

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.

Russian Federation:

Direct Investment Compilation Practices, Data Sources and Methodology

Ms. Lydia Troshina
Deputy Director
Balance of Payments Department
Central Bank of the Russian Federation
Ul. Neginnaya 12, 107016
Moscow
Russian Federation

Telephone: (7-095) 771-4570
Fax: (7-095) 771-4460
E-mail: bop@mail.cbr.ru

Direct Investment in the Russian Federation

- **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 THE RUSSIAN FEDERATION
BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Central Bank of Russia (CBR) 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 4 months after the end of the reference period in the CBR's *Vestnick Banka Rossii*, which is also available on the following CBR website http://www.cbr.ru/statistics/credit_statistics. The data are also reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current year are revised every quarter for the previous three quarters to take account of changes in the reported data, changes in the methodology, the introduction of new data sources etc. The revised data are disseminated quarterly, together with the preliminary data for the latest quarter. The data are considered to be final one year after their first release.

The general public are informed of the reasons for the revisions and the revised status of the data is clearly identified in the disseminated data. The historical data are revised as far back as possible in instances of major changes in methodology. However, the historical data are not revised in instances of changes to the 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 for publication.

Data Coverage

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

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication. However, in the national publications the data are divided into two sectors, namely, banks, and nonfinancial enterprises.

Data Collection Method

The data are collected using a mixture of an individual transactions basis and an aggregate basis—most of the data are collected on an aggregate basis, but data on financial credits are collected on an individual transactions basis. The reporting requirements are compulsory.

Data Sources

The data for all components are compiled primarily from enterprise surveys (monthly reports to the CBR from some banks and quarterly reports to the CBR from the remaining banks, quarterly surveys of nonfinancial direct investment enterprises conducted by the Federal Service for State Statistics [formerly known as Goskmostat – the State Committee on Statistics]), and direct reporting to the CBR by enterprises of cash transactions made through their foreign bank accounts. In addition, (i) information obtained from the exchange control authority's international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, is used as a primary data source for the data on dividends and distributed branch profits, income on debt (interest), and other capital, and (ii) information on privatizations provided by the Russian Fund of Federal Property is used as a primary data source for the data on equity capital and other capital. The ITRS is also used as a secondary data source for the data for all components.

Published sources, such as the company accounts of resident direct investment enterprises, are used as a secondary data source for the data on dividends and reinvested earnings. A commercial database is also used as a secondary data source for the data on dividends. Bilateral data from Belarus and Kazakhstan are used as a secondary data source for the data on equity capital and other capital, and as a supplementary data source for the data on reinvested earnings. Press reports are used as a means of checking the accuracy of the data reported by the enterprises. Custodian reports are also used to cross-check the data on a security-by-security basis.

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

Business registers of enterprises involved in direct investment are used to compile the inward direct investment transactions data. A register of banks is maintained by the CBR, and registers of direct investment enterprises in the nonfinancial sectors are maintained by the Federal Service for State Statistics. The registers are updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) registers maintained by the government licensing and regulatory authorities, (iv) registers maintained by other departments within the statistical agencies, and (v) the financial press. 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

No breakdowns by country are compiled for the direct investment income and direct investment financial flows data compiled by the CBR or for the total aggregate data on direct investment included in the balance of payments statistics. However, the Federal Service for State Statistics compiles quarterly data showing breakdowns by country for the direct investment income and direct investment financial flows data that cover the gross inflows for nonfinancial enterprises only, and exclude instances of disinvestment. The data on direct investment financial flows are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxx03R.1>. The data on direct investment income are not disseminated, and are not available on request. The data cover 21 countries and bilateral information is not used in the compilation of the data.

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 the Russian Federation during the first quarter of 2004 (ranked in descending order) were: the Netherlands, Germany, Cyprus, Switzerland, and the United States.

Quarterly data showing breakdowns by region/economic zone for direct investment income and direct investment financial flows are compiled by the CBR for (i) the CIS countries, and (ii) non-CIS countries (The "Far Abroad"). These data are disseminated with a timeliness of 4 months after the end of the reference period in the CBR's *Vestnik Banka Rossii*, which is also available on the following CBR website http://www.cbr.ru/statistics/credit_statistics. Bilateral information from Belarus and Kazakhstan is used in the compilation of the data.

The coverage of the data showing country breakdowns disseminated by the Federal Service for State Statistics differs from that used to compile the aggregate data on direct investment income and direct investment financial flows reported by the CBR to the IMF for publication, as the former cover only the gross inflows of the nonfinancial enterprises, and exclude disinvestments of the nonfinancial enterprises, and the direct investment transactions of the banking sector. However, there are no differences in the data coverage, sources, etc. between the data showing breakdowns by region/economic zone disseminated by the CBR and those used to compile the aggregate data on direct investment income and direct investment financial flows reported by the CBR to the IMF for publication.

Industrial Classification

No breakdowns by industry activity are disseminated for the direct investment income and direct investment financial flows data compiled by the CBR or the total aggregate data on direct investment included in the balance of payments statistics. However, the Federal Service for State Statistics compiles quarterly data showing breakdowns by industrial activity for the direct investment income and direct investment financial flows that cover the gross inflows for nonfinancial enterprises only, and exclude instances of disinvestment. The data on direct investment financial flows are disseminated quarterly with a timeliness of 50 days after the end of the reference

quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxxx03R.1> The data on direct investment income are not disseminated, and are not available on request. The data cover 13 industrial activities. The classification used is NACE, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

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 financial flows into the Russian Federation during the first quarter of 2004 (in descending order) were: (i) fuel industry, (ii) trade and catering, (iii) timber, woodworking, pulp and paper industries, (iv) food industry, and (v) machine building and metal working industries.

Quarterly data are compiled by the Federal Service for State Statistics showing breakdowns by industrial activity and partner country for the direct investment income and direct investment financial flows. The data on direct investment financial flows are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxxx03R.1> The data on direct investment income are not disseminated, and are not available on request. The five highest ranking partner countries during the first quarter of 2004 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, Germany, Cyprus, Switzerland, and the United States.

Data showing breakdowns by industrial activity and region/economic zone are not compiled.

The coverage of the data showing industrial activity breakdowns disseminated in the national publications differs from that used to compile the aggregate data on direct investment income and direct investment financial flows reported to the IMF for publication, as the former cover only the gross inflows of the nonfinancial enterprises, and exclude disinvestments of the nonfinancial enterprises, and the direct investment transactions of the banking sector.

B. Methodology

Definition of Direct Investment Enterprises in the Russian Federation

In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Russian Federation is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. 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. No value threshold is used to identify resident direct investment enterprises, and 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 the dividends and reinvested earnings of all indirectly-owned direct investment enterprises. Contrary to the FCS, (i) the direct investment earnings data do not include the relevant share of the income on debt (interest) of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in the Russian Federation are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. However, beginning on January 1, 2005 banks will be obliged to report balance sheet data according to the International Accounting Standards (IAS), and beginning on January 1, 2006 to report a full set of

accounting data based on the IAS. There are also plans to require the largest nonfinancial enterprises to report according to the IAS on the same timetable as the banks.

Measurement of Direct Investment Earnings

Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not used to calculate direct investment earnings, primarily because the company accounts used as the data source are closer to the all-inclusive concept than the COPC. Specifically, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are included, (iii) interest receivable/payable is not included, only interest paid/received, and (iv) debt repayments receivable/payable are not excluded.

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) with effect from the revised data for 2003, dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable, (iii) 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 (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

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) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, (iii) 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, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

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 (since 2002), and (iv) financial leases. The data do not include interest on trade credits. 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 primarily recorded on a due for payment basis, or, to a lesser extent, on a paid basis, rather than on an accrual basis, because of inadequate information from the data sources.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. Participating preference [preferred] shares are not applicable in the Russian Federation. 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.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments (since 2002), (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 non-participating preference [preferred] shares, (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, (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, and (iv) the data include transactions associated with permanent debt between affiliated banks and financial intermediaries. (Permanent debt is defined as subordinated loans.)

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 the Russian Federation 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 recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises", and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of the Russian Federation 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, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities" rather than as "Direct Investment in the Russian Federation: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans" rather than as "Direct Investment in the Russian Federation: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation of construction enterprises in the Russian Federation by nonresidents. Contrary to the international standards, the data do not include the activities of quasi-corporations arising from the operation in the Russian Federation by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in the Russian Federation by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in the Russian Federation by nonresidents at present. (When in the past there were SPEs established in the Russian Federation by nonresidents, in accordance with the international standards, (i) the activities of those SPEs were included in the direct investment data, with no

exceptions, and (ii) in the case of SPEs that had the primary purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries were excluded from the data, except those involving equity capital and permanent debt.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings in the Russian Federation by nonresident enterprises and nonresident individuals. Land and buildings purchased on long-term leases in the Russian Federation by nonresident enterprises and nonresident individuals are included. (Long-term leases are defined as being leases of longer than one year.)

Treatment of Natural Resources Exploration

In accordance with international standards, (i) expenditure on exploration for natural resources in the Russian Federation by nonresidents is included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established in the Russian Federation by nonresidents for natural resource exploration have not occurred to date.

Exchange Rate Conversion

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. However, some transactions, including the equity capital transactions of the banks, are converted to the unit of account using the average exchange rate for the period in which the transactions took place. However, it is planned that this practice will cease with effect for the last quarter of 2004.

DIRECT INVESTMENT IN THE RUSSIAN FEDERATION

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Beginning with the data for the end of 2000, separately identifiable annual data are compiled by the Central Bank of Russia (CBR) within the international investment position (IIP) framework and are disseminated with a timeliness of 6 months after the end of the reference period on the CBR website <http://www.cbr.ru> under the statistics section. The data are also reported to the IMF for publication.

In addition, quarterly position data for the banking sector showing (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of three months after the end of the reference period on the same website.

Revision Practices

The data are preliminary when first released. The annual and quarterly data are revised every quarter for the previous two years to take account of changes in the reported data, changes in the methodology, the introduction of new data sources etc. The revised annual and quarterly data are disseminated quarterly. The data are considered to be final 24 months after their first release.

The general public are informed of the reasons for the revisions. Although the revised status of the data is not clearly identified in the disseminated data at present, there are plans to begin to do so starting with the data for 2003, released in 2004. The historical data are revised as far back as possible in instances of major changes in methodology. However, the historical data are not revised in instances of changes to the 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 for publication.

Data Coverage

Starting with the data for the end of 2000, no major sectors of the economy or elements within those economic sectors are excluded from the data. (Prior to that date, the data covered the banking sector only.)

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication. However, in the national publications the data are divided into two sectors, namely, banks, and nonfinancial enterprises.

Data Collection Method

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

Data Sources

The data for all components are compiled primarily from enterprise surveys of resident enterprises (monthly reports to the CBR from some banks and quarterly reports to the CBR from the remaining banks, and quarterly surveys of nonfinancial resident direct investment enterprises conducted by the Federal Service for State Statistics [formerly known as Goskmostat – the State Committee on Statistics]). Published sources, such as the company accounts of the resident direct investment enterprises are used as a secondary data source for all components. Bilateral data from Belarus and Kazakhstan and press reports are used as additional data sources for all components. The perpetual inventory method (a method for deriving position data from transactions data) is used for the data obtained from the banks, but not for the data obtained from the enterprise surveys of nonfinancial enterprises conducted by Federal Service for State Statistics. Adjustments are made for price changes, exchange rate changes, and other nontransaction changes.

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

Business registers of enterprises involved in direct investment are used to compile the inward direct investment position data. A register of banks is maintained by the CBR, and registers of direct investment enterprises in the nonfinancial sectors are maintained by Goskomstat. The registers are updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) registers maintained by the government licensing and regulatory authorities, (iv) registers maintained by other departments within the statistical agencies, and (v) the financial press. 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

No breakdowns by country are compiled for the inward direct investment position data compiled by the CBR or for the total aggregate data on direct investment included in the balance of payments statistics. However, the Federal Service for State Statistics compiles quarterly data showing breakdowns by country for the inward direct investment position data that cover the gross positions for nonfinancial enterprises only, and exclude instances of disinvestment. The data are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxxx03R.1>. The data cover 21 countries and bilateral information is not used in the compilation of 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 the Russian Federation as at the end of the first quarter of 2004 (ranked in descending order) were: the Netherlands, Cyprus, the United States, Germany, and the United Kingdom.

Quarterly data showing breakdowns by region/economic zone for the inward direct investment position data are compiled by the CBR for (i) the CIS countries, and (ii) non-CIS countries (The "Far Abroad"). These data are disseminated with a timeliness of 4 months after the end of the reference period in the CBR's *Vestnick Banka Rossii*, which is also available on the following CBR website http://www.cbr.ru/statistics/credit_statistics. Bilateral information from Belarus and Kazakhstan is used in the compilation of the data.

The coverage of the data showing country breakdowns disseminated by the Federal Service for State Statistics differs from that used to compile the aggregate inward position data reported by the CBR to the IMF for publication, as the former cover only the gross positions of the nonfinancial enterprises, and exclude disinvestments of the nonfinancial enterprises, and the direct investment positions of the banking sector. However, there are no differences in the data coverage, sources, etc. between the data showing breakdowns by region/economic zone disseminated by the CBR and those used to compile the aggregate inward position data reported by the CBR to the IMF for publication.

Industrial Classification

No breakdowns by industry activity are disseminated for the inward direct investment position data compiled by the CBR or the total aggregate data on direct investment included in the balance of payments statistics. However, the Federal Service for State Statistics compiles quarterly data showing breakdowns by industrial activity for the inward direct investment position data that cover the gross positions for nonfinancial enterprises only, and exclude instances of disinvestment. The data are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxxx03R.1>. The data cover 13 industrial activities. The classification used is NACE, which broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The inward 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 the Russian Federation as at the end of the first quarter of 2004 (in descending order) were: (i) industry, (ii) trade and catering, (iii) general commercial market-supporting activities, (iv) finance, credit, insurance, and the provision of pensions, and (v) transport.

Quarterly data are compiled by the Federal Service for State Statistics showing breakdowns by industrial activity and partner country for the inward position data. The data are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website

<http://www.gks.ru/scripts/free/1c.exe?xxxx03R.1> The five highest ranking partner countries as at the end of the first quarter of 2004 (ranked in descending order) for which breakdowns by industrial activity are disseminated were: the Netherlands, Cyprus, the United States, Germany, and the United Kingdom.

Data showing breakdowns by industrial activity and region/economic zone are not compiled.

The coverage of the data showing industrial activity breakdowns disseminated in the national publications differs from that used to compile the aggregate inward position data reported to the IMF for publication, as the former cover only the gross positions of the nonfinancial enterprises, and exclude disinvestments of the nonfinancial enterprises, and the direct investment positions of the banking sector.

B. Methodology

Definition of Direct Investment Enterprises in the Russian Federation

In accordance with the international standards, the basic criterion for defining direct investment enterprises in the Russian Federation is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. 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. No value threshold is used to identify resident direct investment enterprises, and 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 the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises. Contrary to the FCS, the data do not include all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in the Russian Federation are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. However, beginning on January 1, 2005 banks will be obliged to report balance sheet data according to the International Accounting Standards (IAS), and beginning on January 1, 2006 to report a full set of accounting data based on the IAS. There are also plans to require the largest nonfinancial enterprises to report according to the IAS on the same timetable as the banks.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. 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 positions 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.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) reinvested earnings are recorded in the period in which they are

earned, (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, (iii) 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 (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. (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 the Russian Federation.)

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 non-participating preference [preferred] shares, (ii) 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, (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, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries (Permanent debt is defined as subordinated loans.)

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.

Assuming that the direct investment enterprise is a resident of the Russian Federation 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", and other capital positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of the Russian Federation 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, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities" rather than as "Liabilities: Direct Investment in the Russian Federation: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans" rather than as "Liabilities: Direct Investment in the Russian Federation: Other Capital: Claims on Direct Investors".

Treatment of Quasi-corporations

In accordance with the international standards, the direct investment data include the activities of quasi-corporations involving the operation of construction enterprises in the Russian Federation by nonresidents. Contrary to the international standards, the data do not include the activities of quasi-corporations arising from the operation in the Russian Federation by nonresidents of mobile equipment, such as ships, aircraft, and drilling rigs, as these activities cannot be identified from the present data sources.

Treatment of Offshore Enterprises

Not applicable. There are no offshore enterprises established in the Russian Federation by nonresidents at present.

Treatment of Special Purpose Entities (SPEs)

Not applicable. There are no SPEs established in the Russian Federation by nonresidents at present. (When in the past there were SPEs established in the Russian Federation by nonresidents, in accordance with the international standards, (i) the activities of those SPEs were included in the direct investment data, with no exceptions, and (ii) in the case of SPEs that had the primary purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries were excluded from the data, except those involving equity capital and permanent debt.)

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings in the Russian Federation by nonresident enterprises and nonresident individuals. Ownership on long-term leases of land and buildings in the Russian Federation by nonresident enterprises and nonresident individuals is included. (Long-term leases are defined as being leases of longer than one year.)

Treatment of Natural Resources Exploration

In accordance with international standards, (i) expenditure on exploration for natural resources in the Russian Federation by nonresidents is included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established in the Russian Federation by nonresidents for natural resource exploration have not occurred to date.

Valuation of Assets and Liabilities

Most of the data on equity capital for listed enterprises are recorded at market values. However, some are recorded at book values, which are primarily historical costs. Most of the data on equity capital for unlisted enterprises are recorded at book values, which are primarily historical costs. However, some are recorded at market values, which are primarily based on a recent transaction, although director's valuation and the net asset value (that is, total assets less non-equity liabilities) are also used as proxies for market values.

Most of the data on other capital are recorded at book values, which are primarily historical cost. However, some are recorded at market values.

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

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Central Bank of Russia (CBR) 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 4 months after the end of the reference period in the CBR's *Vestnick Banka Rossii*, which is also available on the following CBR website http://www.cbr.ru/statistics/credit_statistics. The data are also reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The quarterly data for the current year are revised every quarter for the previous three quarters to take account of changes in the reported data, changes in the methodology, the introduction of new data sources etc. The revised data are disseminated quarterly, together with the preliminary data for the latest quarter. The data are considered to be final one year after their first release.

The general public are informed of the reasons for the revisions and the revised status of the data is clearly identified in the disseminated data. The historical data are revised as far back as possible in instances of major changes in methodology. However, the historical data are not revised in instances of changes to the 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 for publication.

Data Coverage

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

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication. However, in the national publications the data are divided into three sectors, namely, monetary authorities, banks, and nonfinancial enterprises.

Data Collection Method

The data are collected using a mixture of an individual transactions basis and an aggregate basis—most of the data are collected on an aggregate basis, but data on financial credits are collected on an individual transactions basis. The reporting requirements are compulsory.

Data Sources

The data for all components are compiled primarily from (i) enterprise surveys (monthly reports to the CBR from some banks and quarterly reports to the CBR from the remaining banks), (ii) quarterly surveys of nonfinancial enterprises involved in foreign investment abroad conducted by Federal Service for State Statistics (formerly known as Goskmostat – the State Committee on Statistics), and (iii) direct reporting to the CBR by enterprises of cash transactions made through their foreign bank accounts.. In addition, (i) information obtained from the exchange control authority's international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, is used as a primary data source for the data on dividends and distributed branch profits, income on debt (interest), and other capital, and (ii) information from the investment approval authorities on approvals to invest abroad is used as a primary data source for the data on equity capital. The ITRS is also used as a secondary data source for the data for all components.

An annual survey of enterprises involved in foreign investment abroad conducted by Goskomstat is used as a secondary data source for the data on equity capital and other capital. Published sources, such as the company accounts of resident direct investors, and a commercial database, are used as a secondary data source for the data on dividends. Bilateral data from Belarus and Kazakhstan are used as a secondary data source for the data on reinvested earnings, equity capital, and other capital. Press reports are used as a means of checking the accuracy of the data reported by the enterprises.

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

Business registers of enterprises involved in direct investment are used to compile the outward direct investment transactions data. A register of banks is maintained by the CBR, and registers of direct investment enterprises in the nonfinancial sectors are maintained by Goskomstat. The registers are updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) registers maintained by the government licensing and regulatory authorities, (iv) registers maintained by other departments within the statistical agencies, and (v) the financial press. 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

No breakdowns by country are compiled for the direct investment income and direct investment financial flows data compiled by the CBR or for the total aggregate data on direct investment included in the balance of payments statistics. However, the Federal Service for State Statistics compiles quarterly data showing breakdowns by country for the direct investment income and direct investment financial flows data that cover the gross inflows for nonfinancial enterprises only, and exclude instances of disinvestment. The data on direct investment financial flows are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxxx03R.1>. The data on direct investment income are not disseminated, and are not available on request. The data cover 10 countries and bilateral information is not used in the compilation of the data.

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 the Russian Federation during the first quarter of 2004 (ranked in descending order) were: the United States, Cyprus, the United Kingdom, the British Virgin Islands, and Switzerland.

Quarterly data showing breakdowns by region/economic zone for direct investment income and direct investment financial flows are compiled by the CBR for (i) the CIS countries, and (ii) non-CIS countries (The "Far Abroad"). These data are disseminated with a timeliness of 4 months after the end of the reference period in the CBR's *Vestnick Banka Rossii*, which is also available on the following CBR website http://www.cbr.ru/statistics/credit_statistics. Bilateral information from Belarus and Kazakhstan is used in the compilation of the data.

The coverage of the data showing country breakdowns disseminated by the Federal Service for State Statistics differs from that used to compile the aggregate data on direct investment income and direct investment financial flows reported by the CBR to the IMF for publication, as the former cover only the gross inflows of the nonfinancial enterprises, and exclude the disinvestments of the nonfinancial enterprises, and the direct investment transactions of the banking sector. However, there are no differences in the data coverage, sources, etc. between the data showing breakdowns by region/economic zone disseminated by the CBR and those used to compile the aggregate data on direct investment income and direct investment financial flows reported by the CBR to the IMF for publication.

Industrial Classification

Not applicable. No breakdowns by industry activity are disseminated for the direct investment income and direct investment financial flows data compiled by the CBR or the total aggregate outward direct investment transactions data included in the balance of payments statistics.

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, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. 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. No value threshold is used to identify resident direct investors, and 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 the dividends and reinvested earnings of all indirectly-owned direct investment enterprises. Contrary to the FCS, (i) the direct investment earnings data do not include the relevant share of the income on debt (interest) of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in the Russian Federation are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. However, beginning on January 1, 2005 banks will be obliged to report balance sheet data according to the International Accounting Standards (IAS), and beginning on January 1, 2006 to report a full set of accounting data based on the IAS. There are also plans to require the largest nonfinancial enterprises to report according to the IAS on the same timetable as the banks.

Measurement of Direct Investment Earnings

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not used to calculate direct investment earnings, primarily because the company accounts used as the data source are closer to the all-inclusive concept than the COPC. Specifically, (i) deductions are not made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are included, (iii) interest receivable/payable is not included, only interest paid/received, and (iv) debt repayments receivable/payable are not excluded.

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) with effect from the revised data for 2003, dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded on the date they are declared payable, (iii) 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 (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

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) when a direct investment

enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, (iii) 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, and (iv) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks.

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, and (iv) financial leases. The data do not include interest on trade credits. 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 primarily recorded on a due for payment basis, or, to a lesser extent, on a paid basis, rather than on an accrual basis, because of inadequate information from the data sources.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. 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.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments (since 2002), (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 non-participating preference [preferred] shares, (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, (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, and (iv) the data include transactions associated with permanent debt between affiliated banks and financial intermediaries. (Permanent debt is defined as subordinated loans.)

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 the Russian Federation 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 recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises", and loan transactions are recorded as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of the Russian Federation 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, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities" rather than as "Direct Investment in the Russian Federation: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans" rather than as "Direct Investment in the Russian Federation: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the data do not include the activities of quasi-corporations arising from the operation abroad by residents of the Russian Federation of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises, as these activities 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 the Russian Federation are 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 the Russian Federation are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of the Russian Federation 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.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include purchases and sales of land and buildings abroad by enterprises and individuals resident in the Russian Federation. Purchases and sales on long-term leases of land and buildings abroad by enterprises and individuals resident in the Russian Federation are included. (Long-term leases are defined as being leases of longer than one year.)

Treatment of Natural Resources Exploration

In accordance with international standards, (i) expenditure on exploration for natural resources abroad by residents of the Russian Federation is included in the equity capital data, and (ii) expenditure on bonus payments made by residents of the Russian Federation to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established abroad by residents of the Russian Federation for natural resource exploration have not occurred to date.

Exchange Rate Conversion

Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. However, some transactions, including the equity capital transactions of the banks, are converted to the unit of account using the average exchange rate for the period in which the transactions took place. However, it is planned that this practice will cease with effect for the last quarter of 2004.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Beginning with data for the end of 2000, separately identifiable annual data are compiled by the Central Bank of Russia (CBR) within the international investment position (IIP) framework and are disseminated with a timeliness of 6 months after the end of the reference period on the CBR website <http://www.cbr.ru> under the statistics section. The data are also reported to the IMF for publication.

In addition, quarterly position data for the banking sector showing (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of three months after the end of the reference period on the same website.

Revision Practices

The data are preliminary when first released. The annual and quarterly data are revised every quarter for the previous two years to take account of changes in the reported data, changes in the methodology, the introduction of new data sources etc. The revised annual and quarterly data are disseminated quarterly. The data are considered to be final 24 months after their first release.

The general public are informed of the reasons for the revisions. Although the revised status of the data is not clearly identified in the disseminated data at present, there are plans to begin to do so starting with the data for 2003, released in 2004. The historical data are revised as far back as possible in instances of major changes in methodology. However, the historical data are not revised in instances of changes to the 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 for publication.

Data Coverage

Beginning with the data for the end of 2000, no major sectors of the economy or elements within those economic sectors are excluded from the data. (Prior to that date, the data covered the banking sector only.)

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication. However, in the national publications the data are divided into three sectors, namely, monetary authorities, banks, and nonfinancial enterprises.

Data Collection Method

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

Data Sources

The data for all components are compiled primarily from enterprise surveys (monthly reports to the CBR from some banks and annual reports to the CBR from the remaining banks, and annual surveys of nonfinancial enterprises with direct investment abroad conducted by the Federal Service for State Statistics [formerly known as Goskmostat – the State Committee on Statistics]). Quarterly enterprise surveys are also used as a primary data source for the data on equity capital. Bilateral data from Belarus and Kazakhstan and press reports are used as secondary data sources for all components. The perpetual inventory method (a method for deriving position data from transactions data) is used for the data obtained from the banks, but not for the data obtained from the enterprise surveys of nonfinancial enterprises conducted by the Federal Service for State Statistics. Adjustments are made for price changes, exchange rate changes, and other nontransaction changes.

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

Business registers of enterprises involved in direct investment are used to compile the outward direct investment position data. A register of banks is maintained by the CBR, and registers of direct investment enterprises in the nonfinancial sectors are maintained by Goskomstat. The registers are updated on an ongoing basis using information from (i) the ITRS's list of transactors, (ii) other statistical collection forms, (iii) registers maintained by the government licensing and regulatory authorities, (iv) registers maintained by other departments within the statistical agencies, and (v) the financial press. 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

No breakdowns by country are compiled for the outward direct investment position data compiled by the CBR or for the total aggregate data on direct investment included in the balance of payments statistics. However, the Federal Service for State Statistics compiles quarterly data showing breakdowns by country for the outward direct investment position data that cover the gross positions for nonfinancial enterprises only, and exclude instances of disinvestment. The data are disseminated quarterly with a timeliness of 50 days after the end of the reference quarter on the following website <http://www.gks.ru/scripts/free/1c.exe?xxx03R.1>. The data cover 10 countries and bilateral information is not used in the compilation of 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 from the Russian Federation as at the end of the first quarter of 2004 (ranked in descending order) were: the United Kingdom, the United States, Cyprus, the British Virgin Islands, and the Netherlands.

Quarterly data showing breakdowns by region/economic zone for the outward position data are compiled by the CBR for (i) the CIS countries, and (ii) non-CIS countries (The "Far Abroad"). These data are disseminated with a timeliness of 4 months after the end of the reference period in the CBR's *Vestnick Banka Rossii*, which is also available on the following CBR website http://www.cbr.ru/statistics/credit_statistics. Bilateral information from Belarus and Kazakhstan is used in the compilation of the data.

The coverage of the data showing country breakdowns disseminated by the Federal Service for State Statistics differs from that used to compile the aggregate outward position data reported by the CBR to the IMF for publication, as the former cover only the gross positions of the nonfinancial enterprises, and exclude disinvestments of the nonfinancial enterprises, and the direct investment positions of the banking sector. However, there are no differences in the data coverage, sources, etc. between the outward position data showing breakdowns by region/economic zone disseminated by the CBR and those used to compile the aggregate outward position data reported by the CBR to the IMF for publication.

Industrial Classification

Not applicable. No breakdowns by industry activity are disseminated for the outward direct investment position data compiled by the CBR or the total aggregate outward direct investment position data included in the international investment position statistics.

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, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. 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. No value

threshold is used to identify resident direct investors, and 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 the relevant share of the reinvested earnings of indirectly-owned direct investment enterprises. Contrary to the FCS, the data do not include all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in the Russian Federation are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company. However, beginning on January 1, 2005 banks will be obliged to report balance sheet data according to the International Accounting Standards (IAS), and beginning on January 1, 2006 to report a full set of accounting data based on the IAS. There are also plans to require the largest nonfinancial enterprises to report according to the IAS on the same timetable as the banks.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) other non-voting stocks (shares), and (iv) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover participating preference [preferred] shares. 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 positions 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.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) reinvested earnings are recorded in the period in which they are earned, (ii) when a direct investment enterprise makes a net loss, that net loss is recorded as negative reinvested earnings, (iii) 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 (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. (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 non-participating preference [preferred] shares, (ii) 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, (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, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries (Permanent debt is defined as subordinated loans.)

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.

Assuming that the direct investment enterprise is a resident of the Russian Federation 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", and other capital positions are recorded as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of the Russian Federation 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, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities" rather than as "Liabilities: Direct Investment in the Russian Federation: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans" rather than as "Liabilities: Direct Investment in the Russian Federation: Other Capital: Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the data do not include the activities of quasi-corporations arising from the operation abroad by residents of the Russian Federation of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises, as these activities 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 the Russian Federation are 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 the Russian Federation are included in the direct investment data, with no exceptions, and (ii) in the case of SPEs established abroad by residents of the Russian Federation 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.

Treatment of Land and Buildings

In accordance with the international standards, the equity capital data include ownership of land and buildings abroad by enterprises and individuals resident in the Russian Federation. Ownership on long-term leases of land and buildings abroad by enterprises and individuals resident in the Russian Federation is included. (Long-term leases are defined as being leases of longer than one year.)

Treatment of Natural Resources Exploration

In accordance with international standards, (i) expenditure on exploration for natural resources abroad by residents of the Russian Federation is included in the equity capital data, and (ii) expenditure on bonus payments made by residents of the Russian Federation to the host country for the right to undertake exploration for natural resources is included in the equity capital data when there is a clear intention to establish a direct investment enterprise. Instances of the shutdown of a direct investment enterprise established abroad by residents of the Russian Federation for natural resource exploration have not occurred to date.

Valuation of Assets and Liabilities

Most of the data on equity capital for listed enterprises are recorded at market values. However, some are recorded at book values, which are primarily historical costs. Most of the data on equity capital for unlisted enterprises are recorded at book values, which are primarily historical costs. However, some are recorded at market values, which are primarily based on a recent transactions, although director's valuation and net asset value (that is, total assets less non-equity liabilities) are also used as proxies for market values.

Most of the data on other capital are recorded at book values, which are primarily historical cost. However, some are recorded at market values.

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

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.