

GUIDELINES

GUIDELINE OF THE EUROPEAN CENTRAL BANK

of 30 July 2013

amending Guideline ECB/2011/23 on the statistical reporting requirements of the European Central Bank in the field of external statistics

(ECB/2013/25)

(2013/458/EU)

THE EXECUTIVE BOARD OF THE EUROPEAN CENTRAL BANK,

Having regard to the Statute of the European System of Central Banks and of the European Central Bank, and in particular Article 3.1 and 3.3, Articles 5.1, 12.1, 14.3 and Article 16 thereof,

Having regard to Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (¹), and in particular Articles 4 and 8 thereof,

Having regard to Article 7 of Guideline ECB/2011/23 of 9 December 2011 on the statistical reporting requirements of the European Central Bank in the field of external statistics (²),

Having regard to the views of the Statistics Committee of the European System of Central Banks,

Whereas:

(1) In certain cases a strict application of the current standard valuation method for equity stocks in unlisted direct investment companies, as set out in Annex III to Guideline ECB/2011/23, may lead to distortions in the net international investment position. In these cases, Member States should be allowed to apply one of the other valuation methods set out in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual and therefore Guideline ECB/2011/23 should be amended accordingly.

(2) Under Article 7 of Guideline ECB/2011/23, the Executive Board of the European Central Bank (ECB) is entitled to make technical amendments to the Annexes to Guideline ECB/2011/23, provided that they neither change the underlying conceptual framework nor affect the reporting burden of reporting agents in Member States.

(3) The changes to the Annexes provided for in this Guideline are technical amendments which neither change the conceptual provision underlying the data reporting requirements nor affect the reporting burden in Member States,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments

Annexes II and III to Guideline ECB/2011/23 are amended in accordance with the Annex to this Guideline.

Article 2

Final provisions

1. This Guideline shall take effect on the day of its notification to the national central banks of the Member States whose currency is the euro.

2. Without prejudice to Article 8(2) of Guideline ECB/2011/23, this Guideline shall apply from 1 June 2014.

Article 3

Addressees

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 30 July 2013.

For the Executive Board of the ECB

The President of the ECB

Mario DRAGHI

(¹) OJ L 318, 27.11.1998, p. 8.

(²) OJ L 65, 3.3.2012, p. 1.

ANNEX

Annexes II and III to Guideline ECB/2011/23 are amended as follows:

1. in Annex II, Parts II and III of Table 3 are replaced by the following:

II. Predetermined short-term net drains on foreign currency assets (nominal value)

	Residual maturity			
	Up to one month	More than one month and up to three months	More than three months and up to one year	All maturities
Foreign currency loans, securities and deposits	Geo 0	Geo 0	Geo 0	
Outflows (-)	Geo 0	Geo 0	Geo 0	
Principal	Geo 0	Geo 0	Geo 0	
Interest	Geo 0	Geo 0	Geo 0	
Inflows (+)	Geo 0	Geo 0	Geo 0	
Principal	Geo 0	Geo 0	Geo 0	
Interest	Geo 0	Geo 0	Geo 0	
Aggregate short and long positions in forwards and futures in foreign currencies vis-à-vis the domestic currency (including the forward leg of currency swaps)	Geo 0	Geo 0	Geo 0	
Short positions (-)	Geo 0	Geo 0	Geo 0	
Long positions (+)	Geo 0	Geo 0	Geo 0	
Other	Geo 0	Geo 0	Geo 0	
Outflows related to repos (-)	Geo 0	Geo 0	Geo 0	
Inflows related to reverse repos (+)	Geo 0	Geo 0	Geo 0	
Trade credits (-)	Geo 0	Geo 0	Geo 0	
Trade credits (+)	Geo 0	Geo 0	Geo 0	
Other accounts payable (-)	Geo 0	Geo 0	Geo 0	
Other accounts receivable (+)	Geo 0	Geo 0	Geo 0	

III. Contingent short-term net drains on foreign currency assets

Contingent liabilities in foreign currency	Geo 0	Geo 0	Geo 0	
Collateral guarantees on debt falling due within one year	Geo 0	Geo 0	Geo 0	
Other contingent liabilities	Geo 0	Geo 0	Geo 0	
Foreign currency securities issued with embedded options (puttable bonds)				Geo 0
Undrawn, unconditional credit lines provided by:	Geo 0	Geo 0	Geo 0	
Other national monetary authorities, BIS, IMF, and other international organisations	Geo 0	Geo 0	Geo 0	
Other national monetary authorities (+)	Geo 0	Geo 0	Geo 0	
BIS (+)	Geo 0	Geo 0	Geo 0	
IMF (+)	Geo 0	Geo 0	Geo 0	
Other international organisations (+)	Geo 0	Geo 0	Geo 0	

	Residual maturity			
	Up to one month	More than one month and up to three months	More than three months and up to one year	All maturities
With banks and other financial institutions headquartered in the reporting country (+)	Geo 0	Geo 0	Geo 0	
With banks and other financial institutions headquartered outside the reporting country (+)	Geo 0	Geo 0	Geo 0	
Undrawn, unconditional credit lines provided to:	Geo 0	Geo 0	Geo 0	
Other national monetary authorities, BIS, IMF, and other international organisations	Geo 0	Geo 0	Geo 0	
Other national monetary authorities (-)	Geo 0	Geo 0	Geo 0	
BIS (-)	Geo 0	Geo 0	Geo 0	
IMF (-)	Geo 0	Geo 0	Geo 0	
Other international organisations (-)	Geo 0	Geo 0	Geo 0	
With banks and other financial institutions headquartered in the reporting country (-)	Geo 0	Geo 0	Geo 0	
With banks and other financial institutions headquartered outside the reporting country (-)	Geo 0	Geo 0	Geo 0	
Aggregate short and long positions of options in foreign currencies vis-à-vis the domestic currency	Geo 0	Geo 0	Geo 0	
Short positions	Geo 0	Geo 0	Geo 0	
Bought puts	Geo 0	Geo 0	Geo 0	
Written calls	Geo 0	Geo 0	Geo 0	
Long positions	Geo 0	Geo 0	Geo 0	
Bought calls	Geo 0	Geo 0	Geo 0	
Written puts	Geo 0	Geo 0	Geo 0	
PRO MEMORIA: In-the-money options	Geo 0	Geo 0	Geo 0	
At current exchange rates	Geo 0	Geo 0	Geo 0	
Short position	Geo 0	Geo 0	Geo 0	
Long position	Geo 0	Geo 0	Geo 0	
+ 5 % (depreciation of 5 %)	Geo 0	Geo 0	Geo 0	
Short position	Geo 0	Geo 0	Geo 0	
Long position	Geo 0	Geo 0	Geo 0	
- 5 % (appreciation of 5 %)	Geo 0	Geo 0	Geo 0	
Short position	Geo 0	Geo 0	Geo 0	
Long position	Geo 0	Geo 0	Geo 0	
+ 10 % (depreciation of 10 %)	Geo 0	Geo 0	Geo 0	
Short position	Geo 0	Geo 0	Geo 0	
Long position	Geo 0	Geo 0	Geo 0	
- 10 % (appreciation of 10 %)	Geo 0	Geo 0	Geo 0	
Short position	Geo 0	Geo 0	Geo 0	
Long position	Geo 0	Geo 0	Geo 0	

	Residual maturity			
	Up to one month	More than one month and up to three months	More than three months and up to one year	All maturities
Other	Geo 0	Geo 0	Geo 0	
Short position	Geo 0	Geo 0	Geo 0	
Long position	Geo 0	Geo 0	Geo 0'	

2. in Annex III, Section 6.1 is replaced by the following:

6.1. Direct investment

Direct investment is associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Following international standards (BPM6), the direct or indirect ownership of 10 % or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is evidence of such a relationship. Based on this criterion, a direct investment relationship can exist between a number of related enterprises, regardless of whether the linkage involves a single or a number of chains. It can extend to a direct investment enterprise's subsidiaries, sub-subsidiaries and associates. Once the direct investment is established, all subsequent financial flows/holdings between the related entities are recorded as direct investment transactions/positions.

Equity capital comprises equity in branches as well as all shares in subsidiaries and associates. 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 and that are recorded under "investment income" (see 3.2.3).

Direct investment equity and debt are further disaggregated according to the type of relationship between entities and according to the direction of the investment. Three types of direct investment relationships can be distinguished:

- (a) Direct investors' investment in direct investment enterprises. This category includes investment flows (and stocks) from the direct investor to its direct investment enterprises (regardless of whether it is directly or indirectly controlled or influenced).
- (b) Reverse investment. This type of relationship covers investment flows (and stocks) from the direct investment enterprises to the direct investor.
- (c) Between fellow enterprises. This covers flows (and stocks) between enterprises that do not control or influence each other, but that are both under the control or influence of the same direct investor.

With regard to the valuation of direct investment positions, the equity stocks listed in stock exchanges are valued at market prices. Conversely, in the case of unlisted direct investment companies, equity stocks are valued on the basis of book values using a common definition comprising the following accounting items:

- (a) paid-up capital (excluding own shares and including shares premium accounts);
- (b) all types of reserves (including investment grants when accounting guidelines consider them as company's reserves);
- (c) non-distributed profits net of losses (including results for the current year).

For equity shares of unlisted companies, the transactions recorded in the financial account may differ from the own funds at book value recorded in the IIP. Such differences are recorded as revaluations due to other price changes.

To increase the consistency in the valuation of assets and liabilities, equity stocks in unlisted direct investment companies can alternatively be valued according to one of the other valuation methods mentioned in paragraph 7.16 of the BPM6, if at least one of the following cases applies:

- (a) at least one enterprise in a direct investment chain is listed on the stock-exchange, while at least one is not and this leads to a significant distortion in the net IIP of a company in the chain; in this case the market price of the listed company may be used as a reference for the valuation of the related unlisted companies; or

(b) if differences occur in the recording of acquired goodwill along a chain of direct investment enterprises, leading to a significant distortion in the net IIP of the country in which the company in the middle of the chain is resident; or

(c) if the accounts of enterprises in a direct investment chain are denominated in different currencies and exchange rate fluctuations lead to a significant distortion in the net IIP of the country in which the company in the middle of the chain is resident.

If an alternative method is applied for valuing equity stocks in unlisted direct investment companies, the IIP compiler is encouraged to inform the compiler in the counterpart country of the alternative method and to cooperate with this compiler to minimise the risk of bilateral asymmetric recording. This information should be transmitted within the ESCB in the framework of existing arrangements, as well as published in the ECB's publication "European Union balance of payments/international investment position statistical methods", which is used to monitor the concepts, definitions and compilation methods applied by the euro area Member States (as described in Annex V).

It is recommended as a best practice that all Member States should compile foreign direct investment equity stocks and reinvested earnings on the basis of the results of foreign direct investment surveys to be collected at least annually (*).

(*) The following unacceptable practices should be abandoned: (i) leaving the choice of the valuation criterion to reporting agents (market values or book values); (ii) the application of a perpetual inventory method/accumulation of BOP flows to compile stocks.'