



2024/2148

7.8.2024

GUIDELINE (EU) 2024/2148 OF THE EUROPEAN CENTRAL BANK

of 23 July 2024

amending Guideline ECB/2011/23 on the statistical reporting requirements of the European Central Bank in the field of external statistics (ECB/2024/21)

THE EXECUTIVE BOARD OF THE EUROPEAN CENTRAL BANK,

Having regard to the Treaty on the Functioning of the European Union,

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 and, 14.3 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 Article 4 thereof,

Whereas:

- (1) In certain cases, a strict application of the standard valuation method for equity stocks in unlisted direct investment companies set out in Annex III to Guideline ECB/2011/23 of the European Central Bank ⁽²⁾ may lead to distortions in the net international investment position of the Member States. In these cases, Member States should be allowed to apply one of the alternative valuation methods set out in the sixth edition of the International Monetary Fund's Balance of Payments and International Investment Position Manual (BPM6) ⁽³⁾.
- (2) These alternative valuation methods were made available to Member States by the adoption of Guideline ECB/2013/25 of the European Central Bank ⁽⁴⁾, but the relevant provisions were erroneously removed by Guideline (EU) 2020/1554 of the European Central Bank (ECB/2020/52) ⁽⁵⁾. It is therefore necessary to reinstate these provisions in Annex III to Guideline ECB/2011/23.
- (3) The changes to Annex III to Guideline ECB/2011/23 are technical amendments which neither change the conceptual provision underlying the data reporting requirements nor affect the reporting burden in Member States. These changes can therefore be made by the simplified amendment procedure specified in Article 7 of Guideline ECB/2011/23.
- (4) Therefore, Guideline ECB/2011/23 should be amended accordingly,

HAS ADOPTED THIS GUIDELINE:

Article 1

Amendments

Annex III to Guideline ECB/2011/23 is amended in accordance with the Annex to this Guideline.

⁽¹⁾ OJ L 318, 27.11.1998, p. 8.

⁽²⁾ Guideline ECB/2011/23 of the European Central Bank of 9 December 2011 on the statistical reporting requirements of the European Central Bank in the field of external statistics (OJ L 65, 3.3.2012, p. 1).

⁽³⁾ Available at: <https://www.imf.org/>.

⁽⁴⁾ 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) (OJ L 247, 18.9.2013, p. 38).

⁽⁵⁾ Guideline (EU) 2020/1554 of the European Central Bank of 14 October 2020 amending Guideline ECB/2011/23 with regard to the frequency of reporting to the European Central Bank on the quality of external statistics (ECB/2020/52) (OJ L 354, 26.10.2020, p. 26).

*Article 2***Taking effect and implementation**

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. The Eurosystem central banks shall comply with this Guideline from 1 September 2024.

*Article 3***Addressees**

This Guideline is addressed to all Eurosystem central banks.

Done at Frankfurt am Main, 23 July 2024.

For the Executive Board of the ECB
The President of the ECB
Christine LAGARDE

ANNEX

Annex III to Guideline ECB/2011/23 is amended as follows:

- (1) Section C, Part 6.1, is replaced by the following:

‘6.1. Foreign direct investment

Foreign 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 (and in particular 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 foreign 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 foreign direct investment is established, all subsequent financial flows/holdings between the related entities are recorded as foreign 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" (as referred to in part 3.2.3 of Section A).

Foreign 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 foreign direct investment relationships can be distinguished as follows:

- (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 foreign 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:

- (i) paid-up capital (excluding own shares and including shares premium accounts);
- (ii) all types of reserves (including investment grants when accounting guidelines consider them as company's reserves);
- (iii) 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.

In order to increase the consistency in the valuation of assets and liabilities where the valuation method provided for above may lead to distortions in the net international investment position of the Member States, equity stocks in unlisted direct investment companies can alternatively be valued by Member States 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:

- 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

- 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
- 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 and international investment position statistical sources and methods" (as described in Annex V).

It is recommended as a best practice that all Member States should start compiling 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.'
-