

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.

Iceland:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in Iceland

- **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 ICELAND
BALANCE OF PAYMENTS (“TRANSACTIONS DATA”)

A. Compilation Practices and Data Sources

Data Availability: Preliminary quarterly data on (i) direct investment income (income on equity, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of not later than 10 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 40 weeks (10 months) after the end of the reference period.

Revision Policy: The data become final 24 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 quarterly data are compiled primarily from published sources, such as company accounts, and press reports. Information obtained from (i) investment approval authorities, (ii) the Ministry of Commerce, and (iii) telephone interviews with enterprises, are used as secondary data sources. The more comprehensive annual data are compiled using information obtained from an annual survey of direct investment enterprises in Iceland. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by the tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual (calendar year) data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 40 weeks (10 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 direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, and (iv) ASEAN. The five countries with the largest amount of direct investment flows into Iceland during 2000 (ranked in descending order) were: Luxembourg, Cyprus, Denmark, Sweden, and Canada.

Industrial Classification: Annual (calendar year) data showing breakdowns by industrial sector are disseminated for direct investment income and direct investment financial flows, with a timeliness of 40 weeks (10 months) after the end of the reference period. Data are disseminated based on the industry of the resident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed data showing a breakdown by the division level of ISIC are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated 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 are not disseminated because of confidentiality constraints.

B. Methodology

Definition of Direct Investment Enterprises in Iceland: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Iceland 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 fully applied. Specifically, (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. Enterprises in Iceland 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 are not included. Contrary to COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses 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. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover bonds and money market instruments, which are considered to rarely occur. 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 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 (when these occur) and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives, all of which are considered to rarely occur. 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 (when these occur) and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Iceland and the direct investor is a nonresident, (i) 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 as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment in Iceland: Increase in Claims on Direct Investors”.

Treatment of Quasi-corporations: Not applicable. There have been no instances to date of quasi-corporations involving the operation in Iceland by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

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

Treatment of Special Purpose Entities (SPEs): Not applicable. There are no SPEs established in Iceland by nonresidents at present.

Treatment of Land and Buildings: In accordance with the international standards, the data include estimates of purchases and sales of land and buildings in Iceland by nonresident enterprises and individuals.

Treatment of Natural Resources Exploration: Not applicable. No instances have been identified to date of expenditure related to natural resources exploration in Iceland by nonresidents.

Exchange Rate Conversion: Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Reinvested earnings are converted at the average exchange rate in the period in which the transactions are recorded.

DIRECT INVESTMENT IN ICELAND
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 no later than 10 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 40 weeks (10 months) after the end of the reference period.

Revision Policy: The data become final 24 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 quarterly data are compiled primarily from published sources, such as company accounts, and press reports. Information obtained from (i) investment approval authorities, (ii) the Ministry of Commerce, and (iii) telephone interviews with enterprises, are used as secondary data sources. The more comprehensive annual data are compiled using information obtained from an annual survey of direct investment enterprises in Iceland. 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) other statistical collection forms, (ii) registers maintained by the tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual data showing country breakdowns are disseminated with a timeliness of 40 weeks (10 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, and (iv) ASEAN. The five countries with the largest amount of direct investment in Iceland as at the end of 2000 (ranked in descending order) were: Switzerland, the United States, Luxembourg, Denmark, and the United Kingdom.

Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 40 weeks (10 months) after the end of the reference period. Data are disseminated based on both (i) the industry of the resident direct investment enterprise, and (ii) the industry of the nonresident direct investor. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed data showing a breakdown by the division level of ISIC are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated 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 are not disseminated because of confidentiality constraints.

B. Methodology

Definition of Direct Investment Enterprises in Iceland: In accordance with the international standards, the basic criterion for defining direct investment enterprises in Iceland 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 fully applied. Specifically, 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. Enterprises in Iceland 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 (when these occur) 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 Iceland.)

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives, all of which are considered to rarely occur. 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 (when these occur) and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Iceland and the direct investor is a nonresident: (i) 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 as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Liabilities: Direct Investment in Iceland: Claims on Direct Investors".

Treatment of Quasi-corporations: Not applicable. There have been no instances to date of quasi-corporations involving the operation in Iceland by nonresidents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

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

Treatment of Special Purpose Entities (SPEs): Not applicable. There are no SPEs established in Iceland by nonresidents at present.

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

Treatment of Natural Resources Exploration: Not applicable. No instances have been identified to date of expenditure related to natural resources exploration in Iceland by nonresidents.

Valuation: Contrary to the international standards, the data are recorded at book values, rather than market values. The book values used are the historical costs, plus price inflation that occurred during the relevant period.

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.

ICELAND: 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, reinvested earnings, and income on debt [interest]), and (ii) direct investment financial flows (equity capital and other capital), are disseminated with a timeliness of no later than 10 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 40 weeks (10 months) after the end of the reference period.

Revision Policy: The data become final 24 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 quarterly data are compiled primarily from published sources, such as company accounts, and press reports. Information obtained from telephone interviews with major direct investors is used as a secondary data source. The more comprehensive annual data are compiled using information obtained from an annual survey of resident direct investors. A business register of enterprises involved in direct investment is maintained. This register is updated on an ongoing basis using information from (i) other statistical collection forms, (ii) registers maintained by the tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

Geographic Classification: Annual (calendar year) data showing country breakdowns are disseminated for direct investment income and direct investment financial flows with a timeliness of 40 weeks (10 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 direct investment income and direct investment financial flows by regions or economic zones for: (i) the European Union, (ii) EFTA, (iii) the OECD, and (iv) ASEAN. The five countries with the largest amount of direct investment flows from Iceland during 2000 (ranked in descending order) were: the United States, Luxembourg, the United Kingdom, Bulgaria, and the Netherlands.

Industrial Classification: Annual (calendar year) data showing breakdowns by industrial sector are disseminated for direct investment income and direct investment financial flows, with a timeliness of 40 weeks (10 months) after the end of the reference period. Data are disseminated based on the industry of the nonresident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed data showing a breakdown by the division level of ISIC are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated 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 are not disseminated because of confidentiality constraints.

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. However, the data also include enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by representation on the Board of Directors. 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 fully applied. Specifically, (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. Enterprises in Iceland 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 are not included. Contrary to COPC, realized capital gains and losses, write-offs, and exchange rate gains or losses 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. In accordance with the international standards, dividends and distributed branch profits are recorded (i) on the date they are payable, and (ii) 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover bonds and money market instruments, which are considered to rarely occur. 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 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 (when these occur) and between affiliated financial intermediaries.

Treatment of Other Capital: The data cover: (i) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not include (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives, all of which are considered to rarely occur. 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 (when these occur) and between affiliated financial intermediaries.

Treatment of Reverse Investment: Transactions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Iceland and the direct investor is a nonresident, (i) 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 as “Direct Investment Abroad: Increase in Claims on Affiliated Enterprises”; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan transactions are recorded as “Direct Investment in Iceland: Increase in Claims on Direct Investors”.

Treatment of Quasi-corporations: Not applicable. There have been no instances to date of quasi-corporations involving the operation abroad by Icelandic residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established abroad by Icelandic residents at present.

Treatment of Special Purpose Entities (SPEs): Not applicable. There are no SPEs established abroad by Icelandic residents at present.

Treatment of Land and Buildings: In accordance with the international standards, the data include estimates of purchases and sales of land and buildings abroad by Icelandic resident enterprises and individuals.

Treatment of Natural Resources Exploration: Not applicable. No instances have been identified to date of expenditure related to natural resources exploration abroad by Icelandic residents.

Exchange Rate Conversion: Most transactions are converted to the unit of account at the exchange rate prevailing on the day of the transaction. Reinvested earnings are converted at the average exchange rate in the period in which the transactions are recorded.

ICELAND: 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 no later than 10 weeks after the end of the reference period. More comprehensive annual (calendar year) data are disseminated with a timeliness of 40 weeks (10 months) after the end of the reference period.

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Data Collection Methods: Reporting requirements are compulsory.

Data Sources: The quarterly data are compiled primarily from published sources, such as company accounts, and press reports. Information obtained from telephone interviews with major direct investors is used as a secondary data source. The more comprehensive annual data are compiled using information obtained from an annual survey of resident direct investors. 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) other statistical collection forms, (ii) registers maintained by the tax authorities, and corporate affairs and stock exchange authorities, and (iii) the financial press.

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Industrial Classification: Annual data showing breakdowns by industrial sector are disseminated with a timeliness of 40 weeks (10 months) after the end of the reference period. Data are disseminated based on the industry of the nonresident direct investment enterprise. The classification broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). More detailed data showing a breakdown by the division level of ISIC are also disseminated. Data showing breakdowns by industrial sector/region or economic zone are disseminated 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 are not disseminated because of confidentiality constraints.

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. However, the data also include enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management, as evidenced by representation on the Board of Directors. 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 fully applied. Specifically, 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. Enterprises in Iceland 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 (when these occur) 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) long-term loans, (ii) short-term loans, and (iii) trade credits. The data do not cover: (i) bonds and money market instruments, (ii) financial leases, and (iii) financial derivatives, all of which are considered to rarely occur. 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 (when these occur) and between affiliated financial intermediaries.

Treatment of Reverse Investment: Positions involving reverse investment are treated in accordance with the international standards. Assuming that the direct investment enterprise is a resident of Iceland and the direct investor is a nonresident: (i) 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 as "Assets: Direct Investment Abroad: Claims on Affiliated Enterprises"; and (ii) when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, equity and loan positions are recorded as "Liabilities: Direct Investment in Iceland: Claims on Direct Investors".

Treatment of Quasi-corporations: Not applicable. There have been no instances to date of quasi-corporations involving the operation abroad by Icelandic residents of (i) mobile equipment, such as ships, aircraft, and drilling rigs, and (ii) construction enterprises.

Treatment of Offshore Enterprises: Not applicable. There are no offshore enterprises established abroad by Icelandic residents at present.

Treatment of Special Purpose Entities (SPEs): Not applicable. There are no SPEs established abroad by Icelandic residents at present.

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

Treatment of Natural Resources Exploration: Not applicable. No instances have been identified to date of expenditure related to natural resources exploration abroad by Icelandic residents.

Valuation: Contrary to the international standards, the data are recorded at book values, rather than market values. The book values used are the historical costs, plus price inflation that occurred during the relevant period.

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.