

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.

Spain:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Spain

- **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 SPAIN

BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 8 weeks after the end of the reference period. In addition, more comprehensive quarterly data on equity capital are disseminated once a year with a timeliness of 26 weeks (6 months) after the end of the reference year. Preliminary quarterly data on direct investment income (income on equity, and income on debt [interest] only), are disseminated with a timeliness of 12 weeks after the end of the reference period. Data on reinvested earnings are not compiled.

Revision Policy: The monthly data are revised three times: (i) one month after their first release, (ii) 13 months after their first release, and (iii) 25 months after their first release, at which time they are considered to be final. The quarterly data are revised 15 months after the end of the reference year, at which time they are considered to be final.

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

Data Collection Methods: Data are collected on an individual transactions basis, and reporting requirements are compulsory.

Data Sources: The data are compiled from an international transactions reporting system (ITRS). The more comprehensive data on equity capital also include data on negotiable securities provided by the Ministry of Economy and Finance. (The data on negotiable securities included in the most timely data on equity capital are estimates.) A business register of enterprises involved in direct investment is not maintained.

Geographic Classification: Quarterly data showing country breakdowns for direct investment income and direct investment financial flows are disseminated with a timeliness of 12 weeks 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 direct investment income 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 Spain during 2001 (ranked in descending order) were: the Netherlands, France, Portugal, the United Kingdom, and the United States.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated for direct investment financial flows with a timeliness of 6 months after the end of the reference period. Data showing breakdowns by industrial sector are not compiled for direct investment income at present, although there are plans to do so in the future. The data are based on the industry of the resident direct investment enterprise. The data are disseminated at the 2-digit level of NACE-93, a classification that broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for the European Union only, although there are plans to disseminate data for other regions and economic zones in the future. Data showing breakdowns by industrial sector/partner country are not compiled.

B. Methodology

Definition of Direct Investment Enterprises in Spain: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Spain 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. No value threshold is used to identify 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. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct

investment financial flows data do not include all equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises, as the data exclude transactions between affiliated enterprises that involve (i) the acquisition of listed shares that represent less than 10 percent of the total shares of an enterprise, and (ii) the acquisition of debt securities. Enterprises in Spain are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) 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. Contrary to COPC: (i) deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes, and (ii) realized capital gains, realized capital losses, and write-offs are included. In accordance with COPC, unrealized capital gains and losses, and exchange rate gains or losses are not included in the earnings data. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative income. (Data on reinvested earnings are not compiled.)

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 (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover interest from bonds and money market instruments. 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 between affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than 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) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover (i) bonds and money market instruments, and (ii) 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 Spain 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 and loan transactions are recorded in accordance with the international standards 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, loan transactions are recorded in accordance with the international standards as “Direct Investment in Spain: Increase in Claims on Direct Investors”. However, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in Spain: 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 Spain by nonresidents of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation of ships and aircraft in Spain by nonresidents are not applicable at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Spain by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Spain by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Spain 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 Spain by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration in Spain by nonresidents.

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN SPAIN
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 16 weeks (4 months) after the end of the reference period.

Revision Policy: The data are revised continuously for two years, at which time they are considered to be final.

Data Coverage: No major industrial sectors are excluded from the data on equity capital and other capital. However, the data on reinvested earnings cover the banking sector only.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from (i) the balance sheets of banks for the banking sector data, and (ii) an international transactions reporting system (ITRS) for the data for the other sectors, using the perpetual inventory method (a method for deriving position data from transactions data), with adjustments for exchange rate changes, but not for price changes. Data obtained from a register of external loans compiled by the Banco de España are used as a secondary data source. A business register of enterprises involved in direct investment is not maintained.

Geographic Classification: Not applicable. Data showing breakdowns by country and regions/economic zones are not compiled at present, although there are plans to do so in the future.

Industrial Classification: Not applicable. Data showing breakdowns by industrial sector are not compiled at present, although there are plans to do so in the future.

B. Methodology

Definition of Direct Investment Enterprises in Spain: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Spain 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. No value threshold is used to identify 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. Specifically, the relevant share of indirectly-owned direct investment enterprises are included in: (i) the data on reinvested earnings (which cover the banking sector only), and (ii) the other capital position data, but are included only partially in the equity capital data. Enterprises in Spain are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) 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, 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 (which cover the banking sector only). 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.

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) 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 Spain 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 and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in Spain: Claims on Direct Investors". However, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Spain: 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 Spain by nonresidents of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation of ships and aircraft in Spain by nonresidents are not applicable at present.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established in Spain by nonresidents at present.

Treatment of Special Purpose Entities (SPEs): In accordance with the international standards, (i) activities of SPEs established in Spain by nonresidents are generally included in the direct investment data, and (ii) in the case of SPEs established in Spain 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 Spain by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration in Spain by nonresidents.

Valuation: In accordance with the international standards, the data for other capital are recorded at market values. Contrary to the international standards, the data on equity capital are recorded primarily at book values, which are the historical costs. However, some equity capital data are recorded at market values.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.

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

A. Compilation Practices and Data Sources

Data Availability: Preliminary monthly data on direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of 8 weeks after the end of the reference period. Preliminary quarterly data on direct investment income (income on equity, and income on debt [interest] only), are disseminated with a timeliness of 12 weeks after the end of the reference period. Data on reinvested earnings are not compiled.

Revision Policy: The monthly data are revised three times: (i) one month after their first release, (ii) 13 months after their first release, and (iii) 25 months after their first release, at which time they are considered to be final. The quarterly data are revised 15 months after the end of the reference year, at which time they are considered to be final.

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

Data Collection Methods: Data are collected on an individual transactions basis, and reporting requirements are compulsory.

Data Sources: The data are compiled from an international transactions reporting system (ITRS). A business register of enterprises involved in direct investment is not maintained.

Geographic Classification: Quarterly data showing country breakdowns for direct investment income and direct investment financial flows are disseminated with a timeliness of 12 weeks 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 direct investment income 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 Spain during 2001 (ranked in descending order) were: the Netherlands, Argentina, Brazil, Mexico, and the United States.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated for direct investment financial flows with a timeliness of 6 months after the end of the reference period. Data showing breakdowns by industrial sector are not compiled for direct investment income at present, although there are plans to do so in the future. The data are based on the industry of the resident direct investor. The data are disseminated at the 2-digit level of NACE-93, a classification that broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial sector/region or economic zone are disseminated for the European Union only, although there are plans to disseminate data for other regions and economic zones in the future. Data showing breakdowns by industrial sector/partner country are not compiled.

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. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, 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. Specifically, (i) the direct investment earnings data do not include the relevant share of indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions between resident enterprises and nonresident enterprises of the same group of related enterprises, as the data exclude transactions between affiliated enterprises that involve (i) the acquisition of listed shares that represent less than

10 percent of the total shares of an enterprise, and (ii) the acquisition of debt securities. Enterprises in Spain are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) 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. Contrary to COPC: (i) deductions are not made for depreciation of capital, or for provisions for host-country income and corporation taxes, and (ii) realized capital gains and losses, and write-offs, are included. In accordance with COPC, unrealized capital gains and losses, and exchange rate gains or losses, are not included in the earnings data. In accordance with the international standards, when a direct investment enterprise makes a loss, the net loss is recorded as negative income. (Data on reinvested earnings are not compiled.)

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 (i) on the date they are paid, rather than the date they are payable, and (ii) net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits: Not applicable. Data on reinvested earnings and undistributed branch profits are not compiled.

Treatment of Income on Debt (Interest): The data cover interest income from: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover interest from bonds and money market instruments. 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 between affiliated financial intermediaries. Contrary to the international standards, the data are compiled on a paid basis, rather than 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) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover (i) bonds and money market instruments, and (ii) 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 Spain 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 and loan transactions are recorded in accordance with the international standards 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, loan transactions are recorded in accordance with the international standards as “Direct Investment in Spain: Increase in Claims on Direct Investors”. However, contrary to the international standards, equity transactions are recorded as “Portfolio Investment: Increase in Assets: Equity Securities”, rather than as “Direct Investment in Spain: 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 Spanish residents of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation of ships and aircraft abroad by Spanish residents are not applicable at present.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Spanish residents are generally 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 Spanish residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Spanish 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 Spanish resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Spanish residents.

Exchange Rate Conversion: Transactions are converted to the unit of account at the average exchange rate in the period in which the transactions are recorded.

SPAIN: DIRECT INVESTMENT ABROAD
INTERNATIONAL INVESTMENT POSITION (“POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) equity capital and reinvested earnings, and (ii) other capital, are disseminated with a timeliness of 16 weeks (4 months) after the end of the reference period.

Revision Policy: The data are revised continuously for two years, at which time they are considered to be final.

Data Coverage: No major industrial sectors are excluded from the data on equity capital and other capital. However, the data on reinvested earnings cover only the banking sector.

Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The data are compiled primarily from (i) the balance sheets of banks for the banking sector data, and (ii) an international transactions reporting system (ITRS) for the data for the other sectors, using the perpetual inventory method (a method for deriving position data from transactions data), with adjustments for exchange rate changes, but not for price changes. Data obtained from a register of external loans compiled by the Banco de España are used as a secondary data source. A business register of enterprises involved in direct investment is not maintained.

Geographic Classification: Not applicable. Data showing breakdowns by country and regions/economic zones are not compiled at present, although there are plans to do so in the future.

Industrial Classification: Not applicable. Data showing breakdowns by industrial sector are not compiled at present, although there are plans to do so in the future.

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. Investors which own less than 10 percent of a direct investment enterprise but have an effective voice in management are not included. No value threshold is used to identify direct investors abroad, 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. Specifically, the relevant share of indirectly-owned direct investment enterprises are included in: (i) the data on reinvested earnings (which cover the banking sector only), and (ii) the other capital position data, but are included only partially in the equity capital data. Enterprises in Spain are required by law to (i) produce consolidated accounts covering their subsidiaries and associates, either domestic or foreign, and (ii) 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, 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 (which cover the banking sector only). 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.

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, (iii) financial leases, and (iv) trade credits. The data do not cover: (i) bonds and money market instruments, and (ii) 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 Spain 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 and loan positions are recorded in accordance with the international standards as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises". When the direct investment enterprise owns less than 10 percent of its nonresident direct investor, loan positions are recorded in accordance with the international standards as "Liabilities: Direct Investment in Spain: Claims on Direct Investors". However, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in Spain: 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 Spanish residents of (i) construction enterprises, and (ii) drilling rigs. Quasi-corporations arising from the operation of ships and aircraft abroad by Spanish residents are not applicable at present.

Treatment of Offshore Enterprises: In accordance with the international standards, activities of offshore enterprises established abroad by Spanish residents are generally 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 Spanish residents are generally included in the direct investment data, and (ii) in the case of SPEs established abroad by Spanish 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 Spanish resident enterprises and individuals.

Treatment of Natural Resources Exploration: In accordance with the international standards, the data include expenditure related to natural resources exploration abroad by Spanish residents.

Valuation: In accordance with the international standards, the data for other capital are recorded at market values. Contrary to the international standards, the data on equity capital are recorded primarily at book values, which are the historical costs. However, some equity capital data are recorded at market values.

Exchange Rate Conversion: The exchange rate prevailing on the day to which the position data relate is used to convert foreign currencies into the unit of account.