

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

Switzerland:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Switzerland

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

DIRECT INVESTMENT IN SWITZERLAND

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data (the most timely) are compiled by the Swiss National Bank (SNB) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 3 months after the end of the reference period in the SNB's *Monthly Statistical Bulletin* (Tables Q3, and S) and the quarterly bulletin *Swiss Balance of Payments*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the IMF, but not the OECD, for publication.

More comprehensive annual (calendar year) data are compiled by the SNB within the balance of payments framework on (i) reinvested earnings, (ii) equity capital, and (iii) other capital, only. These data are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Tables Q3, and S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the SNB website specified above. The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data on (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest) for the previous quarter are revised to take account of revised source data and late reporters and are disseminated quarterly together with the preliminary data for the latest quarter. At this time the quarterly data for these two components are considered to be final, that is, 3 months after their first release. The quarterly data for the remaining three components (i) reinvested earnings, (ii) equity capital, and (iii) other capital, are revised to take account of additional information obtained from the annual survey and become final at the same time as the annual data, that is, between 22 and 31 months after their first release.

The annual data for the previous year are revised twice a year to take account of more comprehensive survey results and late reporters and are disseminated twice a year together with the preliminary data for the latest year. At this time the annual data are considered to be final, that is, 16 months after their first release.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are revised as far back as relevant in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data reported to the IMF.

There are differences in the sectoral coverage between the data disseminated in the national publications and reported to the OECD and Eurostat, and those reported to the IMF for publication, as the former do not include data on purchases and sales of land and buildings in Switzerland by nonresident s.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

All components of the quarterly data (the most timely) except reinvested earnings are compiled primarily from quarterly enterprise surveys of resident enterprises. Press reports are used as a secondary data source for the quarterly data on equity capital and other capital. The quarterly data on reinvested earnings are estimates based on the developments in the national and foreign GDP, the developments in the direct investment position data, and the annual data on reinvested earnings for the latest available year.

The more comprehensive annual data on reinvested earnings, equity capital, and other capital are compiled from an annual enterprise survey of resident enterprises.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment transactions data. The register is maintained by the SNB and is updated on an ongoing basis using information from (i) registers maintained by the government licensing and regulatory authorities, the corporate affairs authorities, industry associations, and other departments within the SNB, (ii) the financial press, (iii) compulsory direct investment surveys, and (iv) nonresident sources, namely, private mergers and acquisitions (M&A) databases. The same business register is used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the SNB. These data are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the OECD and Eurostat for publication. The data cover 16 countries and bilateral data are used to cross-check the data. Data showing breakdowns by country for the direct investment income data are not compiled.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows into Switzerland during 2002 (ranked in descending order) were: the United Kingdom, the United States, France, Italy, and Canada.

In addition to the data showing country breakdowns, annual data are compiled by the SNB showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all other major economic zones indicated in the Eurostat geographic nomenclature. (A list of all the breakdowns by regions/economic zones is available on request.) Data showing most of these regions/economic zones are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the SNB website specified above. The data are also reported to the OECD and Eurostat for publication. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate inward data on direct investment financial flows reported to the IMF for publication, as the former do not include data on purchases and sales of land and buildings in Switzerland by nonresidents.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the SNB and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the SNB's *Monthly Statistical Bulletin* (Table S) and in the quarterly publication, *Swiss Balance of Payments*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are not reported to either the OECD or Eurostat. Quarterly data showing breakdowns by industrial activity for the direct investment income data are compiled by the SNB, but are not disseminated, but are available on request, subject to confidentiality constraints. The data are not reported to either the OECD or Eurostat. In addition, annual data showing breakdowns by industrial activity for both the direct investment income and the direct investment financial flows are compiled by the SNB. These data are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the SNB website specified above. The data are also reported to the OECD and Eurostat for publication.

The annual data show a breakdown for 10 industrial activities. (The breakdowns for the quarterly data are very broad, showing only three activities, namely, manufacturing, services, and finance and holding companies.) The classification used is the second digit level of the Swiss classification system *ASWZ 1985*, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). There are plans to move to the new Swiss classification (*NOGA 2002*), which corresponds to NACE, in the future.

Both the data on direct investment income and the data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment income from investment in Switzerland during 2002 (in descending order) were: (i) finance and holding companies, (ii) banks, (iii) electronics, energy, optical and watchmaking industries, (iv) trade, and (v) metals and machinery. The five industrial activities with the largest amount of direct investment financial flows into Switzerland during 2002 (in descending order) were: (i) finance and holding companies, (ii) trade, (iii) other services, (iv) electronics, energy, optical and watchmaking industries, and (v) metals and machinery.

Annual data are compiled by the SNB showing a breakdown by both industrial activity and region/economic zone for the direct investment financial flows data and are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S), which is also available on the SNB website specified above. However, the sectoral breakdown is very broad, showing only manufacturing, services etc. Data showing a breakdown by both industrial activity and region/economic zone for the direct investment income data are not compiled.

Data are compiled by the SNB showing a breakdown by both industrial activity and main partner country for the direct investment financial flows data. These data are not disseminated and are not available on request. Data showing a breakdown by both industrial activity and main partner country for the direct investment income data are not compiled.

There are differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate inward data on direct investment income and direct investment financial flows reported to the IMF for publication, as the former do not include data on purchases and sales of land and buildings in Switzerland by nonresidents.

B. Methodology

Definition of Direct Investment Enterprises in Switzerland

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Switzerland is 10 percent ownership by a nonresident investor. In accordance with the international standards, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective

voice in management are included in the data. Contrary to the international standards, the data also include banks in which the nonresident investor owns less than 10 percent but has an effective voice in management, as in the banking sector all associates of direct investment enterprises listed in the balance sheet of the direct investment enterprise that have permanent participation are considered to be direct investment enterprises, not just those that are covered by the Fully Consolidated System (FCS). In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. A value threshold is used to identify resident direct investment enterprises, in that responding to the direct investment surveys is voluntary for those enterprises that have investment positions of less than SF 10 million and quarterly investment transactions of less than SF 1 million. Unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is partially applied. In accordance with the FCS, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include equity and other capital transactions made directly between resident enterprises of a related group and nonresident enterprises of the same group. However, the data do not include all transactions made directly between those enterprises that share a common direct investor but have no ownership in each other, only those transactions between enterprises that share a common direct investor that is resident in Switzerland. (If the common direct investor is located abroad, the transactions between the enterprises that share a common direct investor are not included.) Furthermore, the definition of the related group is not consistent with that used in the FCS, as it covers only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor and includes associates of banks that are excluded from the FCS definition.

Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) interest receivable/payable is included, and (iii) debt repayments receivable/payable are excluded. Contrary to the COPC, survey respondents are not asked to exclude realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. In accordance with the international standards, most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable. However, contrary to the international standards, some dividends and distributed branch profits are recorded on the date they are paid, rather than the date they are declared payable.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security

dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data are recorded using a mixture of a paid basis and an accrual basis, rather than solely on an accrual basis.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital, rather than under other capital, and (ii) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are classified under equity capital rather than other capital. (Permanent debt is defined as "Darlehen mit Eigenkapitalcharakter", subordinated loans.)

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under equity capital, and (ii) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified under equity capital.

Instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are treated as "Direct Investment Abroad: Equity Capital: Increase in

Claims on Affiliated Enterprises". Contrary to the international standards, loan transactions are recorded as "Direct Investment in Switzerland: Other Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, rather than being recorded as "Direct Investment in Switzerland: Equity Capital: Increase in Claims on Direct Investors", equity transactions are not included in the balance of payments statistics as the data sources do not collect such transactions. In accordance with the international standards, loan transactions are recorded as "Direct Investment in Switzerland: Other Capital: Increase in Claims on Direct Investors", and are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Switzerland by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as the activities of quasi-corporations cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established in Switzerland by nonresidents are included in the direct investment data. (Prior to 2003, these activities were not included in the direct investment data.)

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Switzerland by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Switzerland by nonresidents that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. However, it is not always possible to distinguish between SPEs that have the primary purpose of financial intermediation and other kinds of SPEs.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data reported to the IMF include purchases and sales of land and buildings in Switzerland by nonresident enterprises. Contrary to the international standards, the data do not include purchases and sales of land and buildings in Switzerland by nonresident individuals. (The data disseminated in the national publications and reported to the OECD and Eurostat do not include data on purchases and sales of land and buildings in Switzerland by nonresidents.) Land and buildings purchased in Switzerland by nonresident enterprises on long-term leases are not included.

Treatment of Natural Resources Exploration

Not applicable. Expenditure related to natural resources exploration in Switzerland by nonresidents has not occurred to date.

Exchange Rate Conversion

All transactions except reinvested earnings are primarily converted to the unit of account at the average exchange rate for the period, with some being converted to the unit of account at the exchange rate prevailing on the day of the transaction. All reinvested earnings transactions are converted to the unit of account at the average exchange rate for the period.

DIRECT INVESTMENT IN SWITZERLAND

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Swiss National Bank (SNB) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 3 months after the end of the reference period in the SNB's *Monthly Statistical Bulletin* (Table R), which is also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the IMF for publication.

More comprehensive annual (calendar year) data are compiled by the SNB within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Tables R and S), and in the SNB's annual publication *Swiss Direct Investment*, which are also available on the SNB website specified above. The data are also reported to the IMF and the OECD for publication.

There are plans to reduce the time lag in dissemination of the more comprehensive annual data from 12 months to 9 months in the future.

Revision Practices

The data are preliminary when first released. The quarterly data for the previous quarter are revised to take account of revised source data and late reporters and are disseminated quarterly together with the preliminary data for the latest quarter. The quarterly data are revised again to take account of additional information obtained from the annual survey and become final at the same time as the annual data, that is, between 22 and 31 months after their first release.

The annual data for the previous year are revised once a year to take account of more comprehensive survey results and late reporters and are disseminated once a year together with the preliminary data for the latest year. At this time the annual data are considered to be final, that is, 12 months after their first release.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are revised as far back as relevant in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data reported to the IMF.

There are differences in the sectoral coverage between the data disseminated in the national publications and reported to the OECD and Eurostat, and those reported to the IMF for publication, as the former do not include data on the ownership of land and buildings in Switzerland by nonresidents.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

The equity capital and other capital components of the quarterly data (the most timely) are compiled primarily from quarterly enterprise surveys of resident enterprises, with press reports being used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is used for the quarterly data on reinvested earnings. Specifically, the quarterly data are compiled by adding the quarterly transactions for the current applicable period to the outstanding position data obtained from the latest annual enterprise survey. Adjustments are made to the transactions data for exchange rate changes and other nontransaction changes, but not for price changes.

The more comprehensive annual data on reinvested earnings, equity capital, and other capital are compiled from an annual enterprise survey of resident enterprises.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the inward direct investment position data. The register is maintained by the SNB and is updated on an ongoing basis using information from (i) registers maintained by the government licensing and regulatory authorities, the corporate affairs authorities, industry associations, and other departments within the SNB, (ii) the financial press, (iii) compulsory direct investment surveys, and (iv) nonresident sources, namely private mergers and acquisitions (M&A) databases. The same business register is used to compile the inward direct investment transactions and position data, and the outward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the inward direct investment position data are compiled by the SNB. These data are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S) and in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the OECD and Eurostat for publication. The data cover 16 countries and bilateral data are used to cross-check the data.

In accordance with the international standards, the data are compiled on an immediate country basis. The five countries with the largest amount of direct investment in Switzerland as at the end of 2002 (ranked in descending order) were: the United States, the Netherlands, Germany, France, and Luxembourg.

In addition to the data showing country breakdowns, annual data are compiled by the SNB showing breakdowns of the inward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all other major economic zones indicated in the Eurostat geographic nomenclature. (A list of all the breakdowns by regions/economic zones is available on request.) Data showing most of these regions/economic zones are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S), and in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*, which are also available on the SNB website specified above. The data are also reported to the OECD and Eurostat for publication.

There are differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate inward position data reported to the IMF for publication, as the former do not include data on the ownership of land and buildings in Switzerland by nonresidents.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the SNB. These data are not disseminated and are not available on request. The data are not reported to the OECD or Eurostat for publication. In addition, annual data showing breakdowns by industrial activity for the inward direct investment position data are compiled by the SNB and are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S) and in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly*

Statistical Bulletin, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The annual data are also reported to the OECD and Eurostat for publication. The data show a breakdown for 10 industrial activities. The classification used is the second digit level of the Swiss classification system *ASWZ 1985*, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). There are plans to move to the new Swiss classification (*NOGA 2002*), which corresponds to NACE, in the future.

The inward direct investment position data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in Switzerland as at the end of 2002 (in descending order) were: (i) finance and holding companies, (ii) banks, (iii) trade, (iv) chemicals and plastics, and (v) electronics, energy, optical and watchmaking industries.

Annual data are compiled by the SNB showing a breakdown by both industrial activity and region/economic zone for the inward direct investment position data and are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S), which is also available on the SNB website specified above. However, the sectoral breakdown is very broad, showing only manufacturing, services etc.

Data are compiled by the SNB showing a breakdown by both industrial activity and main partner country for the inward direct investment position data. These data are not disseminated and are not available on request.

There are differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate inward position data reported to the IMF for publication, as the former do not include ownership of land and buildings in Switzerland by nonresidents.

B. Methodology

Definition of Direct Investment Enterprises in Switzerland

In accordance with the international standards, the basic criterion for defining direct investment enterprises in Switzerland is 10 percent ownership by a nonresident investor. In accordance with the international standards, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, the data also include banks in which the nonresident investor owns less than 10 percent but has an effective voice in management, as in the banking sector all associates of direct investment enterprises listed in the balance sheet of the direct investment enterprise that have permanent participation are considered to be direct investment enterprises, not just those that are covered by the Fully Consolidated System (FCS). In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. A value threshold is used to identify resident direct investment enterprises, in that responding to the direct investment surveys is voluntary for those enterprises that have investment positions of less than SF 10 million and quarterly investment transactions of less than SF 1 million. Unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is partially applied. In accordance with the FCS, the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) equity capital and other capital positions held directly by resident enterprises of a related group with nonresident enterprises of the same group. However, the data do not include all positions held directly between those enterprises that share a common direct investor but have no ownership in each other, only those positions between enterprises that share a common direct investor that is resident in Switzerland. (If the common direct investor is located abroad, the positions between the enterprises that share a common direct investor are not included.) Furthermore, the definition of the related group is not consistent with that used in the FCS, as it covers only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor and includes associates of banks that are excluded from the FCS definition.

Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital, rather than under other capital, and (ii) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are classified under equity capital rather than other capital. (Permanent debt is defined as “Darlehen mit Eigenkapitalcharakter”, subordinated loans.)

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in Switzerland.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under equity capital, and (ii) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified under equity capital.

Instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as “Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises”. Contrary to the international standards, loan positions are recorded as “Liabilities: Direct Investment in Switzerland: Other Capital: Claims on Direct Investors”, rather than as “Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises”.

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, rather than being recorded as “Liabilities: Direct Investment in Switzerland: Equity Capital: Claims on Direct Investors”, equity positions are excluded from the international investment position statistics as the data sources do not collect such positions. In accordance with the international standards, loan positions are recorded as “Liabilities: Direct Investment in Switzerland: Other Capital: Claims on Direct Investors”, and are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in Switzerland by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as the activities of quasi-corporations cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established in Switzerland by nonresidents are included in the direct investment data. (Prior to 2003, these activities were not included in the direct investment data.)

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established in Switzerland by nonresidents are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established in Switzerland by nonresidents that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. However, it is not always possible to distinguish between SPEs that have the primary purpose of financial intermediation and other kinds of SPEs.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data reported to the IMF include the ownership of land and buildings in Switzerland by nonresident enterprises. Contrary to the international standards, the data do not include the ownership of land and buildings in Switzerland by nonresident individuals. (The data disseminated in the national publications and reported to the OECD and Eurostat do not include data on the ownership of land and buildings in Switzerland by nonresidents.) Land and buildings owned in Switzerland by nonresident enterprises on long-term leases are not included.

Treatment of Natural Resources Exploration

Not applicable. Expenditure related to natural resources exploration in Switzerland by nonresidents has not occurred to date.

Valuation of Assets and Liabilities

The data on equity capital for both listed and unlisted enterprises and the data on other capital are recorded primarily at book values, although some are recorded at market values. The type of book value used is not known, as the reporting enterprises are not asked to specify the valuation being used.

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

Exchange Rate Conversion

Most positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. However, some positions are converted to the unit of account at the exchange rate prevailing on the date the stocks were acquired.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data (the most timely) are compiled by the Swiss National Bank (SNB) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. These data are disseminated with a timeliness of 3 months after the end of the reference period in the SNB's *Monthly Statistical Bulletin* (Tables Q3, and S) and the quarterly bulletin *Swiss Balance of Payments*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the IMF, but not the OECD, for publication.

More comprehensive annual (calendar year) data are compiled by the SNB within the balance of payments framework on (i) reinvested earnings, (ii) equity capital, and (iii) other capital, only. These data are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Tables Q3, and S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the SNB website specified above. The data are also reported to the IMF and the OECD for publication.

Revision Practices

The data are preliminary when first released. The quarterly data on (i) income on equity (dividends and distributed branch profits), and (ii) income on debt (interest) for the previous quarter are revised to take account of revised source data and late reporters and are disseminated quarterly together with the preliminary data for the latest quarter. At this time the quarterly data for these two components are considered to be final, that is, 3 months after their first release. The quarterly data for the remaining three components (i) reinvested earnings, (ii) equity capital, and (iii) other capital, are revised to take account of additional information obtained from the annual survey and become final at the same time as the annual data, that is, between 22 and 31 months after their first release.

The annual data for the previous year are revised twice a year to take account of more comprehensive survey results and late reporters and are disseminated twice a year together with the preliminary data for the latest year. At this time the annual data are considered to be final, that is, 16 months after their first release.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are revised as far back as relevant in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data reported to the IMF.

There are no differences in the sectoral coverage between the data disseminated in the national publications and reported to the OECD, and those reported to the IMF for publication.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

All components of the quarterly data (the most timely) except reinvested earnings are compiled primarily from quarterly enterprise surveys of direct investors resident in Switzerland. Press reports are used as a secondary data source for the quarterly data on equity capital and other capital. The quarterly data on reinvested earnings are estimates based on the developments in the national and foreign GDP, the developments in the direct investment position data, and the annual data on reinvested earnings for the latest available year.

The more comprehensive annual data on reinvested earnings, equity capital, and other capital are compiled from an annual enterprise survey of direct investors resident in Switzerland.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment transactions data. The register is maintained by the SNB and is updated on an ongoing basis using information from (i) registers maintained by the government licensing and regulatory authorities, the corporate affairs authorities, industry associations, and other departments within the SNB, (ii) the financial press, (iii) compulsory direct investment surveys, and (iv) nonresident sources, namely, private mergers and acquisitions (M&A) databases. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the direct investment financial flows data are compiled by the SNB. These data are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the OECD and Eurostat for publication. The data cover 59 countries and bilateral data are used to cross-check the data. Data showing breakdowns by country for the direct investment income data are not compiled.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows from Switzerland during 2002 (ranked in descending order) were: Sweden, the United States, Belgium, the Netherlands, and Slovenia.

In addition to the data showing country breakdowns, annual data are compiled by the SNB showing breakdowns of the direct investment financial flows for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all other major economic zones indicated in the Eurostat geographic nomenclature. (A list of all the breakdowns by regions/economic zones is available on request.) Data showing most of these regions/economic zones are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the SNB website specified above. The data are also reported to the OECD and Eurostat for publication. Data showing breakdowns by regions/economic zones for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication and the aggregate outward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for direct investment financial flows are compiled by the SNB and are disseminated quarterly with a timeliness of 3 months after the end of the reference period in the SNB's *Monthly Statistical Bulletin* (Table S) and in the quarterly publication, *Swiss Balance of Payments*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are not reported to either the OECD or Eurostat. Quarterly data showing breakdowns by industrial activity for the direct investment income data are compiled by the SNB, but are not disseminated, but are available on request, subject to confidentiality constraints. The data are not reported to either the OECD or Eurostat.

In addition, annual data showing breakdowns by industrial activity for both the direct investment income and the direct investment financial flows are compiled by the SNB. These data are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S). In addition, 8 months after the end of the reference year, the data are also disseminated in the SNB's annual publication, *Swiss Balance of Payments*, and 12 months after the end of the reference year in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*. All publications are also available on the SNB website specified above. The data are also reported to the OECD and Eurostat for publication.

The annual data show a breakdown for 11 industrial activities. (The breakdowns for the quarterly data are very broad, showing only three activities, namely, manufacturing, services, and financial and holding companies.) The classification used is the second digit level of the Swiss classification system *ASWZ 1985*, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). There are plans to move to the new Swiss classification (*NOGA 2002*), which corresponds to NACE, in the future.

Both the data on direct investment income and the data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment income from investment abroad by residents of Switzerland during 2002 (in descending order) were: (i) finance and holding companies, (ii) other manufacturing and construction, (iii) electronics, energy, optical and watchmaking industries, (iv) chemical and plastics, and (v) trade. The five industrial activities with the largest amount of direct investment financial flows from Switzerland during 2002 (in descending order) were: (i) other manufacturing and construction, (ii) chemicals and plastics, (iii) finance and holding companies, (iv) electronics, energy, optical and watchmaking industries, and (v) trade.

Annual data are compiled by the SNB showing a breakdown by both industrial activity and region/economic zone for the direct investment financial flows data and are disseminated twice a year with a timeliness of 8-12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S), which is also available on the SNB website specified above.. However, the sectoral breakdown is very broad, showing only manufacturing, services etc. Data showing a breakdown by both industrial activity and region/economic zone for the direct investment income data are not compiled.

Data are compiled by the SNB showing a breakdown by both industrial activity and main partner country for the direct investment financial flows data. These data are not disseminated and are not available on request. Data showing a breakdown by both industrial activity and main partner country for the direct investment income data are not compiled.

There are no differences in the data coverage, sources, etc. between the outward transactions data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate outward data on direct investment income and direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad. In accordance with the international standards, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, the data also include banks abroad in which the resident investor owns less than 10 percent but has an effective voice in management, as in the banking sector all associates of direct investors listed in the balance sheet of the direct investors that have permanent participation are considered to be direct investment enterprises abroad, not just those that are covered by the Fully Consolidated System (FCS). In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. A value threshold is used to identify resident direct investors, in that responding to the direct investment surveys is voluntary for those direct investors that have investment positions of less than SF 10 million and quarterly investment transactions of less than SF 1 million. Unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is partially applied. In accordance with the FCS, (i) the direct investment earnings data include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data include equity and other capital transactions made directly between resident enterprises of a related group and nonresident enterprises of the same group. However, the data do not include all transactions made directly between those enterprises that share a common direct investor but have no ownership in each other, only those transactions between enterprises that share a common direct investor that is resident in Switzerland. (If the common direct investor is located abroad, the transactions between the enterprises that share a common direct investor are not included.) Furthermore, the definition of the related group is not consistent with that used in the FCS, as it covers only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor, and includes associates of banks that are excluded from the FCS definition.

Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) interest receivable/payable is included, and (iii) debt repayments receivable/payable are excluded. Contrary to the COPC, survey respondents are not asked to exclude realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits are recorded gross of any withholding taxes, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. In accordance with the international standards, most dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable. However, contrary to the international standards, some dividends and distributed branch profits are recorded on the date they are paid, rather than the date they are declared payable.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data are recorded using a mixture of a paid basis and an accrual basis, rather than solely on an accrual basis..

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital, rather than under other capital, and (ii) the data include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are classified under equity capital rather than other capital. (Permanent debt is defined as "Darlehen mit Eigenkapitalcharakter", subordinated loans.)

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under equity capital. and (ii) the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified under equity capital.

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are treated as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises". Contrary to the international standards, loan transactions are recorded as "Direct Investment in Switzerland: Other Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, rather than being recorded as "Direct Investment in Switzerland: Equity Capital: Increase in Claims on Direct Investors", equity transactions are not included in the balance of payments statistics as the data sources do not collect such transactions. In accordance with the international standards, loan transactions are recorded as "Direct Investment in Switzerland: Other Capital: Increase in Claims on Direct Investors", and are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of Switzerland of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as the activities of quasi-corporations cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Switzerland are included in the direct investment data. (Prior to 2003, these activities were not included in the direct investment data.)

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Switzerland are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Switzerland that have the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. However, it is not always possible to distinguish between SPEs that have the primary purpose of financial intermediation and other kinds of SPEs.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data reported to the IMF include purchases and sales of land and buildings abroad by enterprises resident in Switzerland. Contrary to the international standards, the equity capital data do not include the purchases and sales of land and buildings abroad by individuals resident in Switzerland. Land and buildings purchased abroad by enterprises resident in Switzerland on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Switzerland is included in the equity capital data. Contrary to the international standards, expenditure on bonus payments made by residents of Switzerland to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise

established abroad by residents of Switzerland for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions except reinvested earnings are primarily converted to the unit of account at the average exchange rate for the period, with some being converted to the unit of account at the exchange rate prevailing on the day of the transaction. All reinvested earnings transactions are converted to the unit of account at the average exchange rate for the period .

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Swiss National Bank (SNB) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 3 months after the end of the reference period in the SNB's *Monthly Statistical Bulletin* (Table R), which is also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the IMF for publication.

More comprehensive annual (calendar year) data are compiled by the SNB within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Tables R and S), and in the SNB's annual publication *Swiss Direct Investment*, which are also available on the SNB website specified above. The data are also reported to the IMF and the OECD for publication.

There are plans to reduce the time lag in dissemination of the more comprehensive annual data from 12 months to 9 months in the future.

Revision Practices

The data are preliminary when first released. The quarterly data for the previous quarter are revised to take account of revised source data and late reporters and are disseminated quarterly together with the preliminary data for the latest quarter. The quarterly data are revised again to take account of additional information obtained from the annual survey and become final at the same time as the annual data, that is, between 22 and 31 months after their first release.

The annual data for the previous year are revised once a year to take account of more comprehensive survey results and late reporters and are disseminated once a year together with the preliminary data for the latest year. At this time the annual data are considered to be final, that is, 12 months after their first release.

The revised status of the data is clearly identified in the disseminated data, and the general public are informed of the reasons for the revisions. The historical data are revised as far back as relevant in instances of major changes in methodology or data collection systems.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF and the OECD for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data reported to the IMF.

There are no differences in the sectoral coverage between the data disseminated in the national publications and reported to the OECD, and those reported to the IMF for publication.

Data Collection Method

The data are collected on an aggregate basis and the reporting requirements are compulsory.

Data Sources

The equity capital and other capital components of the quarterly data (the most timely) are compiled primarily from quarterly enterprise surveys of direct investors resident in Switzerland, with press reports being used as a secondary data source. The perpetual inventory method (a method for deriving position data from transactions data) is used for the quarterly data on reinvested earnings. Specifically, the quarterly data are compiled by adding the quarterly transactions for the current applicable period to the outstanding position data obtained from the latest annual enterprise survey. Adjustments are made to the transactions data for exchange rate changes and other nontransaction changes, but not for price changes.

The more comprehensive annual data on reinvested earnings, equity capital, and other capital are compiled from an annual enterprise survey of direct investors resident in Switzerland.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF and OECD for publication.

A business register of enterprises involved in direct investment is used to compile the outward direct investment position data. The register is maintained by the SNB and is updated on an ongoing basis using information from (i) registers maintained by the government licensing and regulatory authorities, the corporate affairs authorities, industry associations, and other departments within the SNB, (ii) the financial press, (iii) compulsory direct investment surveys, and (iv) nonresident sources, namely private mergers and acquisitions (M&A) databases. The same business register is used to compile the outward direct investment transactions and position data, and the inward direct investment transactions and position data.

Geographic Classification

Annual data showing breakdowns by country for the outward direct investment position data are compiled by the SNB. These data are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S) and in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the OECD and Eurostat for publication. The data cover 16 countries and bilateral data are used to cross-check the data. The data cover 59 countries and bilateral data are used to cross-check the data.

Contrary to the international standards, the data are in theory compiled on an "ultimate country" basis, rather than on an "immediate country" basis. However, in practice, the data are compiled using a mixture of the ultimate country basis and the immediate country basis, as not all enterprises are able to report data on an ultimate country basis. The five countries with the largest amount of direct investment from Switzerland as at the end of 2002 (ranked in descending order) were: the United States, the United Kingdom, Bermuda, Germany, and France.

In addition to the data showing country breakdowns, annual data are compiled by the SNB showing breakdowns of the outward direct investment position data for the following regions/economic zones: (i) the EU15, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) the ASEAN countries, (vii) the OPEC countries, and (viii) all other major economic zones indicated in the Eurostat geographic nomenclature. (A list of all the breakdowns by regions/economic zones is available on request.) Data showing most of these regions/economic zones are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S), and in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*, which are also available on the SNB website specified above. The data are also reported to the OECD and Eurostat for publication.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate outward data reported to the IMF for publication.

Industrial Classification

Quarterly data showing breakdowns by industrial activity for the outward direct investment position data are compiled by the SNB. These data are not disseminated, and are not available on request. The data are not reported to the OECD or Eurostat for publication. In addition, annual data showing breakdowns by industrial

activity for the outward direct investment position data are compiled by the SNB and are disseminated once a year with a timeliness of 12 months after the end of the reference year in the SNB's *Monthly Statistical Bulletin* (Table S) and in the SNB's annual publication, *Swiss Direct Investment*, a supplement to the SNB's *Monthly Statistical Bulletin*, which are also available on the following SNB website <http://www.snb.ch/e/publikationen/publi.html>. The data are also reported to the OECD and Eurostat for publication. The annual data show a breakdown for 11 industrial activities. The classification used is the second digit level of the Swiss classification system *ASWZ 1985*, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). There are plans to move to the new Swiss classification (*NOGA 2002*), which corresponds to NACE, in the future.

The outward direct investment position data are classified on the basis of the industrial activity of the resident direct investors. The five industrial activities with the largest amount of direct investment from Switzerland as at the end of 2002 (in descending order) were: (i) finance and holding companies, (ii) insurance, (iii) chemicals and plastics, (iv) banks, and (v) other manufacturing and construction.

Annual data are compiled by the SNB showing a breakdown by both industrial activity and region/economic zone for the outward direct investment position data and are disseminated in the SNB's *Monthly Statistical Bulletin* (Table S), which is also available on the SNB website specified above. However, the sectoral breakdown is very broad, showing only manufacturing, services etc.

Data are compiled by the SNB showing a breakdown by both industrial activity and main partner country for the outward direct investment position data. These data are not disseminated and are not available on request.

There are no differences in the data coverage, sources, etc. between the outward position data showing industrial activity breakdowns disseminated in the national publications and reported to the OECD and Eurostat for publication, and the aggregate outward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad. In accordance with the international standards, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included in the data. Contrary to the international standards, the data also include banks abroad in which the resident investor owns less than 10 percent but has an effective voice in management, as in the banking sector all associates of direct investors listed in the balance sheet of the direct investors that have permanent participation are considered to be direct investment enterprises abroad, not just those that are covered by the Fully Consolidated System (FCS). In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. A value threshold is used to identify resident direct investors, in that responding to the direct investment surveys is voluntary for those direct investors that have investment positions of less than SF 10 million and quarterly investment transactions of less than SF 1 million. Unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The "Fully Consolidated System" (FCS) recommended in the international standards is partially applied. In accordance with the FCS, the data include (i) the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises, and (ii) equity capital and other capital positions held directly by resident enterprises of a related group with nonresident enterprises of the same group. However, the data do not include all positions held directly between those enterprises that share a common direct investor but have no ownership in each other, only those positions between enterprises that share a common direct investor that is resident in Switzerland. (If the common direct investor is located abroad, the positions between the enterprises that share a common direct investor are not included.) Furthermore, the definition of the related group is not consistent with that used in the FCS, as it covers only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor and includes associates of banks that are excluded from the FCS definition.

Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, but are not required by law to identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data include non-participating preference shares, which are classified under equity capital, rather than under other capital, and (ii) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are classified under equity capital rather than other capital. (Permanent debt is defined as "Darlehen mit Eigenkapitalcharakter", subordinated loans.)

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings are recorded in the period in which they are earned, (ii) the data include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks, and (iv) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data do not include non-participating preference shares, which are instead classified under equity capital, and (ii) the data do not include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries, which are instead classified under equity capital.

Instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise cannot be identified from the present data sources.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in all instances.

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises". Contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in Switzerland: Other Capital: Claims on Direct Investors", rather than as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of Switzerland and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, rather than being recorded as “Liabilities: Direct Investment in Switzerland: Equity Capital: Claims on Direct Investors”, equity positions are excluded from the international investment position statistics as the data sources do not collect such positions. In accordance with the international standards, loan positions are recorded as “Liabilities: Direct Investment in Switzerland: Other Capital: Claims on Direct Investors”, and are reported as such to the IMF.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of Switzerland of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs, as the activities of quasi-corporations cannot be identified from the present data sources.

Treatment of Offshore Enterprises

In accordance with the international standards, activities of offshore enterprises established abroad by residents of Switzerland are included in the direct investment data. (Prior to 2003, these activities were not included in the direct investment data.)

Treatment of Special Purpose Entities (SPEs)

In accordance with the international standards, (i) activities of SPEs established abroad by residents of Switzerland are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of Switzerland that have the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries are excluded from the data, except those involving equity capital and permanent debt. However, it is not always possible to distinguish between SPEs that have the primary purpose of financial intermediation and other kinds of SPEs.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data reported to the IMF include the ownership of land and buildings abroad by enterprises resident in Switzerland. Contrary to the international standards, the equity capital data do not include the ownership of land and buildings abroad by individuals resident in Switzerland. Land and buildings owned abroad by enterprises resident in Switzerland on long-term leases are not included.

Treatment of Natural Resources Exploration

In accordance with the international standards, expenditure related to natural resources exploration abroad by residents of Switzerland is included in the equity capital data. Contrary to the international standards, (i) expenditure on bonus payments made by residents of Switzerland to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (ii) in instances of the shutdown of a direct investment enterprise established abroad by residents of Switzerland for natural resource exploration, no adjustment to reflect that shutdown is made to the assets data on direct investment equity capital in the international investment position statistics, as this information is not available from the present data sources.

Valuation of Assets and Liabilities

The data on equity capital for both listed and unlisted enterprises and the data on other capital are recorded primarily at book values, although some are recorded at market values. The type of book value used is not known, as the reporting enterprises are not asked to specify the valuation being used.

The book values used are those shown in the accounting records of the nonresident direct investment enterprises, rather than the resident direct investors.

Exchange Rate Conversion

Most positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate. However, some positions are converted to the unit of account at the exchange rate prevailing on the date the stocks were acquired.