

This metadata describes the compilation practices, sources and methodology in use in 2001. 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”)**

**[Glossary of Direct Investment Terms and Definitions](#)**

**DIRECT INVESTMENT IN SWITZERLAND**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary quarterly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital), and annual (calendar year) data on reinvested earnings, are disseminated with a timeliness of 3 months after the end of the reference period. In addition, more comprehensive annual (calendar year) data are disseminated on (i) equity capital, (ii) reinvested earnings, and (iii) other capital, with a timeliness of 9 months after the end of the reference period.

**Revision Policy:** The data are revised in September each year at the time of the release of the annual report on the balance of payments statistics by the Swiss National Bank, and again at the time of the release of the annual report on direct investment in the December issue of the *Quarterly Bulletin* of the Swiss National Bank. The data become final 21 months after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an aggregate basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from quarterly and annual enterprise surveys of direct investment enterprises in Switzerland. Published sources, such as company accounts, and press reports are used for cross-checking the data obtained from the surveys. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) registers maintained by government licensing and regulatory authorities, corporate affairs and stock exchange authorities, and other departments within the Swiss National Bank, and (ii) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated for direct investment income (reinvested earnings only) and direct investment financial flows with a timeliness of 9 months after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both reinvested earnings and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows into Switzerland during 2000 (ranked in descending order) were: the United States, Canada, Luxembourg, Italy, and Denmark.

**Industrial Classification:** Quarterly data showing breakdowns by industrial activity for direct investment income (except reinvested earnings) and direct investment financial flows, and annual data on reinvested earnings, are disseminated with a timeliness of 9 months after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The data are classified at the 2-digit level of the Swiss classification “Allgemeine Systematik der Wirtschaftszweige 1985”, a classification that 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 Swiss classification system NOGA, which is compatible with NACE, the classification system used by the European Union. Data on the manufacturing and service sectors are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are compiled but not disseminated.

**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, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. Responses to the enterprise surveys are voluntary for investment positions of less than SF 10 million

and quarterly investment flows of less than SF1 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 the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, contrary to the FCS, the data cover only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor. Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, 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 earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses, and exchange rate gains or losses are not included. However, contrary to COPC, realized capital gains and losses, and write-offs, are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded using a mixture of the date they are paid and the date they are payable, rather than solely on the date they are payable. In accordance with the international standards dividends and distributed branch profits are recorded gross of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data do not include interest from (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled using a mixture of a paid basis and an accrual basis, rather than solely on an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**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; equity transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, loan transactions are recorded as “Direct Investment in Switzerland: Increase in Claims on Direct Investor”, rather than as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. 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 Switzerland: Increase in Claims on Direct Investors”. However, loan transactions recorded

in accordance with the international standards as “Direct Investment in Switzerland: 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 in Switzerland by nonresidents of construction enterprises. Quasi-corporations arising from the operation of mobile equipment, such as ships, aircraft, and drilling rigs are not applicable at present, as there is no such activity by nonresidents in Switzerland.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established in Switzerland by nonresidents are generally 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 generally included in the direct investment data, and (ii) in the case of SPEs established in Switzerland by nonresidents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data 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.

**Treatment of Natural Resources Exploration:** Not applicable. There is no expenditure related to natural resources exploration in Switzerland by nonresidents at present.

**Exchange Rate Conversion:** Most income transactions are primarily converted to the unit of account at the average exchange rate in the period in which the transactions are recorded, although some are recorded at the exchange rate prevailing on the day of the transaction. Reinvested earnings are converted to the unit of account at the average exchange rate during the period in which they are recorded. Most financial flows transactions are primarily converted to the unit of account at the exchange rate prevailing on the day of the transaction, although some are converted at the at the average exchange rate in the period in which the transactions are recorded.

## DIRECT INVESTMENT IN SWITZERLAND

### INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

#### A. Compilation Practices and Data Sources

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 12 months after the end of the reference period.

**Revision Policy:** The data are revised at the time of the release of the annual report on direct investment in the December issue of the *Quarterly Bulletin* of the Swiss National Bank. The data become final 12 months after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled from annual enterprise surveys of direct investment enterprises in Switzerland. Published sources, such as company accounts, and press reports are used for cross-checking the data obtained from the surveys. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) registers maintained by government licensing and regulatory authorities, corporate affairs and stock exchange authorities, and other departments within the Swiss National Bank, and (ii) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 12 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment in Switzerland as at the end of 2000 (ranked in descending order) were: the United States, the Netherlands, Germany, France, and Italy.

**Industrial Classification:** Annual data showing breakdowns by industrial activity are disseminated with a timeliness of 12 months after the end of the reference period. The data are based on the industry of the resident direct investment enterprise. The data are classified at the 2-digit level of the Swiss classification “Allgemeine Systematik der Wirtschaftszweige 1985”, a classification that 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 Swiss classification system NOGA, which is compatible with NACE, the classification system used by the European Union. Data on the manufacturing and service sectors are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are compiled but not disseminated.

#### 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, regardless of whether the investor has an effective voice in management. Enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. Responses to the enterprise surveys are voluntary for investment positions of less than SF 10 million and quarterly investment flows of less than SF1 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 relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, contrary to the FCS, the data cover only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor. Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (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 data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**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; equity positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in Switzerland: Claims on Direct Investor", rather than as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". 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 Switzerland: Claims on Direct Investors". However, loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in Switzerland: 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 in Switzerland by nonresidents of construction enterprises. Quasi-corporations arising from the operation of mobile equipment, such as ships, aircraft, and drilling rigs are not applicable at present, as there is no such activity by nonresidents in Switzerland.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established in Switzerland by nonresidents are generally 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 generally included in the direct investment data, and (ii) in the case of SPEs established in Switzerland by nonresidents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings in Switzerland by nonresident enterprises. Contrary to the international standards, the data do not include ownership of land and buildings in Switzerland by nonresident individuals.

**Treatment of Natural Resources Exploration:** Not applicable. There is no expenditure related to natural resources exploration in Switzerland by nonresidents at present.

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, which are the values shown in the accounting records of the individual reporting enterprises, rather than at market values. However, some data are recorded at market values.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate is primarily used to convert foreign currencies into the unit of account. However, the exchange rate prevailing on the day the stocks were acquired is also used for some positions.

**SWITZERLAND: DIRECT INVESTMENT ABROAD**  
**BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Preliminary quarterly data on (i) direct investment income (income on equity, and income on debt [interest] only), and (ii) direct investment financial flows (equity capital and other capital), and annual (calendar year) data on reinvested earnings are disseminated with a timeliness of 3 months after the end of the reference period. In addition, more comprehensive annual (calendar year) data on (i) equity capital, (ii) reinvested earnings, and (iii) other capital, are disseminated with a timeliness of 9 months after the end of the reference period.

**Revision Policy:** The data are revised in September each year at the time of the release of the annual report on the balance of payments statistics by the Swiss National Bank, and again at the time of the release of the annual report on direct investment in the December issue of the *Quarterly Bulletin* of the Swiss National Bank. The data become final 21 months after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Data are collected on an aggregate basis, and reporting requirements are compulsory.

**Data Sources:** The data are compiled from quarterly enterprise surveys of residents with direct investment enterprises abroad. Published sources, such as company accounts, and press reports are used for cross-checking the data obtained from the surveys. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) registers maintained by government licensing and regulatory authorities, corporate affairs and stock exchange authorities, and other departments within the Swiss National Bank, and (ii) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated for direct investment income (reinvested earnings only) and direct investment financial flows with a timeliness of 9 months after the end of the reference period. In accordance with the international standards, the debtor/creditor principle is used as the basis for the geographic allocation of the data. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns of both reinvested earnings and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment flows from Switzerland during 2000 (ranked in descending order) were: the United States, the United Kingdom (including Guernsey, Jersey, and the Isle of Man), Bermuda, Belgium, and the Netherlands.

**Industrial Classification:** Quarterly data showing breakdowns by industrial activity for direct investment income (except reinvested earnings) and direct investment financial flows, and annual data for reinvested earnings, are disseminated with a timeliness of 3 months after the end of the reference period. The data are based on the industry of the resident direct investor. The data are classified at the 2-digit level of the Swiss classification “Allgemeine Systematik der Wirtschaftszweige 1985”, a classification that 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 Swiss classification system NOGA, which is compatible with NACE, the classification system used by the European Union. Data on the manufacturing and service sectors are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are compiled but not disseminated.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Banks in which the nonresident investor owns less than 10 percent but has an effective voice in management are included if their associates are considered to be direct investment enterprises on legal grounds. Responses to the enterprise surveys are

voluntary for investment positions of less than SF 10 million and quarterly investment flows of less than SF1 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 the equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises. However, contrary to the FCS, the data cover only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor. Enterprises in Switzerland are required by law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, 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 earnings of direct investment enterprises. In accordance with COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, and (ii) unrealized capital gains and losses, and exchange rate gains or losses are not included. However, contrary to COPC, realized capital gains and losses, and write-offs, are included. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative reinvested earnings.

**Treatment of Income on Equity (Dividends and Distributed Branch Profits):** The data cover both incorporated enterprises and unincorporated enterprises. Contrary to the international standards, dividends and distributed branch profits are recorded using a mixture of the date they are paid and the date they are payable, rather than solely on the date they are payable. In accordance with the international standards dividends and distributed branch profits are recorded gross of any withholding taxes.

**Treatment of Reinvested Earnings and Undistributed Branch Profits:** The data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, reinvested earnings and undistributed branch profits are recorded in the period in which they are earned.

**Treatment of Income on Debt (Interest):** The data cover interest income from: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, and (iv) trade credits. In accordance with the international standards, the data do not include interest from (i) financial derivatives, and (ii) deposits, loans and other claims and liabilities related to usual banking and financial intermediation activities between affiliated banks and affiliated financial intermediaries. Contrary to the international standards, the data are compiled using a mixture of a paid basis and an accrual basis, rather than solely on an accrual basis.

**Treatment of Equity Capital:** The data cover all types of financial flows affecting equity capital: (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks (including participating preference shares), and (iv) non-cash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, the data include equity transactions between affiliated banks and between affiliated financial intermediaries.

**Treatment of Other Capital:** The data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include transactions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**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; equity transactions are recorded in accordance with the international standards as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. However, contrary to the international standards, loan transactions are recorded as “Direct Investment in Switzerland: Increase in Claims on Direct Investor”, rather than as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”. 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 Switzerland: Increase in Claims on Direct Investors”. However, loan transactions recorded

in accordance with the international standards as “Direct Investment in Switzerland: 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 abroad by Swiss residents of construction enterprises. Quasi-corporations arising from the operation of mobile equipment, such as ships, aircraft, and drilling rigs are not applicable at present, as there is no such activity abroad by Swiss residents.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established abroad by Swiss residents are generally 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 Swiss residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Swiss residents that have the sole purpose of financial intermediation, transactions with affiliated banks and affiliated financial intermediaries, except transactions in equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include purchases and sales of land and buildings abroad by Swiss resident enterprises. Contrary to the international standards, the data do not include purchases and sales of land and buildings abroad by Swiss resident individuals.

**Treatment of Natural Resources Exploration:** Not applicable. There is no expenditure related to natural resources exploration abroad by Swiss residents at present.

**Exchange Rate Conversion:** Most income transactions are primarily converted to the unit of account at the average exchange rate in the period in which the transactions are recorded, although some are recorded at the exchange rate prevailing on the day of the transaction. Reinvested earnings are converted to the unit of account at the average exchange rate during the period in which they are recorded. Most financial flows transactions are primarily converted to the unit of account at the exchange rate prevailing on the day of the transaction, although some are converted at the at the average exchange rate in the period in which the transactions are recorded.

**SWITZERLAND: DIRECT INVESTMENT ABROAD**  
**INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)**

**A. Compilation Practices and Data Sources**

**Data Availability:** Annual (calendar year) data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 12 months after the end of the reference period.

**Revision Policy:** The data are revised at the time of the release of the annual report on direct investment in the December issue of the *Quarterly Bulletin* of the Swiss National Bank. The data become final 12 months after their first release.

**Data Coverage:** No major industrial sectors are excluded from the data.

**Data Collection Methods:** Reporting requirements are compulsory.

**Data Sources:** The data are compiled from annual enterprise surveys of residents with direct investment enterprises abroad. Published sources, such as company accounts, and press reports are used for cross-checking the data obtained from the surveys. The perpetual inventory method (a method for deriving position data from transactions data) is not used. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) registers maintained by government licensing and regulatory authorities, corporate affairs and stock exchange authorities, and other departments within the Swiss National Bank, and (ii) the financial press.

**Geographic Classification:** Annual data showing country breakdowns are disseminated with a timeliness of 12 months after the end of the reference period. In accordance with the international standards, the data are compiled on an “immediate country” basis. Bilateral information is not used in the compilation of the data. Data are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. The five countries with the largest amount of direct investment from Switzerland as at the end of 2000 (ranked in descending order) were: the United States, the United Kingdom ((including Guernsey, Jersey, and the Isle of Man), Germany, the Netherlands, and Bermuda.

**Industrial Classification:** Annual data showing breakdowns by industrial activity are disseminated with a timeliness of 12 months after the end of the reference period. The data are based on the industry of the resident direct investor. The data are classified at the 2-digit level of the Swiss classification “Allgemeine Systematik der Wirtschaftszweige 1985”, a classification that 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 Swiss classification system NOGA, which is compatible with NACE, the classification system used by the European Union. Data on the manufacturing and service sectors are disseminated showing breakdowns by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, (iv) NAFTA, (v) the CIS countries, (vi) ASEAN, and (vii) OPEC. Data showing breakdowns by industrial sector/partner country are compiled but not disseminated.

**B. Methodology**

**Definition of Direct Investors Abroad:** In accordance with the international standards, the basic criterion for defining direct investors abroad is 10 percent ownership of a nonresident enterprise by a resident investor, regardless of whether the investor has an effective voice in management. Banks in which the nonresident investor owns less than 10 percent but has an effective voice in management are included if their associates are considered to be direct investment enterprises on legal grounds. Responses to the enterprise surveys are voluntary for investment positions of less than SF 10 million and quarterly investment flows of less than SF1 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 relevant share of indirectly-owned direct investment enterprises is included in (i) the reinvested earnings data, and (ii) the equity and other capital position data. However, contrary to the FCS, the data cover only those enterprises of which 10 percent or more is directly or indirectly owned by the direct investor. Enterprises in Switzerland are required by

law to produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, but are not required by law to identify all transactions with the parent company.

**Treatment of Equity Capital and Reinvested Earnings:** The data cover all types of position data affecting equity capital and reinvested earnings, namely, (i) listed voting stocks (shares), (ii) unlisted voting stocks, (iii) other non-voting stocks, including participating preference shares, (iv) non-cash acquisitions of equity, such as through the provision of capital equipment, and (v) reinvested earnings. In accordance with the international standards, the data include equity positions between affiliated banks and between affiliated financial intermediaries. The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises, and, in accordance with the international standards, are recorded in the period in which they are earned. (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 data cover: (i) bonds and money market instruments, (ii) long-term loans, (iii) short-term loans, (iv) financial leases, (v) trade credits, and (vi) financial derivatives. In accordance with the international standards, the data exclude (i) loans merely guaranteed by direct investors or related direct investment enterprises, (ii) changes in insurance company technical reserves, and (iii) 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, the data include positions associated with permanent debt (that is, loan capital representing a permanent interest) between affiliated banks and between affiliated financial intermediaries.

**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; equity positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment in Switzerland: Claims on Direct Investor", rather than as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". 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 Switzerland: Claims on Direct Investors". However, loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in Switzerland: 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 abroad by Swiss residents of construction enterprises. Quasi-corporations arising from the operation of mobile equipment, such as ships, aircraft, and drilling rigs are not applicable at present, as there is no such activity abroad by Swiss residents.

**Treatment of Offshore Enterprises:** Contrary to the international standards, activities of offshore enterprises established abroad by Swiss residents are generally 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 Swiss residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Swiss residents that have the sole purpose of financial intermediation, positions with affiliated banks and affiliated financial intermediaries, except positions involving equity capital and permanent debt, are excluded from the data.

**Treatment of Land and Buildings:** In accordance with the international standards, the data include ownership of land and buildings abroad by Swiss resident enterprises. Contrary to the international standards, the data do not include ownership of land and buildings abroad by Swiss resident individuals.

**Treatment of Natural Resources Exploration:** Not applicable. There is no expenditure related to natural resources exploration abroad by Swiss residents at present.

**Valuation:** Contrary to the international standards, the data are recorded primarily at book values, which are the values shown in the accounting records of the individual reporting enterprises, rather than at market values. However, some data are recorded at market values.

**Exchange Rate Conversion:** The exchange rate prevailing on the day to which the position data relate is primarily used to convert foreign currencies into the unit of account. However, the exchange rate prevailing on the day the stocks were acquired is also used for some positions.