division had 5 staff, Financial Accounts Statistics Division had 5 staff, Statistical Methods and Technical Support had 4 staff, Statistical Data Processing Division had 23 staff. The External Statistics Division consists of 5 staff which are responsible for compilation, methodology and dissemination of balance of payments, international investment position, direct investment and gross external debt.

2.4 EXTERNAL COOPERATION

The SORS is an important external partner of the Financial Statistics Department. It provides the b.o.p. compilers with foreign trade statistics that are used to derive data for transactions in goods for the Slovenian b.o.p.

Sources for some estimates are the SORS and institutions in neighbouring countries.

2.5 USERS

B.o.p. and i.i.p. statistics are sent to internal users at *Banka Slovenije* and external users in Slovenia. The external users include the SORS, the Chamber of Commerce, the Ministry of Finance and some commercial banks.

The b.o.p. and i.i.p. data are also sent to the Organisation for Economic Co-operation and Development, the Bank for International Settlements, the European Central Bank, the International Monetary Fund and Eurostat according to their respective standards.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The reporting system for the b.o.p. is the ITRS, which is a closed system. There is integrated reporting of the positions on non-resident accounts (these explain the changes in the assets or liabilities in the b.o.p.'s capital and financial accounts) and the transactions settled through these accounts (these principally explain the changes in the b.o.p.'s current account). In the reporting form, the position on each non-resident account at the end of the reporting period should equal the position at the beginning, plus the credit transactions minus the debit transactions. The transactions are classified on the basis of their description, as provided by the banks' customers, and the assignment of a transaction code. There are more than 300 of these transaction codes and a list of them is available from *Banka Slovenije* on request. They form the basis of the methodology that allows banking forms (e.g. payment orders and forms relating to incoming payments) to be used in the compilation of b.o.p. statistics.

The main reporting pillars of the ITRS are:

(i) *Reports on transactions* settled between residents and non-residents via bank accounts (so-called non-resident accounts). These accounts comprise:

- the banks' foreign correspondent accounts (nostro and loro accounts, including the central bank); and
- non-bank resident accounts abroad.

Transactions are classified using descriptions provided by the banks' customers.

(ii) Since accession to the EU on 1 May 2004, *customs declarations* are the main source for recording merchandise trade with non-EU countries (via the Extrastat reporting system) and special Intrastat reports are the main source for recording merchandise trade with EU Member States (the foreign trade statistics are the responsibility of the SORS).

(iii) *Reports* to *Banka Slovenije on registered credits granted and disbursed abroad*.

(iv) *Banka Slovenije accounting data*.

(v) *Commercial bank balance sheet data*.

(vi) *Data on direct investment* (reinvested earnings).

(vii) *Reports on goods sold to non-residents in duty-free and border shops*.

(viii) *Reports on short-term claims on and liabilities to non-residents*.

Some estimates are used in the b.o.p. and i.i.p. for the valuation of data on imports, incoming travel, labour income, currency and deposits of resident households and debt forgiveness.

For the annual i.i.p., data are collected from *residents' reports on inward and outward direct investment, reports on operations in securities (VRP reports) sent by authorised participants in the securities market, reports of enterprises on short-term trade credits, data from Central Securities Clearing Corporation (KDD)* and some of the other above-mentioned sources.

3.2 REPORTING AGENTS

The b.o.p. and i.i.p. are compiled on the basis of reports from the following agents:

(i) *commercial banks*, which report transactions between resident and non-resident entities (banks, enterprises, individuals, etc.) as well as transactions for their own account;

(ii) *non-bank residents* report data on their accounts held abroad, on inter-company accounts with foreign partners and on the sale of goods in duty free shops. They also report short-term trade credits to and from non-residents;

(iii) *residents* report inward and outward direct investment stocks and transactions;

(iv) *the SORS* provides foreign trade data;

(v) *Banka Slovenije* provides its accounting data; and

(vi) *residents* report data on loans and long-term trade credits to and from non-residents.

(vii) Central Securities Clearing Corporation provides data on inward portfolio investment, authorised participants in the securities market (e.g. banks, custodians, investment companies, mutual funds, insurance companies) report residents' operations in securities on theirs own behalf and on behalf of their clients.

3.3 THRESHOLDS

There is no special threshold for ITRS data.

3.4 AVAILABILITY OF DATA

The b.o.p. is compiled monthly and disseminated no later than six weeks after the end of the reference month. Although the data have been available since 1988, only data for the key b.o.p. items are available for the period 1988-1993. Figures for the period 1988-1991 exclude transactions with the former Yugoslavia.

The i.i.p. is compiled yearly and disseminated no later than nine months after the end of the reference year. Data have been available since 1994. For the needs of the ECB, the i.i.p. is also compiled on a quarterly basis and is made available only to the ECB and internal users of *Banka Slovenije* no later than three months after the end of the reference quarter. Quarterly data are available from 2001 onwards.

An advance release calendar is published on *Banka Slovenije*'s website (www.bsi.si) and in its Monthly Bulletin.

3.5 TIMELINESS

Monthly b.o.p. data are published according to the ECB deadlines for data transmission. Annual i.i.p. data are published no later than nine months after the reference year.

3.6 COMPILATION FREQUENCY

B.o.p. and i.i.p. data are compiled on a monthly basis.

3.7 DATA CONTROLS

The first type of controls are computerised. They are installed on the reporting programs

Table Reporting scheme for b.o.p. and i.i.p. data collection in Slovenia

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Entire population	Customs declaration	Exports and imports of goods	Monthly	T + 6 weeks
Legal entities with accounts abroad	Form C	Foreign accounts abroad	Monthly	T + 3 weeks
Central bank	RBS	Central bank's accounting data	Every 10 days	T + 10 days
Enterprises	SKV	Short term trade credits	Monthly	T + 4 weeks
Banks	Form KNB Form PPV	Detailed balance sheet data Detailed balance sheet data	Monthly Every 10 days	T + 6 days T + 10 days
Entire population	Form SN	Assets and liabilities between affiliated companies	Yearly	T + 4 months
Entire population	Credit reports – report on contract – report on payments	Reports to the central bank on registered credits granted and disbursed abroad	When a contract is made	T + 10 days (after the contract is made)
Banks	Reports on payment settlements: – report on inflows from abroad – orders for payment abroad	Transactions settled between residents and non-residents via bank accounts	Every 10 days	T + 10 days

used by the reporting agents. These controls warn the agents of processing errors.

The second type of controls are performed within *Banka Slovenije*. They check the completeness of reports and their plausibility. If any data are missing from or incorrect in the reports, the reporting agents are contacted and the mistakes corrected. All discrepancies are checked directly with the reporting agent concerned.

The reports on flows are also compared with the external position of the reporting bank. With high-value transactions, a manual check is carried out.

The coding of data is also checked so that the flows and stocks are included under the correct item of the b.o.p.

3.8 REVISION POLICY

Revisions of b.o.p. and i.i.p. data occur as follows:

- revisions of monthly data are made with the release of:
  - the data for the following month
  - the corresponding quarterly data;
  - the corresponding revised quarterly data;
  - the i.i.p. data for the corresponding year; and
  - the revised i.i.p. data for the corresponding year;
- revisions of quarterly data are made with the release of:
  - the data for the following month
  - the data for the following quarter;
  - the i.i.p. data for the corresponding year; and
  - the revised i.i.p. data for the corresponding year;
- revisions of the annual i.i.p. are made with the release of the data for following years.

Banka Slovenije revises the annual b.o.p. data for the year t-1 when the i.i.p. data and the final

goods data for the corresponding year become available (at the end of August). It also revises data for the year t-2. In the case of major methodological changes or discrepancies between data sources, data for the year t-3 will be revised as well.

3.9 PUBLICATION

The data are first released on *Banka Slovenije*'s website (at http://www.bsi.si/iskalniki/pregled-financnih-podatkov.asp?MapaId=138 for the Slovenian version and at http://www.bsi.si/iskalniki/pregled-financnih-podatkov-en.asp?MapaId=64 for the English version). They are subsequently distributed to all interested parties by fax or e-mail and are also published in *Banka Slovenije*'s Monthly Bulletin approximately three weeks later.

Detailed data on direct investment are published in *Banka Slovenije*'s annual publication "Direct Investment".

Details of data users are given in Sub-section 2.5.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

As explained in Sub-sections 3.1 and 3.2, the main data source for imports and exports of goods are the foreign trade statistics compiled by the SORS. With the accession to the EU on 1 May 2004, a new reporting system for recording trade with EU Member States was introduced. Special Intrastat forms are completed by a sample of reporting units (exporters and importers) and collected by customs offices. The collected data are then sent to the SORS for further processing.

Trade with non-EU countries is recorded as before Slovenian EU accession, i.e. via customs declarations (Single Administrative Documents).

Some goods cross the border without customs declarations. The data on these goods are collected through transaction reporting systems and questionnaires returned by duty-free shops.

4.2 DEFINITION

The definition of goods in the Slovenian b.o.p. complies with that given in the BPM5. Goods are classified as:

- general merchandise;
- goods for processing;
- repairs on goods;
- goods procured in ports by carriers; and
- non-monetary gold.

Coverage adjustments (for goods crossing the border without customs declarations) and valuation adjustments are made. A valuation adjustment is necessary because exports are valued on an f.o.b. basis and imports on a c.i.f. basis. Import data are therefore converted from a c.i.f. to an f.o.b. basis using a coefficient equal to the weighted average of coefficients between the c.i.f. and f.o.b. values of imported goods (for the available sample) and are calculated separately for each type of merchandise, means of transport and exporting country. From 1 May 2004 onwards, coverage adjustments also include data on imports of motor vehicles from the EU by natural persons, which are not covered by the Intrastat reporting system, as long as this phenomenon remains statistically important.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

The most significant gap is in the b.o.p. coverage of free-trading zones.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

Besides valuation adjustment (see Sub-section 4.2), there are no estimation methods used for the goods component of the b.o.p. current account.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

As explained in Sub-sections 3.1 and 3.2, the main data source for services is the transaction reporting in the ITRS. Some estimates are also included when compiling the services component of the current account.

5.2 DEFINITION

The definition of services in the Slovenian b.o.p. complies with that stated in the BPM5. Services are divided into:

- transportation;
- travel;
- communications services;
- construction services;
- insurance services;
- financial services;
- computer and information services;
- royalties and licence fees;
- other business services;
- personal, cultural and recreational services; and
- government services (only for imports).

Each of these items is subdivided further.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

There are some deviations in the services section of the current account.

Business travel exports are not recorded separately, but are included in the personal travel component.

Short and long-term construction work is recorded under services. Long-term construction work is therefore not recorded as direct investment.

Exports of government services are included in other services.

Transaction reporting does not provide detailed enough data on transportation services. Therefore, in some cases, transportation services are overestimated, whilst in others they are underestimated.

5.4 GAPS

There are gaps in the coverage of exports of government services (e.g. expenditure of foreign embassies in Slovenia).

Similarly, coverage of transportation services is insufficient (see Sub-section 5.3).

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

An estimate of net sales of Slovene tolars (SIT) to non-residents in bureaux de change is used in the travel exports item, while estimates of the expenditure of Slovenian residents abroad are included in travel imports.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

Investment income relating to *Banka Slovenije* and income on bonds and notes relating to all other sectors (government, banks, other) is recorded on an accruals basis.

6.1.1 COMPENSATION OF EMPLOYEES

Data on receipts are obtained from the Labour Force Survey (responsibility of the SORS) and Eurostat's database. ITRS is the source for

expenditures. Receipts as well as expenditures are recorded on a gross basis (including taxes and contributions).

6.1.2 INCOME ON DIRECT INVESTMENT

As mentioned in Sub-sections 3.1 and 3.2, the ITRS is the main data source covering income on direct investment.

Reinvested earnings are derived from residents' reports on direct investment and an offsetting entry is made for them under direct investment in the financial account. The reinvested earnings are included in the b.o.p. on a monthly basis.

Income on equity and reinvested earnings are included in direct investment income, whereas income on debt (e.g. inter-company loans) is not.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Data for income on portfolio investment (equity and debt securities) are obtained from reporting on operations in securities by authorised participants in securities market and from Central Securities Clearing Corporation.

Income on debt (regardless of whether there is an FDI relationship) and income on equity (where there is less than 10% ownership) are included in portfolio investment income.

A breakdown by sector is available. This breakdown has four components: *Banka Slovenije*, government, banks and other.

6.1.4 INCOME ON OTHER INVESTMENT

As mentioned in Sub-sections 3.1 and 3.2, the ITRS is the main data source for income on other investment.

Income on other investment is broken down by sector into *Banka Slovenije*, government, banks and other.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

As explained in Sub-section 6.1, the most significant deviation from the BPM5 in the Slovenian b.o.p. is for income on direct investment, i.e. only total income on equity is included in income on direct investment and therefore income on debt is not included in this item.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

None.

6.5 ESTIMATION METHODS

Data on compensation of employees – receipts are estimated on the basis of Labour Force Survey and data on average gross wages from Eurostat's database. The receipts are geographically allocated to the four neighbouring countries. Data on expenditures are obtained from the ITRS. A coefficient between net and gross wages is applied in order to obtain data on a gross basis (including taxes and contributions).

7 CURRENT TRANSFERS

See Section 8 on the capital account.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

The ITRS is the main source for data on capital account transactions.

8.2 DEFINITION

The definition of the b.o.p. capital account complies with that given in the BPM5. Capital account transfers are classified under two sectoral components:

– government; and
– other sectors.

Current transfers, like capital transfers, are subdivided into two sectoral components:

– government; and
– other sectors.

Under other sectors, there are three groups of current transfers: first there are workers' remittances, then there is insurance, and last there are other transfers. The main source for current transfers is the ITRS. Exceptions are data on pensions paid to non-residents, which are obtained from the Pension and Invalidity Insurance Institute of Slovenia, and data on EU transfers, which are obtained from the Ministry of Finance (budget data). EU transfers are classified under current and capital transfers according to the goal for which the funds are used and was defined in cooperation with the SORS.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

The item capital transfers does not cover other transfers of other sectors (only debt forgiveness and migrants' transfers are covered).

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The ITRS is the main source for collecting data on direct investment. Direct investment is therefore recorded on the basis of transaction reporting and data from customs declarations.

The source for reinvested earnings is yearly resident reports on direct investment.

9.2 DEFINITION

The definition of direct investment is in line with the recommendations set out in the BPM5. It is classified as:

– equity capital;
– reinvested earnings; and
– other capital.

The 10% ownership criterion is applied to distinguish direct investment from portfolio investment.

Reinvested earnings are derived from the yearly reports and are entered in the b.o.p. on a monthly basis (1/12 of the yearly value per month). For the current year data on reinvested earnings are estimated (see Sub-section 9.6).

Inter-company debt transactions between affiliated enterprises (a capital share of 10% or more) are recorded as other capital transactions under direct investment in accordance with the BPM5. Until 2001, such transactions were recorded as loans and could not be recorded separately as direct investment when there was a direct affiliation between residents and non-residents. There is thus a break in series in the foreign direct investment and loan items of the b.o.p. as from 2001.

In the case of affiliated banks or financial intermediaries, only mutually subordinated claims and liabilities (i.e. permanent debt) are classified as direct investment/other capital.

Since 2002 the item other capital within direct investment also includes data on short-term trade credits between affiliated enterprises.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Before the results of the annual surveys become available, reinvested earnings for current year (monthly data) are estimated (three-year monthly average of actual data on total earnings excluding extraordinary item is decreased by dividends and other profits paid in the current month). Later, during the revision of the balance of payments in September, these estimates are replaced with the actual survey data.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on portfolio investment (equity and debt securities) are recorded on the basis of reporting on operations in securities by authorised securities market participants and on the basis of data from the Slovenian central securities depository (Central Securities Clearing Corporation).

For portfolio investment, two types of breakdown are available: one by sector and one by instrument.

Until 1997 only data on sales and purchases of debt securities through banks were included in this item. Since February 1997, equity securities without the characteristics described in Section 9 on direct investment have also been included in portfolio investment.

10.2 DEFINITION

The definition of portfolio investment complies with the recommendations set out in the BPM5. Portfolio investment in the b.o.p. is classified as:

- equity securities;
- debt securities (subdivided into bonds and notes and money market instruments).

All of the categories listed above are also subdivided into sectors (government, banks and other).

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The source for data on financial derivatives is reporting on operations in securities (VRP reports) for assets and data from the Central Securities Clearing Corporation for liabilities.

11.2 DEFINITIONS

The definition of financial derivatives in the Slovenian b.o.p. complies with that given in the BPM5. Financial derivatives are broken down by sector into *Banka Slovenije*, government, banks and other.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The ITRS is the main source for data on other investment. Other investment is therefore recorded on the basis of transaction reporting, commercial bank balance sheets, registered credits, *Banka Slovenije* accounting data, data from customs declarations and some estimates. From 2006 onwards reports from monetary financial institutions are used as data source for loans and currency and deposits of the banking sector.

The sources for short-term trade credits are reports of enterprises on short-term trade credits. In 2006 grossing-up procedure has been applied to these data.

12.2 DEFINITION

The definition of other investment complies with the recommendations set out in the BPM5. Other investment in the b.o.p. is classified as:

- trade credits;
- loans;
- currency and deposits; and
- other assets and liabilities.

Furthermore, trade credits are subdivided into short-term and long-term credits. Short-term trade credits between affiliated enterprises are included in direct investment.

Loans are recorded on a gross basis and are broken down by sector and maturity.

Foreign exchange and deposits and other assets and liabilities are broken down by sector, while those of the banking sector are also broken down by maturity.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

Data on repurchase agreements are recorded according to the underlying instrument.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Item currency and deposits of households is estimated by using data on net purchases of foreign currency in foreign exchange offices, net deposits to households' foreign exchange account at domestic banks, estimated expenditure of resident households abroad and BIS (Bank for International Settlements) data on deposits held by residents with the banks abroad.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Reserve assets are recorded on the basis of *Banka Slovenije* accounting data. As a monetary authority, *Banka Slovenije* is the only source for data on reserve assets. Reserve assets include accrued income.

13.2 DEFINITION

The definition of reserve assets is in accordance with the recommendations set out in the BPM5. Reserve assets in the b.o.p. are classified as:

- monetary gold;
- special drawing rights;
- the reserve position in the IMF; and
- foreign exchange assets.

Foreign exchange assets are subdivided into foreign currency and deposits and securities. Transactions with residents are excluded.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on direct investment are collected from annual residents' reports on capital investment. Quarterly data are obtained by accumulating b.o.p. flows, which are based on the ITRS. The data sources for equity and debt portfolio investment are residents' reports on operations in securities and the Slovenian central securities depository (Central Securities Clearing Corporation). The main data sources for the other investment item are residents' reports on short-term trade credits, credit registration forms, bank reports and *Banka Slovenije* accounting data.

14.2 DEFINITIONS

14.2.1 GENERAL

The i.i.p. methodology is based on the BPM5 recommendations.

The i.i.p. is compiled for all financial account items (direct investment, portfolio investment, financial derivatives, other investment and reserve assets). Assets and liabilities are compiled separately.

Data sources for the i.i.p. and b.o.p. are different for some items. For most items, the i.i.p. and b.o.p. can be reconciled.

14.2.2 DIRECT INVESTMENT

Data on direct investment (equity capital) are collected from annual residents' reports on inward and outward capital investment. Data for quarterly i.i.p. purposes are obtained by accumulating b.o.p. flows. In accordance with the recommendations of the BPM5, this item comprises investment where direct investors own 10% or more of the equity capital of an enterprise. Data on other capital between affiliated enterprises are obtained from reports on loans granted to or received from non-residents and reports on short-term trade credits with non-residents. All claims on and liabilities to affiliated enterprises are included under direct investment in the i.i.p., except for short-term claims and liabilities of affiliated banks. In the case of affiliated banks or financial intermediaries, only mutually subordinated claims and liabilities (i.e. permanent debt) are classified as direct investment.

Data on other capital transactions by Slovenian enterprises in indirectly affiliated enterprises abroad have, since 1996, been included in the direct investment abroad – other capital item (in cases where enterprises abroad with Slovenian direct investment hold 10% or more of equity in other foreign enterprises). In the direct investment in Slovenia – other capital item, data on other capital transactions by foreign enterprises in indirectly affiliated enterprises in Slovenia are included (in cases where Slovenian enterprises with foreign direct investment hold 10% or more of equity in other Slovenian enterprises).

Direct investment data are recorded at book value.

14.2.3 PORTFOLIO INVESTMENT

The definition of the portfolio investment component of the i.i.p. is that recommended in the BPM5. Portfolio investment is classified as equity securities and debt securities.

Data on equity and debt securities are available from reports on operations in securities by authorised securities market participants and

from the Slovenian central securities depository (Central Securities Clearing Corporation).

In the portfolio investment component of the i.i.p., two types of breakdown are available: one by instrument and one by sector.

Portfolio investment data on equity are recorded at book value.

14.2.4 FINANCIAL DERIVATIVES

Data on financial derivatives are available from residents' reports on operations in securities (VRP reports) and from Central Securities Clearing Corporation.

14.2.5 OTHER INVESTMENT

The definition of the other investment component of the i.i.p. is in line with that recommended in the BPM5. The other investment component is subdivided into trade credits, loans, foreign exchange and deposits, and other assets and liabilities.

The sources for short-term trade credits are reports of enterprises on short-term trade credits and inter-company accounts between residents and non-residents. The sources are the same as those for the b.o.p.

The sources for long-term trade credits and loans are credit registration forms and are the same for the i.i.p. and the b.o.p. Claims and liabilities between affiliated enterprises are recorded under direct investment and are excluded from the items trade credits and loans.

Data sources for currency and deposits, other assets and other liabilities are bank reports and *Banka Slovenije* accounting data and are the same as those for the b.o.p.

The assets/currency and deposits/other sectors sub-item of the i.i.p. also includes estimates based on data from the Bank for International Settlements on deposits of Slovenian households in banks in BIS member countries. The estimation of the stock of foreign currency held by households is also included, but further potential investments of foreign currency into other instruments (mainly investments in real-estate abroad and portfolio investment not reported via VRP reports) are not deducted from the estimation, because information on that phenomenon is not available.

Other investment is broken down by instrument, sector and maturity.

14.2.6 RESERVE ASSETS

The definition of the reserve asset component of the i.i.p. is in line with that recommended in the BPM5. They are classified as: monetary gold, SDRs, the reserve position in the IMF and foreign exchange assets. Claims on residents are excluded.

The only source of data for the reserve asset item is *Banka Slovenije* accounting data.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.4 GAPS

None.

14.5 INTENDED HARMONISATION

A full reconciliation of the i.i.p. and the b.o.p. is planned.

14.6 ESTIMATION METHODS

See Sub-section 14.2.5.

Concerning the quarterly i.i.p., no quarterly stock data on equity direct investment are available since such data are collected via annual surveys. Consequently, the quarterly i.i.p. is estimated on the basis of balance of payments data. Flows from relevant quarterly balance of payments data are added to the last available annual stock data to obtain i.i.p. data for the relevant quarter. Stock of foreign currency held by households is also obtained by

the accumulation of the b.o.p. flows. Stock data on other i.i.p. items are available on a monthly basis.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

"Monthly Bulletin"

"Direct Investment"

15.2 CONTRIBUTORS

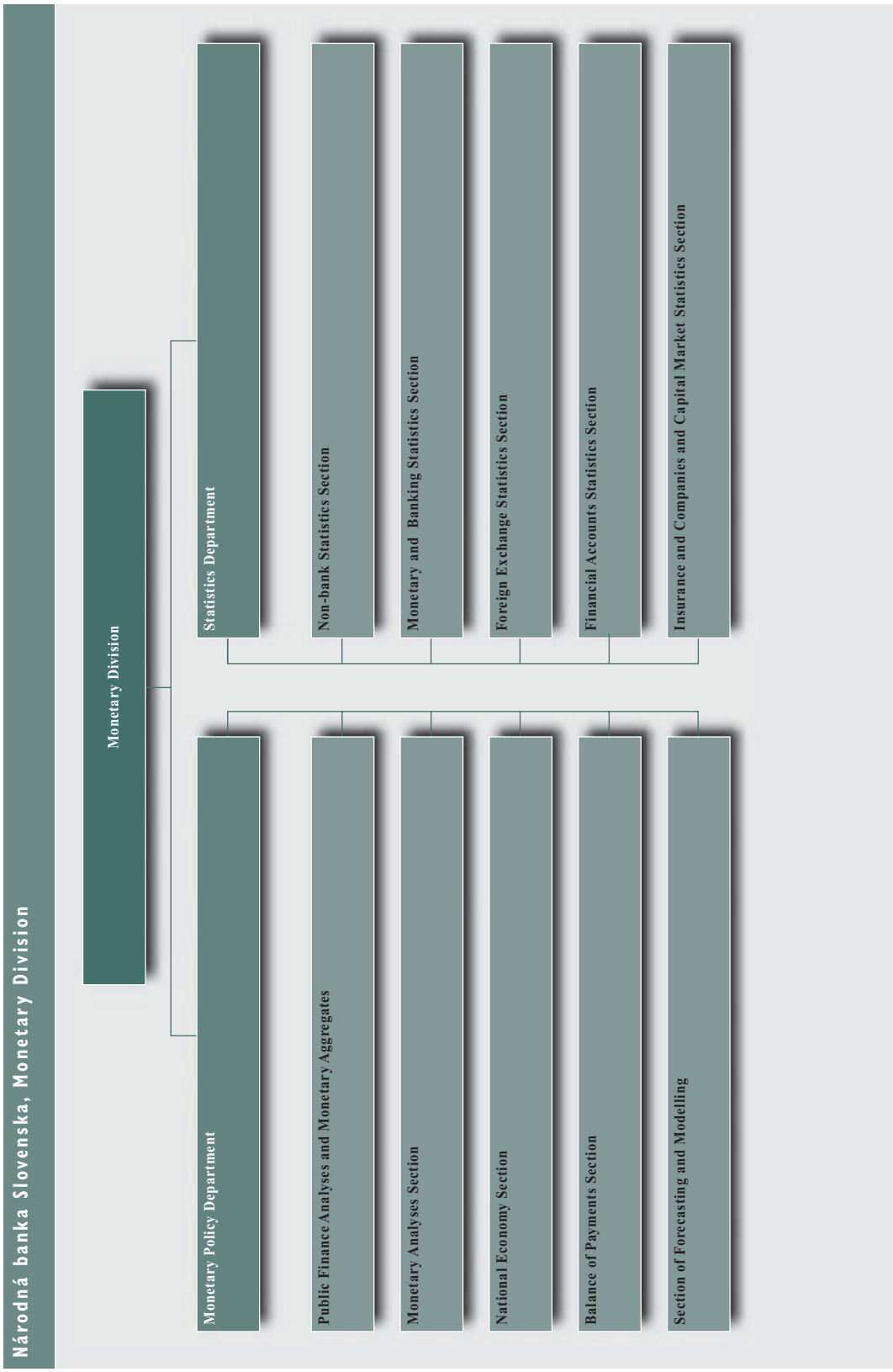
This country information was drafted by Slovenia and subsequently amended and agreed with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Slovenia should be addressed to:

Mr Janez Klemenc or Ms Eva Senčar-Svetina
Financial Statistics Department
Banka Slovenije
Slovenska 35
1505 Ljubljana
Slovenia

Tel.: 00 386 1 4719 312 or 313
Fax: 00 386 1 2515516
E-mail: janez.klemenc@bsi.si or eva.sencar-svetina@bsi.si

4.24 SLOVAKIA

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Since 1 January 1993, *Národná banka Slovenska* (NBS) – as the central bank of the Slovak Republic – has been the institution responsible for compiling balance of payments and international investment position statistics. The Balance of Payments Section of the NBS's Monetary Policy Department collects data from a variety of sources, including the banking sector, the Statistical Office of the Slovak Republic (SOSR), government ministries (such as the Ministry of Finance and the Ministry of the Economy), government agencies (such as the National Property Fund), stock market brokers and a large number of Slovak enterprises.

The b.o.p. is compiled monthly on a cumulative basis and is published in hard copy. Data are also disseminated through the NBS's website (www.nbs.sk) with a three-month lag. Reports are submitted to the Slovak Parliament twice a year. The data are compiled in Slovak koruna (SKK) and are also published in US dollars. The collection and compilation methods are being adjusted to bring them into line with the recommendations of the fifth edition of the IMF Balance of Payments Manual (BPM5) and with European Central Bank and Eurostat requirements. The i.i.p. is compiled on a quarterly basis.

The b.o.p., i.i.p. and reserve asset data are compiled and published according to various Acts of *Národná banka Slovenska*, independently of the general government.

2.2 LEGISLATIVE PROVISIONS

The data are compiled under the terms and conditions of the NBS Act (No 566/1992), with subsequent amendments, the Banking Act (No 483/2001), the Foreign Exchange Act (No 202/1995) and the internal NBS Rule No 34, amended in 1997.

(i) *NBS Act No 566/1992*
The NBS Act defines the independence of the NBS in deciding on statistical methodology and the form and timing of data dissemination.

(ii) *Banking Act No 483/2001*
The Banking Act defines the reporting requirements of commercial banks vis-à-vis the NBS.

(iii) *Foreign Exchange Act No 202/1995*
The Foreign Exchange Act with its subsequent amendments defines the reporting requirements for non-banking sector entities.

(iv) *NBS Rule No 34*
NBS Rule No 34 ensures the confidentiality of individual banks' data and requires that only aggregate information be made available to the public.

2.3 INTERNAL ORGANISATION

The NBS's BOP Section is responsible for conceiving, developing, compiling and analysing b.o.p. and i.i.p. statistics. It is also responsible for providing data to international institutions, such as the IMF, the ECB, Eurostat and the OECD. The BOP Section operates within the Monetary Policy Department.

The NBS's *Statistics Department* is responsible for the collection of data for the purpose of compiling b.o.p. and other external sector statistics. It consists of five sections, four of which cooperate in the task of collecting and processing accurate and comprehensive data:

(i) The *Monetary and Banking Statistics Section* is responsible for the collection, control and processing of money and banking statistical statements from commercial banks related to transactions in domestic currency and for the collection, control, processing and dissemination of harmonised money and banking statistics.

(ii) The *Foreign Exchange Statistics Section* is in charge of the collection, control and processing of money and banking statistical statements from commercial banks related to transactions in foreign currency.

(iii) The *Non-bank Entities Statistics Section* is responsible for methodological management and for the collection, control and processing of data from the Slovak corporate sector.

(iv) The *Financial Accounts Statistics Section* is responsible for the collection, control, processing and dissemination of quarterly financial accounts statistics.

The *Settlement Department* is responsible for compiling, controlling and processing data on the NBS's reserve assets. In addition, flow data for the NBS and government liabilities are reported by this department.

2.4 EXTERNAL COOPERATION

The *SOSR* provides the NBS with monthly data on foreign trade. These data are compiled in accordance with the BPM5 and individual data are obtained with geographical and commodity breakdowns according to the Standard International Trade Classification (SITC). Foreign trade figures are based on information from customs declaration forms. Since EU accession, Intrastat is being used by the SOSR.

The *Ministry of Finance* and the *Agency for State Debt Management* provide the NBS with data on the assets and liabilities of the general government sector and with data on current and capital transfers from/to EU institutions.

The *National Property Fund* provides the NBS with data on non-resident investment in the Slovak Republic (for state-owned enterprises only).

The NBS's BOP Section maintains regular contacts and addresses methodological, collection and compilation issues with other central banks (e.g. in Austria, Germany and the Czech Republic).

The BOP Section's staff take part in several of Eurostat's b.o.p. technical groups and have close contacts with the ECB and the OECD. B.o.p. methodological issues are discussed regularly with the Statistics Department of the IMF.

2.5 USERS

Data are first disseminated to the public via the NBS's website. The public are informed of this practice by a note in the NBS's monthly publication "Monetary Survey". The data are published a few weeks later in the relevant issue of the monthly "Monetary Survey" and the "Annual Report of the NBS".

Internally, the data are used and analysed by the Monetary Policy Department.

B.o.p. and i.i.p. figures are sent regularly to the IMF, Eurostat, the ECB, the OECD and other institutions, according to their particular requirements.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

B.o.p. compilation is based on a mixed system, which uses a combination of settlement data and surveys.

The cash-based settlement system, or the international transaction reporting system (ITRS), is a closed system that captures all foreign exchange transactions that are conducted through the banking system. Data on individual transactions are supplied on a monthly basis by each of the commercial banks, classified according to a list of codes that cover the current account, capital account and financial account, as well as transactions that do not fall within the scope of the b.o.p.

Data are classified according to the sector of the resident transactor unit – own account transactions of banks, non-financial enterprises, financial enterprises, insurance companies and pension funds, general government, self-employed individuals, non-profit institutions serving households, natural persons and non-residents. The coding list is updated every two years. Each commercial bank supplies detailed data on a monthly basis, transaction by transaction classified according to a detailed list of codes.

This is supplemented by information on *transactions through accounts held abroad* by enterprises, and from the beginning of 2004, accounts held abroad by individuals (who are required to register with the NBS). Data on transactions through accounts held by non-residents in the Slovak Republic are also collected.

Data on *foreign trade* are on an f.o.b. basis and are obtained monthly through the SOSR (Intrastat and Extrastat).

The *monthly survey of enterprises covers* approximately 3,000 enterprises. It covers all transactions as well as stocks of financial assets and liabilities. Reporting units are financial institutions other than banks, securities traders and non-financial enterprises. A threshold of SKK 10 million for holdings of assets or liabilities was introduced in 2005. The survey fully covers all enterprises that are above the threshold.

The *quarterly and annual surveys of direct investment enterprises* cover 1,800 direct investment enterprises. These enterprises are also included in the monthly survey. Breakdowns by geographical area and by sector of economic activity are obtained quarterly, and more detailed data are obtained on an annual basis, in particular for reverse investment and reinvested earnings. The annual survey was first conducted for the year 2002.

There is *direct reporting by commercial banks* of their own account transactions in both domestic and foreign currency with non-residents, as well as the respective stocks.

Transactions of the NBS, including those in reserve assets, are obtained directly from the NBS's Settlement Department.

These data sources are supplemented in several areas:

– Commercial banks act as custodians for the non-resident holders of domestic securities and report activity related to these securities.
– Data on the disbursement and repayment of government borrowings are obtained directly from the NBS (which conducts these transactions on behalf of the Government). The Ministry of Finance and the Debt and Liquidity Management Agency (ARDAL) provide data on the stock of and transactions in government liabilities.

3.2 REPORTING AGENTS

(i) The *SOSR* reports data on Slovak exports and imports of goods, which are derived from customs declarations. The external trade data record the physical movement of goods, which are valued at market prices and recorded at the time they cross the frontier of the Slovak Republic. Since EU accession, data on exports and imports of goods among Member States are obtained from statistical reports of enterprises via Intrastat.

(ii) All *commercial banks* submit data to the NBS in the required format and time. For the purposes of b.o.p. compilation, commercial banks submit statements on foreign exchange income and payments to and from non-residents in foreign and domestic currency, reports on transactions in and stocks of foreign currency and Slovak korunas, and statistics on non-residents'

holdings of securities in their custody departments.

(iii) The *NBS* reports data on reserve assets and the liabilities of monetary authorities and government (flow and stock data are available).

(iv) *Slovak enterprises* are direct reporting institutions. Each enterprise with foreign assets or liabilities exceeding SKK 10 million at the reference date is required by Slovak law (the Foreign Exchange Act) to provide the NBS with a monthly report on those foreign assets and liabilities. Currently, the NBS obtains data from approximately 3,000 enterprises.

(v) *The Ministry of Finance and ARDAL* provide the NBS with data on the assets and liabilities of the general government sector and with data on current and capital transfers from/to EU institutions.

3.3 THRESHOLDS

Since EU accession, the reporting guidelines for banks include an exemption threshold for all customer transactions below E12,500. For the corporate sector, a threshold of SKK 10 million has been set, above which enterprises must submit a monthly report on foreign assets and liabilities.

3.4 AVAILABILITY OF DATA

B.o.p. data are compiled monthly in a cumulative form. Data are disseminated to the public no later than three months after the reporting period, with the exception of data dissemination to the ECB, in which case estimated or preliminary data are submitted within six weeks of the end of the reporting period.

Since 2001, the BOP Section has been compiling the i.i.p. on a quarterly basis. These data are disseminated no later than six months after the reference period.

Reserve assets are compiled on a weekly basis and the reference day is always Wednesday, or the preceding working day if the Wednesday is a public holiday. Data are published on the following Friday, or the next working day if the Friday is a public holiday. On a monthly basis, data are structured according to the IMF Data Template on International Reserves and Foreign Currency Liquidity and disseminated no later than one month after the reference period. Following the ECB requirements, the Data Template is provided to the ECB within three weeks.

3.5 TIMELINESS

Data are disseminated to the public no later than three months after the reporting period, with the exception of data dissemination to the ECB, in which case estimated or preliminary data are submitted within six weeks of the end of the reporting period.

3.6 COMPILATION FREQUENCY

The Slovak b.o.p. is compiled on a monthly basis.

3.7 DATA CONTROLS

A number of validation procedures are in place.

– Trade statistics based on customs declarations and Intrastat are cross-checked with transactions reported by banks and by non-bank entities.
– The primary data source for most of the other current account transactions is the ITRS. For non-bank entities, these are checked at the aggregate level with survey aggregates. Aggregate results are cross-checked with customs data and trade credits (for goods) and with the enterprise survey (for income).
– The financial account data are derived primarily from the government transactions through the NBS and from the enterprise surveys. These data are cross-checked with the aggregate results from the ITRS and

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection in Slovakia

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Exporting and importing enterprises reports to Custom Office	Customs declarations and foreign trade statistics	Foreign trade items	Monthly	T+20
Exporting and importing enterprises reports to SOSR	INTRASTAT	Foreign trade items	Monthly	T+40
Commercial banks	Report on foreign exchange income and payments in foreign currency	Services, income, current transfers, capital account items	Monthly	T+15
	Report on income and payments on non-resident account in Slovak crowns	Services, income, current transfers, capital account items	Monthly	T+15
	Report on foreign exchange income and payments in foreign currency – geographical breakdown	Services, income, current transfers, capital account items	Quarterly	T+15
	Report on income and payments on non-resident account in Slovak crowns – geographical breakdown	Services, income, current transfers, capital account items	Quarterly	T+15
	Report on transactions and stocks on non-resident account in foreign currency	Financial account items (direct investments, portfolio investment, financial derivatives and other investment) and Current account item – Income	Monthly	T+15
	Report on transactions and stocks on non-resident account in Slovak crowns	Financial account items (direct investments, portfolio investment, financial derivatives and other investment) and Current account item - Income	Monthly	T+15
	Report on non-residents' holdings of domestic securities	Portfolio investment liabilities	Monthly	T+15
Enterprises	Report on foreign assets and liabilities	Financial account items (direct investments, portfolio investment, financial derivatives and other investment)	Monthly	T+ 15
	Report on foreign direct investment – geographical and economic activity breakdown	Direct investment item	Quarterly	T+15
	Report on foreign direct investment	Direct investment item – detailed information	Annually	T+ 240
National Bank of Slovakia	Internal reports	Range of sources for compiling the financial account items and foreign exchange reserves	Daily Monthly	0 T+7
Ministry of Finance	Report on current and capital transfers from/to EU institutions	Transfers from EU linked to development and social purposes, structural funds, agricultural policy, pre-accessions programmes. Transfers to the EU budget.	Monthly	T+20
Ministry of Finance	Report on transactions and stocks on account of European Commission	Transaction and stocks on account of European Commission	Continuously after each transaction	T+15
Agency for State Debt Management (ARDAL)	Report on transactions and stocks of government liabilities	Monthly transactions, semi-annual stocks and debt payments schedule of government liabilities	Monthly	T+15

are also reconciled with the i.i.p. statements.
- Cross-checks between flows and stocks are performed for the commercial banks' financial transactions. Time-series checks are performed for each bank and for each main item.
- The financial press is monitored for information on relevant corporate activity and to verify high-value direct investment as well as other investment transactions.

Checks are also performed at the aggregate level to verify consistency with other statistics. For example, commercial bank statements are checked against enterprise surveys for selected items.

3.8 REVISION POLICY

The b.o.p. and i.i.p. data are revised every time new information becomes available. Owing to the eight-month lag in obtaining final data, the trade balance is revised periodically. Commercial banks and enterprises revise their end-of-year data four months after an internal audit has been performed.

3.9 DISSEMINATION

Data are first disseminated to the public via the NBS's website. The public is informed of this practice by a note in the NBS's monthly publication "Monetary Survey". The data are disseminated a few weeks later in the relevant issue of the monthly "Monetary Survey", as well as in the "Statistical Information" publications and the "Annual Report of the NBS".

B.o.p. and i.i.p. figures are sent regularly to the IMF, Eurostat, the ECB, the OECD and other institutions, according to their specific requirements. The Slovak Republic is a subscriber to the IMF's Special Data Dissemination Standard (SDDS) and disseminates metadata on the IMF's Data Dissemination Bulletin Board with a hyperlink to the original data.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The international trade statistics in Slovakia are based on a special trade system. The statistics refer to all merchandise entering or leaving the Slovak Republic free circulation area and premises for inward processing. Included are non-monetary gold, oil, electricity, military goods, goods bought under financial leasing arrangements, barter trade, postal consignments subject to customs formalities and, as of January 1998, goods for processing. The main exclusion is migrants' effects. Estimates are not made for unrecorded trade (e.g. smuggling and non-reported trade).

The Directorate of Customs of the Slovak Republic compiles monthly international trade statistics on a cumulative basis. Exports and imports are published on an f.o.b. basis. However, it is also possible to calculate trade data on a c.i.f. basis. Since EU accession, exports and imports of goods among Member States are monitored on the basis of monthly statistical reports of enterprises via Intrastat. The SOSR updates the register of enterprises yearly, using an exemption and a simplification threshold for exports and imports.

4.2 DEFINITION

Slovak foreign trade statistics on goods are compiled according to the BPM5, which means that data are divided into:
- general merchandise;
- goods for processing;
- repairs on goods; and
- non-monetary gold.

Data on Slovak exports and imports of goods are derived from customs declarations. The external trade data record the physical movement of goods, which are valued at market prices and recorded at the time they cross the frontier of the Slovak Republic.

Since EU accession, data on exports and imports of goods among Member States are obtained from statistical reports of enterprises via Intrastat.

A geographical breakdown of figures is available, as well as a commodity breakdown according to the SITC.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

The current system records the data at the time the border is crossed, and not at the time of the change of ownership.

4.4 GAPS

International trade statistics do not fully capture goods (e.g. fuels, including bunker fuel) procured abroad by resident carriers and those procured in the Slovak Republic by non-resident carriers. These relate mainly to purchases of fuel by trucks.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

The NBS does not make any estimates of trade statistics data, which are obtained from the SOSR.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Generally, data for services are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". The first report contains transactions in foreign exchange, while the latter covers transactions in domestic currency. These reports are prepared by all commercial banks on the basis of the methodology prepared by the BOP Section. The commercial banks return the data electronically to the NBS's Statistics Department. The reporting forms are designed on the basis of the BPM5 and also contain information needed by the compilers.

The data are collected on the basis of a system using specific transaction codes, under which income and payments have to be assigned the relevant code from a list.

5.2 DEFINITION

Data are compiled according to the BPM5.

(i) *Transportation:* data for transportation are generally obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents", and several items (among them pipeline transit) are directly reported by pipeline operators.

(ii) *Travel:* data for travel are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". The collection system covers purchases and sales of foreign exchange and cashless payments (i.e. transfers from one account to another), as well as transactions via credit cards. As supplementary sources, the NBS uses data from border surveys produced by the Institute of Tourism and statistical information on travel from the SOSR. Moreover, estimates are made for personal expenditure on goods and services by seasonal, border and other workers employed in the host country.

(iii) *Other services:* data for this item are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents".

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

The NBS is planning to approve and implement a survey system for non-banking entities covering selected services items to complement the current banking statement system.

5.6 ESTIMATION METHODS

The threshold adopted for payments in euro requires additional estimates for some services items.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

6.1.1 COMPENSATION OF EMPLOYEES

Data for compensation of employees are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". Estimates of transactions in *compensation of employees*, both credits and debits, are obtained from the SOSR. These cover both legal and illegal workers, Slovak resident employees of foreign embassies and non-residents working in Slovakia. Data are cross-checked with Eurostat, which is working on a project related to migration.

6.1.2 INCOME ON DIRECT INVESTMENT

Income on direct investment is recorded in the b.o.p., broken down into income on equity securities and income on debt securities (interest on credits between direct investors and direct investment enterprises). Reinvested earnings data are also available.

The NBS obtains data on direct investment income from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents" returned by banks, and from the monthly enterprise survey "Monthly report on foreign assets and liabilities". Furthermore, in 2003 the NBS introduced an annual FDI survey to monitor all components of direct investment. The first set of data was produced in summary form in 2005. In the survey, reinvested earnings are calculated on the basis of total profit figures and dividends are recorded at the time when they are payable, as prescribed by international standards. Reinvested earnings (based on the monthly survey) are compiled and disseminated according to the all-inclusive concept.

A geographical breakdown is available for direct investment income on a quarterly basis.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Income on portfolio investment is recorded in the b.o.p., broken down into income on equity securities (dividends) and income on debt securities (interest). Data for income on debt securities are divided into bonds and notes and money market instruments.

Data are obtained from the "Report on transactions and stocks on non-resident accounts in foreign currency" and the "Report on transactions and stocks on non-resident accounts in domestic currency". Data on income received by general government and the NBS are obtained from the NBS's Settlement Department.

Data are recorded on an accruals basis.

A geographical breakdown for portfolio investment income is available on a quarterly basis.

6.1.4 INCOME ON OTHER INVESTMENT

Data on income on other investment are available in a sectoral breakdown. Data are obtained from the "Report on transactions and

stocks on non-resident accounts in foreign currency" and the "Report on transactions and stocks on non-resident accounts in domestic currency". Part of the data is obtained from the "Monthly report on foreign exchange income and payments", the "Monthly report on receipts and payments for the account of non-residents" and the monthly enterprise survey "Monthly report on foreign assets and liabilities". Data on interest received and paid by the NBS and general government are obtained from the NBS's Settlement Department.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

The NBS is planning to introduce a security-by-security reporting system in the coming years.

6.5 ESTIMATION METHODS

An adjustment is made to estimate the accrual of interest on government bonds denominated in domestic currency using information from the central securities depository.

Data on transactions in compensation of employees in the ITRS are adjusted using statistical information on the number, the professional and territorial structure, and the nominal wages of Slovak workers abroad. Appropriate adjustments are made to other current account components.

7 CURRENT TRANSFERS

Data for current transfers are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents". Transfers from EU institutions linked to development and social purposes and contributions to the EU budget are obtained from the Ministry of Finance. Transfers connected to structural funds and agricultural policy are recorded partly in the current account and partly in the capital account. The entries for other sectors include workers' remittances, inheritances, alimony payments, gifts and pensions.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Data for capital transfers are derived from the same sources as data for current transfers and mainly include migrants' transfers and investment grants received and extended. Transfers are broken down into government and other according to the institutional sector of the resident. Transactions under the PHARE technical assistance programme and under other pre-accession programmes are included.

8.2 DEFINITION

Capital transfers are compiled according to the BPM5.

Data are obtained from the "Monthly report on foreign exchange income and payments" and the "Monthly report on receipts and payments for the account of non-residents" and from the Ministry of Finance.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Non-financial transfers are not recorded.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Direct investment data are collected through three individual surveys, one monthly, one quarterly and one annual. The NBS has a list of approximately 1,800 respondents, which regularly return the required questionnaires.

In addition to these surveys, the NBS uses supplementary sources of information, such as commercial bank statements, the National Property Fund, company reports and the press for information on new investors.

In the monthly and quarterly surveys, the column structure includes:
- the position of assets/liabilities at the beginning of the period;
- credits and debits for assets/liabilities;
- exchange rate changes, price changes and other adjustments; and
- the position of assets/liabilities at the end of the period.

The row structure of both surveys contains direct investment abroad and direct investment in the reporting economy. The assets and liabilities under foreign direct investment are broken down into:
- equity capital (claims/liabilities);
- reinvested earnings; and
- other capital (claims/liabilities).

The quarterly survey provides the NBS with country and economic activity breakdowns. The economic activity breakdown is in line with the International Standard Industrial Classification (ISIC).

In 2003, the NBS introduced an annual FDI survey to monitor all components of direct investment. The annual survey also provides the NBS with country and economic activity breakdowns, with more detail for reinvested earnings and reverse investment. In the annual survey, reinvested earnings are calculated on the basis of total profit figures and dividends are recorded as of the date they are paid.

The data on FDI are disseminated monthly via the NBS's website.

9.2 DEFINITION

The definition of FDI is in line with the BPM5 and with the recommendations of Eurostat and the OECD. This means that the principles listed below are followed in the recording of FDI:
- the 10% ownership criterion;
- the directional principle for FDI;
- the inclusion of inter-company financial transactions (borrowing and lending – loans and trade credits, and securities);
- data for special-purpose entities are not compiled separately; and
- reinvested earnings are included in FDI.

When recording direct investment transactions, the actual operation concept is applied.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

9.4 GAPS

Some gaps may occur in connection with the identification of indirect relationships.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Estimates are carried out only in the case of reinvested earnings. The data are revised according to the results of the annual survey.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The data on inward and outward portfolio investment are published monthly, broken down by instrument (into equity securities and debt securities). On the assets side, a breakdown by creditor sector is available for foreign securities owned by residents. On the liabilities side, a breakdown by issuer sector is available for Slovak securities held by non-residents. Data on portfolio investment are collected on an aggregated basis.

The data sources are as follows:

(i) *the banking sector:* data are obtained monthly from the report on transactions and stocks on non-resident accounts in foreign currency and the report on transactions and stocks on non-resident accounts in domestic currency. The NBS obtains supplementary information on Slovak securities held by non-residents (liabilities) from a special survey of commercial banks which provide custody services to non-resident holders of Slovak securities; data are divided by sector of issuer (government, commercial banks, other sectors);

(ii) *other sectors:* the monthly survey of the foreign assets and liabilities of domestic enterprises is used as an additional source of information on portfolio investment stocks; and

(iii) *Národná banka Slovenska:* data on securities issued abroad by the NBS and the Government are obtained from the NBS's Settlement Department and from ARDAL.

The NBS defines portfolio investment according to the methodology of the BPM5. Portfolio investment includes equity securities and debt securities (which include bonds and notes and money market instruments).

10.2 DEFINITION

The NBS defines portfolio investment in accordance with the BPM5. Portfolio investment includes equity securities (shares, participation certificates and interim certificates) and debt securities (bonds and notes and money market instruments). Neither financial derivatives nor repurchase agreements (repos) are included in portfolio investment. Service charges and brokerage fees are recorded as services.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

If a resident's assets are sold directly by a non-resident custodian or bank, the portfolio investment collection system is unable to record such information.

10.5 INTENDED HARMONISATION

The NBS intends to introduce a security-by-security reporting system in the coming years.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on financial derivatives are compiled using existing commercial bank statements and the enterprise survey. Statements report transactions on a net basis. Regarding the instrument breakdown, only options can be separately identified.

Financial derivatives are recorded at market values.

11.2 DEFINITIONS

Financial derivatives are recorded as a separate item of the financial account. Financial derivative transactions are treated in line with the BPM5, which means that transactions relating to options, futures, swaps and forwards are recorded.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

11.4 GAPS

Geographical and sectoral breakdowns of financial derivative transactions are not yet available.

11.5 INTENDED HARMONISATION

The NBS is planning to implement a full breakdown of financial derivatives by type of instrument.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment data are collected according to the definitions of the BPM5 and is broken down primarily into assets and liabilities. Furthermore, a breakdown by sector (monetary authorities, general government, commercial banks and other sectors) and a breakdown by maturity (short versus long-term investment) are available.

For each sector, other investment is broken down into the following instruments:
– trade credits;
– loans;
– currency and deposits; and
– other assets/liabilities.

A breakdown by currency is available for the NBS only.

The data sources are as follows:

(i) *Národná banka Slovenska:* the NBS's Settlement Department provides the NBS's foreign exchange position. Information on the NBS's liabilities is provided by the relevant units of the NBS;

(ii) *the Government:* information is provided by the relevant units of the NBS, which is the fiscal agent of the Government in the area of debt service. The NBS also receives supplementary information on assets from the Ministry of Finance and from ARDAL;

(iii) *commercial banks:* these banks return monthly reports on transactions and stocks on non-resident accounts in foreign currency and monthly reports on transactions and stocks on non-resident accounts in domestic currency; and

(iv) *other sectors:* data from domestic enterprises are obtained from the monthly survey of foreign assets and liabilities.

12.2 DEFINITION

The other investment item is basically in line with the BPM5. Trade credits and repos are also included.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

A breakdown by country is not available for the corporate sector.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

None.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The source of the data for reserve assets is the NBS's Settlement Department, which compiles and provides data on a daily basis. However, the data are disseminated to the international institutions and the public on a weekly basis and daily data are used only for internal analysis. The Settlement Department also provides breakdowns of reserve assets by type of instrument and currency.

13.2 DEFINITION

Reserve assets are those external assets that are readily available to and controlled by monetary authorities for the direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the exchange rate and/or for other purposes. This definition is fully consistent with the BPM5.

The reserve assets are under the effective control of the NBS and the position of central government is excluded from these assets.

The reserve assets consist of:

- *foreign exchange:* highly liquid, marketable and creditworthy foreign currency-denominated claims (consisting of currency and deposits and securities) on non-residents. Positions vis-à-vis residents and positions in domestic currency are excluded from the reserve asset data;
- *gold:* since 2002 the total volume of gold has been valued at the market price;
- *special drawing rights;*
- *the reserve position in the IMF;* and
- *other reserve assets.*

Reserve asset data are compiled in accordance with the gross concept (i.e. no netting with monetary authorities' liabilities) and published according to the structure of the IMF Data Template.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION AND DEFINITIONS

14.1.1 GENERAL

The classification of the i.i.p. follows the recommendation of the BPM5 and corresponds to the standard presentation of b.o.p. statistics. The i.i.p. includes the stocks of financial assets and liabilities vis-à-vis non-residents. Data for assets and liabilities are recorded separately.

Since 2001, the i.i.p. has been compiled on a quarterly basis and is published on the NBS's website no later than six months after the end of the reference year.

14.1.2 DIRECT INVESTMENT

Direct investment stock data (on equity capital) are compiled on a monthly basis and published on the NBS's website. The breakdown by instrument is currently available on a monthly basis, but published on a yearly basis. Breakdowns by sector, country and economic activity are also available on a quarterly basis.

The data sources are as follows:

(i) the *banking sector:* banks send on a monthly basis a report on transactions and stocks on non-resident accounts in foreign currency and a report on transactions and stocks on non-resident accounts in domestic currency. A geographical breakdown for this sector is also available on a quarterly basis; and

(ii) *other sectors:* the monthly survey of the foreign assets and liabilities of approximately 1,800 domestic enterprises provides direct investment data. From this survey, the NBS obtains both transaction and stock data for all direct investment items (e.g. equity capital, reinvested earnings and other capital) according to the BPM5. The country and economic activity breakdowns of FDI are available through a separate quarterly survey, which has the same structure for FDI items as a monthly report. The column structure of both enterprise surveys is as follows:

– the position of assets/liabilities at the beginning of the period;
– credits and debits for assets/liabilities;
– exchange rate changes, price changes and other adjustments; and
– the position of assets/liabilities at the end of the period.

In 2003, the NBS introduced an annual FDI survey to monitor all components of direct investment. The annual survey also provides the NBS with country and economic activity breakdowns, with more detail for reinvested earnings and reverse investment. In the annual survey, reinvested earnings are calculated on the basis of total profit figures and dividends are recorded at the time when they are payable, as prescribed by international standards.

Coverage and concepts are in line with the definitions used in the financial account of the b.o.p. Valuation approaches depend on the availability of market values.

14.1.3 PORTFOLIO INVESTMENT

Data on portfolio investment stocks are compiled and disseminated quarterly, broken down by instrument (into equity securities and debt securities). On the assets side, a breakdown by creditor sector is available. On the liabilities side, while a breakdown by issuer sector is available, currency and geographical breakdowns are not available at present.

The data sources are as follows:

(i) the *banking sector:* data are obtained from monthly reports submitted by commercial banks on transactions and stocks on non-resident accounts in foreign currency and on transactions and stocks on non-resident accounts in domestic currency. The NBS obtains supplementary information on Slovak securities held by non-residents (liabilities) from a special survey of commercial banks which provide custody services to non-resident holders of Slovak securities; data are divided by sector of issuer (government, commercial banks, other sectors);

(ii) *other sectors:* the monthly survey of the foreign assets and liabilities of domestic enterprises is used as an additional source of information on portfolio investment stocks; and

(iii) *Národná banka Slovenska:* data on securities issued abroad by the NBS and by the Government are obtained from the NBS's Settlement Department and from ARDAL.

The NBS defines portfolio investment according to the methodology of the BPM5. Portfolio investment includes equity securities and debt securities (which include bonds and notes and money market instruments).

The stock figures in all the breakdowns are given at market values.

14.1.4 FINANCIAL DERIVATIVES

Data on financial derivatives are compiled on the basis of commercial banking statements and the enterprise survey.

The data sources are as follows:

(i) the *banking sector:* banks send on a monthly basis a report on transactions and stocks on non-resident accounts in foreign currency and a report on transactions and stocks on non-resident accounts in domestic currency; and

(ii) *other sectors:* the monthly survey of the foreign assets and liabilities of domestic enterprises is used.

Geographical and sector breakdowns of these stocks are not yet available.

Financial derivative stocks are recorded at their real values and are treated in accordance with the BPM5.

14.1.5 OTHER INVESTMENT

Data on other investment are collected according to the definitions of the BPM5. Other investment is primarily broken down into assets and liabilities. In addition, a breakdown by sector (monetary authorities, general government, commercial banks and other sectors) and a breakdown by maturity (short versus long-term maturity) are available.

For each sector, other investment is broken down into the following instruments:

– trade credits;
– loans;
– currency and deposits; and
– other assets/liabilities.

Breakdowns by currency are available for the NBS, general government and the banking sector.

The data sources are as follows:

(i) *Národná banka Slovenska:* the NBS's Settlement Department provides the NBS's foreign exchange position. Information on NBS liabilities is provided by the relevant units of the NBS;

(ii) *the Government:* information is provided by the relevant units of the NBS, which is the fiscal agent of Government in the area of debt service. The NBS also receives supplementary information on assets from the Ministry of Finance and from ARDAL;

(iii) *commercial banks:* these return monthly reports on transactions and stocks on non-resident accounts in foreign currency and on transactions and stocks on non-resident accounts in domestic currency; and

(iv) *other sectors:* data from domestic enterprises is obtained from the monthly survey of foreign assets and liabilities.

The column structure of all statements (except those from commercial banks) and surveys contains:

– the position of assets/liabilities at the beginning of the period;
– credits and debits for assets/liabilities;
– exchange rate changes, price changes and other adjustments; and
– the position of assets/liabilities at the end of the period.

Coverage and concepts are in line with the definitions used in the financial account of the b.o.p.

14.1.6 RESERVE ASSETS

The source of reserve asset data is the NBS's Settlement Department, which compiles and provides data on a daily basis. However, the data are disseminated to the international institutions and the public on a weekly basis and daily data are used only for internal analysis. The Settlement Department also

provides the breakdowns of reserve asset data by type of instrument and currency.

The definition of reserve assets is fully consistent with the BPM5.

The reserve asset data are published according to the structure of the IMF Data Template.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.3 GAPS

Currently, coverage of the household sector is insufficient.

14.4 INTENDED HARMONISATION

None.

14.5 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Publications:
"Menový prehľad" ("Monetary Survey")
"Výročná správa NBS" ("Annual Report of the NBS")

15.2 CONTRIBUTORS

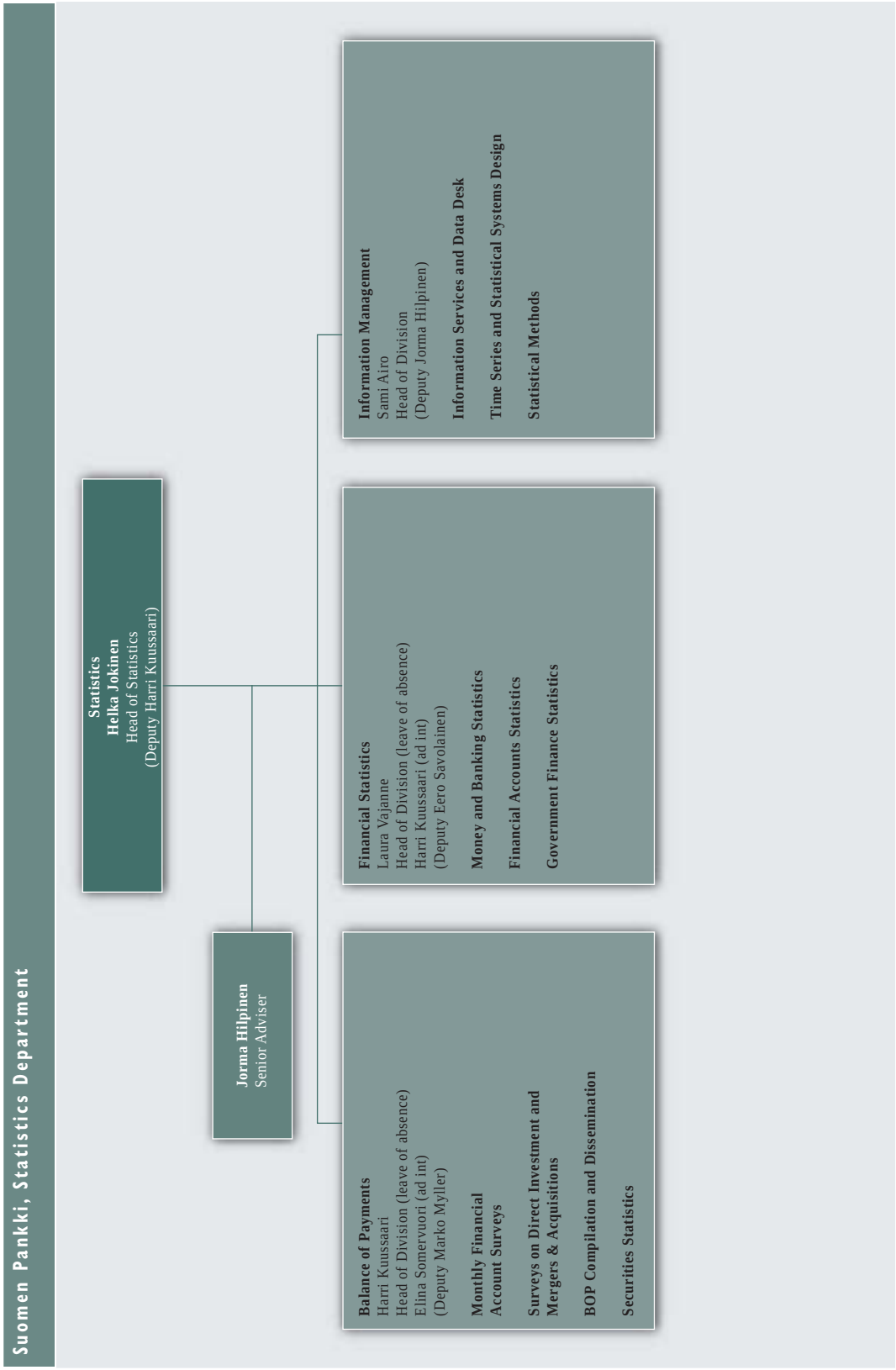
This country information was drafted by Slovakia in agreement with the ECB's External Statistics Division. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Slovakia should be addressed to:

Mr Ivan Vodicka
Head of the Balance of Payments Section
Monetary Policy Department
Národná banka Slovenska
Imricha Karvasa 1
813 25 Bratislava 1
Slovakia

Tel.: 00 421 2 5787 2636
Fax: 00 421 2 5787 1165
E-mail: ivan.vodicka@nbs.sk

4.25 FINLAND

I ORGANISATION CHART



2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Suomen Pankki – Finlands Bank (referred to in this chapter as the Bank of Finland) has been responsible for compiling Finnish balance of payments statistics since 1948. This responsibility was seen as natural because exchange controls were carried out by the Bank of Finland. The system for compiling statistics has altered over time to reflect the changing stance in the process of liberalisation with regard to capital movements, which took place during the 1980s. Exchange controls in Finland were abolished in full and the current types of b.o.p. financial account surveys were introduced in 1991.

2.2 LEGISLATIVE PROVISIONS

Residents are obliged under Section 28 of the Act on the Bank of Finland (214/1998), which entered into force on 1 January 1999, to report all international transactions they undertake to the Bank of Finland. Failure to report such transactions may result in a fine.

2.3 INTERNAL ORGANISATION

Compilation of the ESCB statistics at the Bank of Finland has been centralised within the Financial Markets and Statistics Department, which has 38 staff working in the field of statistics. Some 15 members of staff work in the field of b.o.p. statistics. They are divided into three teams. The first team is responsible for processing the monthly survey data for the financial account, the second team takes care of mergers and acquisitions and annual direct investment surveys, and the third team is in charge of the current account data and the overall compilation and dissemination of the balance of payments. A security-by-security project is under way. It operates vertically, linking staff from different teams and divisions preparing the Bank of Finland's new portfolio investment data collection system, which will be launched in January 2008. A separate division provides general systems design expertise for all statistical areas and economist activities.

2.4 EXTERNAL COOPERATION

There is a close relationship between the Bank of Finland, Statistics Finland and the Board of Customs in the compilation of various statistics. Statistics Finland prepares general economic statistics. The Bank of Finland focuses its statistical activities on the statistics compiled for the ECB. With regard to the b.o.p. and the international investment position, this means that the Bank collects the financial account and investment income data as well as compiles and disseminates the statistics. Statistics Finland is responsible for the collection of data for the current account items, except for investment income. The scope of the cooperation is defined in the memorandum of understanding covering also the b.o.p. area. The official foreign trade statistics produced by the Board of Customs are used in the b.o.p. as well as in the national accounts.

2.5 USERS

Data in line with the standard components of the fifth edition of the IMF Balance of Payments Manual (BPM5) are supplied to international organisations, such as the ECB, the European Commission (Eurostat), the OECD, the IMF and the BIS, on a regular basis.

At the national level b.o.p. and i.i.p. data are used by Statistics Finland in its national accounts. In addition, Statistics Finland and the Research Institute of the Finnish Economy (ETLA) operate as data distributors in that they distribute b.o.p. data, for instance, via their commercial economic databases. The data are also supplied to various organisations, such as the Ministry of Finance, research institutes and universities.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The Bank of Finland's current data collection system for the b.o.p. and the i.i.p. was introduced in 1991. It is a pure survey-type system with emphasis on end-investor and issuer surveys. For the financial account, surveys have been the source of information since 1991; for the current account, time series methods are employed in the compilation of the preliminary monthly statistics. Trade statistics are compiled on a monthly basis by the Board of Customs.

The traditional surveys carried out by the Bank of Finland concern the foreign financial assets and liabilities of enterprises, banks, other financial institutions and the general government as well as direct investment, securities trading and custodian services. In the asset and liability surveys the b.o.p. and i.i.p. data are collected simultaneously, and the respondents have to reconcile stocks, flows and related income. An essential element in conducting surveys is the use of various targeted registers as frames for selecting respondents.

Currently, the fourth vintage of the financial account surveys is being employed. Surveys are of three basic types:

1. Monthly and annual surveys by institutional sector for foreign assets and liabilities including questions on stocks, flows, valuation items and related income, with a counterpart breakdown by country.

2. Monthly securities broker and custodian surveys of the trade in securities between residents and non-residents and their holdings of securities.

3. Annual FDI surveys based on company balance sheets.

The surveys of foreign assets and liabilities are census collections in which the most important respondents report monthly and the rest of the reporting population annually. A few respondents report at a quarterly frequency. The broker survey is conducted monthly.

The Finnish b.o.p. compilation system is based on monthly and annual data collection. Since 1994 it has been compliant with the BPM5 and has been reported to international organisations. Data on most of the b.o.p. components are collected on a monthly basis, e.g. trade account data, investment income data and data on most items in the financial account, including reserve assets. Data related to international trade in services, current transfers, compensation of employees and the capital account are only available on a quarterly or an annual basis. Statistics Finland collects data on transport, travel and other services quarterly. For compensation of employees, transfers and the capital account, some data are even available on a monthly basis from administrative sources, but Statistics Finland mostly employs annual data. The extensive travel and other services surveys are described in detail in the Statistics Finland publication entitled "Internationalisation of enterprises 2004" (2006, pp. 90-98). The Bank of Finland uses various estimation methods to compile the monthly preliminary figures on foreign trade in services and other items where monthly data are not available.

Financial stocks are produced simultaneously with the b.o.p. flows since the data collection is based on a model where stocks and flows are reconciled. The monthly stock data also serve as an important quality control tool for the registration of international capital flows, which allows the consistency between flows and stocks to be monitored.

The data sources as well as the estimation and compilation methods are described in more detail in Sections 4 to 14.

The Bank of Finland can provide all requested monthly b.o.p. data items within 30 working days after the end of the month to which the data relate.

Reporting scheme for b.o.p. and i.i.p. data collection for Finland

Target respondent population	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (time for submission after the end of the reference period)
MFIs (in practice full coverage)	K	Foreign assets and liabilities (stocks and income)	Monthly	15 banking days
Other financial institutions (in practice full coverage)	SV	Foreign assets and liabilities (stocks, flows and income)	Monthly	15 banking days
Other financial institutions (full coverage)	SV	Foreign assets and liabilities (stocks, flows and income)	Quarterly	15 banking days
Enterprises (90% cut-off)	SV	Foreign assets and liabilities (stocks, flows and income)	Monthly	15 banking days
Central government (in practice full coverage)	SV	Foreign assets and liabilities (stocks, flows and income)	Monthly	15 banking days
Central government (full coverage)	SV	Foreign assets and liabilities (stocks, flows and income)	Quarterly	15 banking days
Local government (full coverage)	SV	Foreign assets and liabilities (stocks, flows and income)	Quarterly	15 banking days
All sectors excl. MFI (full coverage)	SVA	Foreign assets and liabilities (stocks, flows and income)	Annually	2 months
Mutual funds (full coverage)	MSV	Portfolio Investment asset stocks with geographical breakdown	Annually	1 months
Securities brokers and custodians (full coverage)	APK	Securities trade and holdings between residents and non-residents	Monthly	15 banking days
MFIs (full coverage)	SSS	Direct Investment in Finland	Annually	4 months
Other financial institutions (full coverage)	SSS	Direct Investment in Finland	Annually	4 months
Enterprises (cut-off survey)	SSS	Direct Investment in Finland	Annually	4 months
MFIs (full coverage)	SSU	Direct Investment abroad	Annually	4 months
Other financial institutions (full coverage)	SSU	Direct Investment abroad	Annually	4 months
Enterprises (cut-off survey)	SSU	Direct Investment abroad	Annually	4 months

Most of the b.o.p. data are collected on a monthly basis. The response rate to the Bank of Finland monthly surveys is 100%. However, data relating to international trade in services, compensation of employees, current transfers and the capital account are not collected on a monthly basis. Monthly information on reinvested earnings and other financial statement data are based on estimates.

The euro area/non-euro area breakdown was implemented in the survey system at the beginning of 1999 and the detailed country breakdown as from 2004. For commodity trade data, a full breakdown by country is available for the second set of preliminary figures. Estimates are used for the geographical breakdown of the other current account data in the monthly b.o.p.

3.2 REPORTING AGENTS

Survey frame maintenance
The official register of enterprises and establishments is acquired from Statistics Finland on an annual basis. It contains information on around 290,000 enterprises and establishments. The frames for various b.o.p. surveys are, however, structured on the basis of multiple sources. The official register contains a sub-set of consolidated enterprises and an indication of foreign ownership. Balance sheet data on the 15,000 largest enterprises in Finland are acquired from the tax authority and are used for the purpose of maintaining the survey frames. In addition, the Bank of Finland monitors mergers and acquisitions and cooperates with Statistics Finland in order to keep the survey frames up to date. The Financial Supervision Authority maintains the register of financial institutions.

(i) *Corporate sector*
The Bank of Finland maintains three different frames for financial account surveys for the corporate sector. These are for the financial statement surveys on FDI abroad and FDI in Finland, and the monthly/annual surveys on all assets and liabilities in the financial account. The frame maintenance of the FDI in Finland survey has become easier since the registers contain also balance sheet data. This enables an appropriate auxiliary variable analysis. In addition, the estimation of the total population from the registers is now feasible. Moreover, the frame maintenance involves a continuous monitoring of changes in enterprise structures.

The frame for the monthly foreign assets and liabilities survey has been cut off (see Särndal, Swensson and Wretman (1997), "Model Assisted Survey Sampling", pp. 532-33). It consists of some 500 enterprises known to be active in foreign financial transactions. This frame is assumed to represent the total population with sufficient precision because of the extreme skewness of the population and the dominance of major enterprises. The respondents to the monthly survey are selected from the frame using a quantitative measure of the relative importance of the enterprises in b.o.p. statistics. The measure is a coefficient where the enterprises' relative weight in each item (stock data) is combined with the share of each item in the total stock (assets or liabilities). For 2006, the overall cut-off point (cumulative coverage) of the list of enterprises in the frame has been set at 90% in descending order by size. This results in 69 consolidated monthly respondents with a full-fledged form representing some 150 enterprises. The coverage in each item varies between 50% and 100%. The rest of the enterprises with a positive coefficient within the frame are surveyed annually, employing a simpler questionnaire to make up a census.

The Bank of Finland conducts annual financial statement surveys on direct investment in order to collect the data on reinvested earnings and direct investment flows and stocks, especially stocks of equity assets. The new surveys are of a cut-off type, thus having fewer respondents and being less costly than the former stratified surveys. The cut-offs allow flexibility in the definition of the statistical unit: the respondents may choose whether they prefer to report on a consolidated basis or by single enterprise. They have to state which enterprises are covered by the consolidated report.

The frames of the direct investment surveys are based on the information on foreign ownership of resident enterprises in the business register as well as on the register of consolidated enterprises. The survey frame for direct investment abroad includes around 1,000 units (parent companies in Finland), while the survey frame for direct investment in the domestic economy covers 2,800 units (foreign-owned enterprises in Finland). The cut-off point

is set at slightly above 90% of the cumulative coverage of the main target stock variables in the frame list, i.e. 380 respondents in the annual FDI abroad survey and 560 respondents in the FDI in Finland survey. The total values of the FDI abroad and in Finland are estimated employing balance sheet data by establishing a relationship between FDI variables and appropriate balance sheet variables.

The same definitions and concepts are used in the monthly survey and in the annual direct investment surveys. The major enterprises report both in the FDI surveys and in the other foreign assets and liabilities surveys. The forms are tailored to the respondents' profiles to avoid an excessive reporting burden. The direct investment data based on the monthly survey are revised on the basis of the results of the annual surveys. The breakdowns of direct investment by geographical location and economic activity are based mostly on the annual surveys. Data on the statistically important new mergers and acquisitions, in which the domestic party is not included in the monthly survey, are requested in detail employing a special form.

For trade credits, a larger number of enterprises must be surveyed at intervals of a few years in order to check the levels of data.

There are no major gaps in the reporting system. In the financial account, monthly data are complemented later with annual information, and no specific grossing-up procedures are employed for the flow data. In practice, the monthly flows provide a reliable picture of capital flows, since enterprises with small stocks seldom have flows. However, since the monthly data collection is based mainly on non-probability sample surveys of a changing reporting population, it is possible that the coverage in terms of respondents will soon become inadequate. The frame maintenance system must be adequate, and intensive cooperation with Statistics Finland and other register data providers is called for.

(ii) *Financial institutions, government and households*
The Bank of Finland conducts surveys on banks, other financial institutions and general government agencies. All banks, and most other financial institutions and general government agencies are covered. As from 2004, the MFI balance sheet and MFI b.o.p. data collections are unified. In this reporting mode, the monthly b.o.p. flows are derived from the stocks (unified with MFI balance sheet statistics) employing valuation information from the MFI balance sheets and other sources. Around 60 institutions participate in the survey on banks and other financial institutions and in that on securities brokers and custodians on a monthly basis. Monthly data collection (excluding MFIs) covers 90% and an annual survey covers the remaining 10%. The MFI sector is almost fully covered on a monthly basis; the monthly survey is complemented with a tail estimation consisting of 2% of the total stock. Securities brokers and custodians report the foreign securities trade which they carry out on behalf of their domestic customers broken down by sector. On the portfolio investment asset side, securities brokers' and custodians' reports on ownership stocks are the main source of data on households' and municipalities' holdings and flows.

(iii) *Monetary authorities*
The Bank of Finland (its Accounting Division) reports on the external monetary position.

(iv) *Customs and Intrastat*
The commodity trade data are based on the official foreign trade statistics produced by the Board of Customs. The Board of

Customs publishes the monthly global commodity trade figures split between the euro area and other countries within six weeks and all geographical details within ten weeks. The f.o.b./f.o.b. calculations are based on a survey conducted by the Board of Customs.

(v) *Statistics Finland*
Statistics Finland is responsible for the collection of data for the current account items, except for investment income. The data are received in standard time series format quarterly and annually.

3.3 THRESHOLDS

None.

3.4 AVAILABILITY OF DATA

B.o.p. statistics with a euro area/non-euro area breakdown have been available on a monthly basis since January 1999; more detailed breakdowns by country are available as from January 2004. For the current account (excluding income), the detailed geographical breakdown is available from 1999 onwards. Historical data according to the BPM5 are available as from 1975, except for financial derivatives (these data are available only from 1994 onwards).

3.5 TIMELINESS

The respondents are obliged to reply by the 15th banking day after the end of the reference month. The processing of the financial survey data takes just below three weeks. The Board of Customs delivers its preliminary trade statistics approximately six weeks after the end of the reference month. All in all, there are only a few days for the overall quality assessment of the monthly data. The first preliminary monthly data are published at the national level 45 days after the reference period at the latest.

3.6 COMPILATION FREQUENCY

The Finnish aggregate b.o.p. is compiled on a monthly basis with detailed breakdowns.

3.7 DATA CONTROLS

Survey data relating to major enterprises are compared with balance sheets and news on international mergers and acquisitions. Bilateral contacts with these enterprises have been intensified during recent years. As from January 2004, b.o.p. banking data are based on the banks' balance sheet data for MFI statistics. An understanding of the behaviour of firms and banks and their financial statements is a necessary precondition for an effective quality control of surveys. Given the limited availability of financial statement data in the corporate sector and the fact that data collection is generally completed over time, the Finnish b.o.p. statistics have inherent risks that preliminary figures may be biased and revisions skewed. Revision analysis and a continuous monitoring of economic events are important quality control measures. Outliers in time series and the behaviour of the errors and omissions item deserve special attention.

The financial account data are cross-checked at the aggregate level on a monthly, quarterly or annual basis depending on the available comparison information. The sources for additional information are, for example, the Finnish Pension Alliance, the Finnish Insurance Centre, the Finnish CSD and MUFA (Monetary Union Financial Accounts) statistics.

3.8 REVISION POLICY

Data previously published can be revised. Monthly preliminary data are revised during the following month and thereafter on a quarterly basis. Quarterly data are revised when the data for the next quarter are published. Following this, the revision timetable adheres to that agreed between European statistical bodies.

3.9 PUBLICATION

The Bank of Finland disseminates the monthly b.o.p. and net i.i.p. six weeks after the end of the respective month. Data are available in monthly statistical bulletins as well as on the website (www.bof.fi) and, in greater detail, in the Statistical Review of the Bank. More detailed annual data on the b.o.p. and i.i.p. (assets and liabilities) are published twice a year. Separate annual publications on direct investment and portfolio investment are published at annual intervals. Detailed data are available from public and commercial databases (e.g. kept by Statistics Finland and the ETLA). Details of the data users are given in Sub-section 2.5.

Both the publishing and the revision timetables are available in advance on the websites of the Bank of Finland (http://www.bof.fi) and of Statistics Finland (http://www.stat.fi) and on the webpages of the IMF's SDDS (http://dsbb.imf.org/sdds.htm).

The titles of the publications produced by the Bank of Finland on b.o.p. statistics are listed in Sub-section 15.1.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

The Board of Customs is responsible for the compilation of the Finnish foreign trade statistics and publishes monthly data in several steps. The preliminary aggregate trade statistics, with a split into extra-euro area and other countries, but excluding both detailed country and industry breakdowns, are published approximately six weeks after the end of the month to which they relate. Monthly statistics, including country and industry-level information, are published approximately ten weeks after the month to which they relate. The data are revised by month several times in the course of the year. The final annual data become available in May.

4.2 DEFINITION

Military goods are treated as normal goods.

Transactions under special Community programmes (satellite, Airbus and others) are, in principle, treated as normal trade in goods. However, making the geographical allocation can be problematic and therefore these types of transaction must be reviewed case by case.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

For the b.o.p. statistics, the Bank of Finland converts trade data to an f.o.b./f.o.b. basis according to the results of a survey carried out by the Board of Customs every five years. The BPM5-based export values (f.o.b.) exceed the merchandise export values of the customs statistics by approximately 0.5%. For imports, the f.o.b. values are approximately 5.1% lower than the c.i.f. values in the customs statistics. For extra-euro area imports, the f.o.b. value is approximately 6% lower than the c.i.f. value.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Statistics Finland is responsible for compiling data on transport, travel and other services including financial services. The data are collected through various surveys. Sea transport and travel data are delivered to the Bank of Finland on a quarterly basis. Air and other transport are provided on an annual basis.

Statistics Finland launched a quarterly survey on other services at the beginning of 2006. The survey on other services includes about 70% and 80% of the export and import frames respectively and the frames are complemented with an annual survey. Expenditure on insurance and government services n.i.e. is provided on an annual basis.

5.2 DEFINITION

The production of services statistics follows the United Nations Manual on Statistics of International Trade in Services (MSITS) and the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

The preliminary monthly data on international trade in services produced by the Bank of Finland are based on quarterly forecasts which are produced on the basis of structural time series models (STMs). When the quarterly and annual data are received from Statistics Finland, the monthly data are produced by dividing the data equally among the months.

Statistics Finland provides more detailed data with detailed breakdowns annually. The Bank of Finland uses distributions derived from annual data in the compilation of preliminary monthly statistics. The revision occurs in May-June when the annual data become available.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of investment income data is an integral part of the survey system described in Sub-sections 3.1 and 3.2 and in Sections 9 to 14.

Reporting agents identify monthly investment income flows, and income on interest-bearing instruments is recorded on an accruals basis. On the assets side, a breakdown into income by country has been available since the beginning of 2004. Reporting agents are instructed to apply the creditor/debtor principle in the surveys.

The geographical breakdown (euro area/non-euro area) for investment income has been in a readily available format on a quarterly basis since 1994.[1] Prior to 1999, however, this information (excluding direct investment income) was based on settlement data, so that the creditor/debtor principle could not be applied. Instead, the country of settlement was used, which may have been misleading and distorted the allocation in favour of major international financial centres.

Investment income is broken down further into:

- direct investment income – equities and debt;
- portfolio investment income – equities and debt (bonds and notes, money market instruments); and
- other investment income.

The Bank of Finland primarily applies the recommendations of the BPM5 for investment income.

6.1.1 COMPENSATION OF EMPLOYEES

Statistics Finland is responsible for compiling data on compensation of employees on an

1 The assets split is not available for backdata.

annual basis. Monthly figures are estimated by the Bank of Finland (see Sub-section 6.5).

6.1.2 INCOME ON DIRECT INVESTMENT

Direct investment income data with a geographical breakdown of inward and outward investment are compiled on a monthly basis. Preliminary data on distributed dividends and interest on inter-company loans on an accruals basis are derived from the high frequency surveys on foreign assets and liabilities. Reinvested earnings and dividends distributed by foreign-owned enterprises in Finland are based on estimates by the Bank of Finland which are made before the final figures for direct investment income from the annual surveys become available. The results of the surveys are available within nine months of the end of the reference year.

In the annual direct investment surveys, respondents are requested to report both the total profits of direct investment enterprises and, separately, the capital gains and losses included in those total profits.

Quarterly and annual income data are consistent with monthly data. Annual income data are available by economic activity of Finnish investor/Finnish investee and by country of immediate foreign investee/foreign investor.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

Reporting agents identify income on equities and mutual funds on a cash basis and income on bonds, notes and money market instruments on an accruals basis. A breakdown by sector is available for all instruments. Geographical breakdowns are available on a monthly basis for credits and are estimated for debits using the results of the International Monetary Fund's annual Co-ordinated Portfolio Investment Survey (CPIS).

Income on equities

For credits, reporting agents covered by the survey of securities brokers and custodians identify monthly income on the foreign assets (equities and mutual funds) in their custody. Other reporting agents identify income on their own foreign assets. The income on mutual funds is also reported on a cash basis. In practice, only income actually paid is currently recorded for Finnish residents' investments in non-resident mutual funds. However, the amounts outstanding on this item are insignificant and do not have an impact on the level of income flows. Income related to resident mutual funds' assets and liabilities is estimated on the basis of investment stocks outstanding.

For debits, the amounts are negligible, except in March and April when most Finnish companies pay out their dividends.

Income on bonds and notes and on money market instruments

For credits, reporting agents in the survey of brokers and custodians identify monthly income on the foreign assets in their custody. Other reporting agents identify income on their own foreign assets. Bonds/notes and money market instruments are reported separately in the surveys, and a country breakdown is required.

For debits, reporting agents in the survey of brokers and custodians identify monthly investment income debits on the foreign liabilities in their custody. Other reporting agents identify debits on their own foreign liabilities. In the case of the survey of brokers, estimation methods are applied to derive accruals (see Sub-section 6.5).

The accruals principle (based on stocks) is applied to both credits and debits on all debt instruments. For bonds/notes, reporting agents are instructed to accrue interest on their stocks monthly, taking into account discounts/premiums on the issue price. Thus, accrued interest is based on effective (historical cost) interest rates, and flows/stocks are reported at market price (dirty price). The difference between the issue price and the nominal price in the case of zero-coupon instruments is also accrued during the life of the instrument. Implied interest on repo transactions (or net

interest in the case of coupon washing) is impossible to identify in the current reporting system, but there is reason to believe that this factor is not very significant in the Finnish b.o.p.

6.1.4 INCOME ON OTHER INVESTMENT

The respondents report interest on an accruals basis for all types of assets, including interest on loans to non-affiliated enterprises. The survey system does not collect information from private individuals because the amount of other investment income flows arising from the household sector is considered to be insignificant.

Leasing payments made according to the agreement are considered to include in the principal both repayments and interest, and they are reported in the monthly survey as described in the agreement. Income on trade credits is not recorded because, in practice, trade credits are payable without interest.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

None.

6.4 INTENDED HARMONISATION

None.

6.5 ESTIMATION METHODS

Direct investment

The results of the surveys are available within nine months of the end of the reference year. The Bank of Finland estimates the yearly results of the direct investment enterprises. The figures related to the results of enterprises for the previous year are considered to be a proxy for the results in the current year. The developments in the global economy and any noteworthy changes in the population of direct investment enterprises are taken into account in the estimation as well. The monthly estimates of the results are calculated by dividing the yearly estimates by twelve. The monthly estimates of reinvested earnings are calculated by deducting monthly dividend payments from the monthly estimates of the results of direct investment enterprises.

Since the preliminary data from the annual surveys for the previous year are available within nine months, the estimates of reinvested earnings for the first six months of the current year are based on the information derived from the annual survey of the year before the previous year. The estimates are revised in September for the figures for the period from January to June. At the same time, when the monthly estimates of reinvested earnings for the current year are revised, the monthly data on all the direct investment income items for the previous year are revised to correspond to the annual data.

As for the dividends distributed by foreign-owned enterprises in Finland, the monthly survey is not very extensive. For this reason, the Bank of Finland estimates the dividends of foreign-owned enterprises for May and June (traditionally, dividends are distributed in these months), using the annual survey of foreign direct investment in Finland, with the previous year serving as a reference year.

Portfolio investment

The State Treasury cannot report accrued interest on domestically issued bonds held by non-residents as the ultimate creditor is unknown. Therefore, the accruals on these serial bonds have to be estimated by the Bank of Finland security by security. The estimation is based on stocks held in custody, as reported in the survey of domestic brokers/custodians. The estimation method is the market value method (the so-called creditor approach), as presented by the European Monetary Institute and subsequently by the ECB's Task Force on Portfolio Investment Income. This method takes into account changes in yield. Empirical evidence, as well as the practicality of the

method, provided strong arguments in favour of adopting this approach for Finnish b.o.p. purposes.

Compensation of employees
The data on *compensation of employees* are available from Statistics Finland on an annual basis only. The monthly and quarterly figures are estimated by the Bank of Finland on the basis of historical data. Owing to the small weight of this item in the Finnish b.o.p., the simplest possible technique is used: compensation of employees is assumed to be at the same level as in the previous year. Neither trends nor seasonal effects are calculated. The geographical breakdown is based on historical data.

7 CURRENT TRANSFERS

The monthly preliminary estimation of *current transfers* is performed separately for private and public transfers. Owing to the small weight of private current transfers, the simplest possible technique is used, i.e. they are assumed to be at the same level as in the previous year. Neither trends nor seasonal effects are calculated. Data on public current transfers (central government only) are available from the Ministry of Finance and the central accounting function of the State Treasury on a monthly basis.

The geographical breakdown of private current transfers is based on historical data. It is possible to obtain a geographical breakdown of public transfers.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Statistics Finland is responsible for the collection of capital account data. The data cover items for general government. Data on the debt forgiveness by general government are collected by the State Treasury and reported monthly when relevant.

8.2 DEFINITION

Capital account classifications follow the recommendations of the BPM5. The general government data are compiled on the basis of the State's annual accounts, which make it possible to identify current, capital and financial transfers between Finland and the EU.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

Data are available only on an annual basis and with a geographical breakdown of European Union institutions (4A) and other countries. No data are recorded for the following items: capital taxes, migrants' transfers and debt forgiveness for sectors other than general government. No preliminary data are estimated due to relatively small figures.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Flows and stocks of inward and outward direct investment are compiled on a monthly basis. The preliminary figures are based on the monthly survey of foreign assets and liabilities and on the data on statistically important international mergers and acquisitions (purchase or selling price of at least €10 million) which are not covered by the monthly surveys. Before the results of the annual surveys are available, reinvested earnings and exchange rate and other valuation changes in equity assets are estimated.

The data from the annual direct investment surveys is used to improve the coverage of the preliminary monthly/quarterly flow and stock

figures. In other words, the annual surveys provide the Bank of Finland with information on the stocks of inter-company loans and trade credits from the respondents not covered in the high-frequency surveys, and the corresponding flows of these items are estimated as a change in stocks. All those Finnish direct investors and foreign direct investment enterprises that, according to publicly available information, have been involved in an international merger or acquisition during the year are included in the annual survey. In this way, it is possible to check that all relevant mergers and acquisitions have been recorded in the flow figures.

Quarterly and annual flow data are consistent with monthly data. The monthly stock figures are calculated by accumulating monthly flows, exchange rate and other valuation changes starting from the preceding year's closing stocks.

Annual flow and stock data are available by economic activity of the Finnish investor/investee and by country of the immediate foreign investee/investor within around nine months of the end of the reference year. Monthly and quarterly data have been compiled with a euro area/non-euro area breakdown as from the beginning of 1999 and with a country-by-country breakdown from the beginning of 2004. The geographical breakdown is based on the residency of the actual issuers (i.e. debtor/creditor principle). The geographical breakdown of historical monthly data can be estimated using the annual geographical data.

In the event that a change of ownership of a resident company from a non-resident to another non-resident direct investor is revealed by the survey, the change is, in principle, recorded both in the FDI stocks and in the corresponding b.o.p. flows.

Transactions settled through an exchange of shares are recorded at the time when the exchange of shares takes place.

Valuation of transactions settled through an exchange of shares is primarily based on the agreed price. In cases where there is no agreed price, the price quoted on the market is applied. Where companies are unlisted, book values are used.

9.2 DEFINITION

The Bank of Finland applies the 10% principle for the direct or indirect ownership of the equity of an enterprise as the criterion for direct investment. So-called special-purpose entities are defined as direct investment enterprises. Direct investment capital transactions are recorded on a directional basis. Cross-border transactions in real estate are included, based on an estimate.

The components of direct investment capital are equity capital, reinvested earnings and other capital. The item other capital consists of inter-company loans, trade credits, bonds and money market paper. Trade credits have been recorded in direct investment as from the beginning of 1999. Earlier they were recorded under other investment. Bonds and money market paper have been recorded under direct investment as from the beginning of 2004. They are insignificant in value.

Owing to the survey-based data collection, equity contributions without payment (i.e. the provision of real or financial assets) are also covered.

Both short-term and long-term inter-company loans are included in direct investment capital. To be more precise, the respondents are asked to report promissory note loans, leasing credits, subordinated loans equivalent to equity and those deposits in intra-group accounts that the respondent classifies as inter-company assets and liabilities in its own accounting as inter-company loans.

In the annual direct investment surveys data are also collected on any cross-participations of less than 10% existing at the end of the year. So

far, there are few foreign direct investment enterprises which own shares in Finnish direct investor enterprises.

All stocks of equity assets were previously based on the balance sheets of direct investment enterprises, i.e. the stocks were valued at book value. As from the reference year 2004, equity stocks of unlisted direct investment enterprises are still valued at book value, but equity stocks of listed direct investment enterprises are valued at market value. Separate data are available on equity stocks at book value for unlisted direct investment enterprises and on equity stocks both at market value and at book value for listed direct investment enterprises. The data are based on the annual direct investment surveys.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

See Sub-section 6.6 for the estimation methods for reinvested earnings.

Estimation of monthly exchange rate and other valuation changes in equity assets

The Bank of Finland estimates monthly exchange rate changes in equity assets of outward investment using the annual data on the geographical breakdown of stocks of equity assets abroad. In addition, any large valuation changes originating from individual international mergers and acquisitions are estimated using the purchase or selling price of the shares and the latest balance sheet value of the shares.

The estimation of direct investment in shares listed in Finland

The Bank of Finland will use the same data source as for other international mergers and acquisitions, i.e. publicly available information. There is a lot of information available, especially on companies listed in Finland. On the website of the Helsinki Exchanges the stock exchange bulletins of companies listed in Finland are available. In these bulletins the companies are to report on all mergers and acquisitions. According to the Finnish Securities Market Act, the companies also have to report if the ownership or voting power of an individual shareholder exceeds or falls below 5%, 10%, 20%, 33%, 50% or 66%. If the date and the purchase or selling price are not mentioned in these bulletins, the Bank of Finland contacts the company. The market prices of shares can be used as estimates in the case of gradual investments.

In their annual reports companies publish the lists of their major shareholders at the end of the financial year. In this way, it is possible to check that all the relevant direct investment is included.

In the monthly data collection the respondents report all the data on purchases and sales of shares listed in Finland under portfolio investment. In order to avoid double recording, the Bank of Finland deducts the direct investment transactions in question from the portfolio investment figures.

The estimation of cross-border transactions in real estate

Estimation of cross-border real estate transactions is based on historical data. The volume of this type of transaction is insignificant in the Finnish b.o.p.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of portfolio investment data is part of the general reporting system (see Sub-sections 3.1 and 3.2), which is based on end-investor surveys (directed at non-financial companies, financial institutions and general government) and surveys of brokers and custodians. The highly concentrated nature of the Finnish banking and securities markets implies that good quality data are available from a relatively small selection. It is also worth noting that the reconciliation of stocks and flows is inherent in the monthly surveys to which all major institutions and enterprises respond. Information on the sectoral holdings of domestic securities (on a security-by-security basis) is received from the Finnish central securities depository on a monthly basis and is used for quality control purposes.

Since the beginning of 2004, a country breakdown has been available on a monthly basis for all portfolio investment assets, but not for liabilities. Reporting agents are required to break the assets in the surveys down according to the creditor/debtor principle on a monthly basis.

10.2 DEFINITION

The Bank of Finland applies the recommendations of the BPM5 for portfolio investment. The portfolio investment statistics include shares/participations in funds, mutual fund shares, bonds and money market instruments. Private placement bonds are also classified as portfolio investment. Portfolio investment is broken down by the sector of issuer (liabilities) and by end-investor (assets). Country breakdowns are available for portfolio investment assets, but not for such liabilities. Money market instruments were introduced into the surveys at the beginning of 1994 and mutual fund shares at the beginning of 2004 as a separate item.

The reconciliation adjustment between stocks and flows takes place through exchange rate changes and other changes in the surveys. The item other changes includes price changes and it can be calculated as a residual item. All instruments (both flows and stocks) are to be reported at market value (dirty price in the case of bonds), and the offsetting entry for accrued interest is recorded monthly under portfolio investment in accordance with BPM5 recommendations. Recording practices for debt instruments take into account premiums/discounts on the issue price. In the survey of brokers and custodians, transactions are reported at market value, thus including interest accrued since the last coupon.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

Estimation of mutual funds' monthly flows
The monthly capital movements pertaining to mutual funds' investments are based on the monthly mutual funds' reports published by the Finnish Association of Mutual Funds. The data are available on an aggregate basis. The Bank of Finland estimates the necessary geographical and instrument breakdowns on the basis of data received from Statistics Finland's quarterly survey and the Bank of Finland's annual survey of all resident mutual funds. The monthly estimates are revised to be consistent with the quarterly and annual survey data when they become available.

Estimation of the government bond stock
The end-of-month government bond stocks comprise two elements:

(i) the end-of-month foreign bond stocks, as reported by the State Treasury in the survey on government assets and liabilities. These stocks are given at market value and take account of the interest accrued/paid; and

(ii) the State Treasury cannot report information on bonds issued by the central government in domestic markets and held by non-residents. Therefore, the market value of these serial bonds has to be estimated by the Bank of Finland on a security-by-security basis. The data on which the estimation is based are stocks held in custody, as reported in the survey of domestic brokers/custodians. The stocks reported by the custodians are initially given in terms of nominal value. The nominal stocks are converted to market value using the maturity distribution of the stocks as well as market yields available for the serial bonds. Besides the market value corrections, the initial stocks must, in principle, be adjusted in order to take account of serial bonds used as collateral in repo transactions between resident financial institutions and non-residents. Lately, however, the amounts involved have been negligible.

Estimation of breakdown by issuer sector for portfolio investment (intra) assets

In the current data collection model, the data on portfolio investment assets are reported at an aggregated level and data on the sector of the issuers are not available. Therefore, this breakdown is estimated using a set of occasional security-by-security data received for SBS (security-by-security) project purposes, as well as ECB CSDB data. This estimation procedure will be in place until security-by-security reporting is introduced for the b.o.p. at the end of 2007.

Disaggregation of annual stocks into monthly flows

Some 10% of the reporting population has an annual reporting responsibility. The annual frame survey includes stocks at the end of the year without a geographical breakdown. The stocks are disaggregated into monthly flows by subtracting the previous year's stock ($stock_t$ – $stockt_{-1}$) and dividing the residual evenly. A geographical distribution is derived from the monthly survey by using the data for the corresponding sector and month.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The collection of financial derivatives data is based on monthly surveys directed at non-financial companies, monetary financial institutions, other financial institutions (including insurance companies), general government and securities broking firms (see Section 3). Special survey forms have been developed for the purposes of collecting data on derivatives.

In the "end-investor" surveys (directed at non-financial companies, financial institutions and general government) respondents are required to provide data on both flows (net cash payments pertaining to derivatives contracts entered into with non-residents) and stocks (net value and gross market values of outstanding contracts). Net payments are classified according to the direction of the payments (to or from non-resident counterparties). Flows and stocks have to be reconciled by the respondents, so that information on valuation changes for the reporting month is also included in the reports.

In the survey directed at securities broking firms only flow data are collected. These flow data cover, on the one hand, net payments related to derivative contracts entered into by residents on non-resident derivatives exchanges, classified according to the direction of the payments and the domestic sector involved. On the other hand, the data also cover net payments related to derivatives contracts entered into by non-residents on resident derivatives exchanges,

classified according to the direction of the payments.

In line with the ECB recommendations, flow data for derivatives are collected on a net basis only. Payments related to derivatives assets are not distinguished from those related to derivatives liabilities in the surveys. Stock data are, however, basically collected on a gross basis. The net value of outstanding contracts at the end of the reporting month is broken down into gross positive market value (assets) and gross negative market value (liabilities).

The information collected for derivatives covers both exchange-traded and bilateral, OTC-type derivatives (e.g. options, warrants, subscription rights, futures, forward contracts, foreign exchange swaps and cross-currency interest-rate swaps). Interest rate instruments are, in principle, included in derivatives (and not in investment income). The respondents report only aggregated data on their derivatives transactions and stocks, and no breakdowns by instruments are provided. Based on earlier observations and experience, however, it is known that currency swaps linked to individual assets or liabilities have been the most common instrument category, especially for central government. As from 1999, instruments such as forward contracts and interest rate swaps have also become significant in the data (earlier they were excluded from derivatives). If considered necessary, special inquiries directed at the most important respondents are occasionally conducted to ascertain the breakdown of their derivatives by instrument. Geographical breakdowns for stocks are available as from 2004.

Regarding the issue of residency in the context of derivatives contracts, identifying the residency of the counterpart should pose no difficulties for respondents in the case of bilateral contracts. In the case of exchange-traded derivatives the decisive criterion has been stipulated as the residency (location) of the derivatives exchange/the clearing house in question.

As for margin payments, respondents have been instructed to report all non-repayable margin payments as derivatives transactions (to be included in net payments) if these can be distinguished. All repayable margin payments (including initial margins and option-style variation margins) and collateral deposits must, as stipulated, be reported as transactions in deposits. If repayable and non-repayable margin payments cannot be separated by the respondent, they will most likely be reported as transactions in deposits.

11.2 DEFINITIONS

The Bank of Finland follows the basic conceptual framework and methodology originally set out in the BPM5 and subsequently revised by the IMF. Nowadays both exchange-traded derivatives and OTC-type derivatives are included. Payments related to interest rate swaps and forward rate agreements are classified as transactions in financial derivatives (and are not recorded in investment income flows).

Regarding practical compilation, the Bank of Finland applies the ECB recommendations, according to which derivative flows should be recorded on a net basis. Asset and liability flows are not separated; all transactions are aggregated into one figure.

Transactions in derivatives cover, in principle, all payments related to option contracts as well as forward-type contracts (including swaps): payments at inception (option premiums), during the life of and at the close of contracts. Secondary market trades in marketable derivatives are included. The difference between the contract (or strike) price and the prevailing market price in the case of delivery of the underlying instrument in a contract is also classified as a transaction in derivatives. Non-repayable margin payments are included to the extent possible (see Sub-section 11.1).

The valuation of stock positions for derivatives is based on gross market values. Assets are defined as the sum of contracts with a positive

market value (including purchased options), and liabilities as the sum of contracts with negative market value (including written options).

11.3 DEVIATIONS FROM AGREED DEFINITIONS

There are no deviations from agreed definitions at the conceptual level, because the survey instructions for respondents are based on these definitions. In practice, however, it may not always be possible for respondents to follow the instructions in full. For example, in the case of delivery of the underlying instrument in a contract, some respondents find it very difficult to report the difference between the contract (or strike) price and the prevailing market price as a transaction in derivatives. Margin payments represent another example (see Sub-section 11.1).

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Data are obtained via surveys on foreign assets and liabilities (see Sub-section 3.2). The respondents to monthly surveys report data on stocks (at the start and at the end of the reporting period), net changes, exchange rate changes and other valuation changes (not significant) during the reporting period. The smaller enterprises reporting annually supply only stock data. The compilation of annual statistics is also based on data derived from the monthly/annual surveys.

The stocks of trade credits are grossed up by a coefficient calculated on the basis of the results of a special enterprise survey. This survey is carried out every fifth year in order to check the overall level of trade credits.

12.2 DEFINITION

The Bank of Finland applies the recommendations of the BPM5. Other investment includes loans, trade credits, currency and deposits, and other assets and liabilities.

Loans include promissory note loans (including private placements), financial leasing and repurchase agreements.

Trade credits include import-related supplier credits, export advances, import advances and export claims.

Credit accounts of companies are classified under other assets and liabilities, except for inter-company accounts, which are classified under direct investment. Short-term claims and liabilities between affiliated enterprises are also recorded under direct investment.

In the Finnish b.o.p. genuine repos and sell/buy-back transactions are recorded under collateralised loans. Under the current reporting system, reporting agents are not required to separate repos from other short-term activities.

As far as the Finnish repo market practices are concerned, the instruments used in repo transactions are usually Finnish government benchmark bonds. Sell/buy-back transactions are more commonly used than outright ones, but it has to be noted that there seems to be no clear distinction between the two in back-office confirmations. Thus, a crucial feature is that traders agree on the price, so that the ambiguous definitions do not cause confusion. Moreover, some market participants discourage their repo dealers from trading in bonds with a coupon due during the repo period.

When the Finnish repo markets were thinner, maturities were largely dictated by settlement day aspects, but now the need for various (longer) repo periods has grown. The popularity of one-week repos, in particular, has increased, but periods of one month or longer are not yet common.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Estimation of trade credits
The stocks of trade credits are grossed up by a coefficient calculated on the basis of the results of a special enterprise survey. This survey is carried out every fifth year in order to check the overall level of trade credits. The net changes for these trade credit items are computed as differences between stocks after the grossing-up procedure. Reporting agents are required to report trade credits broken down by euro area/ extra-euro area. A more detailed country breakdown is estimated by the Bank of Finland based on goods' export and import data.

Disaggregation of annual stocks into monthly flows
Some 10% of the reporting population has an annual reporting responsibility. The annual frame survey includes stocks at the end of the year without a geographical breakdown. The stocks are disaggregated into monthly flows by subtracting the previous year's stock ($stock_t$ – $stockt_{-1}$) and dividing the residual evenly. A geographical distribution is derived from the monthly survey by using the data for the corresponding sector and month.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Data collection forms are part of the general reporting system (see Sub-sections 3.1 and 3.2). Since the beginning of 2006 the Accounting Division reports the data on reserve assets monthly, providing stocks at the start and end of the reporting period, as well as net changes, exchange rate changes and other valuation changes during the reporting period.

13.2 DEFINITION

According to the BPM5, the reserve assets comprise gold, special drawing rights, the reserve position in the IMF, foreign exchange and other claims. This definition and the recommendations of the ESCB's Working Group on External Statistics are followed.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

Data related to the international investment position (i.i.p.) are collected together with the flow data via monthly and annual surveys. See Sub-sections 3.1 and 3.2 for a general description of the data collection system of the Bank of Finland and Sections 9 to 13 for specific descriptions of direct investment, portfolio investment, financial derivatives, other investment and reserve asset data collection. Geographical details for the i.i.p. have been

collected via an annual survey since 2000 and via a monthly survey since 2004.

14.2 DEFINITIONS

14.2.1 GENERAL
See Sub-section 14.1.

14.2.2 DIRECT INVESTMENT
See Sub-section 14.1.

14.2.3 PORTFOLIO INVESTMENT
See Sub-section 14.1.

14.2.4 FINANCIAL DERIVATIVES
See Sub-section 14.1.

14.2.5 OTHER INVESTMENT
See Sub-section 14.1.

14.2.6 RESERVE ASSETS
See Sub-section 14.1.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

See Sub-section 14.1.

14.4 GAPS

See Sub-section 14.1.

14.5 INTENDED HARMONISATION

See Sub-section 14.1.

14.6 ESTIMATION METHODS

See Sub-section 14.1.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

Statistical bulletins:
"Finland's balance of payments" (monthly and annual)
"Finland's balance of payments and international investment position" (quarterly)
"Direct investment in Finland" (annual)
"Portfolio investment in Finland's balance of payments" (annual)

Statistical reviews:
"Financial markets" (monthly)

Other:
Releases of charts and time series on the internet (www.bof.fi)
Releases of time series in the databases of Statistics Finland and the Research Institute of the Finnish Economy

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Finland. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to Finland should be addressed to:

Mrs Elina Somervuori
Suomen Pankki – Finlands Bank
Box 160
Snellmaninaukio
FI - 00101 Helsinki
Finland

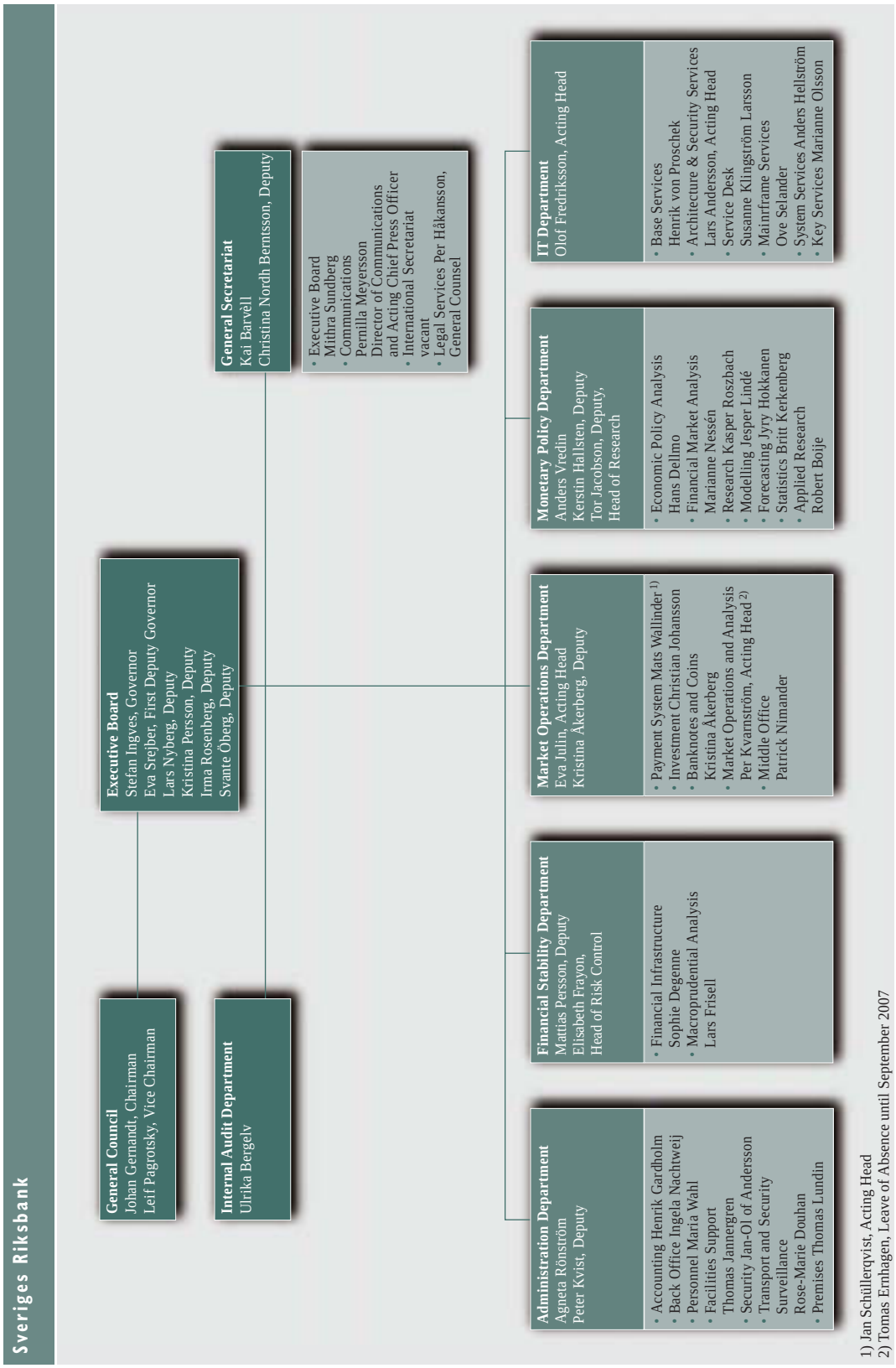
Tel.: 00 358 10 831 2428
Fax: 00 358 10 831 2333
E-mail: elina.somervuori@bof.fi

Mr Jorma Hilpinen
Suomen Pankki – Finlands Bank
Box 160
Snellmaninaukio
FIN - 00101 Helsinki 10
Finland

Tel.: 00 358 10 831 2402
Fax: 00 358 9 662 546
E-mail: jorma.hilpinen@bof.fi

4.26 SWEDEN

I ORGANISATION CHART



1) Jan Schillerqvist, Acting Head
2) Tomas Ernhagen, Leave of Absence until September 2007

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

Sveriges Riksbank (the *Riksbank*) is accountable to the Swedish Parliament as stated in the Constitution Act. This means that the *Riksbank's* activities are governed by laws enacted by Parliament, in particular the *Sveriges Riksbank* Act. The General Council of the *Riksbank*, appointed by the Parliament, is responsible for overseeing and controlling the work of the Executive Board. The Council also appoints the members of the *Riksbank's* Executive Board, which is responsible for the bank's entire operations.

2.2 LEGISLATIVE PROVISIONS

The regulations on statutory reporting to the *Riksbank* for balance of payments statistics are laid down in Chapter 6, Article 9 of the *Sveriges Riksbank* Act (1988:1385). The reporting obligations are set out in the *Riksbank's* Statute Book, which lays down the rules for statutory reporting to the *Riksbank* for b.o.p. statistics. It is possible for the *Riksbank* to make changes to the Statute Book at short notice. The current reporting obligations (RBFS 2002:4) became effective on 1 January 2003, the date on which the *Riksbank's* rules on statutory reporting to the *Riksbank* ceased to be effective (RBFS 1997:4). The reporting obligations have been adapted to reflect the changes in the reporting system.

2.3 INTERNAL ORGANISATION

The *Riksbank's* organisation comprises the following departments:

- the *Financial Stability* Department is responsible for overseeing and analysing payment system stability;
- the *Market Operations Department* manages the *Riksbank's* foreign reserves and the RIX payment system. It implements monetary and exchange rate policy and is also responsible for the supply of banknotes and coins;
- the *Monetary Policy Department* is responsible for providing background material for the *Riksbank* Executive Board's monetary policy decisions and for compiling the statistics necessary both for this purpose and to meet international requirements for central bank statistics regarding financial markets and economic developments in general;
- the *General Secretariat Department* is responsible for several of the *Riksbank's* support and coordination processes. These include: providing support to the Executive Board and to the meetings of the Board, giving legal advice to the General Council and the Executive Board of the *Riksbank* and to the departments of the *Riksbank*; supporting and coordinating international work and the *Riksbank's* communication strategy; and coordinating external and internal information. This Department also has responsibility for the overall coordination of the *Riksbank's* activities. It is also responsible for the Executive Board's joint work;
- the *Administration Department* is responsible for organisational and administrative matters, for personnel and planning, as well as for accounting;
- the *IT Department* is responsible for the technical and logical structure of the *Riksbank's* IT operations and for the operation of the computer and telecommunications network;
- the *Internal Auditing Department* has been mandated by the Governing Board to examine the activities of the *Riksbank* and to aim for an efficient operation and accomplishment of objectives; and

The production of b.o.p. statistics takes place in the Monetary Policy Department (MPD). There are 80 staff in the MPD. The production of both b.o.p. statistics and money and banking statistics is undertaken by the Statistics Division, with 20 staff members, 17 of whom currently work on b.o.p. statistics and three on money and banking statistics.

2.4 EXTERNAL COOPERATION

For b.o.p. statistics purposes, the *Riksbank* cooperates closely with other authorities in Sweden, but retains overall responsibility for their production. The *Riksbank* and Statistics Sweden (the Swedish national statistical institute) liaise to compile data for the current account and capital account, in particular data on trade in goods, transportation, services and transfers. Statistics Sweden also compiles data on trade credits and non-financial sector other investment and financial derivatives. The two organisations discuss methodological issues and the development of the statistics in joint task forces. One of the most important tasks performed over the past few years has been the full harmonisation of definitions between the national accounts and the b.o.p. In addition, data exchange takes place between the *Riksbank* and Statistics Sweden, which are linked electronically.

There are regular contacts with data providers, especially with large banks and enterprises, and with data users, such as market players and analysts. Close and regular contacts are maintained with other European central banks, in particular those of the other Nordic countries (Denmark, Finland, Iceland and Norway); these contacts include annual meetings on issues relating both to the b.o.p. and to money and banking statistics.

2.5 USERS

B.o.p. data are sent to the following international organisations: the European Commission (Eurostat), the European Central Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development, and the Bank for International Settlements.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

As from January 2003 the *Riksbank* no longer uses settlement data as a source of information for the b.o.p. On the contrary, the current data collection system for b.o.p. statistics is primarily based on surveys. A number of relatively stable items are estimated on the basis of quarterly sample surveys. The *Riksbank* collects monthly data on the most volatile items in the financial account by conducting monthly surveys aimed at the largest players.

The current account and the capital account are compiled on the basis of a quarterly sample survey that Statistics Sweden has been commissioned to undertake. Investment income and trade in goods are excluded from the survey. Exports and imports of goods are compiled monthly from foreign trade statistics. Investment income is compiled through a combination of estimates and monthly surveys.

The quarterly sample survey of services and transfers has replaced the previous monthly surveys and settlement system information. Capital transfers are included in the quarterly survey.

Data on financial derivatives and other investment of non-financial companies are also compiled, as of January 2003, quarterly by adding appendices to Statistics Sweden's survey of "Corporations' financial assets and liabilities".

Data on foreign direct investment, portfolio investment, financial derivatives (excluding non-financial companies), other investment (excluding non-financial companies) and reserve assets are compiled monthly on the basis of monthly cut-off surveys conducted by the *Riksbank*. In addition, the *Riksbank* estimates portfolio investment income. As a complement, two annual surveys are conducted by the *Riksbank*, one on foreign direct investment and the Co-ordinated Portfolio Investment Survey (CPIS).

In order to fulfil ECB requirements, some of the monthly b.o.p. data are estimated using a forecasting model. The estimates are made for trade in services and transfers. Financial

account data are largely collected on a monthly basis. The *Riksbank* rarely estimates figures that are missing owing to late reporting. The estimation methods employed, which are described below, comply with the BPM5.

3.2 IMPLEMENTATION OF THE BPM5

Most of the adaptations needed to comply with the BPM5 were implemented in October 1997. Some aspects of the adaptation, namely the f.o.b./f.o.b. adjustment for the freight and merchandise items, are to be developed further at a later stage. For both items, Statistics Sweden will develop new methods which are more in line with the BPM5 requirements. Furthermore, the "full" geographical breakdown for financial transactions was implemented in January 1999, with the exception of the breakdown for debt securities issued by residents, which does not identify the country of the creditor. Data on financial transactions are being collected, with a breakdown into at least 20 countries as of this year.

Data for earlier periods have been revised and adapted to comply to a limited extent with the BPM5. For the current account, comparisons will be possible at an aggregated level. As a result, most b.o.p. data series before and after October 1997 are not fully comparable.

3.3 STANDARD COMPONENTS – QUARTERLY AND ANNUAL

The presentation of the Swedish b.o.p. complies with the IMF standard components (BPM5).

3.4 REPORTING AGENTS

The *Riksbank* receives the following b.o.p. reports:

(i) *Monthly cut-off surveys*
Under the Sveriges *Riksbank* Act, enterprises and individuals are obliged, upon request, to report all transactions with non-residents directly to the *Riksbank* on a monthly basis. One aim of the monthly surveys is to ensure, as far as possible, that reports are tailor-made with regard to the scale and type of foreign operations of the enterprises. The following data are collected by the *Riksbank*:

- major players supply data on financial transactions as well as on stocks and investment income (with stock data on own issues of debt securities in domestic currency being based on custody reports) on an accruals basis (approximately 150 reporting agents);
- data on secondary market trade in securities are reported by intermediaries, including banks. These agents also supply data on debt securities held in their custody (60 to 70 reporting agents). Major players, other than intermediaries, report their trade with foreign counterparts directly, as well as stock data on securities not held in Swedish custody (75 to 100 reporting agents);
- data on financial derivatives and other investment are reported by the government and financial sectors (approximately 120 reporting agents). The reports cover flows and stocks. Data on derivatives include those within foreign direct investment relationships.
- major players report financial transactions and dividends payable within direct investment relationships (approximately 150 reporting agents).

(ii) *Annual surveys*

The *Riksbank* conducts two major annual surveys. The first covers direct investment stocks and profits, while the second is the CPIS.

Table Reporting scheme for b.o.p. and i.i.p. data collection for Sweden

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
MFIs	Money and Banking Statistics: MFI reporting form	Balance sheet. For BoP use: lending, borrowing, other investment	Monthly;	9th working days
Insurance companies, other financial companies, enterprises, National Debt Office, local government, brokers	Capital	Portfolio investment/liabilities, lending/borrowing, other investment and income	Monthly; for non-financial companies quarterly	15s
MFIs, brokers, insurance companies, pension funds	Trade in equities	Trade in portfolio equities on the secondary market	Monthly	15
MFIs, brokers, insurance companies, pension funds	Trade in interest-bearing securities	Trade in interest-bearing securities on the secondary market	Monthly	15
MFIs, National Debt Office, enterprises, insurance companies, pension funds	Financial derivatives	Flows and stocks from financial derivatives, including interest transactions from derivatives	Monthly; for non-financial companies quarterly	15
Enterprises, MFIs, insurance companies.	Direct investments	Direct investment in Sweden and abroad, including interest income and dividends.	Monthly	15
Custodians	Custody holdings and redemption	Interest-bearing securities held in Swedish custody. Both domestic and foreign securities	Monthly	15
In addition to the above-mentioned reporting forms, Sweden also has reporting on repo positions, and primary trade in equity, etc.			Monthly	15

The *Riksbank* reports on the external monetary position and monthly flows.

Statistics Sweden collects and/or provides the following data:

(i) quarterly data on services, compensation and transfers collected in a sample survey;

(ii) information on other investment and financial derivatives for the non-financial enterprise sector via a quarterly sample survey;

(iii) merchandise data on a monthly basis (Extrastat and Intrastat);

(iv) quarterly data on sea transportation;

(v) adjustments of the basic trade statistics (Intrastat and Extrastat) on a quarterly basis;

(vi) information on stocks of Swedish portfolio equities held by non-residents on the basis of a semi-annual survey; and

(vii) quarterly data on trade credits, stocks and flows.

3.5 THRESHOLDS

For the monthly surveys, a general rule of thumb is applied for the cut-offs so as to cover approximately 90% of the data in terms of stocks for each b.o.p. item. For portfolio investment, the aim is to have a higher coverage of at least 95%.

3.6 AVAILABILITY OF DATA

Complete quarterly and annual b.o.p. data are available. Data on portfolio investment are available monthly.

3.7 TIMELINESS

For the purpose of fulfilling ECB requirements, the *Riksbank* compiles monthly b.o.p. data within seven weeks of the end of the reporting period. Estimations are made for the items in cases where only quarterly or annual data are collected.

3.8 COMPILATION FREQUENCY

The Swedish b.o.p. is compiled on a quarterly basis. The main part of the financial account is still being compiled on a monthly basis.

3.9 DATA CONTROLS

Data go through numerous checking processes before being published. There are ordinary checks on format and integrity, etc. for all data received. In addition, there are several forms of regular quality controls on the data: current contacts with the respondents; comparisons between income and the corresponding stocks; the comparison of transactions and corresponding changes in stocks (e.g. securities and loans). Comparisons are also made with other sources, e.g. banking statistics and newspapers.

3.10 REVISION POLICY

The revision policy of the Swedish balance of payments contains three elements:

Regular revisions
Each quarter, the data for the preceding quarter are revised. At the release of data for the fourth quarter, the whole year is revised. If necessary, earlier years are revised at the same time. Key items and portfolio investment are revised monthly so as to be consistent with the quarterly data.

Consistency with other official statistics
To the extent that other official statistics constituting an input to the balance of payments are revised, a corresponding revision is always made within the balance of payments. These revisions might therefore go beyond the regular revisions. This applies to the following statistics:

- merchandise trade;
- national accounts adjustments;
- sea transportation;
- trade credits; and
- income on direct investments (annual survey by the *Riksbank*).

The reason is a strong user requirement that the b.o.p. should not deviate from other openly available statistical sources.

Ad hoc revisions of statistics collected by the Riksbank
Revisions are made when new data give a changed picture of the developments in the b.o.p. The reason is that users should be provided as soon as possible with statistics that give an accurate picture of the b.o.p. These ad hoc revisions regard mainly big financial transactions, such as direct investments. On rare occasions, current account transactions are revised for this reason.

3.11 PUBLICATION

The b.o.p. statistics are presented and commented on by the Monetary Policy Department in two different publications. A full account of the b.o.p., with comments, is published quarterly. The quarterly publication also contains biannual statistics relating to

Sweden's international investment position. As a complement to the publication, time series on the b.o.p. are published on the internet. Data on portfolio investment are published on a monthly basis. In addition, statistics with stock data on non-residents' holdings of Swedish debt securities are published monthly on the internet. The annual foreign direct investment survey is also published and commented on in a separate publication. The *Riksbank* has also implemented the survey of Swedish portfolio holdings of foreign shares and debt securities. This survey (the CPIS) is carried out and published annually.

The titles of publications produced by the *Riksbank* concerning b.o.p. statistics are listed in Sub-section 13.1.

4 GOODS

Statistics Sweden compiles monthly merchandise trade data broken down by country and commodity from extra-EU data collected by customs and intra-EU data collected by Statistics Sweden. A survey of approximately 2,000 intra-EU traders (accounting for 75% of the total intra-EU trade value) is carried out on a monthly basis in order to fulfil the timeliness requirements for the reporting of global trade data.

For extra-EU trade, imports are classified according to the country of consignment and exports according to the country of final destination. For intra-EU trade, imports are classified according to the Member State of consignment and exports according to the Member State of destination.

In order to follow international recommendations, the valuation of imports is converted from a c.i.f. to an f.o.b. basis. At present, the c.i.f. component of merchandise trade is only estimated for sea freight.

5 SERVICES

Statistics Sweden conducts a quarterly sample survey on services, compensation and transfers. The survey covers 4,700 enterprises stratified by economic activity, size and likelihood of trade. The largest 1,400 enterprises have to provide a geographical breakdown of services, compensation and transfers, while a less detailed questionnaire is sent to the smaller enterprises requiring them only to report the main b.o.p. items.

The sample is drawn from a population frame consisting of information from several different sources. The VAT Register provides information on exports and imports of services. Foreign trade in goods statistics is another important source since all companies reporting to Intrastat and/or Extrastat are included in the population frame.

Within the sample survey of services, there is monthly and quarterly reporting for travel services. The use of Swedish credit cards abroad and of foreign credit cards in Sweden is reported by credit card companies. Sales and purchases of banknotes and traveller's cheques are reported by banks and other companies that trade in currencies with the general public.

Monthly data on services, compensation and transfers are estimated by the *Riksbank* using a forecasting model.

6 INVESTMENT INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

6.1.1 GENERAL

Income on financial assets and liabilities is broken down according to the standard components in the BPM5.

6.1.2 INCOME ON DIRECT INVESTMENT

This component includes all income on assets and liabilities between parties in a direct

investment relationship and is broken down according to:

- dividends payable;
- interest; and
- reinvested earnings.

Reinvested earnings are calculated as the difference between total profit (consolidated data according to the current operating performance concept) after tax and dividends. While dividends are reported when payable, reinvested profits are allocated to the year in which the profit was earned and distributed evenly over the months. Interest has been reported on an accruals basis since October 1997.

The main sources of data on direct investment income are monthly surveys from major players and an annual survey of profits of direct investment companies.

Since total profits on direct investment income, and consequently reinvested earnings, are calculated with a considerable time-lag, forecasts have to be made.

In line with the recommendations made by the Task Force on Foreign Direct Investment (TF-FDI), the following changes have been made to the data compilation:

- as from 2003, the consolidation of total profit covers indirect ownership links of more than 50%;
- the consolidated data are allocated to the immediate affiliate or parent company; and
- starting in 2004, dividends from exceptional capital gains are recorded in the financial account.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

A partly new system for portfolio investment income was introduced at the beginning of 2003. On the basis of monthly stock data, estimates are made for dividends and for income from debt securities issued by non-residents. The estimation methods used are based largely on market valuation principles. By contrast, interest income from domestic debt securities denominated in Swedish krona is estimated on the basis of stocks at nominal value and the interest rates prevailing at the time of the issue. This estimation method results in interest income figures being very close to what they would be under the concept of historical cost valuation. For the greater part of the income item (i.e. for both equity and debt securities), estimates (calculations) are used. Specifically, the estimates of dividends now also cover reinvested dividends of unit trusts, etc.

In line with the BPM5, income on debt securities is calculated on an accruals basis.

For income on debt securities issued by residents, the data are based on both monthly reports and estimations. An estimate is made of accrued interest on Swedish krona-denominated instruments on the basis of detailed information from custodians. The interest income on Swedish debt securities denominated in foreign currency is collected by monthly surveys of Swedish issuers. The respondents are asked to report on an accruals basis and in accordance with their own bookkeeping practices. This implies that this part of interest income is based on the historic-cost principle, rather than on prevailing market rates.

6.1.4 INCOME ON OTHER INVESTMENT

Interest on loans, etc. has primarily been reported on an accruals basis since October 1997. Monthly cut-off surveys of all relevant sectors have been the primary source and supplemented with settlement data. As from 2003, data on income on other investment are entirely based on monthly cut-off surveys for the government and financial sectors, in combination with a quarterly sample survey for non-financial companies.

6.2 DEFINITIONS

In principle, the *Riksbank* has implemented the recommendations of the BPM5 and the harmonisation proposals made by the ESCB's

Working Group on External Statistics (WG-ES) and its predecessors.

6.3 DEVIATIONS FROM AGREED DEFINITIONS

Data prior to 2003 were partly based on settlement data and were, accordingly, not compiled on a full accruals basis. As from January 2003, no interest income is based on settlement data. The accruals principle is used, but the historic-cost principle, rather than market interest rates, is used for domestic securities. Data prior to 2003 do not cover dividends and reinvested dividends of unit trusts, etc.

6.4 GAPS

None.

6.5 INTENDED HARMONISATION

None.

6.6 ESTIMATION METHODS

In accordance with the description in Sub-sections 4.2.3 and 5.1.3, estimations are made on the basis of monthly stock data for equity income and for income on debt securities issued by non-residents.

7 CURRENT TRANSFERS

Data for current transfers are based on the quarterly survey conducted by Statistics Sweden (see Section 5 on services).

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on the capital account are primarily compiled from Statistic Sweden's quarterly survey on services and transfers. Within the scope of the survey, monthly data are collected on aid to developing countries and contributions from the EU.

8.2 DEFINITION

In principle, the *Riksbank* has implemented the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

The *Riksbank* collects data on direct investment flows and stocks from two different sources:

(i) monthly cut-off surveys, which cover all FDI transactions from respondents with considerable stocks and transactions regarding loans, etc. The selection of respondents is based mainly on the annual sample survey on FDI stocks. All the largest players, including all banks and insurance companies, are covered.

(ii) information on stocks and reinvested earnings is obtained from an annual sample survey. The samples are stratified by size and sector. Classification by size is based on simulated direct investment assets computed as the most recent survey data for the direct investment asset plus the accumulated net flow up to the measurement date.

The current method of calculating reinvested earnings has remained essentially unchanged in the b.o.p. compilation system (i.e. monthly

estimates, ex post information from the annual survey).

The geographical breakdown is based on the debtor/creditor principle.

In the event that a change of ownership of a resident company from a non-resident to another non-resident direct investor is revealed in the survey, the change is recorded, in principle, both in the FDI stocks and in the corresponding b.o.p. flows.

9.2 DEFINITION

The combination of the two data sources leads to a good coverage and quality of direct investment data. The 10% criterion is applied. The directional principle is used, but data are also compiled according to the assets/liabilities principle.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

In addition, for intra-group trade credits, a 50% ownership criterion is applied instead of the 10% criterion.

All FDI data are in line with the BPM5 as from October 1997, with some minor deviations.

9.4 GAPS

None.

9.5 INTENDED HARMONISATION

The recommendations of the TF-FDI regarding treatments that are not already applied are planned to be implemented in the next few years.

9.6 ESTIMATION METHODS

None.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

In the b.o.p. data compilation system, data relating to the portfolio investment account are based entirely on monthly surveys, i.e. banks and brokers report aggregated transactions in which they have acted as intermediaries on behalf of customers and for themselves; major players report aggregated direct transactions with customers abroad, i.e. transactions executed without the intermediation of Swedish banks and brokers, aggregated transactions in securities issued abroad by the major players themselves, and information on repo transactions; custodians report monthly information on stocks and redemptions.

10.2 DEFINITION

A full breakdown by instrument of the portfolio investment account, in line with the BPM5, was introduced in October 1997.

For repurchase agreements and related instruments, the *Riksbank* compiles only so-called genuine repos as collateralised loans. Other related instruments – so-called non-genuine repos – are recorded as portfolio investment.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

At present, no geographical breakdown is available for portfolio investment liabilities. For assets, a geographical breakdown is available as from January 2000.

10.4 GAPS

No data are available on bond lending.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

None.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The *Riksbank* has been collecting data on financial derivatives since March 1995. The data are collected via monthly surveys of MFIs and other major players, among them the Swedish clearing house OM. As from January 1999 a full geographical breakdown based on the country of the counterpart has been included. As from 2003, Statistics Sweden collects data on financial derivatives from non-financial enterprises on a quarterly basis.

The transaction data are collected broken down by: (i) option premiums; (ii) the realised value of derivative contracts redeemed/matured; and (iii) net flows of interest rate swaps and forward rate agreements (FRAs) and the interest part of cross-currency interest rate swaps (CCIRS).

The data on financial derivatives are collected in a highly aggregated form. Therefore, Sweden is not in a position to produce a breakdown by instrument other than those outlined in items (i) to (iii) above.

The data are collected and recorded on a gross basis according to the recommendations of the BPM5, i.e. net of all derivative instruments which indicate a realised profit for the reporting agent are reported as credits. Accordingly, all instruments which indicate realised losses are reported as debits.

Margin payments are included in the reported data, but data are not collected separately. Furthermore, the *Riksbank* is not in a position to distinguish between options-style and futures-style variation margin payments.

11.2 DEFINITIONS

In principle, the *Riksbank* has implemented the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

Derivatives within FDI relationships are included in the data, but are not reported separately.

11.4 GAPS

None.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

None.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

The *Riksbank* collects data on other investment flows, stocks and income from basically three different sources: money and banking statistics for MFIs and monthly cut-off surveys of other major players in the financial sector; Statistics Sweden collects the corresponding data for non-financial enterprises on a quarterly basis. Data on trade credits are also supplied by Statistics Sweden.

Stocks of other investment for the MFI sector are extracted from the money and banking statistics. Transactions, adjusted for exchange rate effects, are calculated from the balance sheet items. Both stocks and transactions are distributed amongst countries using the money and banking statistics. Income on other investment for the MFI sector is collected through monthly cut-off surveys.

Data on non-financial enterprises' financial derivatives and loans, etc., are collected by Statistics Sweden and incorporated in its regular survey of financial assets and liabilities of non-financial corporations. The survey is conducted on a quarterly basis and is aimed at a population of about 9,000 companies that have a balance sheet total of more than SEK 30 million. A sample of about 700 companies is drawn from this population, and this is sorted into ten strata, the upper four of which are fully covered. For the remaining six strata, a sample is drawn and is then grossed up.

It is primarily in the upper, fully covered strata that external items are to be found.

The *Riksbank* has access to the data of individual companies on all external items on the main questionnaire, i.e. including data that are not used for the b.o.p. These data are useful for updating the *Riksbank's* register of direct investment and portfolio investment. They are also used for cross-checking direct investment data.

Data on trade credits are based on a quarterly sample survey designed for the financial accounts system conducted by Statistics Sweden. Data are broken down into intragroup trade credits (to be recorded under direct investment) and others using the 50% ownership criterion. Before the outcome of the survey is available, estimations are made for trade credit stocks. No estimations are made for flows. As soon as the result of the survey is available, the figures are introduced in the b.o.p. statistics.

Life insurance claims and the non-service part of premiums are estimated on the basis of insurance transactions, as collected by Statistics Sweden in the quarterly survey on services and transfers.

For repos, bond lending and other related instruments, see Section 8.

12.2 DEFINITION

In principle, the *Riksbank* has implemented the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

12.4 GAPS

Since the above-mentioned survey on the non-financial sector is conducted on a quarterly basis, the *Riksbank* makes estimates in order to provide monthly figures for the ECB. The *Riksbank* judges this to be a fairly reliable procedure since the non-financial sector accounts for less than 10% of all Swedish sectors' other investment stocks and flows. Another argument for estimated monthly transactions is that the volatility of other investment flows and stocks of the non-financial sector is far more stable than that of other sectors, e.g. the MFI sector.

Monthly figures on trade credits are estimated by the *Riksbank*.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

None.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

Data on reserve assets are recorded on a transaction basis, using the *Riksbank's* accounting records. Income is recorded on an accruals basis.

13.2 DEFINITION

According to the BPM5, reserve assets comprise gold, special drawing rights, the reserve position in the IMF, convertible currency claims and the euro amount receivable from the ECB. All reserve assets of the *Riksbank* are readily available to (i.e. highly liquid, marketable and creditworthy) and controlled by the central bank, are held against non-residents and are denominated in foreign currency (i.e. in currencies other than the Swedish krona). Holdings of the general government are not included. The gross concept is applied, i.e. there is no netting of the central bank's assets and liabilities.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

Sweden's i.i.p. is compiled by the *Riksbank* and published semi-annually with a time-lag of seven weeks. Data are revised when new i.i.p. data are released. At the time of the first publication estimates are made for direct investment assets and liabilities, portfolio equity and trade credits. Definitions of the various instruments, etc. coincide wholly with those applicable to the b.o.p.

The Swedish i.i.p. consists almost entirely of pure stock data. However, accumulation of flows is used for the calculation of stocks relating to:

– private non-commercial real estate;
– life insurance and pension fund savings; and
– the repatriation of Swedish debt securities in foreign currency, i.e. Swedish investors buying Swedish debt securities from abroad.

The i.i.p. is reported broken down by assets and liabilities, and by instrument.

The *Riksbank* collects the majority of the statistics via monthly surveys of the major players and via annual surveys; for MFIs, money and banking statistics are used. Information on foreign holdings of Swedish portfolio equity and on trade credits is also obtained from Statistics Sweden. For the non-financial sector, data on financial derivatives, loans and banking account arrears as from January 2003 are obtained from Statistics Sweden. Data collection is supplemented by calculations for certain items.

The Swedish i.i.p. statistics were adapted to the international nomenclature (BPM5) in October 1997. Owing to insufficient underlying material, retrospective adjustment of data has only been possible to a very limited extent, which means that there are some breaks in the time series.

Most of the items of the Swedish i.i.p. are broken down geographically as from January 1999. At present portfolio investment liabilities and foreign exchange reserves are not allocated geographically.

14.2 DEFINITIONS

14.2.1 GENERAL

See Sub-section 14.1.

14.2.2 DIRECT INVESTMENT

Stock information on direct investment refers mainly to book values. However, the *Riksbank* has also developed a method of market valuation which is based on the price/earnings ratio of listed companies with a similar business structure. Stock information at market value was published for the first time in August 1999, as supplementary

information to the official book values. The definitions of direct investment stocks are the same as those for the transaction data. This means, for example, that the 10% criterion and the directional principle are applied.

Statistics for direct investment are mainly based on three sources:

- sample surveys;
- calculations by the *Riksbank*; and
- Statistics Sweden (trade credits).

Sample survey
The *Riksbank* carries out an annual sample survey to measure on a consolidated basis direct investment stocks in the form of:

- equity capital; and
- loans and other capital provided and received in a direct investment relationship.

The survey also measures total profits from direct investment abroad and in Sweden in order to calculate reinvested earnings.

The results of the survey are presented in a special publication.

The outcome of the sample questionnaire becomes available after a time-lag of around 11 months. Statistics are therefore supplemented with forecasts, mainly based on previous stock data supplemented with transaction data and adjusted for some valuation changes.

Following the recommendations of the TF-FDI, the *Riksbank* has implemented the following measures:

- as from 2003, the consolidation of equity stocks is done on the basis of 50% ownership for indirectly owned companies; and
- the data are allocated to the immediate affiliate or parent company.

Further adaptations to the TF-FDI recommendations will be made in the next few years.

Calculations – private non-commercial real estate
Private non-commercial real estate is included in the concept of direct investment, according to the international nomenclature. The statistics are based on estimates.

Statistics Sweden – trade credits
Information on trade credits within direct investment relationships is obtained from Statistics Sweden, which bases the information on quarterly surveys.

As the information is obtained after a three-month lag, stocks are forecast by projecting the most recently available outcome.

14.2.3 PORTFOLIO INVESTMENT

Foreign equity
Every year the *Riksbank* carries out a survey with the aim of measuring the size of Swedish assets abroad in the form of foreign equity. Holdings of both individual shares and shares in foreign unit trusts are included in the results of the study. As from 2001, this information is obtained from the annual CPIS survey.

For compilations produced at times when survey results are not available, forecasts are made on the basis of previous stock and transaction data, which are adapted to take account of changes in foreign stock prices and exchange rates.

Swedish equity
Information about the size of foreign holdings of Swedish equities is obtained from Statistics Sweden, which sends a semi-annual questionnaire to the central securities depository and Swedish deposit managers. Forecasts are made in the same way as for foreign equity.

Foreign debt securities
Information about Swedish holdings of debt securities with foreign issuers is based on monthly reports from Swedish deposit managers and from players holding paper deposited abroad. Data are stated in terms of market value. This information is also compared with

the annual CPIS survey, which is based entirely on end-investor information. For the time being, the monthly stock information, rather than the CPIS results, is being used in the official i.i.p.

Swedish debt securities
Statistics on the foreign holdings of debt securities with Swedish issuers are based on monthly reports from players who have issued securities abroad. This information is completed by using monthly reports from deposit managers on Swedish krona-denominated securities that are held in Swedish custody. Finally, securities that serve as collateral in repo agreements are added to the stock. A method to calculate market values for all interest bearing securities denominated in Swedish crowns has recently been developed. As from 2001, data are stated in terms of market values.

14.2.4 FINANCIAL DERIVATIVES

Stock information for financial derivatives is mainly based on monthly reports from the largest players and is recorded on a market valuation basis. Information on financial derivatives for the non-financial sector is obtained from Statistics Sweden and is based on a quarterly survey. Information is reported in aggregate, i.e. not broken down by the type of instrument.

The data are reported on a gross basis, as recommended in the IMF manual.

From January 1999 onwards, a full geographical breakdown by counterpart country is collected.

Financial derivatives within direct investment relationships are recorded under financial derivatives and not under direct investment.

14.2.5 OTHER INVESTMENT

Trade credits
Statistics Sweden compiles statistics on trade credits on the basis of a quarterly survey. Intragroup trade credits are reported under direct investment.

Loans, etc.
Data on loans, etc. (including deposits, financial leasing and repos) are mainly based on monthly reports from major players, except for MFIs, for which the money and banking statistics are used as a source. Statistics Sweden compiles statistics on loans and bank accounts for the non-financial sector on the basis of a quarterly survey.

Other
Interim items (transactions contracted, but not settled), certain assets and liabilities in relation to international organisations and insurance saving are reported under the sub-item other.

The sub-item is based on monthly reports and, to a minor extent, on accumulated flows.

Insurance saving
Saving in the form of life insurance and pension fund savings is calculated on the basis of accumulated transactions, corrected for exchange rate and stock exchange price movements and the level of interest rates. Data on transactions are obtained from Statistics Sweden.

14.2.6 RESERVE ASSETS

Data on reserve assets are based on the *Riksbank's* report on holdings of gold and foreign assets. These data are available on a monthly basis. All items, including gold, are recorded at market prices.

14.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

14.4 GAPS

None.

14.5 INTENDED HARMONISATION

None.

14.6 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

"Balance of payments" (quarterly b.o.p. data and semi-annual i.i.p. data with comments and charts)

"Cross-border trade in securities" (monthly statistics with commentary)

"Direct investment companies" (annual statistics with commentary)

"Swedish portfolio holdings of foreign securities" (annual statistics with commentary)

All the reports are available free of charge in Swedish and English and can be ordered from the *Riksbank's* Information Centre; the data are also available on its website (http://www.riksbank.se). Some information is also published by Reuters.

Data on the following are available, but are only published on the internet:

- non-residents' holdings of Swedish debt securities (monthly stock data);
- non-residents' repo positions in Swedish debt securities (monthly stock data);
- direct investment, by country;
- the i.i.p. broken down by sector and by instrument;
- trade with non-residents in Swedish portfolio shares; and
- the b.o.p., quarterly data from 1992.

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with Sweden. Enquiries of a general nature should

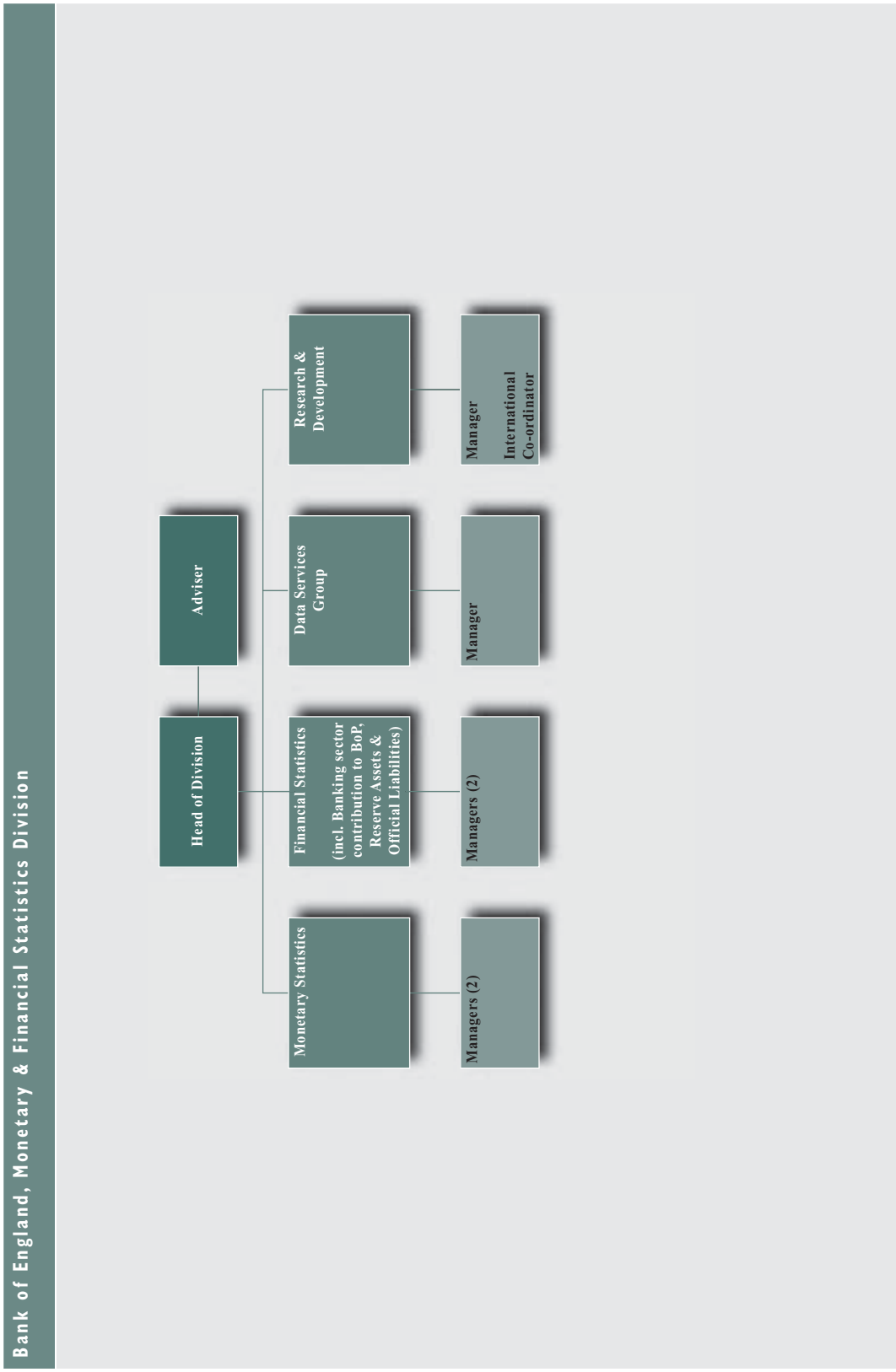
be addressed to the Press and Information Division of the ECB. Enquiries specific to Sweden should be addressed to:

Mr Lars Fors
Sveriges *Riksbank*
Monetary Policy Department
10337 Stockholm
Sweden

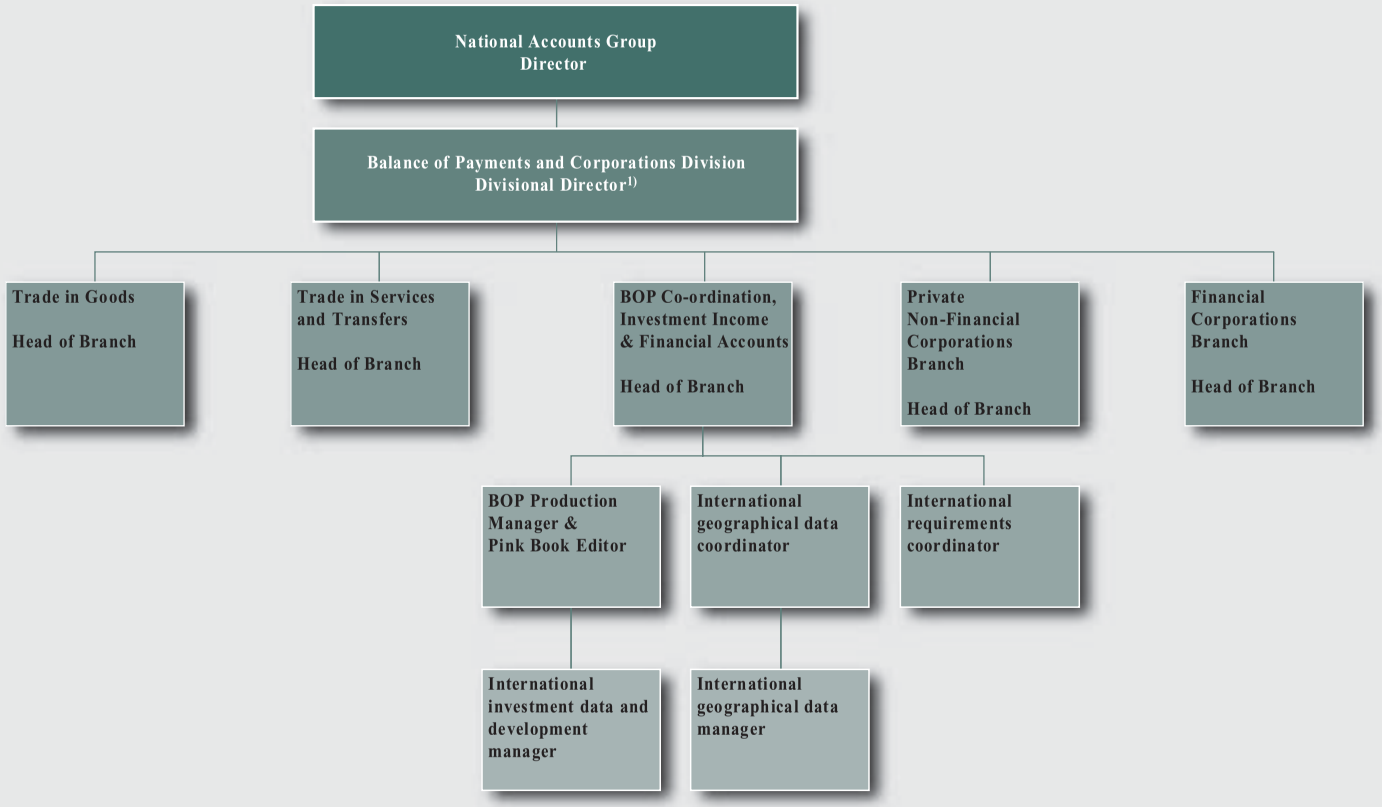
Tel.: 00 46 878 702 11
Fax: 00 46 8 245 348
E-mail: lars.forss@Riksbank.se

4.27 UNITED KINGDOM

1 ORGANISATION CHARTS



National Statistics



1) Chair of the ONS BOP European Requirements Programme Board.

2 INSTITUTIONAL ASPECTS

2.1 INTRODUCTION

The compilation of the United Kingdom's balance of payments is carried out on the basis of data submitted to both the Office for National Statistics (ONS) and the Bank of England, with the ONS responsible for compiling the overall aggregates. The ONS collects data from all sectors other than banks and is the government agency responsible for compiling, analysing and disseminating most of the United Kingdom's economic, social and demographic statistics, including the national accounts, retail price index, trade figures and labour market data, as well as a periodic census of the population and health statistics. The Bank of England collects data from UK banks and is responsible for compiling banking and money supply data.

2.2 LEGISLATIVE PROVISIONS

(i) *ONS*

The ONS was formed in April 1996 following a merger of the Central Statistical Office and the Office of Population Censuses and Surveys. On 7 June 2000 the United Kingdom launched "National Statistics" as the new framework under which economic and business data would be collected for statistical purposes only, under the Statistics of Trade Act 1947. This Act sets out the need for timely and accurate data. Statutory penalties are available, where necessary, under the Statistics of Trade Act. Data on trade in goods are collected by Her Majesty's Revenue and Customs (HMRC) and supplied to the ONS.

The National Statistics Code of Practice sets out the key principles and standards which official statisticians, including those of the ONS, are expected to follow and uphold. It is supported by twelve Protocols which describe how those principles and standards are to be implemented in practice. All of these documents are published on the National Statistics website (http://www.statistics.gov.uk/about_ns/cop/default.asp).

The Bank of England has adopted a similar code which adapts the same basic principles to the specific circumstances of the central bank (http://www.bankofengland.co.uk/mfsd/code.htm).

(ii) *Bank of England*

The Bank of England Act 1998 gives the Bank the power to obtain information (principally from monetary financial institutions) for the purposes of its functions in relation to monetary policy. The scope of information relevant for this purpose is set out in secondary legislation pursuant to the Act. In essence, the coverage is the same as in the previous, long-standing, voluntary arrangements to supply data for macroeconomic purposes, including data related to the money supply and the b.o.p., and for the preparation of the national accounts. The Act also allows the UK regulatory body, the Financial Services Authority (FSA), to require supervised institutions to report prudential supervisory information to the Bank acting on its behalf. As with the Statistics of Trade Act (see above), statutory penalties are available, where necessary, under the Bank of England Act.

The arrangement between commercial banks, as represented by the British Bankers' Association, and the Bank of England to supply financial statistics originated following widespread acceptance within the financial community of the 1959 report by the Parliamentary Committee on the Working of the Monetary System (known as the Radcliffe Report). The report contained a recommendation regarding the publication of statistical information necessary for an understanding of the financial positions of the main sectors of the economy. A regime of regular statistical reporting by commercial banks

to the Bank of England was introduced in 1963 and was based on a quarterly (now monthly) balance sheet.

2.3 INTERNAL ORGANISATION

(i) *General*

The ONS and the Bank of England work closely together on a number of issues. The relationship exists not only with respect to the b.o.p., which is part of a larger overall process culminating in the production of the UK national accounts, but also in relation to macroeconomic issues. The ONS and the Bank of England have joint statistical work programmes and there are both formal and informal mechanisms which enable this cooperation to work successfully.

The formal mechanism is the "Firm Agreement", which was drawn up to define clearly the responsibilities of both institutions, including timetables, deadlines and the need to meet known and future European requirements.

The informal mechanism involves high levels of communication in terms of frequent liaison meetings between representatives of the ONS and the Bank of England. The two institutions exchange information regularly and discuss their respective work programmes in detail.

(ii) *ONS*

The ONS is the official b.o.p. compiler for the United Kingdom. The collection and compilation of statistics are carried out separately. The Newport office of the ONS Surveys and Administrative Sources Directorate (SASD) is responsible for the preparation of surveys and for the actual data collection. The Balance of Payments and Corporations Division BoP CD of the ONS, located in London, is responsible for producing and developing statistics for the rest of the world (RoW) and the financial sectors of the national accounts, including the compilation and publication of b.o.p. statistics. In addition, the BoP Co-ordination Branch within the BoP & Corps Division is responsible for taking the lead for the United Kingdom in liaison with the European Commission (Eurostat), the European Central Bank and the International Monetary Fund on b.o.p. issues in general. In particular, its Head of Branch is a UK representative in the ESCB's Working Group on External Statistics (WG-ES), together with a representative from the Bank of England.

The BoP & Corps Division is part of the National Accounts Group (NAG) within the Macroeconomics and Labour Market Directorate (MLD), which is responsible for the national accounts. As the b.o.p. forms an integral part of the national accounts, the BoP & Corps Division of the ONS cooperates very closely with other Divisions within the NAG. There are both formal and informal links between the NAG and the SASD, with many shared work programmes.

(iii) *Bank of England*

The Bank of England collects the data on the banking sector used in the b.o.p. and in the national accounts. The Bank also supplies b.o.p. data on reserve assets and official liabilities obtained from administrative sources within the Bank.

The Monetary and Financial Statistics Division (MFSD) of the Bank of England is responsible for providing statistics. The Financial Statistics Group deals specifically with b.o.p. statistics for the MFI sector (current account and direct and portfolio investment in the financial account) and for reserve assets and official liabilities. The remainder of the contribution of the MFI sector to the UK b.o.p. is drawn from data processed elsewhere in the Division primarily for other purposes. The Bank also liaises with the FSA, for example, in

the event of the repeated late submission of survey forms.

The Bank of England provides the ONS with support both in discussions on data for the banking sector, the provision of data and advice on capital markets, and in the preparation of briefing material for international b.o.p. meetings, such as those of the Balance of Payments Committee of the IMF.

2.4 EXTERNAL COOPERATION

The ONS is an executive agency independent of any other government department and is accountable to the Chancellor of the Exchequer. Within the National Statistics framework, it works in partnership with other entities within the Government Statistical Service (GSS) located in many government departments. The overall objective of the ONS is to provide Parliament, the Government and the wider community with the statistical information, analyses and advice needed to improve decision-making, stimulate research and inform debate.

The reporting burden for data suppliers is kept to a minimum. To this end, extensive use is made of some external data suppliers:

(i) Bank for International Settlements data are used to estimate bank accounts (deposits and borrowing) abroad for the non-bank private sector;

(ii) government official records are used to provide information on government services and transfers; and

(iii) some bilateral counterparty data are used to provide information on private transfers.

Data for private sector loans from the European Investment Bank are sent directly to the ONS.

2.5 USERS

The ONS and the Bank of England both supply data to the Government (mainly HM Treasury, but also other government departments), City analysts, universities (for research), forecasters, etc. The ONS supplies data to international organisations such as the Organisation for Economic Co-operation and Development, the European Commission (Eurostat), the IMF and, via the Bank of England, to the ECB and the BIS. The data supplied to the European Commission (Eurostat), the OECD and the IMF are used in analysis of direct investment data by country and by industry, and for other purposes. These institutions also produce publications in which UK data are quoted and comparisons are made with data from other countries. The Bank of England also supplies data to the BIS and publishes the IMF Data Template on International Reserves and Foreign Currency Liquidity on its website.

3 STATISTICAL SYSTEM

3.1 TYPE OF COLLECTION SYSTEM

The United Kingdom's economic data collection system can be broadly described as an *"enterprise survey system"* (as defined in paragraphs 131 and 132 of the Compilation Guide to the fifth edition of the IMF Balance of Payments Manual (BPM5)). In a survey system enterprises are surveyed using registers. Quarterly surveys are frequently supported by a more comprehensive annual inquiry. In most instances, stratified sample surveys are used to reduce the burden on smaller businesses. Results are then grossed to the total population. In the United Kingdom the b.o.p. surveys are completely integrated into the statistical system for the economic accounts (national accounts). Sample surveys keep inquiry costs to a minimum both for the Government, in terms of processing, and business, in terms of filling-in forms. They also lead to a quicker delivery of survey results than might be the case with a census. The surveys are largely based on paper

forms[1] which are sent, depending on the survey, to either the enterprise or the head of the enterprise group within the United Kingdom, in which case consolidated information for the group as a whole is requested.

The enterprise survey system used by the United Kingdom includes stock statistics; i.e. some balance sheet data are collected on the surveys. Data extracted from the London Stock Exchange database system are used to compile estimates of non-resident transactions in bonds and notes within portfolio investment in the United Kingdom. Data from the BIS database are used to compile estimates of non-banks' transactions, balance sheets and earnings from the rest of the world.

3.2 REPORTING AGENTS

Surveys are geared to different sectors of the economy and the responding agents are selected on the basis of registers. The main groups of respondents are summarised below.

(i) *Banks* are defined as all financial institutions recognised by the Bank of England as UK banks for statistical purposes. This includes

(1) institutions which have a permission under Part 4 of the Financial Services and Markets Act 2000 (FSMA) to accept deposits other than (i) credit unions, (ii) firms which have a permission to accept deposits only in the course of effecting or carrying out contracts of insurance in accordance with that permission, (iii) friendly societies, and (iv) building societies;

(2) European Economic Area credit institutions with a permission under Schedule 3 to FSMA to accept deposits through a UK branch; and

(3) the Banking and Issue Departments of the Bank of England (the latter from April 1998).

Resident banks are required to report balance sheet and other returns; details of the principal b.o.p.-related forms are given in Table 1.

Data on banks' deposit liabilities and lending vis-à-vis non-residents are taken from the core balance sheet return which is primarily used for the compilation of the domestic monetary and credit aggregates.

From 2008 building societies will be subject to the same statistical reporting requirements as banks; with data reported to the Bank of England rather than the FSA.

(ii) *Government sector:* information is provided by the various government departments. Most of the government services and transfers are obtained as a by-product of the compilation of government accounts and from official records.

(iii) *Securities dealers* are all firms principally dealing in securities and regulated by the FSA for that activity. The target population is supplied to the ONS by the FSA (the regulator).

The ONS design the surveys and securities dealers are required to report via the Quarterly Inquiry (i.e. survey) of Liabilities and Assets, the Quarterly Inquiry of Transactions in Securities, and the Quarterly Inquiry of Income and Expenditure.

(iv) *Insurance companies* are all authorised insurers in the United Kingdom and all companies authorised in other EU countries that have places of business in the United Kingdom. The surveys to be completed are the following: Quarterly Income and Expenditure, Quarterly Transactions in

1 Although the Bank of England reporting system has almost entirely moved away from a paper-based system in favour of electronic reporting.

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection for the United Kingdom

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Enterprises	INTRASTAT		Monthly	30 working days
	Custom declarations		Continuous	Immediate
Enterprises	International Trade in Services Inquiry		Quarterly	28
			Annually	63
Travelling public	International Passenger Survey		Approx. 260,000 interviews carried out on most days of the year	Immediate – respondents complete the survey as they are either arriving in or departing from the United Kingdom (face-to-face interviews)
UK ship owners	Chamber of Shipping Inquiry		Quarterly	50
			Annual	140
Airlines	Civil Aviation Authority Inquiry		Annual	45
Road haulage firms	DFT International Road Haulage Survey		Continuous	Quarterly delivery to the ONS
Companies with foreign links (greater than 10%)	M&A Survey	Share dealings and funding	Continuous	Form requests return by 4 weeks after despatch. 1st reminder 4 weeks after. 2nd reminder 6 weeks after.
Companies with foreign links (greater than 10%)	Quarterly Inward Survey	Earnings and flows	Quarterly	Form requests return by 4 weeks after quarter end. 1st reminder 4 weeks after. 2nd reminder 6 weeks after.
Companies with foreign links (greater than 10%)	Quarterly Outward Survey	Earnings and flows	Quarterly	Form requests return by 4 weeks after quarter end. 1st reminder 4 weeks after. 2nd reminder 6 weeks after.
Companies with foreign links (greater than 10%)	Annual Inward Survey	Earnings, flows and positions, including geographical and industrial breakdowns	Annual	Form requests return by 4 weeks after despatch. 1st reminder 10 weeks after. 2nd reminder 14 weeks after.

Table 1 Reporting scheme for b.o.p. and i.i.p. data collection for the United Kingdom (cont'd)

Target respondent population (e.g. MFIs, enterprises, etc.)	Name of reporting form	Contents of reporting form	Frequency of reporting	Timeliness (number of days for submission after the end of the reference period)
Banks	Balance sheet (BT)	Includes levels of deposits, loans and inward direct investment.	Monthly	6/7
	Supplementary data (HF)	Direct investment flows.	Quarterly	18/20
	Country analysis of UK external claims (CC)	Levels of portfolio investment, other investment and outward direct investment.	Quarterly	18/20
	Country analysis of UK external liabilities (CL)	Levels of deposits. Custodial holdings of British Government securities for non-residents.	Quarterly	18/20
	Transactions with non-residents: interest, dividends and income (PL)	Income on direct, portfolio and other investment and trade in services.	Quarterly	35
	Total derivatives business in banks' trading and banking books (DQ)	Derivatives levels and flows, mostly on an experimental basis. Only swaps & FRAs data are currently available.	Quarterly	20
	Levels of direct investment with non-residents (HI/HO)	Levels of direct investment with a geographical breakdown.	Annual	60
	Transactions with non-residents: interest, dividends and other income by geographic location (BG)	Income on direct investment and trade in services.	Quarterly	40

Financial Assets, Annual Income and Expenditure, and the Annual Balance Sheet. All surveys are statutory. In addition, all insurance companies with foreign subsidiary or parent companies are required to report on the Annual Foreign Direct Investment (outward) Survey and the Annual Foreign Direct Investment (inward) Survey. These two surveys collect details of transactions with foreign subsidiary and associate companies, the capital and reserves of foreign subsidiaries and associates, and transactions with foreign branches and agents.

(v) *Pension funds* are all self-administered pension funds located in the United Kingdom. The requirement to respond to the three surveys Quarterly Transactions in Financial Assets, Quarterly Income and Expenditure, and Annual Balance Sheet is statutory. The information is used to compile the current and financial accounts within the national accounts. It is also included in the b.o.p. account and as a component of both insurance and pension funds.

(vi) *Investment trusts* are those companies in the United Kingdom which are published in the Directory of Trusts by the Association of Investment Trust Companies. This is a sample survey. The selected companies are required to report on the Quarterly Return of Transactions and the Annual Return of Liabilities and Assets. The information is supplied on a statutory basis.

(vii) *Unit/property trusts* are those authorised under the Financial Services Act 1986.

This list is published in the Financial Times Unit Trusts Yearbook. The two survey forms, the Quarterly Return of Transactions and the Annual Return of Liabilities and Assets, collect balance sheet information on the short-term assets and liabilities of collective investment schemes and their transactions in various long-term financial instruments. This information is supplied on a statutory basis.

(viii) *Private non-financial corporations* are surveyed for trade in services and direct investment. For both quarterly and annual data, sample surveys are based on stratified designs and include samples of smaller enterprise groups. The services surveys are primarily focused on consultancy and business services; insurance brokers; fund management; education services; merchanting; and film and television services. Royalties are reported as a separate product in the services survey. For direct investment, enterprise groups receive surveys on capital transactions, end-period balance sheets and related earnings.

(ix) *Households:* some surveys are specifically aimed at the household sector, such as the International Passenger Survey (IPS).

(x) *Customs and Intrastat data:* data on international merchandise trade outside the European Union are collected via customs returns. Intra-EU trade is collected via Intrastat.

(xi) *Transport sector:* the transportation account covers sea, air and other transport. It includes the movement of passengers and freight, and other related transport services.

- Sea transport: statistics relating to UK operators are provided by the Chamber of Shipping (CoS) which conducts surveys into its members' participation in foreign trade. Since 1995, the CoS has surveyed all its members annually. Estimates of passenger fares paid to non-resident shipping operators are derived mainly from the results of the IPS.
- Air transport: the transactions of UK airlines are derived from returns supplied by the airlines to the Civil Aviation Authority. Fares paid by UK passengers to non-resident airlines are derived from the IPS.
- Other transport: this covers the movement of passengers and freight, and other related transport services, by rail, road and pipeline. Information is provided by Le Shuttle and Eurostar, and by the International Road Haulage Survey.

3.3 THRESHOLDS

In general, the United Kingdom does not apply thresholds for reporting since the data are collected through surveys. The ONS survey forms request data in millions of pounds sterling to one decimal place, although the option to complete the forms in euro is also available. The Bank of England collects data in thousands of pounds sterling. All survey results are grossed up for sampling fractions and non-response.

3.4 AVAILABILITY OF DATA

The UK b.o.p. is available on a quarterly basis. There are some surveys specific to the b.o.p. In general, the surveys are designed so as to produce high quality national estimates. However, a Eurostat level-three geographical breakdown is available for the current account total, broken down into trade in goods, trade in services, transfers and income.

The ONS produced experimental monthly b.o.p. data from December 1999 (reference month October 1999) to February 2006 (reference month December 2005). This information is available on the National

Statistics website (www.statistics.gov.uk/statbase/Product.asp?vlnk=9335). The ONS suspended monthly production following the publication of December 2005 data. The ONS is in the third year of a major statistical modernisation programme, which requires considerable resources. In addition, the ONS had to make improvements to meet the requirements of the EU Balance of Payments Regulation, which came into force from June 2006. Given these circumstances, the ONS felt that the priority given to the production of monthly balance of payments was no longer justified. The Bank of England has taken responsibility for producing estimates for submission to the ECB.

An annual geographical breakdown of the UK's international investment position is also available from end-2001.

3.4.1 TIMELINESS

Timeliness varies from survey to survey. In general, the data become available eight weeks after the end of a quarter. There is a four-week turnaround time. Estimates are made for late responses or in the absence of a response either through the grossing procedure or by imputation. Publication of the quarterly b.o.p. accounts takes place 13 weeks after the end of the quarter.

3.4.2 COMPILATION FREQUENCY

The UK b.o.p. is compiled on a quarterly basis, although trade in goods and reserve assets data are available on a monthly basis. The provision of monthly b.o.p. estimates to the ECB follows the United Kingdom's agenda of wider preparations prior to entering EMU if a decision is taken to do so.

From March 2006 (data starting from January 2006), the Monetary and Financial Statistics Division of the Bank of England has taken on the preparation of monthly b.o.p. estimates for the ECB. Prior to this, the BoP & Corps Division of the ONS managed a programme of work to produce monthly b.o.p. data. Monthly b.o.p. data prior to January 2006 are being maintained by the ONS.

The Bank's approach uses monthly data where available; elsewhere it has developed a system using monthly proxy indicators derived from cubic-spline models of quarterly data. Forecasting techniques (ARIMA models) are used to estimate a future path, where published estimates lag the ECB's monthly reporting schedule. Where the data are modelled, monthly results are constrained to sum to the equivalent ONS published quarterly value. Revisions will be made where the quarterly data change, or where new data become available.

Prior to March 2006, the ONS produced monthly b.o.p. data, with the first transmission to the ECB in December 1999. The methodology was described in more detail in previous issues of this publication and in an article in the December 1999 edition (No 553) of the ONS publication "Economic Trends". An update to this was published in the June 2001 edition (No 571), coinciding with the monthly b.o.p. dataset becoming available on the National Statistics website (www.statistics.gov.uk). While the United Kingdom is not participating in Stage Three of EMU, the data that the ONS provided to the ECB were supplied on the basis that they were experimental only.

3.4.3 IMPLEMENTATION OF THE BPM5

B.o.p. accounts for the United Kingdom are consistent with the BPM5. The full implementation took place in September 1998 and included the production of extensive detailed historic quarterly data on a consistent basis going back to 1987: for the key economic indicators, data have been re-estimated in line with the BPM5 for almost 50 years.

The Bank of England also implemented changes to its surveys in conjunction with its Banking Statistics Review. These changes were fully implemented early in 1998. All changes to surveys are discussed with respondents.

3.5 DATA CONTROLS

The Statistics of Trade Act used by the ONS contains provisions relating to the provision of inaccurate, false or misleading information. In particular, it is an offence to provide false or misleading information in certain circumstances.

Possible anomalies as a result of inconsistency, implausibility and inconsistencies between reporting schemes are detected by computer programs and/or manual checking by the ONS and the Bank of England. These are usually followed up with the reporting company/bank the following day. The quality of the data received is checked using a combination of validation, auditing and credibility checks, which have been devised over time and which are considered to be appropriate to the ultimate use of the data.

Response rates and reminder procedures are set for each ONS survey. Response rates are set as ONS targets. For banks, the response rate is generally 100% of required respondents.

Users need to be provided with reliable data as soon as possible after the period to which the data relate. Possible anomalies are detected as early as possible and the reporters concerned are notified by telephone. Queries and resulting amendments to data are initially carried out over the telephone and changes to data which have been reported are annotated and processed immediately. Persistent problems may result in a visit to the responding company/bank to assist in identifying data problems. Late reporters are initially contacted by telephone and subsequently by letter if the information required is not forthcoming. Enforcement action is taken in cases of persistent non response.

3.6 REVISION POLICY

The ONS and the Bank of England aim to provide accounts that are timely, reliable and internally consistent. Therefore, a balance has to be struck between the need to take account of revisions to component series and the need for coherent accounts. Normally, when the national accounts figures are being prepared for publication in the "Blue Book" and "Pink Book" each year, the estimates for the past four complete years (t-4) are reassessed in the "annual round" and balanced within the input-output framework for years up to t-2. An internal Revisions Task Force decides whether and, if so, which revisions should be introduced. Any methodological changes are subject to a process of "peer group appraisal" involving all other sectors affected by the change.

After publication of the annual figures, the data for all the quarters of the past year covered and those for subsequent quarters only are reassessed in each "quarterly round". The accounts for periods earlier than those to which reference is made are not usually re-opened in the relevant round. (A detailed description of the revisions in the national accounts is provided in the articles entitled "Handling Revisions in the National Accounts", by David Wroe, Economic Trends, No 480, October 1993 and "Revisions to the UK Balance of Payments", by Stuart Brown and Tim Jones, Economic Trends, No 518, December 1996.)

Since February 2004, the ONS has been providing users with a wider range of information about revisions in its first releases, including tables containing information on revisions since last release and summary statistics showing information on revisions made over a period of five years. Since December 2004 these spreadsheets have been supplemented by revisions triangles which contain a fuller dataset for each indicator, showing how an estimate has changed over time. An analysis of revisions to the balance of payments was published in Economic Trends No 621 in August 2005 (http://www.statistics.gov.uk/cci/article.asp?ID=1125).

3.7 DISSEMINATION

Publication and dissemination of b.o.p. data are governed by the National Statistics Protocol on

Release Practices. Although the Bank of England supplies data for the UK b.o.p., only the Governors of the Bank of England, who are members of the Monetary Policy Committee, have access to the complete b.o.p. data prior to publication, along with the Chancellor of the Exchequer, the Prime Minister, and selected officials at the Treasury. Published data may not reveal, either directly or through residual values, statistics relating to individual institutions unless the prior consent of the latter has been obtained.

UK b.o.p. data are published monthly, quarterly and annually in a range of publications. The titles of the publications produced are listed in Sub-section 15.1.

4 GOODS

4.1 SPECIFIC FEATURES OF DATA COLLECTION

Trade in goods statistics are derived from Intrastat returns for trade within the European Union, and from HMRC returns for trade outside the European Union. Data for EU and non-EU trade are published within the six-week deadline after the end of the reference month.

The basic sources of data on trade in goods are customs declarations (SADs – i.e. Single Administrative Documents) for trade with non-EU countries and Intrastat returns (Supplementary Declarations) for trade with EU countries. The statistics are compiled in accordance with the "general trade" system, as described in the UN's "International Merchandise Trade Statistics: Concepts & Definitions". Imports are classified according to the country from which goods are consigned and exports according to the country of consignment, as identified at the time of export. For statistical purposes, the customs data use the valuation bases recommended in the UN's "International Merchandise Trade Statistics: Concepts & Definitions", namely exports valued on a free on board (f.o.b.) basis, i.e. costs up to the boundary of the UK, and imports valued on a cost, insurance and freight (c.i.f.) basis, i.e. costs up to the point of entry into the UK. However, in order to comply with the IMF's BPM5 a number of adjustments to these basic source data are made by the ONS. One of these adjustments is the conversion of the valuation of imports from c.i.f. to f.o.b., using estimated data for freight and insurance.

Other adjustments are made in order to include certain transactions not reported to HMRC and to exclude others that do not involve a change of ownership. These are as follows:

Second-hand ships: to include purchases and sales of second-hand ships as the transactions are not notified to HMRC.

New ships delivered abroad: to include deliveries of new ships built abroad for UK owners while the vessels are still in foreign ports as the transactions are not notified to HMRC.

North Sea installations: to include goods (including drilling rigs) directly exported from and imported to the UK production sites in the North Sea.

NAAFI: to exclude goods exported by the Navy, Army and Air Force Institute for the use of UK forces abroad since these are regarded as sales to UK residents.

Goods not changing ownership: the Overseas Trade Statistics exclude temporary trade (i.e. when goods are to be returned to the original country within two years and there is no change of ownership). However, goods may well have originally been recorded as "genuine" trade, but are subsequently returned to the original country.

Gold: trade in non-monetary gold (i.e. gold bullion, gold coin, unwrought or semi-manufactured gold and scrap).

Letter post: to include exports by letter post which are not included in the Overseas Trade Statistics.

Additions and alterations to ships: to include work carried out abroad on UK-owned ships and work carried out in UK yards on foreign-owned ships.

Repairs to aircraft: to include the value of repairs carried out in the United Kingdom on foreign-owned aircraft.

Goods procured in ports: to include fuels, provisions, stores and supplies purchased for commercial use in ships, aircraft and vehicles.

Smuggling of alcohol and tobacco: to include estimates for it.

Territorial coverage adjustment: for the purposes of the Overseas Trade Statistics, "UK" is defined as Great Britain, Northern Ireland, the Isle of Man, the Channel Islands and the Continental Shelf (UK part). Therefore, the Overseas Trade Statistics exclude trade between these different parts of the United Kingdom, but include their trade with other countries.

For b.o.p. purposes, the Channel Islands and the Isle of Man are not considered part of the UK economic territory. Adjustments are made to exports to *include* UK exports to those islands and to *exclude* their exports to other countries; and to imports to *include* UK imports from those islands and to *exclude* their imports from other countries.

Diamonds: much of the world's trade in rough (uncut) diamonds is controlled from London by the Diamond Trading Company, which is part of De Beers. Since 2001, this adjustment has removed movements of diamonds where no change of ownership has taken place.

Adjustments to imports for the impact of VAT Missing Trader Intra-Community (MTIC) fraud: VAT Missing Trader Intra-Community fraud is a systematic criminal attack on the VAT system, which has been detected in many EU Member States. In essence, fraudsters obtain VAT registration to acquire goods VAT-free from other Member States. They then sell the goods on at VAT-inclusive prices and disappear without paying over the VAT from their customers to the tax authorities. The fraud is often carried out very quickly, with the fraudsters disappearing by the time the tax authorities follow up the registration through their regular assurance activities.

Acquisition fraud is where the goods are imported into the UK from elsewhere in the EU by a trader who then goes missing without completing a VAT return or Intrastat declaration. The "missing trader" therefore has a VAT-free supply of goods, as he makes no payment of the VAT monies due on the goods. He sells the goods to a buyer in the UK and the goods are available on the home market for consumption. Carousel fraud is similar to acquisition fraud in the early stages, but the goods are not sold for consumption on the home market. Rather, they are sold through a series of companies in the UK and then re-exported to another Member State. Goods may be imported or exported several times, hence the goods moving in a circular pattern or "carousel".

The VAT system (and therefore the Intrastat collection of trade statistics) picks up the exports of any "carouselled" goods, but does not pick up the associated import at the time the carouselled goods entered the UK. As a consequence, the UK import statistics have been under-reported so adjustments are made using a method agreed by the ONS and HMRC. Originally, most carousel chains only involved EU Member States. From 2004 there has been an increase in carousel chains that involve non-EU countries, e.g. Dubai and Switzerland. However, the MTIC trade adjustments are added to the EU import estimates as it is this part of the trading chain that is not recorded. The UK is the first Member State to make adjustments in its statistics for this type of fraud.

Adjustment for under-recording and for currency and other valuation errors: these adjustments compensate for the following types of error:

- failure on the part of traders or their agents to submit details of shipments;
- incorrect valuations recorded; and
- declarations wrongly given in foreign currency instead of sterling.

Regular reviews show the adjustments for non-EU trade remaining broadly constant over time. Those for EU trade have decreased since the early days of the Intrastat system.

Adjustments to estimates for late response: a review of the introduction of the Intrastat system carried out in 1994 identified a number of difficulties regarding the initial monthly estimates of trade with EU countries provided by Customs. Adjustments are made by the ONS to cope with these difficulties.

4.2 DEFINITIONS

The time series for trade with the rest of the world are available monthly on a BPM5 basis from 1980, with a split of the monthly data between EU(15) and non-EU countries on a BPM5 basis available from 1988 to 1997 (at a disaggregated level) and to date for aggregate trade. Detailed b.o.p. estimates are available from 1998 for trade between EU(25) and non-EU countries. These data are available both seasonally adjusted (using X-11 ARIMA) and not seasonally adjusted. Monthly data on a BPM5 basis are published 40 calendar days after the end of the month for trade with both EU and non-EU countries.

Customs data are subject to revision for some months after they are first published, so that, for example, final monthly data from that source for 2005 were not available before September 2006. In addition, there may be further revisions, generally of a minor nature, to the adjustments made to convert this data to a BPM5 basis.

4.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

4.4 GAPS

None.

4.5 INTENDED HARMONISATION

None.

4.6 ESTIMATION METHODS

None.

5 SERVICES

5.1 SPECIFIC FEATURES OF DATA COLLECTION

Trade in services statistics are derived from a variety of sources, the majority of which are quarterly sample surveys. In some cases, these are supplemented by more comprehensive annual surveys or censuses. Monthly estimates have been produced since 1997 and are published within the monthly Trade First Release within six weeks after the end of each month.

Monthly estimates are produced at a high level of disaggregation, using models, where no actual or proxy data exist, to produce estimates at the six-week stage. The most volatile contribution to the monthly profile is the travel item.

5.2 DEFINITIONS

The definitions applied in the compilation of services are in line with those of the BPM5.

5.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

5.4 GAPS

None.

5.5 INTENDED HARMONISATION

None.

5.6 ESTIMATION METHODS

Components for which monthly data are available account for some 25% of trade in services credits and 40% of debits, mainly travel data collected via the IPS.

From June 2006 (earliest reference period Q1 1995), exports of financial services include improved estimates for banks' net spread earnings on dealing activity in foreign exchange, securities and financial derivatives. Estimates for foreign exchange spread earnings were included previously but estimates for the more substantial series for securities and derivatives have now been added.

6 INCOME

6.1 SPECIFIC FEATURES OF DATA COLLECTION

Estimates for investment income are largely based on quarterly and annual surveys undertaken by the ONS and the Bank of England. Data are published quarterly, including a limited geographical breakdown of income consistent with the BPM5. Furthermore, an annual country breakdown of the main aggregates of the b.o.p. current account, which closely approximates level three of Eurostat's Balance of Payments Vademecum, has been published since 1996.

In general, revisions are carried out as a result of the annual surveys, which are more comprehensive in terms of the sample size and the detail of the questions asked than the quarterly surveys. Moreover, historical quarterly series are revised in line with UK national accounts revisions policy each quarter. This usually means that up to seven recent quarters are liable to be revised on the basis of late returns and corrections to the quarterly survey.

In principle, the United Kingdom complies with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors. Investment income consists of direct investment income, portfolio investment income and other investment income. Dividends are recorded as of the date they are paid. Earnings on reserve assets are included as a separate category for domestic publications, but are included in other investment, as specified by the BPM5, in the data supplied to the ECB.

6.1.1 COMPENSATION OF EMPLOYEES

Quarterly compensation of employees data are derived from the following sources; the IPS, UK government departments, foreign embassies and military bases in the UK. Where quarterly source data are no longer available, statistical modelling is used to extrapolate quarterly estimates.

6.1.2 INCOME ON DIRECT INVESTMENT

Earnings from direct investment are collected in annual and quarterly sample surveys, which include grossing to the population. Earnings data are collected on:

- the profit or loss attributable to the parent company;
- interest payments and receipts between related concerns; and
- branch profits (currently compiled on an all-inclusive basis for branches of financial institutions).

The Bank of England conducts quarterly surveys covering UK banks' direct investment earnings (both credits and debits). The ONS conducts surveys covering direct investment earnings by sectors other than banks (both credits and debits).

Rates of return can be calculated from the above data, e.g. earnings as a percentage of investment

positions held at the end of the period. Reinvested earnings are calculated as profits earned during the period less dividends paid, both for inward and outward investment. Interest payments and receipts between related concerns as a result of inter-company loans are recorded quarterly and annually.

Quarterly data are revised to reflect final annual survey results. Annual results for foreign direct investment surveys are available around t+12 months.

6.1.3 INCOME ON PORTFOLIO INVESTMENT

The Bank of England's quarterly surveys cover UK banks' earnings on portfolio investment abroad (credits). The ONS surveys cover portfolio investment earnings (credits only) by insurance companies and pension funds and other financial intermediaries. Although income data for banks are collected separately and are not derived from levels, they are also checked against stocks for plausibility. Income from unit and investment trusts is attributed to households if distributed, or to the trusts themselves if reinvested. Fee and commission earnings for banks are collected on Form PL (see Sub-section 3.2). These are included (on a gross basis) in the trade in services component of the current account and are therefore not included within portfolio investment income. Income on portfolio investment in the UK is derived by allocating dividend or interest payments on a pro-rata basis across all investing sectors, both domestic and non-resident.

6.1.4 INCOME ON OTHER INVESTMENT

The Bank of England surveys cover UK banks' earnings on borrowing and lending (within other investment credits and debits). Although income on loans and deposits by banks are collected separately and are not derived from levels, data are also checked against stocks for plausibility. Estimates of non-bank earnings on deposits and payments on loans are either collected via quarterly inquiries, supplied by the BIS, or are estimated from levels of assets and liabilities. The Export Credit Guarantee Department (ECGD) supplies data on income from its taking-over of bad debt resulting from ECGD-guaranteed loans.

6.2 DEVIATIONS FROM AGREED DEFINITIONS

None.

6.3 GAPS

Investigations have been carried out into data sources for investment on the part of the household sector, but surveys are relatively ineffective. The possible shortfall in coverage must be kept in perspective; there is little tradition in the United Kingdom of individuals holding foreign-issued securities directly. Most financial investment by households in the Rest of the World sector is undertaken through collective investment media (i.e. unit and investment trusts).

6.4 INTENDED HARMONISATION

None.

7 CURRENT TRANSFERS

Most transfers are obtained as a by-product of the compilation of government accounts and from official records. Components for which monthly data are available account for around 40% of total current transfer credits and debits.

8 CAPITAL ACCOUNT

8.1 SPECIFIC FEATURES OF DATA COLLECTION

Part of the general reporting system (see Sub-sections 3.1 and 3.2). Components for which monthly data are available account for around 50% of total capital account credits.

8.2 DEFINITIONS

In principle, the United Kingdom complies with the recommendations of the BPM5. Since June

2002, the capital account has included debt forgiveness data from the ECGD.

8.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

8.4 GAPS

None.

8.5 INTENDED HARMONISATION

None.

9 DIRECT INVESTMENT

9.1 SPECIFIC FEATURES OF DATA COLLECTION

Direct investment data are collected via surveys covering inward and outward investment enterprises. Extensive use is made of commercial databases (e.g. Dun & Bradstreet's Worldbase) in order to maintain a company register as the basis for the sample framework. Other sources are records of investments derived from the ONS Mergers and Acquisitions survey.

The Bank of England collects data on outward direct investment by banks and inward direct investment in banks; the ONS collects data from other sectors. The ONS maintains a continuous database of reported cross-border merger and acquisition deals, the results of which are being used as monthly proxies for the equity component of monthly direct investment. The surveys are based on paper questionnaires,[2] which are generally sent to the head of the enterprise group within the United Kingdom and from which consolidated information for the group as a whole is requested.

A geographical breakdown of investment was previously collected only as part of the annual survey. However, from the beginning of 2006, the quarterly survey forms collected geographical information. The analysis of inward investment is based on the country of ownership of the immediate parent company. Thus, inward investment in a UK company may be attributed to the country of the intervening foreign subsidiary, rather than to the country of the ultimate parent. Similarly, the country analysis of outward investment is based on the country of residency of the immediate subsidiary. For example, to the extent that foreign investment in the United Kingdom is channelled through holding companies in the Netherlands, the underlying flow of investment from this country is overstated and the inflow from originating countries is understated.

The quarterly collection of levels data and the quarterly provision of geographical analyses were part of the Office's move to comply with the new Council Regulation (EC) No 184/2005 on balance of payments statistics[3] which commenced from the first quarter of 2006.

9.2 DEFINITION

Data include the investors' share of the reinvested earnings of the subsidiary or associated company, the net acquisition of share and loan capital, changes in the inter-company accounts and changes in branch/head office indebtedness. All short-term and long-term loans between affiliated enterprises (including trade credits) are included in the figures for inter-company loans, except for those between affiliated banks and financial intermediaries. Real assets in the sense of investment in land, structures or equipment are recorded in the annual and quarterly surveys.

Transactions settled through an exchange of shares are recorded when the deal goes wholly unconditional according to the company involved (respondent). The valuation of transactions settled through an exchange of shares is based on the price declared by the company involved (respondent) at the time when the deal is declared unconditional.

2 See footnote on Sub-section 3.1.
3 "On Community statistics concerning balance of payments, international trade in services and foreign direct investment", OJ L35/23, 8.2.2005.

In the United Kingdom, for the purposes of the statistical survey, direct investment is based on a holding of 10% or more in the foreign enterprise. The surveys cover investment in subsidiaries, associate companies and branches. They do not cover cross-border investment by public corporations or investment in property. These are regarded as direct investment in the national accounts, however, and figures for that activity are added to survey totals when they are used in the b.o.p. and national accounts.

The definitions used to compile direct investment information are based on international guidelines. These include the BPM5, the OECD Benchmark Definition of Foreign Direct Investment (third edition) and the ESA 95. They also take account of corporate accounting practices in the United Kingdom through periodic reviews, which include consultation with contributors.

Direct investment and portfolio investment are measured independently.

It is not possible to identify direct investment specifically from the portfolio investment surveys, mainly because they do not collect information on ownership. The direct investment surveys include special-purpose entities in the form of holding companies.

9.3 DEVIATIONS FROM AGREED DEFINITIONS

The United Kingdom attempts to apply the fully consolidated system for recording direct investment as far as is practicable. On the outward side, respondents are asked to consolidate the figures for each of the indirectly owned subsidiaries and associates with the directly owned businesses, but – if that is not possible – data for indirect subsidiaries and associates should be reported separately. On the inward side, the United Kingdom generally approaches the head of the UK part of the group and asks for consolidated figures for the group as a whole. If requested to do so by the group, the United Kingdom approaches individual enterprises.

Direct investment surveys record earnings net of tax, but tax is added on for national accounts purposes. Earnings of financial institutions are compiled on an all-inclusive basis, rather than according to the current operating performance concept, but the latter concept is applied to non-financial enterprises. Financial derivatives between affiliates are not identified separately.

9.4 GAPS

All sectors are covered, either by the ONS or by the Bank of England, via sample survey data. Monthly data are not collected, except for returns on cross-border mergers and acquisitions.

9.5 INTENDED HARMONISATION

None.

9.6 ESTIMATION METHODS

Estimates for individual concerns not selected for the annual surveys are produced using estimation ratios derived from the actual survey returns. Quarterly aggregates are produced by projecting forward annual figures using the quarterly survey sample.

10 PORTFOLIO INVESTMENT

10.1 SPECIFIC FEATURES OF DATA COLLECTION

For banks, portfolio investment transactions are estimated from the total outward portfolio investment data on the banks' balance sheet survey carried out by the Bank of England. UK banks' levels of investment in money market instruments issued by the RoW are reported directly to the Bank of England as part of monthly/quarterly surveys, and include debt securities with similar characteristics but issued with an original maturity of over one year.

The ONS calculates estimates of non-bank transactions in foreign-issued securities on the basis of integrated quarterly surveys which

have separate questions on securities issued by non-residents and by UK residents. Estimates of holdings are based on similar but less frequent (e.g. annual) surveys. Financial companies report transactions directly (acquisitions and disposals), while those of non-financial companies are estimated from changes in balance sheet values. Estimates of UK investment in money market instruments issued by non-residents are obtained from quarterly/annual surveys carried out by the ONS.

Some data on investment in British government securities are occasionally collected by the Bank of England through inquiries sent to UK bank custodians. The correct sectorisation of holdings is complicated and the Bank of England and the ONS have conducted periodic surveys of beneficial ownership of British government securities.

Investment in UK company bonds is calculated by the ONS as the difference between net new issues and net investment by UK domestic sectors. The sectorisation of these bonds is based on the assumption that any bonds not purchased by the UK domestic sector must have been bought by non-residents. A similar methodology is used to estimate non-resident acquisitions or disposals of government foreign currency bonds. Purchases by non-residents are assumed to be the residual value after accounting for acquisitions and disposals by UK banks and non-banks.

Estimates for non-resident investment in money market instruments issued by UK banks are derived by the Bank of England from monthly/quarterly surveys. Estimates of non-bank money market instrument liabilities are predominantly derived from residual values after accounting for all net issues and net purchases. This residual estimation method is used, in particular, to estimate non-resident investment in commercial paper and sterling Treasury bills. Estimates of investment in ordinary shares of UK companies were derived from quarterly surveys conducted by the ONS and the Bank of England and from stock exchange data. These data are then adjusted to take account of total stocks of non-resident investment in ordinary shares collected in the ONS' biannual Share Ownership Survey. However from the first quarter the Bank of England ceased to collect information on UK banks' custody holdings of UK equity securities. Estimates are also included for investment in unquoted shares. It is not possible to identify direct investment specifically from the portfolio investment surveys, mainly because they do not collect information on ownership.

10.2 DEFINITION

Geographical analysis of assets is based on balance sheets (stocks) on a quarterly basis for banks and annually for non-banks.

10.3 DEVIATIONS FROM AGREED DEFINITIONS

None.

10.4 GAPS

None.

10.5 INTENDED HARMONISATION

None.

10.6 ESTIMATION METHODS

Surveys for pension funds, insurance companies and securities dealers use common methods for compiling quarterly estimates. In each case the information is collected from a sample of companies. The data are then grossed up using auxiliary information, which is available for the complete population of the industry. The samples are broken down in strata that group together companies with similar characteristics. Any unusual returns will be validated and abnormally large returns will be given a reduced weight in the estimation process. For banks' portfolio investment transactions data is no longer collected but is estimated from balance

sheet levels and includes adjustments for price and currency movements.

11 FINANCIAL DERIVATIVES

11.1 SPECIFIC FEATURES OF DATA COLLECTION

The Bank of England has collected quarterly data on the derivatives activity of banks since the fourth quarter of 1997 and has published a breakdown of positions outstanding by product, risk category and sector of the counterparty (including separate identification of non-residents) since the second quarter of 1998. The ONS has collected information from the major non-bank financial institutions since the first quarter of 1998. Separate derivative balance sheet information is published in the Pink Book, but this is for information only, and is not included in the UK i.i.p.

For banks, all data are collected on a quarterly basis, using a survey-based system that collects the value of outstanding contracts. The Bank stopped collecting flows data at the end of 2006 on cost-benefit grounds. It will estimate the data from 2007 onwards. The Bank of England stopped collecting flows data at the end of 2006 on cost-benefit grounds. It will estimate the data from 2007 onwards. For stocks the Bank of England collects detailed information according to product type (swaps, forwards, FRAs and options), risk category (interest rate, foreign exchange or commodity/equity), sector of the counterparty and by country of counterpart.

For non-bank financial institutions, additional questions have been added to the existing ONS surveys to collect annual balance sheet information and quarterly transaction data. In addition, for the securities dealers' sample, the quarterly transaction and balance sheet surveys includes some additional questions on the product and sectoral breakdown of the counterparties. The sectoral breakdown is collected on a quarterly basis. Respondents are asked to provide a split between transactions and positions held with central banks, banks, building societies, other financial institutions, non-financial institutions and the RoW. The instrument breakdown requested on the forms is swaps, FRAs and other derivative instruments. The process of estimation is the same for each instrument specified. No geographical breakdown is collected other than resident/non-resident.

11.2 DEFINITIONS

Data are collected according to the international statistical standards, using the normal residency criterion (country of incorporation of the counterparty). Although stocks are collected on a gross basis, transactions in derivatives are on a net basis, i.e. transactions in assets are not separately identified from transactions in liabilities.

11.3 DEVIATIONS FROM AGREED DEFINITIONS

The United Kingdom does not currently publish comprehensive data on financial derivatives. Settlement receipts and payments on interest rate swaps only are published within the financial account.

11.4 GAPS

No geographical breakdown is available for non-bank financial institutions and, except in the case of security dealers, the instrument and counterparty sector breakdowns are limited: investigations are continuing into whether the information can be compiled at the level of detail requested. It is not possible to distinguish between option-style variation margins and future-style variation margin payments.

11.5 INTENDED HARMONISATION

None.

11.6 ESTIMATION METHODS

From 2007, the Bank of England will be estimating transactions and the split between resident and non-resident transactions in

derivatives from stocks and dealing profits data. Estimation of further geographic detail would only be possible from stocks.

All the surveys that collect derivatives data, including pension funds, insurance companies and securities dealers, will use common methods for compiling quarterly estimates. These surveys are linked to those collecting information on portfolio investment (see Sub-section 10.6). The estimation of a geographical breakdown will probably be based on experience with the data collected for the banks.

12 OTHER INVESTMENT

12.1 SPECIFIC FEATURES OF DATA COLLECTION

Other investment estimates are largely based on stock data, although actual flows are available for some components. Information on the assets and liabilities of the general government sector are derived from the official records of government departments. UK banks' deposits from, and lending to, non-residents (in pounds sterling, euro and other currencies) are calculated from the end-quarter balances of liabilities and claims reported to the Bank of England by all UK resident banks.

Estimates concerning the assets and liabilities of other UK residents (non-government, non-banks) come from a variety of sources including the ONS, the Bank of England, the European Investment Bank and the BIS.

The sectoral breakdown of other investment produced by the ONS is limited to a split between MFIs (with banks and building societies separately identified), central government, public corporations and other sectors. The other sectors category consists of insurance companies and pension funds, other financial intermediaries, private non-financial corporations and the household sector, but these sectors cannot be separately identified.

For inward other investment in banks, the United Kingdom sees no distinction between loans and deposits. The estimates for foreign loans to UK banks are therefore included indistinguishably under deposits. For outward investment, all loans by MFIs are assumed to be short-term and, for inward investment, all loans to UK securities dealers are assumed to be short-term.

Flow data for MFIs' deposits from, and lending to, non-residents are derived from end-period stock data adjusted for exchange rate movements and other identified changes in outstanding liabilities and claims not arising from "transactions". Balance sheet positions, reported in sterling equivalent at middle-market end-period rates are reconstituted in their original currencies using supplementary returns covering the currency composition of assets and liabilities (there is some element of brigading of positions in statistically less significant currencies, which may be translated by an appropriate proxy). The resulting first differences in original currencies are retranslated into sterling at average exchange rates for the period concerned.

Within the breakdown by domestic sector, the contribution of the central bank (monetary authorities) is subsumed within the aggregates for the MFI sector as a whole, of which it forms a part. The central bank completes a full set of statistical returns so the data sources are the same as for other MFIs and positions will be recorded according to the definitions in the monetary statistics. This ensures coherence across the Sector Financial Accounts as a whole. The estimates of flows, as described above, are compiled at the level of the MFI sector overall.

12.2 DEFINITION

In principle, the United Kingdom complies with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors. Other investment consists of trade credit, loans, currency and deposits and

other assets and liabilities. MFIs' trade credit was reclassified under loans in June 2002. Finance leasing is included within loans and is recorded according to standard international guidelines. Foreign currency notes and coin are included under currency and deposits. Geographical data for other investment for non-banks are limited to information on loans and deposits with banks in the BIS reporting area.

Repos (i.e. sale and repurchase agreements for securities), and the similar sell/buy-back transactions, are recorded on a collateralised loan basis. The majority of repos usually mature within a single month. Loan portfolio trading should, in principle, be recorded indistinguishably within total loans, but – as the data are not collected separately – it is not possible to assess its significance.

All acquisitions of bonds are recorded under either direct or portfolio investment.

Short-term credits and liabilities between affiliated enterprises are recorded as direct investment and not under other investment, except in the case of banks.

12.3 DEVIATIONS FROM AGREED DEFINITIONS

With regard to the classification of non-monetary gold, the United Kingdom had a derogation under Council Regulation (EC) No 2223/96 until 2005, but this was abrogated by Council Regulation (EC) No 1267/2003. According to the SNA 93/ESA 95, all non-monetary gold is treated as a commodity. In the United Kingdom, financial gold is traded in the same way as any other financial asset and is treated like any other foreign currency in the b.o.p. New reporting arrangements for the period after the abrogation of the derogation were introduced with effect from the first quarter of 2005.

12.4 GAPS

None.

12.5 INTENDED HARMONISATION

None.

12.6 ESTIMATION METHODS

Quarterly estimates are produced for other investment. See Sub-section 12.1 above for a summary of the estimation methods.

13 RESERVE ASSETS

13.1 SPECIFIC FEATURES OF DATA COLLECTION

The United Kingdom's reserve assets are the property of Her Majesty's Government and are held in the Exchange Equalisation Account (EEA), a government account. They are managed by the Bank of England on behalf of HM Treasury under agreed procedures.[4] Data for the b.o.p. entry for reserve assets are drawn from administrative sources at the Bank of England (primarily from the information systems used in the process of reserves management). Since July 1999 data on the UK reserves have been produced in accordance with the IMF Data Template on International Reserves and Foreign Currency Liquidity. As a result an instrument breakdown is available on a monthly basis (within three working days) and a currency breakdown is available (with a two-month lag) on a quarterly basis.

Reserve assets are valued at market prices and converted into sterling using mid-market closing rates at the end of each month. Reserve assets in the United Kingdom are recorded on a contract date basis allowing the incorporation of off-balance sheet items such as swaps and forwards into the reserves.

13.2 DEFINITION

Reserve assets are presented on a BPM5 basis in the UK b.o.p. In practice, all reserve assets

4 "Debt and Reserves Management Report 2007-08", HM Treasury, March 2007 (http://www.hm-treasury.gov.uk/media/735/D3//bud07_debt_407.pdf).

of the United Kingdom are readily available (i.e. highly liquid, marketable and creditworthy) and denominated in foreign currency (i.e. in currencies other than pounds sterling). For b.o.p. purposes, only claims on non-residents are included.

Central government acquisitions of rest-of-world money market instruments are identified separately and published in the annual Pink Book.

Details of the instrument breakdown are published monthly on the UK version of the IMF Data Template on International Reserves and Foreign Currency Liquidity.

13.3 DEVIATIONS FROM AGREED DEFINITIONS

The reserve assets of the United Kingdom comprise the holdings of the UK Government (Treasury), reflecting the present legal and institutional arrangements in the United Kingdom – which differs from euro area institutional arrangements.

13.4 GAPS

None.

13.5 INTENDED HARMONISATION

None required at present.

14 INTERNATIONAL INVESTMENT POSITION

14.1 SPECIFIC FEATURES OF DATA COLLECTION

14.1.1 GENERAL

I.i.p. definitions are in line with international guidelines, with practices being similar to those outlined in earlier sections for information on income. The i.i.p. is published quarterly as part of the UK b.o.p. dataset, with a timeliness of three months. I.i.p. levels are fully consistent with the RoW sector accounts balance sheets.

For banks, data on levels are collected on a quarterly basis with respect to both direct and portfolio investment assets and, on a monthly basis, for other investment assets and liabilities (loans and deposits). A full country breakdown of stocks is reported quarterly for deposits, loans and portfolio investment assets and annually for direct investment assets and liabilities. See Table 1 for more details of the reporting forms. Data are collected according to international guidelines, and to the same time scale as the b.o.p. (see Sub-section 3.7).

For other financial intermediaries, quarterly levels are based on a combination of pure stock data and accumulated flows. However, with the exception of liabilities for portfolio and other investment, surveys on levels are conducted at least annually. Annual benchmark surveys – typically with an expanded sample compared with quarterly surveys – are conducted for direct investment and portfolio investment assets, and take place around 10 months after the year-end. Therefore, published levels for the year-end are considered to be provisional until the release of those data published after 12 months. Quarterly levels between benchmark survey levels are revised on the basis of the previous quarterly profile (essentially, quarterly flows are accumulated to the previous year's level to bring them into alignment).

The United Kingdom participated in the 1997 and 2001 IMF Co-ordinated Portfolio Investment Surveys (CPIS) and continues to participate on an annual basis. Data relating to banking activities were collected from standard balance sheet returns (primarily servicing the BIS international banking statistics), while additional data collection has been launched for non-banks.

The ONS published a first geographical breakdown of the UK's i.i.p. in the summer of 2003 and annually thereafter. This includes existing information from Bank of England and ONS surveys, data collected as part of the UK's contribution to the CPIS and information on

non-resident holders of UK securities derived from other countries' CPIS participation.

14.1.2 DIRECT INVESTMENT

Direct investment positions are collected at own funds of book value, equal to historic cost minus allowances for depreciation and write-offs. The directional principle is used and reinvested earnings are also included.

14.1.3 PORTFOLIO INVESTMENT

The United Kingdom estimates the level of portfolio investment liabilities for equity held by non-residents directly. The ONS conducts the annual biannual Share Ownership Survey (SOS) in order to identify holdings by the domestic sector as well as the RoW (see also Sub-section 10.1). Data are also sourced from the electronic CREST registration system, which also includes UK government securities (gilts). There is a limited geographical breakdown available from the SOS; there is none from CREST. Otherwise there is no direct measurement of RoW levels for debt liabilities; these are generally deduced from total UK issues less domestic acquisitions.

Portfolio investment instruments are collected according to international definitions, with money market instruments being recorded at the market, or discounted, price.

14.1.4 FINANCIAL DERIVATIVES

The vast majority of stock data are collected on a marked-to-market basis. This applies to all instrument types – including options, swaps, FRAs and forwards. Data are recorded on a gross basis, meaning that levels with a positive value are recorded separately from positions with a negative value.

14.1.5 OTHER INVESTMENT

International guidelines are followed in recording other investment stocks.

14.1.6 RESERVE ASSETS

Reserve asset data are recorded at closing middle-market exchange rates and valued at end-period market prices. Data recorded in the i.i.p. are based on stock data produced from administrative information. Since July 1999 data on the UK reserves have been produced in accordance with the IMF Data Template on International Reserves and Foreign Currency Liquidity. For further information on the compilation of reserves data, see Section 13.

14.2 DEVIATIONS FROM AGREED DEFINITIONS

There is currently no reconciliation between flow data in the b.o.p. and levels data in the i.i.p.

14.3 GAPS

None.

14.4 INTENDED HARMONISATION

In principle, the United Kingdom complies with the recommendations of the BPM5 and the harmonisation proposals made by the WG-ES and its predecessors.

14.5 ESTIMATION METHODS

None.

15 ADMINISTRATION

15.1 TITLES OF PUBLICATIONS

(i) *ONS*
"Balance of Payments First Release" (quarterly)
"UK Balance of Payments" ("The Pink Book") (annual)
"Financial Statistics" (monthly)
"Experimental Monthly Key Items" (http://www.statistics.gov.uk/statbase/Product.asp?vlnk=9335)
"Economic Trends" (monthly)
Economic Trends 616, March 2005: Current Account Asymmetries with the European Union, Annual Report 2004 (http://www.statistics.gov.uk/cci/article.asp?id=1056)

"UK Economic Accounts" (quarterly)
"UK National Accounts" ("The Blue Book") (annual)

(ii) *Bank of England*
"Monetary and Financial Statistics" (monthly)

15.2 CONTRIBUTORS

This country information was drafted by the ECB's External Statistics Division and subsequently amended and agreed with United Kingdom. Enquiries of a general nature should be addressed to the Press and Information Division of the ECB. Enquiries specific to United Kingdom should be addressed to:

Mr Perry Francis
Office for National Statistics
BoP Investment and Co-ordination Branch
BoP and Financial Sector Division
1 Drummond Gate
GB - London SW1V 2QQ

Tel.: 00 44 207 533 6075
Fax: 00 44 207 533 5189
E-mail: perry.francis@ons.gov.uk

Mr Martin Udy
Bank of England
Financial Statistics Group
Monetary and Financial Statistics Division
Threadneedle Street
GB - London EC2R 8AH

Tel.: 00 44 207 601 4731
Fax: 00 44 207 601 3208 3334
E-mail: martin.udy@bankofengland.co.uk

GLOSSARY

The definitions of the terms included in this section are taken from the IMF Balance of Payments Manual (5th edition), the EMI's Implementation Package or from reports prepared by the EMI's Task Force on Financial Flows and Stocks, the forerunner of the ESCB Statistics Commitee's Working Group on External Statistics.

Accruals principle – a method of continuous recording that matches the cost of capital with the provision of capital. This concept, which is broader than the actual payment of dividends and interest (on a cash or settlement basis), covers dividends due for payment, interest accrued, and unremitted profits (reinvested earnings) of direct investment enterprises.

Balance of payments (b.o.p.) – the statistical statement that systematically summarises for a specific time period (usually monthly, quarterly and/or annually) the economic transactions of an economy with the rest of the world. Transactions between residents and non-residents consist of those involving goods, services and income; those involving financial claims on and liabilities to the rest of the world; and those classified as transfers (such as gifts) which involve offsetting entries to balance – in an accounting sense – one-sided transactions.

Bonds and notes – these are securities issued with an initial maturity of more than one year which usually give the holder: (i) the unconditional right to a fixed monetary income or contractually determined variable monetary income (payment of interest being independent of the earnings of the debtor); and (ii) the unconditional right to a fixed sum in repayment of the principal on a specified date or dates.

Capital and financial accounts – the capital account covers all transactions that involve the receipt or payment of capital transfers and the acquisition or disposal of non-produced, non-financial assets, while the financial account covers all transactions associated with changes of ownership in the foreign financial assets and liabilities of an economy, including the creation/liquidation of claims on/by the rest of the world.

Cash basis – see accruals principle.

C.i.f. (cost, insurance and freight at the importer's border) – valuation of the goods at the market value at the customs border of the economy into which they are imported, including in the import value the insurance and transportation costs.

Credits and debits – a credit in the b.o.p. records the provision of goods or services, a decrease in holdings of a financial asset or an increase in liabilities. Credits and debits form the two elements in the simple double-entry system used for recording the b.o.p.

Current account – the b.o.p. current account covers all transactions between resident and non-resident entities that involve economic values. Also covered are offsets to current economic values provided or acquired without a reciprocal exchange. The major classifications are goods and services, income and current transfers.

Debtor/creditor principle – foreign assets are geographically allocated to the country of the debtor (issuer), while liabilities are allocated to the country of the creditor (holder). This principle is the most appropriate choice if the interest concerns a change in the geographical distribution of the items on the nation's balance sheet.

Direct investment – the category of international investment that reflects a lasting interest of a resident entity in one economy in an enterprise resident in another economy. The resident entity is the direct investor and the enterprise is the direct investment enterprise. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the investor on the management of the enterprise.

Direct investment enterprise – an incorporated or unincorporated enterprise in which a direct investor, who is resident in another economy, owns 10% or more of the ordinary shares or voting power (of the incorporated enterprise) or the equivalent (of the unincorporated enterprise).

Direct investors – these may be individuals, incorporated or unincorporated private or public enterprises, associated groups of individuals or enterprises, governments or government agencies, or estates, trusts, or other organisations that individually own 10% or more of the ordinary shares or voting power of an incorporated enterprise or the equivalent of an unincorporated enterprise in economies other than those in which the direct investors reside.

Directional principle – the recording of direct investment flows according to the directional principle means, in general, that all capital transactions with foreign direct investment enterprises are recorded by the country of the direct investor as direct investment abroad; all capital transactions of resident direct investment enterprises with foreign direct investors are recorded by the country of the direct investment enterprise as direct investment in the reporting country. The status of the resident enterprise (i.e. direct investor or direct investment enterprise) in relation to its counterpart in the transaction is essential for the recording of direct investment flows.

Enhanced Structural Adjustment Facility (ESAF) – through the ESAF, the IMF provides assistance to low-income member countries at concessionary terms, in support of macroeconomic adjustment and structural reforms, to lay the basis for high and sustainable growth and external payments viability. This facility was replaced from 2000 onwards by the "Poverty Reduction and Growth Facility" (PRGF).

Equity – covers all instruments and records acknowledging, after the claims of all creditors have been met, claims to the residual values of incorporated enterprises. Shares, stocks, participation rights or similar documents (such as US Depositary Receipts) usually denote ownership of equity. Preferred stocks or shares, which also provide for participation in the distribution of the residual value of dissolution of an incorporated enterprise, are included, as are shares of collective investment institutions, e.g. investment funds.

Euro area – the area encompassing those Member States in which the euro has been adopted as the single currency in accordance with the Treaty establishing the European Community and in which a single monetary policy is conducted under the responsibility of the Governing Council of the European Central Bank (ECB). The euro area comprises Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Slovenia (from 1 January 2007), Finland, and for statistical purposes, the ECB.

Euro area assets – this term means assets issued by non-residents of the Member States participating in the euro area which have been purchased and/or are held by euro area residents.

Euro area liabilities – this term means liabilities of euro area residents which have been purchased and/or are held by non-residents of the Member States participating in the euro area.

European Central Bank (ECB) – the ECB lies at the centre of the ESCB and the Eurosystem and has legal personality under Community law. It ensures that the tasks conferred upon the Eurosystem and the ESCB are implemented either through its own activities or through those of the national central banks, pursuant to the Statute of the European System of Central Banks and of the European Central Bank. The ECB is governed by the Governing Council and the Executive Board, and, as a third decision-making body, by the General Council.

European System of Central Banks (ESCB) – the ESCB is composed of the ECB and the national central banks of all EU Member States, i.e. it includes, in addition to the members of the Eurosystem, the national central banks of the Member States which have not yet adopted the euro.

European System of Accounts 1995 (ESA 95) – a system of uniform statistical definitions and classifications aimed at achieving a harmonised quantitative description of the economies of the Member States of the European Union. The ESA 95 is the Community's version of the world System of National Accounts 1993 (SNA 93). The ESA 95 replaced the ESA 79 and its implementation began in the course of 1999 in accordance with Council Regulation (EC) No. 2223/96.

European Union (EU) – comprises the Member States of the EU and the EU institutions. All EU institutions besides the ECB are considered non-euro area resident units.

European Union Member States (EU Member States) – Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Greece, Spain, France, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom.

Eurosystem – comprises the ECB and the national central banks of the Member States which have adopted the euro in Stage Three of EMU (see also euro area). There are currently 13 (from 1 January 2007) national central banks in the Eurosystem. The Eurosystem is governed by the Governing Council and the Executive Board of the ECB.

Financial derivatives – financial instruments that are linked to a specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right.

F.o.b. (free on board at the exporter's border) – valuation at the market value of the goods at the customs border of the economy from which they are exported, excluding the respective insurance and transportation services incurred.

General Arrangements to Borrow (GAB) – the General Arrangements to Borrow enable the IMF to borrow specified amounts of currencies from 11 industrial countries or their central banks, under certain circumstances, at market-related rates of interest.

Goods – this item covers general merchandise, goods for processing, repairs on goods, goods procured in ports by carriers and non-monetary gold.

International investment position (i.i.p.) – the statistical statement of the value and composition of the stock of an economy's financial claims on the rest of the world, and of an economy's financial liabilities to the rest of the world.

Investment income – incorporates income derived from a resident entity's ownership of a foreign financial asset (credits) and, symmetrically, income derived from a non-resident entity's ownership of a domestic financial asset (debits).

Loans/currency and deposits – comprise transactions in the following financial instruments: loans, i.e. those financial assets created through the direct lending of funds by a creditor (lender) to a debtor (borrower) through an arrangement in which the lender either receives no security evidencing the transactions or receives an effectively non-negotiable document or instrument; deposits; repo-type operations; and currency. Included are, inter alia, loans to finance trade, other loans and advances (including mortgages). In addition, financial leases are covered.

Money market instruments (MMIs) – securities issued with an original maturity of up to one year. They generally give the holder the

unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded, at a discount, in organised markets; the discount is dependent upon the interest rate and the time remaining to maturity.

New Arrangements to Borrow (NAB) – the New Arrangements to Borrow became effective on 17 November 1998. They are a set of credit arrangements between the IMF and 25 member countries and institutions to provide supplementary resources to the IMF to forestall or cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. The NAB do not replace the existing General Arrangements to Borrow (GAB), which remain in force.

Other assets/other liabilities – sub-item of other investment which covers all items other than trade credits, loans and currency and deposits.

Other investment – the residual category of the b.o.p. which therefore includes all financial transactions with non-residents not covered in direct investment, portfolio investment, financial derivatives or reserve assets.

Other services – those service transactions with non-residents which are not covered under transportation and travel, such as communications services, construction services, insurance or financial services.

Portfolio investment – this covers investment in equity securities (quoted shares) and debt securities (bonds and notes, and money market instruments). Excluded are any of these instruments which are included in direct investment or reserve assets.

Poverty Reduction and Growth Facility (PRGF) – See Enhanced Structural Adjustment Facility (ESAF).

Real-time gross settlement (RTGS) system – a settlement system in which processing and settlement take place on an order-by-order basis (without netting) in real time (continuously). See also **TARGET**.

Reinvested earnings – appear in the context of income on direct investment. They are defined as the direct investor's share of the total consolidated profits earned by the affiliated company in a certain period (after allowing for tax, interest and depreciation) less dividends due for payment in the relevant period, even if these dividends relate to profits earned in earlier periods.

Reserve assets – consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payments imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. Reserve assets of the euro area are foreign (i.e. non-euro area) currency-denominated claims on non-euro area residents which are held by the Eurosystem.

Residents – these comprise the general government, individuals, private non-profit making bodies serving households, and enterprises, whose centre of economic interest lies within the territory of a given economy.

Services – consist of transportation, travel and other services.

Settlement basis – the recording of flows according to payments.

Statistics Committee (STC) – an ESCB committee which assists in collecting the statistical information necessary for the performance of the ESCB's tasks, in harmonising the rules and practices governing the collection, compilation and distribution of statistics within its field of competence and in developing and implementing ESCB-wide statistical IT applications.

System of National Accounts of the United Nations (SNA 93) – this is the international standard for a comprehensive and systematic framework for the collection and presentation of the economic statistics of an economy. It encompasses transactions, other flows, stocks, and other changes affecting the level of assets and liabilities from one accounting period to another. These guidelines have been produced under the joint responsibility of the United Nations, the IMF, the Commission of the European Communities, the OECD and the World Bank.

Trade credits – consist of claims and liabilities arising from the direct extension of credit by suppliers and buyers for goods and services transactions and advance payments for work that is in progress (or to be undertaken) and associated with such transactions.

Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) – a payment system composed of one **RTGS** system in each of the 15 EU Member States and the ECB payment mechanism. The domestic RTGS systems and the ECB payment mechanism are interconnected according to common procedures to allow cross-border transfers throughout the EU to move from one system to another.

Transaction – an economic flow that reflects the creation, transformation, exchange, transfer or extinction of economic value and involves changes in ownership of goods and/or financial assets, the provision of services, or the provision of labour and capital.

Transactions basis – the recording of flows according to the change in ownership and not according to settlements. In the context of securities, the term "transactions basis" is identical to "accruals principle".

Transactor principle – this principle allocates a transaction between a resident and a non-resident to the country of the direct counterparty to the transaction. The transactor principle provides information on the immediate direction of flows resulting from international settlements.

Transportation – covers all international transportation services (sea, air and other – including land, internal waterway, space and pipeline) that are performed by residents of one economy for residents of another economy and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services. Excluded are passenger services provided to non-euro area residents by euro area carriers within the euro area economies, or vice versa (these are included under travel).

Travel – comprises the goods and services that travellers consume from one economy during visits of less than one year to that economy. It differs from other components of services in that it is a demand-oriented activity. Thus, unlike other services, travel is not a specific type of service, but an assortment of services consumed by travellers.

Working Group on External Statistics (WG-ES) – reports to the ESCB Statistics Committee on matters relating to b.o.p./i.i.p. statistics.

ISSN 1562503-6