INTERNATIONAL INVESTMENT POSITION

A Guide to Data Sources

INTERNATIONAL MONETARY FUND

Citation

International Monetary Fund. Statistics Department.
International Investment Position: A Guide to Data Sources.
Washington, D.C., October 2002.
(Second printing 2004)

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Preface

The *International Investment Position: A Guide to Data Sources* has been prepared to assist national compilers in the development of international investment position statistics.

Recent financial crises have underscored the importance of timely information on countries' external asset and liability positions as an important indicator of external vulnerability. The International Investment Position (IIP), which is the recognized framework for the presentation of a country's stock of external assets and liabilities, was formally introduced in the fifth edition of the *Balance of Payments Manual* in 1993.

The primary audience for this guide is those countries not currently producing an IIP statement as well as those producing partial IIP statements. The major focus of the guide is to give practical advice on existing data sources that could readily be used to build an IIP statement within a relatively short time. It is, however, our hope that the guide will provide a useful source of reference to all countries compiling IIP statements.

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I. Introduction

1. Both the balance of payments and the international investment position (IIP) provide useful information for assessing a country's economic relations with the rest of the world.

2. The balance of payments shows transactions between residents and nonresidents of an economy—that is, external transactions—during a specific period. Transactions in financial assets and liabilities are recorded in the financial account of the balance of payments.

3. The IIP is a statistical statement that shows an economy's stock of external financial assets and liabilities at a particular point. This stock is the result of past external transactions measured according to current market values (current market prices and exchange rates) and other factors (for example, write-offs or reclassifications) at a specific point.

4. The conceptual framework for the IIP was introduced in the fifth edition of the International Monetary Fund's *Balance of Payments Manual (BPM5)* in 1993. It reflected the increased interest in data on levels of, or positions in, foreign investment, inclusive of external debt. While many member countries have implemented the recommendations of the *BPM5* for balance of payments statistics, implementation of the recommendations for compiling the IIP framework has advanced at a slower pace.

5. Against this background, this paper aims to give practical guidance on IIP compilation to those countries that are not yet compiling IIP data or that are producing only partial IIP statements. This approach originates from a recognition that additional guidance might be useful to supplement available documents, which contain both the concepts underlying IIP statistics and the more practical aspects of compiling such statistical statements.[1] These include the following:

- *Balance of Payments Manual, Fifth Edition, 1993* (*BPM5*)
- *Balance of Payments Textbook* (*Textbook*)
- *Balance of Payments Compilation Guide* (*Compilation Guide*)
- *Financial Derivatives, A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*
- *External Debt Statistics: Guide For Compilers and Users, 2003*[2] (*External Debt Guide*).

6. Specifically, the paper is tailored to give practical advice on how a country might improve the availability of external position data in a relatively short time. The goal is to use

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[1] See Bibliography for details.

[2] See http://www.imf.org/external/pubs/ft/eds/Eng/Guide/index.htm. References to the *External Debt Guide* are based on the June 2003 final edition.

available data, which could readily provide substantial information. This would be the first phase in developing IIP statistics. A subsequent phase, not discussed in detail in this paper, would involve developing survey/reporting systems for compiling comprehensive IIP statements.

7. Following this introduction, the paper comprises four sections. The first summarizes the conceptual and other methodological guidelines of the IIP framework, using extensive cross-references to the existing international methodological guidelines.

8. The second section discusses the existing data sources in the following broad areas—domestic sources and foreign sources. Summary tables reorganize the existing data sources to show how they feed the main IIP accounts. This section also presents potential sources that compilers could use to develop IIP surveys in the subsequent phase.

9. The third section discusses the institutional environment in which IIP statistics are produced, along with various aspects of disseminating these statistics. Finally, the fourth section presents a brief summing up.

10. This paper draws on the international guidelines for external macroeconomic statistics set out in the *BPM5*, the *External Debt Guide*, the *Monetary and Financial Statistics Manual, 2000 (MFSM),* the *Government Finance Statistics Manual, 2001(GFSM),* and the *System of National Accounts 1993 (1993 SNA)*. In addition, the paper uses technical assistance mission reports of the Fund's Statistics Department, as well as countries' publications on sources and methods for compiling balance of payments and IIP statistics.

II. Conceptual Framework for IIP Statistics

11. To assess the suitability of data sources for compiling IIP statements, it is essential to understand what exactly requires measuring. This section summarizes the main concepts and definitions underlying the IIP set forth in *BPM5* and other statistical methodological manuals. For a more in-depth discussion of the conceptual framework, see the paper's citations to the appropriate reference documents.

12. Section II.A generally outlines the coverage, as well as the concepts—residence, valuation, and the time of recording—of the IIP statistics. Section II.B explains the classification of financial assets and liabilities in the IIP according to standard components recommended in *BPM5*.

A. Coverage and Concepts

13. The international investment position, compiled at the end of a specific period such as year-end, is the balance sheet of the stock of external financial assets and liabilities. The items that compose financial assets and liabilities are financial claims on and liabilities to nonresidents, equity assets and liabilities, financial derivative instruments, monetary gold, and SDRs.

14. The net international investment position (the stock of external assets less the stock of external liabilities) shows the difference between what an economy owns in relation to what it owes. The net IIP, combined with the stock of an economy's nonfinancial assets, composes the net worth of that economy.[3]

15. The concepts guiding the compilation of IIP statistics are broadly the same as those for balance of payments and are also consistent with those for other macroeconomic statistics. The following summarizes the concepts—residence, valuation, and time of recording—that are relevant for IIP purposes, with reference to further detail if needed.

Residence

16. For IIP statistics, the concept of residence implies that only those assets and liabilities of residents that represent claims on or liabilities to nonresidents are recorded. The distinction between residents and nonresidents is closely related to the delineation between the compiling economy and the rest of the world.

17. Residents of an economy are institutional units—such as households, corporations, government—that have a center of economic interest in the economy in question. These units engage and intend to engage[4] in economic activities on a significant scale from some location (dwelling, place of production, or other premises) within the economic territory of the country. This means within the geographic territory administered by a government.[5]

18. Nonresidents of an economy are defined residually as the institutional units that are not residents of the economy.

Valuation of external assets and liabilities

19. In principle, all asset and liability positions constituting a country's international investment position should be measured at market prices. This concept assumes that such positions are continuously and regularly revalued—for example, by reference to actual market prices for financial assets such as shares and bonds.

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[3] International Monetary Fund, *Balance of Payments Manual, Fifth Edition (BPM5),*1993, paras. 461-462.

[4] A one-year period is suggested as a guideline but not as an inflexible rule.

[5] For a more detailed description of **residence** see Bank for International Settlements, Commonwealth Secretariat, Eurostat, IMF, Organisation for Economic Co-operation and Development, Paris Club Secretariat, UN Conference on Trade and Development, and World Bank, 2003, *External Debt Statistics: Guide for Compilers and Users*, paras. 2.13–2.21.

20. The market price measurement[6] cannot always be implemented, especially if financial instruments are not traded in the market.

21. Cash items (**currency** and **transferable deposits** that can be redeemed on demand at the nominal values) have only one value that could be assigned for any purpose, so this value could be regarded as the actual market price.

22. Nonmarketable financial items, which are primarily **loans** in one form or another, are valued at the nominal values. However, a secondary market occasionally arises for these items and in these markets these instruments are often traded at substantial discounts from nominal values. When such market prices are available then the market price of the instrument should be used as the basis for valuation. For example, loans to some heavily debt-burdened countries are often traded in secondary markets.

23. Balance sheet (or book) value is often the only valuation available or reported for **direct investment**.[7] That value might be assigned on the basis of original cost, a more recent revaluation, or current value. (The use of current value would accord with the market price principle.) When direct investment enterprises are listed on stock exchanges, the listed prices should be used as the market values of shares in those enterprises.

Time of recording

24. The international investment position presents data related to a country's external financial conditions as of a specific point (such as year-end). The time of recording of the financial items that constitute the position is governed by the principle of **accrual accounting**. Claims and liabilities arise when there is a **change in ownership** between residents and nonresidents, as evidenced by transactions where financial assets have been created, transformed, exchanged, transferred, or extinguished. When a change in ownership is not obvious, the change is considered to have occurred at (or is proxied by) the time the parties to the transaction **record it in their books or accounts**.[8]

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[6] For a more detailed description of **valuation,** see *External Debt Guide,* paras. 2.31–2.49. A discussion of valuation methods for portfolio investment assets can also be found in the International Monetary Fund's *Coordinated Portfolio Investment Survey Guide (Second Edition),* 3.33–3.42.

[7] See *BPM5,* para. 467 and *External Debt Guide,* para. 2.49 for more detail.

[8] For a more detailed description of **time of recording,** see *External Debt Guide,* paras. 2.22–2.30 and Box 2.1, "The Choice of a Recording Basis: The Case for Accrual Accounting."

B. Classification

25. A classification scheme's goal is to group different types of financial assets and liabilities into analytically useful components. It thus enables a structured presentation of the external assets and liabilities of an economy. The classifications discussed here are financial assets and liabilities and functional types of investment.

Financial assets and liabilities

26. The primary dimension for classification in the IIP is by financial **assets** and **liabilities.**

27. Most financial assets[9] are financial claims. Financial claims and obligations arise out of contractual relationships entered into when one institutional unit provides funds to the other. A financial claim is an asset that entitles its owner, the creditor, to receive a payment, or series of payments, from the debtor, in certain circumstances specified in the contract between them. The claim is extinguished when the debtor discharges the liability, paying a sum agreed to in the contract. In addition, the creditor may receive a series of interest payments, that is, property income. Financial claims are represented by financial instruments such as cash and deposits, loans, advances and other credits, and securities such as bills and bonds.

28. Financial assets that are not financial claims are monetary gold, SDRs allocated by the IMF, shares in corporations, and financial derivatives. Monetary gold and SDRs are treated as financial assets even though their holders do not have claims over other designated units. Shares are treated as financial assets even though their holders do not have a fixed or predetermined monetary claim on the corporation. Derivatives are treated as financial assets by convention.

29. For convenience, the term "financial asset" may be used to cover both financial assets and liabilities, except when the context requires liabilities to be referred to explicitly.

30. Further, the IIP includes some nonfinancial assets whose ownership is construed by convention as ownership of financial assets (claims). Compilers will find a detailed discussion of this topic in para. 316 of the *BPM5*.

31. In the IIP, the external financial claims and other external financial assets are classified as assets when the holders are residents. They are classified as liabilities when the issuers are residents.[10]

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[9] For a more detailed description of **assets**, see Eurostat, IMF, Organisation for Economic Co-operation and Development, UN, and World Bank, *System of National Accounts*, *1993,* paras. 10.2-10.14.

[10] With the exception of direct investment as explained in the next section.

Functional types of investment

32. In a second level of classification, the various financial instruments that make up the financial assets and liabilities are grouped according to the *intent* of the resident holders/ issuers of the financial instruments. That is, they are grouped according to the **functional type** of investment—direct investment, portfolio investment, financial derivatives, other investment, and reserve assets (for assets only). Table 1 gives an overview of the main components. Appendix I presents the full list of standard components.

Table 1: International Investment Position: Main Components

A. ASSETS	B. LIABILITIES
1. Direct investment abroad	**1. Direct investment in reporting economy**
1.1 Equity capital and reinvested earnings	1.1 Equity capital and reinvested earnings
1.1.1 Claims on affiliated enterprises	1.1.1 Claims on direct investors
1.1.2 Liabilities to affiliated enterprises	1.1.2 Liabilities to direct investors
1.2 Other capital	1.2 Other capital
1.2.1 Claims on affiliated enterprises	1.2.1 Claims on direct investors
1.2.2 Liabilities to affiliated enterprises	1.2.2 Liabilities to direct investors
2. Portfolio investment	**2. Portfolio investment**
2.1 Equity securities	2.1 Equity securities
2.2 Debt securities	2.2 Debt securities
2.2.1 Bonds and notes	2.2.1 Bonds and notes
2.2.2 Money market instruments	2.2.2 Money market instruments
3. Financial derivatives	**3. Financial derivatives**
4. Other investment	**4. Other investment**
4.1 Trade credits	4.1 Trade credits
4.2 Loans	4.2 Loans
4.3 Currency and deposits	4.3 Currency and deposits
4.4 Other assets	4.4 Other liabilities
5. Reserve assets	
5.1 Monetary gold	
5.2 SDRs	
5.3 Reserve position in the Fund	
5.4 Foreign exchange	
5.4.1 Currency and deposits	
5.4.2. Securities	
5.4.3 Financial derivatives (net)	
5.5 Other claims	

Direct investment

33. The first functional category, direct investment, is classified by direction of investment–direct investment abroad and direct investment in the reporting economy. Table 1 illustrates that these direct investment components each include asset and liability instruments,

consistent with the presentation of the flow data in the financial account of the balance of payments.[11]

34. Direct investment abroad includes claims[12] on and liabilities to direct investment enterprises, and direct investment in the reporting economy includes claims on and liabilities to direct investors.

35. Within the functional category of direct investment, a distinction is made between equity capital, including reinvested earnings, and other capital (intercompany debt).

36. Direct investment reflects the lasting interest of a resident entity in one economy—the direct investor—in an entity resident in another economy—the direct investment enterprise. The lasting interest implies a significant degree of influence by the investor in the management of the enterprise. According to *BPM5,* a lasting interest can usually be assumed if the direct investor has ownership of a minimum of 10 percent of the ordinary shares or voting power or the equivalent in the direct investment enterprise.[13]

37. Direct investment positions cover all financial claims and liabilities between direct investors and direct investment enterprises (except for financial derivatives[14] and specific exceptions for affiliated financial intermediaries[15]).

Portfolio investment

38. The portfolio investment category covers financial instruments in the form of equity and debt securities that are usually traded (or tradable) in organized markets[16] and where the resident holders/issuers are largely driven by consideration of portfolio diversification. Debt securities are subdivided into bonds and notes and money-market instruments. The instruments

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[11] Because direct investment is classified primarily on a directional basis—abroad under the heading **Assets** and in the reporting economy under the heading **Liabilities—**claim/liability breakdowns are shown for the components of each, although these subitems do not strictly conform to the overall headings of **Assets** and **Liabilities.**

[12] Also includes assets that are not claims.

[13] See also *BPM5,* chapter XVIII.

[14] International Monetary Fund, *Letter of Promulgation of Final Decision on Classification in the Balance of Payments and IIP of Financial Derivatives involving Affiliated Enterprises,* June 24, 2002, sent to IMF balance of payments correspondents.

[15] International Monetary Fund, *Balance of Payments Statistics Newsletter*, Midyear 2002, pages 12–13, and *BPM5,* para. 372.

[16] *BPM5*, para. 387.

are further classified by institutional resident sectors, namely, monetary authorities, general government, banks, and other sectors.[17]

Financial derivatives

39. Financial derivatives are financial instruments that are linked to another specific financial instrument, indicator, or commodity and through which specific financial risks can be traded in financial markets in their own right. The classification shows the subdivision by the four institutional resident sectors. Compilers should report all financial derivatives here except those reported under reserve assets.[18]

Other investment

40. Other investment is a residual category that covers all financial instruments other than those classified as direct investment, portfolio investment, financial derivatives, or reserve assets. Like portfolio investment, it is primarily classified by instrument and secondarily by sectors. The instruments include trade credits, loans, currency and deposits, and other assets and liabilities. The sector classification is the same as for portfolio investment instruments. Guidelines also recommend a classification by original maturity (short and long term) except for currency and deposits, which are considered to be short-term instruments unless details are available to make the short-/long-term attribution.[19]

Reserve assets

41. Reserve assets are external assets that are readily available to and under the effective control of monetary authorities for balance of payments or other purposes.[20] The classification distinguishes monetary gold, SDRs, reserve position in the IMF, foreign exchange, and other claims. The foreign exchange position is further split into currency and deposits, securities, and financial derivatives. Within currency and deposits, a distinction is made for "held with other monetary authorities" and "held with banks." In addition, foreign exchange securities are further identified by instrument—equities, bonds and notes, and money market instruments.

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[17] See also *BPM5*, chapter XIX.

[18] See also International Monetary Fund's *Financial Derivatives, A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual,* 2000, and *Letter of Promulgation,* noted previously.

[19] *External Debt Guide,* Table 7.10.

[20] See also *BPM5*, chapter XXI, Anne Kester's *International Reserves and Foreign Currency Liquidity, Guidelines for a Data Template*, 2001, paras. 64–74, and *Financial Derivatives,* pp. 26, 40, and 45.

III. Data Sources For IIP Statistics

42. As mentioned, this guide intends to give practical guidance on how a country might improve the availability of external-position data in a relatively short time. This could be accomplished by using available data, which could readily provide substantial information.

43. This section therefore discusses the following existing data sources—the domestic sources, which are often already available for other statistical systems, and foreign sources from international organizations or administrative records. It also presents summary tables that reorganize the existing data sources by functional type of investment (e.g., all existing sources for direct investment).

44. In a subsequent phase, a country would also need to develop survey/reporting systems for compiling comprehensive IIP statements. Although this paper does not discuss this phase in detail, it does present potential sources for developing surveys specifically designed for IIP data needs.

45. In setting out the range of data sources that countries can possibly use, this section notes that information that can be obtained from these data sources is partly overlapping—that is, more than one source described may provide information on any given claim or liability.

46. Further, some of the data sources may not be available in particular countries. Compilers will, therefore, need to choose those sources that provide the most adequate data in the country's specific circumstances. If a country adopts a phased approach to compiling IIP data, as this paper suggests, these choices will most probably change over time when a country develops more appropriate sources.

47. As well, the range of data sources available is likely to change with progressive liberalization of foreign exchange regulations from administrative and banking records towards survey collection methods. The *External Debt Guide*[21] outlines the impact of the regulatory environment on the collection techniques for external debt statistics, which is also relevant for IIP statistics.

A. Existing Domestic Data Sources

48. The first step in identifying the various sources consists of a stocktaking exercise of macroeconomic datasets and other sources collected by a country for other than purely statistical purposes. These existing sources may be relevant for compiling an IIP statement.

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[21] See *External Debt Guide,* Chapter 10, paras. 10.16–10.22.

49. Domestic-based data that exist can be divided into those collected for economic datasets that follow accounting and classification principles similar to the IIP and those that serve other purposes, including administrative data.

50. This section reviews four economic datasets—banks' external assets and liabilities, monetary authorities external assets and liabilities, general government external debt, and balance of payments financial flows.

51. It also reviews three nonstatistical sources—financial statements of enterprises, approvals of foreign investment, and the financial press.

52. It examines the concepts and definitions used in the various datasets, available breakdowns, valuation practices, frequency, timeliness, and related issues.

53. The intent is for compilers to determine whether these data are consistent with the IIP requirements. Even after a country has developed a comprehensive data collection system for compiling the IIP (see Section III.D), the data sources described here can still prove useful for cross-checking purposes.

54. Major gaps of the sources covered in this section are in the area of financial derivatives and the financial assets and liabilities of the private nonbank sector. Administrative data on the latter may exist only if restrictive capital controls are in place, and in such cases, the importance of the private nonbank sector's external positions might be rather small.

Statistical sources (four economic datasets)

55. The first two—banks' external assets and liabilities and monetary authorities' external assets and liabilities—are existing domestic sources for monetary statistics. The third dataset is drawn from government finance statistics while the fourth refers to statistics of the external sector (balance of payments).

Banks' external assets and liabilities

56. The *Monetary and Financial Statistics Manual, 2000 (MFSM)* presents an internationally accepted framework that can be used for three sectoral components of the IIP. That is, the **Sectoral Balance Sheet for Other Depository Corporations**[22] can be used for the Banking sector of the IIP. Second, the **Sectoral Balance Sheet for the Central Bank** can be used to compile statistics for the Monetary Authorities sector in the IIP. Third, the **Sectoral**

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[22] **Other depository corporations** include commercial banks, merchant banks, savings banks, savings and loan associations, building societies and mortgage banks, credit unions and credit cooperatives, rural and agricultural banks, and travelers' check companies that mainly engage in financial corporation activities (International Monetary Fund, *Monetary and Financial Statistics Manual (MFSM),* 2000, p. 18).

Balance Sheet for Other Financial Corporations may be used to a lesser extent as part of "other sectors."[23]

57. This section presents the Sectoral Balance Sheet for Other Depository Corporations (ODCs), which can be used to compile estimates for the Banking sector of the IIP. Banks are closely regulated in almost all countries; therefore, usually extensive data on their financial flows and positions are collected for monetary policy and banking supervision purposes. Such data generally are also available on a very frequent (mostly monthly) and timely basis. In principle, they could thus constitute an important source of information for IIP purposes.

58. From this same Sectoral Balance Sheet for Other Depository Corporations,[24] it is possible for compilers to identify and select the external assets and liabilities of the banking sector. The following table presents this information on positions vis-à-vis nonresidents as well as the relevant corresponding IIP components.

Table 2: Reconciliation of Other Depository Corporations' Balance Sheet Items with International Investment Position Components

ODC's Balance Sheet	International Investment Position
Assets: claims on nonresidents	
Foreign currency	A.4.3.3 Other investment, currency and deposits, banks
Deposits (transferable and other, in national and foreign currency)	
Securities other than shares	A.2.2.1.3 Portfolio investment, debt securities, bonds and notes, banks A.2.2.2.3 Portfolio investment, debt securities, money market instruments, banks
Loans	A.4.2.3 Other investment, loans, banks A.4.2.3.1 Long-term A.4.2.3.2 Short-term
Shares and other equity	A.1.1.1 Direct investment abroad, equity capital and reinvested earnings, claims on affiliated enterprises B.1.1.1 Direct investment in the reporting economy, equity capital and reinvested earnings, claims on direct investors A.2.1.3 Portfolio investment, Equity securities, banks
Insurance technical reserves	A.4.4.3.1 Other investment, other assets, banks, long-term

[23] **Other financial corporations** include insurance corporations and pension funds, other financial intermediaries, and financial auxiliaries (*MFSM* para. 96; see also Table 3, p. 142). *Note:* Liabilities in the form of deposits are excluded, and other financial corporations may have liability positions from insurance technical reserves.

[24] *MFSM,* p.136.

Table 2 (continued)

ODC's Balance Sheet	International Investment Position
Assets: claims on nonresidents	
Financial derivatives	A.3.3 Financial derivatives, banks
Other accounts receivable[25] Trade credit and advances Other	A.4.4.3. Other investment, other assets, banks A.4.4.3.1 Long-term A.4.4.3.2 Short-term
Liabilities to nonresidents	
Deposits (excluded from broad money, transferable and other, in national and foreign currency)	B.4.3.2 Other investment, currency and deposits, banks
Securities other than shares (excluded from broad money, in national and foreign currency)	B.2.2.1.3 Portfolio investment, debt securities, bonds and notes, banks B.2.2.2.3 Portfolio investment, debt securities, money market instruments, banks
Loans	B.4.2.3 Other investment, loans, banks B.4.2.3.1 Long-term B.4.2.3.2 Short-term
Financial derivatives	B.3.3 Financial derivatives, banks
Other accounts payable Trade credit and advances Other	B.4.4.3 Other investment, other liabilities, banks B.4.4.3.1 Long-term B.4.4.3.2 Short-term
Shares and other equity: market value, by holding sector (memorandum item)	B.1.1.2 Direct investment in reporting economy, equity capital and reinvested earnings, liabilities to direct investors A.1.1.2 Direct investment abroad, equity capital and reinvested earnings, liabilities to affiliated enterprises B.2.1.1 Portfolio investment, equity securities, banks

59. Table 2 shows that, although the sectoral balance sheet data can largely correspond with IIP components, the differences in the classification do not allow a full reconciliation of the two frameworks. For several items, additional information from the banks' balance sheets would be needed for a compiler to identify unequivocally the appropriate IIP components.

60. As outlined previously, the main criterion for classifying asset and liability components in the IIP is the function of investment, that is, direct investment, portfolio investment, financial derivatives, other investment, and reserve assets. Only the next levels of classification provide an instrument and sector breakdown.

61. Sometimes the mapping of Other Depository Corporations items to the various components of the IIP is not straightforward. For example, external assets in the form of "shares and other equity" could be part of the bank's direct investment in foreign corporations (direct investment abroad), or part of their portfolio investment in equities of nonresident corporations. To fill in the standard components of the IIP, additional data that show a further detailed breakdown by type of investment would be necessary.

[25] For a definition of **other accounts receivable/payable,** see *MFSM,* para. 179.

62. Careful consideration should be given to the possibility of expanding the banks' reporting requirements to accommodate the requirements for IIP statistics. Clearly, compiling agencies would want to avoid requesting similar information for different purposes from the same group of reporting entities. The agencies could therefore investigate whether it is possible to incorporate the requests for the IIP statistics in existing reporting forms for the banking sector. For example, they could introduce some additional memorandum items or breakdowns of the data. They could do this without impeding the objectives of the banking statistics (for example, regarding the timeliness of the provision of the data). Since compilers usually request data for the IIP at a lower frequency, they could include such additional reporting requirements only in quarterly reports.

63. Alternatively, compiling agencies could investigate whether they could possibly use approximations to attribute the positions reported in the banking statistics for specific instruments to the IIP components of the banking sector. This approach could be considered appropriate if the compilers envisage a separate survey later for IIP statistics and consider the use of data from the banking statistics temporary. In that case, it might not be worthwhile to introduce additional reporting requirements into existing surveys. In the above-mentioned example, compiling agencies could investigate whether they could use other information, such as that collected for supervisory purposes, to determine the appropriate functional category of the IIP for shares and other equity assets and liabilities. (Banking supervision information usually encompasses information on the capital ownership relations.)

64. Apart from allocating shares and other equity positions to direct investment or portfolio investment, the additional detail required for IIP purposes concerns breakdowns for loans and other accounts payable and receivable by long- and short-term original maturity. It also involves distinguishing debt securities assets and liabilities by bonds and notes and money market instruments. Such information should be available in banks' records, and compiling agencies could probably incorporate it in the reporting requirements for banks. If not directly available, the IIP data for the banking sector could still be compiled at the next aggregated level without such detail.

65. In a case where a country uses a closed international transactions reporting system (ITRS)[26] to collect data for balance of payments statistics, compilers could also retrieve information on the banks' external positions from this source with enough details on the IIP components.

Monetary authorities' external assets and liabilities

66. The reserve assets component of the IIP should be straightforward to compile, since data on the monetary authorities' accounts should be readily available directly from the monetary authorities.

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[26] For a detailed description of ITRS types, see International Monetary Fund's *Balance of Payments Compilation Guide*, 1995, Chapter III.

67. It should be borne in mind, however, that in instances where the monetary authorities include several institutional units or where certain transactions of other units need to be taken into account, then compiling the reserve assets component might be more complex.

68. That is, monetary authorities are defined as a functional concept encompassing the central bank (and other institutional units such as the currency board, monetary agency, etc.) and certain operations usually attributed to the central bank but sometimes carried out by other government institutions or commercial banks. Such operations include issuing currency, maintaining and managing international reserves, including those resulting from transactions with the IMF, and operating exchange stabilization funds.[27] The data should be easily accessible to the compiling institution, but it will entail greater coordination to gather the data from various sources and aggregate the figures consistently.

69. The monetary authorities should also be able to provide without difficulty, besides the official reserve assets, the information on their other external assets and their external liabilities. Such assets may include claims on nonresidents in domestic currency and any other external assets that do not qualify as reserve assets (for example, because they are not readily available for balance of payments purposes). Compilers should allocate these foreign assets to the appropriate IIP components under portfolio investment, financial derivatives, or other investment.

70. External liabilities of monetary authorities may be in the form of debt securities (bonds and notes, money market instruments), financial derivatives, loans, deposits, or other liabilities and should be recorded in the appropriate components of the IIP.

71. Table 3 presents the components that need to be collected from the monetary authorities' accounting records for IIP reporting purposes.

[27] See *BPM5,* para. 514.

Table 3: Summary of Required Information on External Asset and Liability Positions of Monetary Authorities

External Assets	External Liabilities
Portfolio investment: 2.1.1 Equity securities 2.2.1.1 Bonds and notes 2.2.2.1 Money market instruments	**Portfolio investment**: 2.2.1.1 Bonds and notes 2.2.2.1 Money market instruments
Financial derivatives 3.1 (not pertaining to reserves management)	**Financial derivatives** 3.1 (not pertaining to reserves management)
Other investment: 4.2.1.1 Long-term loans 4.2.1.2 Short-term loans 4.3.1 Currency and deposits 4.4.1.1 Other long-term assets 4.4.1.2 Other short-term assets	**Other investment**: 4.2.1.1 Use of Fund credit and loans from the Fund 4.2.1.2 Other long-term loans 4.2.1.3 Short-term loans 4.3.1 Currency and deposits 4.4.1.1 Other long-term liabilities 4.4.1.2 Other short-term liabilities
Reserve assets 5.1 Monetary gold 5.2 SDRs 5.3 Reserve position in the Fund 5.4.1.1 Currency and deposits with monetary authorities 5.4.1.2 Deposits with banks 5.4.2.1 Equities 5.4.2.2 Bonds and notes 5.4.2.3 Money market instruments 5.4.3 Financial derivatives (net) 5.5 Other claims	

72. In practice, the list above of financial instruments may be shorter if, for example, reserve management policy or other provisions prohibit the monetary authority's investing in certain types of assets or incurring certain liabilities.

73. Although it is preferable that the central bank directly provides the required data to the IIP compiler, the compiler can also use the Sectoral Balance Sheet for the Central Bank, as presented in the *MFSM,* as a reference. As in the case of the Sectoral Balance sheet for Other Depository Corporations, the compiler can compare the recommended classification of those data in the *MFSM* with the required information for the IIP (see Table 4).

Table 4: Reconciliation of Sectoral Balance Sheet Items for the Central Bank with International Investment Position Components

Sectoral Balance Sheet for the Central Bank[28]	International Investment Position
Assets: claims on nonresidents	
Monetary gold	A.5.1 Reserve assets, monetary gold
SDRs	A.5.2 Reserve assets, SDRs
Foreign currency	A.5.4.1.1 Reserve assets, foreign exchange, currency and deposits, with monetary authorities
Deposits in national currency (transferable and other)	A.4.3.1 Other investment, currency and deposits, monetary authorities
Deposits in foreign currency (transferable and other)	A.4.3.1. Other investment, currency and deposits, monetary authorities A.5.4.1 Reserve assets, foreign exchange, currency and deposits A.5.4.1.1 With monetary authorities A.5.4.1.2 With banks
Securities other than shares	A.2.2.1.1 Portfolio investment, debt securities, bonds and notes, monetary authorities A.2.2.2.1 Portfolio investment, debt securities, money market instruments, monetary authorities A.5.4.2.2 Reserve assets, foreign exchange, securities, bonds and notes A.5.4.2.3 Reserve assets, foreign exchange, securities, money market instruments
Loans	A.4.2.1 Other investment, loans, monetary authorities A.4.2.1.1 Long-term A.4.2.1.2 Short-term
Shares and other equity	A.2.1.1 Portfolio investment, equity securities, monetary authorities A.5.4.2.1 Reserve assets, foreign exchange, securities, equities
Insurance technical reserves	A.4.4.1.1 Other investment, other assets, monetary authorities, long-term
Financial derivatives	A.3.1 Financial derivatives, monetary authorities A.5.4.3 Part of reserve assets, foreign exchange, financial derivatives (net)
Other accounts receivable Trade credit and advances Other	A.4.4.1 Other investment, other assets, monetary Authorities A.4.4.1.1 Long-term A.4.4.1.2 Short-term A.5.5 Reserve assets, other claims

[28] *MFSM,* p. 130.

Liabilities to nonresidents	
Currency in circulation (nonresidents' holdings, not separately identified in balance sheet)	B.4.3.1 Other investment, currency and deposits, monetary authorities
Deposits (transferable and other, in national and foreign currency)	
Securities other than shares	B.2.2.1.1 Portfolio investment, debt securities, bonds and notes, monetary authorities B.2.2.2.1 Portfolio investment, debt securities, money market instruments, monetary authorities
Loans	B.4.2.1 Other investment, loans, monetary Authorities B.4.2.1.1 Use of Fund credit and loans from the Fund B.4.2.1.2 Other long-term B.4.2.1.3 Short-term
Financial derivatives	B.3.1 Financial derivatives, monetary authorities A.5.4.3 Part of reserve assets, financial derivatives (net)
Other accounts payable Trade credit and advances Other	B.4.4.1 Other investment, other liabilities, monetary Authorities B.4.4.1.1 Long-term B.4.4.1.2 Short-term

General government external debt

74. The previous sections on existing domestic data sources have focused on two components of a country's external debt statement—the external debt of the banking sector and the monetary authorities sector. This section focuses on the external debt of the general government sector.[29] It also discusses the relationship of the external debt statement to the IIP statement.

75. The external debt statement relates closely to the IIP. It is a subset of the liability component of the IIP and, as such, can be derived from the IIP. Liability components of the IIP that are *not* considered part of external debt include equity liabilities and financial derivative liabilities. In the same vein, the net international investment position is not identical to the net external debt position of an economy. A measure for net external debt would exclude from assets and liabilities any equity instruments as well as financial derivative positions.

76. The new *External Debt Guide* gives detailed recommendations on how to measure, compile, and present external debt. Because the *External Debt Guide* was only finalized in

[29] Although this section focuses on the liability side of the government's balance sheet, information on the general government's holdings of assets abroad may be available to the compiler through existing government financial statistics. See IMF's *Government Finance Statistics Manual, 2001* for more information on the availability of holdings of external assets that can be attributed to the general government sector.

2003, countries may not yet have implemented some of its recommendations. Nevertheless, this guide presents the now accepted methodology for measuring and presenting external debt statistics.[30]

77. According to the *External Debt Guide,* the main framework for presenting data on external debt shows external debt positions primarily broken down by the four institutional sectors of the compiling economy—monetary authorities, general government, banks, and other sectors.[31] The definition of these sectors is identical with that of the balance of payments and IIP frameworks. Further breakdowns include long- and short-term maturity of the debt, and financial instruments (money market instruments, bonds and notes, loans, trade credits, other debt liabilities) on an original maturity basis. The *External Debt Guide* also presents a memorandum table for position data on financial derivatives (assets and liabilities),[32] which identifies data for the general government sector. Compilers can directly reconcile these positions with the IIP components.

78. If agencies compile data on the general government's external debt according to this framework, they can use the data directly for the IIP statement. Table 5 illustrates the relationship between the general government's external debt position according to this presentation and the relevant IIP components.

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[30] The previous guidance on the measurement of gross external debt was presented in *External Debt: Definition, Statistical Coverage and Methodology, 1988 (**Grey Book**).* Although this may still represent the conceptual basis for many of the existing external debt compilation systems, it has some major conceptual differences that may impede the use of those data for IIP purposes.

[31] The *External Debt Guide,* Chapter Five, recommends another presentation, which emphasizes the role of the **public** sector in external borrowing (the public sector includes the general government, monetary authorities, and those entities in the banking and other sectors that are public corporations (para. 5.5)). However, since additional information on the public sector debt would be needed in order to allocate it according to the institutional sector breakdown used in the IIP, this paper will not present it.

[32] *External Debt Guide*, Table 4.3.

Table 5: Relationship between General Government's Gross External Debt and IIP

Gross External Debt Position—General Government	IIP General Government's Liabilities Components
Short-term	
Money market instruments	B.2.2.2.2 Portfolio investment, Debt securities, Money market instruments, General government
Loans	B.4.2.2.2 Other investment, Loans, General government, Short-term
Trade credits	B.4.1.1.2 Other investment, Trade credits, General government, Short-term
Other debt liabilities Arrears Other	B.4.4.2.2 Other investment, Other liabilities, General government, Short-term
Long-term	
Bonds and notes	B.2.2.1.2 Portfolio investment, Debt securities, Bonds and notes, General government
Loans	B.4.2.2.1 Other investment, Loans, General government, Long-term
Trade credits	B.4.1.1.1 Other investment, Trade credits, General government, Long-term
Other debt liabilities	B.4.4.2.1 Other investment, Other liabilities, General government, Long-term

Balance of payments financial flows

79. To examine how compilers can use the financial flows in the balance of payments to estimate the IIP, this section briefly profiles the relationship between the two statements.

80. The international investment position and the balance of payments are closely interrelated. The balance of payments records both financial and nonfinancial transactions with nonresidents during the period in which they occur. The IIP shows the result of previous financial transactions with nonresidents at a specific point in time, usually at year-end.

81. The reconciliation statement (Figure 1) illustrates the relationship, explaining the difference between IIP positions. It shows how changes that have occurred during the period are due to financial transactions, price and exchange rate changes, and other adjustments. The financial transactions that contributed to the change in positions are those transactions that are recorded in the financial account of the balance of payments.[33]

[33] The balance of payments also includes the current and capital accounts where nonfinancial transactions with nonresidents are recorded, e.g., trade in goods and services.

Figure 1: Relationship between the International Investment Position and the Balance of Payments

Balance of Payments

	CURRENT ACCOUNT			
	CAPITAL ACCOUNT			

International Investment Position

Position at the beginning of the period	**FINANCIAL ACCOUNT** **Transactions**	**Other Changes in Position** **Price Changes**	**Exchange Rate Changes**	**Other Adjust-ments**	**Position at the end of the period**
Assets	**Assets**				**Assets**
Direct Investment *abroad*	Direct Investment *abroad*	√	√	√	Direct Investment *abroad*
Portfolio Investment	Portfolio Investment	√	√	√	Portfolio Investment
Financial Derivatives	Financial Derivatives	√	√	√	Financial Derivatives
Other Investment	Other Investment	√	√	√	Other Investment
Reserve Assets	Reserve Assets	√	√	√	Reserve Assets
Liabilities	**Liabilities**				**Liabilities**
Direct Investment *in reporting economy*	Direct Investment *in reporting economy*	√	√	√	Direct Investment *in reporting economy*
Portfolio Investment	Portfolio Investment	√	√	√	Portfolio Investment
Financial Derivatives	Financial Derivatives	√	√	√	Financial Derivatives
Other Investment	Other Investment	√	√	√	Other Investment
Net International Investment Position					**Net International Investment Position**

82. The first step in building an IIP position from financial flows is to estimate a "position at the beginning of the period."

83. Compilers may find it possible to use the information provided in the three preceding sections on existing domestic sources to estimate positions for the banking sector, the general government sector, and the monetary authorities' sector. But what if there are no existing sources for the position at the beginning of the period? How does a compiler establish the first position in this case?

84. The following simple example illustrates the basic procedures. If a compiler is attempting to estimate position data on **loan assets** for year-end 2001, domestic sources may exist to determine the starting position for the banking sector, general government sector, and

monetary authorities' sector.[34] For the "other sectors," however, similar source data may not exist to estimate the initial position.

85. In this case, the starting point could be the **transactions** in the financial account of the balance of payments. For this example, it is assumed that transaction data have been available on a loan asset for four years, 1998-2001. The initial loan, valued at 100 (unit of account), was first recorded in the financial account in 1998.[35] The loan was valued at its nominal value; therefore, it was not affected by price changes,[36] and there was no exchange rate change because its value was not linked to a foreign currency. However, there was a write-down of five units in the loan during the period, and this was considered a valuation change (**other adjustment**). The position at year-end 1998 was therefore 95.

		CHANGES in POSITION				
	Position at the beginning of the period **year-end 1997**	**Transactions**	**Price Changes**	**Exchange Rate Changes**	**Other Adjustments**	**Position at the end of the period** **year-end 1998**
Assets Other Investment Loans Other sectors	–	+100	–	–	-5	95

+ equals increase; – equals decrease

86. This position of 95 then becomes the "position at the beginning of the period, year-end 1998" for the next IIP statement. During 1999, there may have been a loan repayment transaction of –10 and no other changes. The position at year-end 1999 would then be 85.

87. The above procedures are repeated for year-end 2000 and 2001. At that time, the position data should reflect accumulated **transactions** and **other changes** that have taken place during the four-year period.

[34] See this paper's section III.C for a summary of "Existing Sources by Type of Investment—Other Investment, Assets, Loans."

[35] Clearly, however, if there were loans outstanding prior to the initial measurement in 1998, the recorded flows during 1998–2001 would result in an underestimation of the position.

[36] There is no secondary market.

88. In this manner, a position estimate for loan assets-other sectors can be made with a view to revising this estimate in the future when more precise measurement tools, such as enterprise surveys, are in place. It is important to include a detailed explanation of the methodology used to derive the position with any published data.

89. The *External Debt Guide*, Chapter 12, Appendix, paras. 12.36–12.56 presents a comprehensive methodology for estimating position data with transactions information. It discusses detailed methods—from the simplest cases, such as nontraded debt instruments whose value is linked to the unit of account,[37] to the more complex case of traded instruments, where the effect of price changes, exchange rate effects, and other adjustments can all come into play.

90. With an increasing volatility of prices, exchange rates, and transaction volumes during a given period and with an increasing volume of transactions relative to stocks,[38] the effect on the quality of estimates of using more detailed information becomes particularly important. There is thus clearly a need to undertake position surveys from time to time, both to help ensure the quality of position data and to help check on the reported transactions data.

91. Compilers could also consider using flows to estimate stock data when surveys of stocks prove to be costly and burdensome for both compilers and respondents and are therefore only undertaken with long intervals. Compilers could extrapolate results obtained from benchmark surveys by using the information on financial flows as recorded in the balance of payments and adjusting for price and exchange rate changes as well as other adjustments. Countries with advanced data collection and compilation systems sometimes also choose this method if they do not collect position data for selected components. (For example, they may have experienced difficulties in response rates or conceptual difficulties in capturing relevant position data via surveys.)

Nonstatistical sources (three datasets)

92. Three nonstatistical existing domestic sources are financial statements of enterprises, approvals of foreign investment, and the financial press.

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[37] In this case, all the factors come into play except price and exchange rate changes.

[38] The effects on the accuracy of stock estimates derived from flow data (and of flow estimates derived from stock data) are analyzed and discussed in more detail in *Effects of Volatile Asset Prices on Balance of Payments and International Investment Position Data*, Marco Committeri, IMF Working Paper No. 00/191.

Financial statements of enterprises

93. Compilers can sometimes estimate the initial value of foreign direct investment (FDI) using information in financial statements of enterprises. This data source is particularly useful if the compiler does not yet carry out enterprise surveys.

94. Financial statements can be used as a source for estimating foreign direct investment in the reporting economy (inward FDI) and foreign direct investment abroad (outward FDI). The key to determining the usefulness of this data source is the level of consolidation of the financial statements—whether they are **consolidated** or **unconsolidated**. The source of the financial statements—**external** (publicly available source) or **internal** (source found within the government) largely determines the level of consolidation available.

Foreign direct investment in the reporting economy

External sources

95. Generally, **external** sources exist for publicly traded companies in an annual report, available in print format or on the Internet. Annual reports contain balance sheet items that can be used to estimate foreign direct investment in an enterprise. Financial statements that are publicly available are usually **consolidated**.[39]

96. The following example shows how compilers can estimate inward FDI from this source. If the nonresident direct investor owns 100 percent of the resident enterprise,[40] the compiler can estimate FDI from the Shareholders' Equity portion of the balance sheet (IIP component–B.1.1.2).

Consolidated Balance Sheet

Assets	Liabilities
	Shareholders' Equity (B.1.1.2)

Internal sources

97. **Internal** government sources may also have available financial-statement information. Some compiling agencies collect—for their national financial statistics—the financial-statement information for foreign-owned enterprises. Depending on the rules for data sharing

[39] This means that intercompany transactions have been eliminated. As a result, it is not possible to identify the "other capital" component of FDI from this source. A note describing this limitation needs to be included in the methodology documentation.

[40] If the nonresident direct investor owns 50 percent of the resident enterprise, then only 50 percent of the value would be included in the FDI estimate.

that govern the compiling agency, it may be possible for compilers to access information on the shareholders' equity of the foreign-owned enterprise from this source.

98. Internal data may also be available from other government departments outside the compiling agency. Once again, access to this information would depend on data sharing agreements between the institutions.

99. Financial statement information collected from internal sources may be consolidated or may be **unconsolidated**. If it is unconsolidated, compilers could possibly estimate "other capital" in the form of intercompany debt. For inward FDI, *Loans from parent* are found in the liability section of the balance sheet, and *Loans to parent* are found in the asset section.

Unconsolidated Balance Sheet – Inward FDI

Assets		**Liabilities**	
Loans to parent[41]	B.1.2.1	*Loans from parent*	B.1.2.2

Foreign direct investment abroad

External sources

100. Using financial statements to estimate foreign direct investment abroad (outward FDI) is more complex. The compiler can use two sets of financial statements—those of the **resident direct investor** and those of the **nonresident direct investment enterprise**.

101. Financial statements of the resident direct investor that are consolidated may not provide enough information to calculate outward FDI from the balance sheet. However, the Notes to the Financial Statements may yield some useful information on equity ownership in the nonresident direct investment enterprises.

102. Another potential external source of financial statement information for outward FDI exists when the direct investor has just acquired an existing company abroad. If the financial statements of the acquired enterprise are publicly available, the compiler can estimate the initial value of FDI.

Internal sources

103. If the resident direct investor makes the financial statements of the nonresident direct investment enterprise[42] available to the compiler, this can be very useful in estimating outward FDI. Compilers can follow the same procedures outlined above for inward FDI.

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[41] The resident direct investment enterprise does not own more than 10 percent of its parent company.

[42] Another government department may collect this information and, once again, data sharing agreements would need to be taken into consideration.

104. Internal sources may provide the unconsolidated financial statements of the resident direct investor. If this is the case, the asset side of the balance sheet may provide information on the *Investment in foreign affiliates* (equity) and *Loans to foreign affiliates* (other capital). The liability side may provide information on *Loans from a foreign affiliate* (other capital).

Unconsolidated Balance Sheet – Outward FDI

Assets		**Liabilities**	
Investment in foreign affiliates	A.1.1.1	*Loans from a foreign affiliate*[43]	A.1.2.2
Loans to foreign affiliates	A.1.2.1		

105. When using financial statements to estimate FDI, compilers should note that most balance sheets reflect book value or historical cost. In principle, *BPM5* suggests that all external assets and liabilities be measured at current market prices. In practice, however, it is recognized that book values from the balance sheets are generally utilized to determine the value of FDI.[44] If book value is used, compilers are also encouraged to collect data from enterprises on a current market-value basis.[45] Also, if they use book value, they should note it in the methodology documentation, including an explanation of the type of book value used, such as historical cost or directors' valuation.

106. Although financial statements may provide an early source for estimating FDI, clearly compilers need to develop a more complete source, such as enterprise surveys.

Approvals of foreign investment

107. As was mentioned earlier, the data sources available in a specific country will depend partly on the regulatory framework for international transactions. In some circumstances, international capital movements are restricted. That is, external borrowing or investment is not allowed for specific institutional units, or approval is required by an official body for external transactions. Then a good source of information for balance of payments and IIP compilation is the administrative records of the agency in charge of such foreign exchange controls.

108. However, this kind of data often has significant shortcomings because approval procedures are usually not set up with macroeconomic statistical requirements in mind. Also, significant time lags between approvals and actual investments may occur, or the approved investment may not actually take place.

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[43] The foreign affiliate does not own more than 10 percent of the resident direct investor.

[44] *BPM5,* para. 467.

[45] *External Debt Guide*, para. 2.49.

109. Thus, the information on approvals can be rather limited regarding the range of information that is needed for IIP purposes. For example, the approvals of direct investment in an economy might capture information on new direct investment relationships—the acquisition/establishment of equity capital—but might not capture particular items such as intercompany debt positions, collected for the "other capital" component of direct investment. This source is best used to identify the new investment, and compilers would need other sources such as financial statements and enterprise surveys to measure the foreign investment.

Financial press

110. In countries where some types of investment, like foreign direct investment, play only a minor role, compilers may find that collecting information from financial and economic media (possibly making some additional ad-hoc inquiries) may provide initial coverage of foreign direct investment activity. Typically, such circumstances can be found in economies that are in an early phase of liberalizing foreign investments. However, the economies will have to take adequate measures in time to ensure access to the necessary information when such investments become more numerous in the process of liberalization.

111. Other economies might also use this source to identify new investments that might be surveyed or new investments for which financial statements might be utilized.

B. Existing Foreign Data Sources

112. Section III.A described datasets that are commonly produced for domestic purposes. This section will address data sources available from international organizations and partner countries that can be used to close some gaps in the data collection for the IIP. The data sources are international banking statistics, the Coordinated Portfolio Investment Survey, the joint BIS-IMF-OECD-World Bank statistics on external debt, and partner country data.

113. Moreover, this section will discuss some estimation methods that can be used in the absence of more adequate primary data sources to compile some of the IIP components. Compilers can use these methods also to adjust source data that are not consistent with the recommended conceptual framework of the IIP.

International banking statistics[46]

114. The international banking statistics collected and disseminated by the Bank for International Settlements (BIS) provide information on the international banking business conducted in the major international banking centers that make up the BIS reporting area. International banking business in this context is defined as comprising banks' balance-sheet

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[46] A further discussion of BIS data can be found in the *External Debt Guide,* Chapter 17, paras. 17.3–17.12, and in the BIS's *Guide to the international banking statistics,* July 2000, which is available on the BIS website at http://www.bis.org/publ/other.htm.

assets and liabilities vis-à-vis nonresidents in any currency, plus similar assets and liabilities vis-à-vis residents in foreign currencies. Certain of these data are relevant to the IIP.

115. There are two sets of data. The first set is based on the country of location, or residence, of creditor banks (termed **locational** statistics). The second set is based on the country of origin, or nationality, of creditor banks (termed **consolidated** statistics). However, the underlying principle of the consolidated statistics is the *worldwide* consolidation of the outstanding exposures of reporting banking institutions.[47] Therefore, for balance of payments and IIP compilation, only the locational data can be a relevant data source. The data are published in the *BIS Quarterly Review* and made available on the BIS website at www.bis.org.

116. The locational banking statistics provide quarterly creditor information on loans and deposits of banks and nonbanks by country. Many compilers use the data on loans and deposits in relation to nonbanks (*BIS Quarterly Review,* International Banking Statistics, Table 7B[48]) to supplement other balance of payments and IIP data sources. The data provide information on private nonbanks' claims and liabilities with nonresident banks and serve to compile part of the "other sectors" components of other investment assets and liabilities. Specifically, the table shows amounts outstanding and estimated exchange-rate-adjusted changes of external loans and deposits of reporting banks concerning the nonbank sector and individual countries.

117. Thus, compilers can use the outstanding amounts of loans for their country to compile the other sector's liabilities in loans (IIP component B.4.2.4). The BIS data do not provide a breakdown by short- and long-term maturity of the loans, however. Similarly, compilers can use the outstanding amounts of deposits of nonbanks for their country to compile the other sector's assets in the form of deposits (IIP component A.4.3.4).

118. It needs to be emphasized that the information from the BIS statistics is *partial* regarding the coverage of these IIP components, since it includes only the positions of countries participating in the BIS international banking statistics. As of August 2002, 28 countries report these data to the BIS.

119. Although the international banking statistics also give information on loans and deposits vis-à-vis banks, compilers usually do not use these data, since national statistics generally provide more comprehensive information on such positions.

120. Tables 14A and 14B (*BIS Quarterly Review,* Security Statistics[49]) can provide some information on a country's liabilities related to issuing international money market instruments

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[47] See *External Debt Guide,* para. 17.4.

[48] Table 7B, "External loans and deposits of reporting banks vis-à-vis individual countries, vis-à-vis the non-bank sector."

[49] "International debt securities by country of residence"—Table 14A, "Money market instruments." Also, Table 14B, "Bonds and notes."

and international bonds and notes. It should be mentioned that since this source reports only "international securities" (securities issued abroad by countries), it does not cover securities issued in the domestic market that are purchased by nonresidents. In addition, it makes no allowance for international securities purchased by residents of the debtor country. Therefore, compilers should be cautious when using these data for IIP (and balance of payments) purposes.

Coordinated Portfolio Investment Survey

121. The Coordinated Portfolio Investment Survey (CPIS) focuses on the geographical distribution of portfolio assets (equity, long-term debt, and short-term debt securities) of the participating countries. Thus, partner countries can use these data to obtain information on their portfolio liabilities. Such information can be difficult to collect for the debtor country, since the resident issuer of traded securities is often not in a position to identify the beneficial owner of its securities and so may be unaware whether the creditor is a resident or nonresident.[50]

122. Under the auspices of the IMF, a CPIS was undertaken for the first time with the reference date of December 31, 1997. Twenty-nine jurisdictions participated, including most of the major investing countries and one small economy with an international financial center (SEIFiC), Bermuda.

123. The IMF published the data from this survey in *Results of the 1997 Coordinated Portfolio Investment Survey (1999)*. It includes summary tables II.1 and II.2 that show holdings of equity and long-term debt securities[51] of participating countries, by counterpart country of issuer. From these tables, debtor countries are able to obtain a reasonably reliable measure of their counterpart creditors.

124. In 2000, the IMF published *Analysis of 1997 Coordinated Portfolio Investment Survey and Plans for the 2001 Survey* (*Analysis and Plans*). This followed the decision of the IMF Committee on Balance of Payments Statistics to repeat the survey, as of December 31, 2001. *Analysis and Plans* indicated the overall cross-border holdings of assets compared with an estimate by the IMF of the overall cross-border liabilities of portfolio investment. It indicated an imbalance of $1.7 trillion. In light of this imbalance, and reflecting the size of holdings reported by Bermuda in the 1997 CPIS, the IMF sought to expand the coverage of the second CPIS, emphasizing in particular recruiting more SEIFiCs.

125. The IMF produced the *Coordinated Portfolio Investment Survey Guide, Second Edition (CPIS Survey Guide)* to assist participants undertaking the 2001 survey. The number of

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[50] For a more detailed discussion on the difficulties of compiling external debt in the form of traded securities, see *External Debt Guide*, Chapter 13.

[51] Reporting of short-term securities was optional in the 1997 CPIS. Table II.3 provides data on short-term debt securities holdings of the 15 participants that provided such information.

jurisdictions that participated in the 2001 CPIS was more than double that in the 1997 CPIS, including more than a dozen SEIFiCs. The coverage, therefore, of the 2001 CPIS was much more extensive and offers more valuable and comprehensive results. Preliminary results from the 2001 CPIS are expected to be available within 12 months of the survey's reference date.

126. While this paper was being finalized, letters were sent to all those jurisdictions that participated in the 2001 CPIS. They were invited to participate in a CPIS as of December 31, 2002 and on a continuing, annual basis thereafter. Of the responses received, nearly all agreed to participate in the 2002 CPIS and on a regular, annual basis in the future. As the jurisdictions (and their respondents) become more practiced in providing the information for the CPIS—and as the number of participating jurisdictions continues to expand—the accuracy, comprehensiveness, and timeliness of the data will improve. This will help counterpart debtor countries produce their own portfolio investment position data.

Joint BIS-IMF-OECD-World Bank statistics on external debt[52]

127. The Inter-Agency Task Force on Finance Statistics has developed external debt tables that are published jointly by the BIS, IMF, OECD, and the World Bank. They bring together data on external debt, bank claims, and international reserve assets of developing and emerging market economies. Although they rely mostly on creditor and market information, they also include some information that the debtor countries themselves have provided. These data can prove particularly useful for debtor countries that do not systematically compile data on their external (public or private) debt positions.

128. The joint debt tables include 14 data series on stocks and flows, mostly on a quarterly basis, under three main headings: external debt–all maturities, debt due within a year, and memorandum items. The tables are accessible on the website of the OECD at http://www1.oecd.org/dac/debt.[53] Table 6 reveals the data series presented in the joint external debt tables and indicates the source of the data.[54]

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[52] For further discussion, see *External Debt Guide,* Chapter 17, paras. 17.70–17.74.

[53] Also available at http://www.imf.org/external/np/sta/ed/joint.htm.

[54] Detailed metadata for each data series, including a short assessment of their quality, can also be accessed on the OECD's website at http://www1.oecd.org/dac/debt/htm/metadata.htm.

Table 6: Data Series of the Joint BIS-IMF-OECD-World Bank Statistics on External Debt

Data Series		Source	Description
External debt—all maturities			
A	Bank loans	BIS Locational banking	Loans from banks **resident** in 28 countries.
B	Debt securities issued abroad	BIS International securities	Money market instruments, bonds and notes issued in international markets by both public and private sector borrowers.
C	Brady bonds	World Bank	Bonds issued to restructure commercial bank debt under the 1989 Brady Plan.
D	Nonbank trade credits	OECD	Official and officially guaranteed nonbank export credits from 25 OECD countries.
E	Multilateral claims (African Development Bank, Asian Development Bank, IDB, IMF, World Bank)	African Development Bank, Asian Development Bank, IDB, IMF, World Bank	Loans from the African Development Bank, Asian Development Bank, and Inter-American Development Bank, use of IMF credit, and IBRD loans and IDA credits from the World Bank.
F	Official bilateral loans (DAC creditors)	OECD	Concessional (aid) and other loans provided mainly for developmental purposes by the 21 member countries of the OECD Development Assistance Committee and Korea as of 2000.
Debt due within a year Liabilities with an original maturity of one year or less, plus repayments due within the next 12 months on liabilities with an original maturity of over a year, plus arrears.			
G	Liabilities to banks	BIS Consolidated banking (not for IIP use)	Liabilities to banks which are **nationals** of (i.e. headquartered in) 23 countries and which report their claims on a worldwide-consolidated basis. The data include holdings of short-term securities which are also included in line H.
H	Debt securities issued abroad	BIS International securities	Money market instruments, bonds and notes issued in international markets by both public and private sector borrowers. The data include securities held by foreign banks which are also included in line G.
I	Nonbank trade credits	OECD	Official and officially guaranteed nonbank export credits from 25 OECD countries.
Memorandum items			
J	Total liabilities to banks	BIS Locational banking	Liabilities to banks **resident** in 28 countries (i.e. line A plus banks' holdings of debt securities, which are partly included in line B plus other claims, which are not loans, or debt securities).

K	Total liabilities to banks	BIS Consolidated banking (not for IIP use)	Liabilities to banks which are **nationals** of (i.e., headquartered in) 23 countries and which report their claims on a worldwide-consolidated basis, both short term (line G) and long term liabilities.
L	Total trade credits	OECD	Official and officially guaranteed export credits from 25 OECD countries.
M	Total claims on banks	BIS Locational banking	Claims on banks **resident** in 28 countries.
N	International reserve assets (excluding gold)	IMF	Monetary authorities' holdings of SDRs, reserve position in the Fund, and foreign exchange assets.

Source: http://www1.oecd.org/dac/debt/htm/backsum.htm

129. Compilers can retrieve from the joint external debt tables the relevant data on trade credit positions, multilateral loans from international organizations, and official bilateral loans. Because these data rely on information provided by the creditors, they might constitute another source of information for debtor countries.

130. Series D, I, and L provide data on trade credits. Moreover, series D and I show official or officially guaranteed nonbank export credits from 25 OECD countries. Series D shows the total amounts of stocks and flows, whereas series I is limited to those nonbank trade credits with a residual maturity of one year. The data from series D can be used for compiling the IIP component B.4.1, "Other investment liabilities–Trade credits." Since the data include credits extended to both the public and private sector in the borrowing country, the classification by general government and other sectors, as recommended by the IIP standard components, is not feasible with these data. Also, the maturity information is provided on a residual basis and therefore does not conform to the original maturity concept prevailing in the IIP framework.

131. Series L shows *total* official and officially guaranteed export credits from 25 OECD countries. This includes the nonbank trade credits shown in series D, as well as financial or buyer credits extended by *banks,* which are guaranteed or insured by an official export credit guarantee agency in an OECD reporting country. These data therefore are not consistent with the concept of trade credits in the IIP, which covers only the direct extension of credit by the suppliers and buyers and advance payments for work in progress. Trade credits extended by banks are classified in the IIP under loans.

132. Compilers should keep in mind that the information available from the joint debt tables on nonbank trade credits only partially covers the IIP position of trade credit liabilities. The tables do not cover official and officially guaranteed trade credits from countries not reporting to the OECD, nor do they cover trade credits not guaranteed by an official export credit guarantee agency.

133. The data on multilateral claims in the joint debt tables show total loans from the international financial organizations (African Development Bank, Asian Development Bank, Inter-American Development Bank, IMF, and World Bank). In general, stocks are outstanding

obligations on loans.[55] However, the tables do not provide details on the borrowing institutional sector.

134. Multilateral loans may be granted to any of the four institutional sectors distinguished within the IIP. While loans from specific international organizations might be extended only to one specific institutional sector (for example, Fund credit and loans from the Fund would be extended to the monetary authorities), the joint external debt tables show only the total of multilateral claims. Although this sector information is not available, compilers can use the data to estimate *total* loan liabilities in other investment (B.4.2).

135. In principle, similar difficulties arise when using the data on official bilateral loans (series F) of the joint external debt tables. Loans provided by the official sector of creditor countries could be directed to any of the four institutional sectors of the recipient economy. Since such detail on the recipient institutional sector is not available from the joint external debt tables, compilers cannot disaggregate the data by the full standard components of the IIP without further information. The data also cover only those official loans extended by the members of the OECD's Development Assistance Committee. Official bilateral loans, like multilateral loans, would be part of the "other investment liabilities – loans" component of the debtor country's IIP statement (B.4.2).

136. Compilers can obtain other data in the table directly from other sources. This paper has already described BIS sources from which some data series originate. These sources are locational banking statistics of the BIS, as well as BIS statistics on debt securities issued in international markets.

137. Other items should be available from sources within the compiling country. For example, Brady Bonds would be included in a country's public external debt data as compiled according to the external debt statistical guidelines. The data provided as a memorandum item on international reserve assets rely on data provided by the Fund's member countries and on the Fund accounts (for SDR positions and the reserve position in the Fund). These are therefore available in the compiling countries.

Partner country data

138. Other useful data sources may include information obtained directly from major partner countries. This requires that partner countries collect geographical detail for their external transactions and/or positions.

139. As far as external financial assets and liabilities are concerned, the countries will most likely find information by countries of investor (creditor) or debtor for direct investment and portfolio investment. For direct investment, this is partly because there is often an analytical interest in such information, owing to the lasting interest that the investor obtains in an

[55] For details on the coverage of the data from the various organizations, see the metadata on the OECD's website.

enterprise resident in another economy. For portfolio investment, this is largely because of the improved coverage of the CPIS.

140. For other types of investment, countries will find that a geographical breakdown by creditor and debtor countries is usually more difficult to collect and therefore, if collected, often less reliable. In any case, individual partner country data rarely achieve comprehensive coverage, so such data will typically supplement other primary sources.

C. Existing Sources by Type of Investment

1. Direct Investment

	Existing Domestic Sources					Existing Foreign Sources	
	Banks External Assets & Liabilities	BOP Financial Flows	Financial Statements	Approvals of Foreign Investment	Financial Press	Partner Country Data	
A. ASSETS							**A. ASSETS**
1. Direct investment abroad		x	x	x	x	x	1. Direct investment abroad
1.1 Equity capital and reinvested earnings	x	x	x			x	1.1 Equity capital and reinvested earnings
1.1.1 Claims on affiliated enterprises		x					1.1.1 Claims on affiliated enterprises
1.1.2 Liabilities to affiliated enterprises		x					1.1.2 Liabilities to affiliated enterprises
1.2 Other capital		x	x			x	1.2 Other capital
1.2.1 Claims on affiliated enterprises		x	x				1.2.1 Claims on affiliated enterprises
1.2.2 Liabilities to affiliated enterprises		x	x				1.2.2 Liabilities to affiliated enterprises
B. LIABILITIES							**B. LIABILITIES**
1. Direct investment in reporting economy		x	x	x	x	x	1. Direct investment in reporting economy
1.1 Equity capital and reinvested earnings		x	x			x	1.1 Equity capital and reinvested earnings
1.1.1 Claims on direct investors	x	x					1.1.1 Claims on direct investors
1.1.2 Liabilities to direct investors		x					1.1.2 Liabilities to direct investors
1.2 Other capital		x	x			x	1.2 Other capital
1.2.1 Claims on direct investors		x	x				1.2.1 Claims on affiliated enterprises
1.2.2 Liabilities to direct investors		x	x				1.2.2 Liabilities to affiliated enterprises

Note: **Banks External Assets and Liabilities -** equity securities for banks may include portfolio equity and should therefore be used with caution

BOP Financial Flows - For the initial position estimate several sources should be used

Financial Statements - Valuation - information may be at "book value" and not market value

Approvals of FDI, Financial Press, & Partner Country Data - qualified use as discussed in the text

2. Portfolio Investment

	Existing Domestic Sources				Existing Foreign Sources		
	Banks External Assets & Liabilities	Monetary Authorities	General Government	BOP Financial Flows	BIS Inter. Securities	CPIS 1997	
A. ASSETS							**ASSETS**
2.1 Equity securities				x			2.1 Equity securities
2.1.1 Monetary authorities		x		x			2.1.1 Monetary authorities
2.1.2 General government				x			2.1.2 General government
2.1.3 Banks	x			x			2.1.3 Banks
2.1.4 Other sectors				x			2.1.4 Other sectors
2.2 Debt securities				x			2.2 Debt securities
2.2.1 Bonds and notes				x			2.2.1 Bonds and notes
2.2.1.1 Monetary authorities		x		x			2.2.1.1 Monetary authorities
2.2.1.2 General government				x			2.2.1.2 General government
2.2.1.3 Banks	x			x			2.2.1.3 Banks
2.2.1.4 Other sectors				x			2.2.1.4 Other sectors
2.2.2 Money market instruments				x			2.2.2 Money market instruments
2.2.2.1 Monetary authorities		x		x			2.2.2.1 Monetary authorities
2.2.2.2 General Government				x			2.2.2.2 General Government
2.2.2.3 Banks	x			x			2.2.2.3 Banks
2.2.2.4 Other sectors				x			2.2.2.4 Other sectors
B. LIABILITIES							**LIABILITIES**
2.1 Equity securities				x		x	2.1 Equity securities
2.1.1 Banks	x			x			2.1.1 Banks
2.1.2 Other sectors				x			2.1.2 Other sectors
2.2 Debt securities				x			2.2 Debt securities
2.2.1 Bonds and notes				x	x	x	2.2.1 Bonds and notes
2.2.1.1 Monetary authorities		x		x			2.2.1.1 Monetary authorities
2.2.1.2 General government			x	x			2.2.1.2 General government
2.2.1.3 Banks	x			x			2.2.1.3 Banks
2.2.1.4 Other sectors				x			2.2.1.4 Other sectors
2.2.2 Money market instruments				x	x	x	2.2.2 Money market instruments
2.2.2.1 Monetary authorities		x		x			2.2.2.1 Monetary authorities
2.2.2.2 General Government			x	x			2.2.2.2 General Government
2.2.2.3 Banks	x			x			2.2.2.3 Banks
2.2.2.4 Other sectors				x			2.2.2.4 Other sectors

Note: **Banks External Assets & Liabilities** - equity securities for banks may include direct equity and should therefore be used with caution

Monetary Authorities - these data may not exist if reserve management policy or other provisions prohibit the monetary authority's investing in certain types of assets or incurring certain liabilities.

BIS International securities statistics could be used if there are no national statistics available. It should be noted that since only "international securities" are reported, securities issued in the domestic market that are purchased by nonresidents are not covered by this source. In addition, no allowance is made for international securities purchased by residents of the debtor country (*External Debt Guide* paras. 17.10–17.12).

1997 CPIS - because of the time lag, data should be used as a reference tool only for country level information

3. Financial Derivatives

	Existing Domestic Sources			
	Banks External Assets & Liabilities	**Monetary Authorities**	**General Government**	
A. ASSETS				**ASSETS**
3. Financial Derivatives				3. Financial Derivatives
3.1 Monetary authorities		x		3.1 Monetary authorities
3.2 General government				3.2 General government
3.3 Banks	x			3.3 Banks
3.4 Other sectors				3.4 Other sectors
B. LIABILITIES				**B. LIABILITIES**
3. Financial Derivatives				3. Financial Derivatives
3.1 Monetary authorities		x		3.1 Monetary authorities
3.2 General government			x	3.2 General government
3.3 Banks	x			3.3 Banks
3.4 Other sectors				3.4 Other sectors

4. Other Investment	Existing Domestic Sources				Existing Foreign Sources		
	Banks External Assets & Liabilities	Monetary Authorities	General Government	BOP Fin. Flows	BIS Banking Statistics*	Joint BIS-IMF-OECD-World Bank	
A. ASSETS							**A. ASSETS**
4.1 Trade credits				x			4.1 Trade credits
4.1.1 General government				x			4.1.1 General government
4.1.1.1 Long-term				x			4.1.1.1 Long-term
4.1.1.2 Short-term				x			4.1.1.2 Short-term
4.1.2 Other sectors				x			4.1.2 Other sectors
4.1.2.1 Long-term				x			4.1.2.1 Long-term
4.1.2.2 Short-term				x			4.1.2.2 Short-term
4.2 Loans				x			4.2 Loans
4.2.1 Monetary authorities		x		x			4.2.1 Monetary authorities
4.2.1.1 Long-term		x		x			4.2.1.1 Long-term
4.2.1.2 Short-term		x		x			4.2.1.2 Short-term
4.2.2 General Government				x			4.2.2 General Government
4.2.2.1 Long-term				x			4.2.2.1 Long-term
4.2.2.2 Short-term				x			4.2.2.2 Short-term
4.2.3 Banks	x			x			4.2.3 Banks
4.2.3.1 Long-term	x			x			4.2.3.1 Long-term
4.2.3.2 Short-term	x			x			4.2.3.2 Short-term
4.2.4 Other sectors				x			4.2.4 Other sectors
4.2.4.1 Long-term				x			4.2.4.1 Long-term
4.2.4.2 Short-term				x			4.2.4.2 Short-term
4.3 Currency and deposits				x			4.3 Currency and deposits
4.3.1 Monetary authorities		x		x			4.3.1 Monetary authorities
4.3.2 General government				x			4.3.2 General government
4.3.3 Banks	x			x			4.3.3 Banks
4.3.4 Other sectors				x	x		4.3.4 Other sectors
4.4 Other Assets				x			4.4 Other Assets
4.4.1 Monetary authorities		x		x			4.4.1 Monetary authorities
4.4.1.1 Long-term		x		x			4.4.1.1 Long-term
4.4.1.2 Short-term		x		x			4.4.1.2 Short-term
4.4.2 General Government				x			4.4.2 General Government
4.4.2.1 Long-term				x			4.4.2.1 Long-term
4.4.2.2 Short-term				x			4.4.2.2 Short-term
4.4.3 Banks				x			4.4.3 Banks
4.4.3.1 Long-term	x			x			4.4.3.1 Long-term
4.4.3.2 Short-term	x			x			4.4.3.2 Short-term
4.4.4 Other sectors				x			4.4.4 Other sectors
4.4.4.1 Long-term				x			4.4.4.1 Long-term
4.4.4.2 Short-term				x			4.4.4.2 Short-term

*Locational

Other Investment (cont'd)

	Existing Domestic Sources				Existing Foreign Sources		
	Banks External Assets & Liabilities	Monetary Authorities	General Government	BOP Fin. Flows	BIS Banking Statistics*	Joint BIS-IMF-OECD-World Bank	
B. LIABILITIES							**B. LIABILITIES**
4.1 Trade credits				x		x	4.1 Trade credits
4.1.1 General government			x	x			4.1.1 General government
4.1.1.1 Long-term			x	x			4.1.1.1 Long-term
4.1.1.2 Short-term			x	x			4.1.1.2 Short-term
4.1.2 Other sectors				x			4.1.2 Other sectors
4.1.2.1 Long-term				x			4.1.2.1 Long-term
4.1.2.2 Short-term				x			4.1.2.2 Short-term
4.2 Loans				x		x	4.2 Loans
4.2.1 Monetary authorities		x		x			4.2.1 Monetary authorities
4.2.1.1 Use of fund credit and							4.2.1.1 Use of fund credit and
loans from the Fund		x		x			loans from the Fund
4.2.1.2 Other Long-term		x		x			4.2.1.2 Other Long-term
4.2.1.3 Short-term		x		x			4.2.1.3 Short-term
4.2.2 General Government			x	x			4.2.2 General Government
4.2.2.1 Long-term			x	x			4.2.2.1 Long-term
4.2.2.2 Short-term			x	x			4.2.2.2 Short-term
4.2.3 Banks	x			x			4.2.3 Banks
4.2.3.1 Long-term	x			x			4.2.3.1 Long-term
4.2.3.2 Short-term	x			x			4.2.3.2 Short-term
4.2.4 Other sectors				x	x		4.2.4 Other sectors
4.2.4.1 Long-term				x			4.2.4.1 Long-term
4.2.4.2 Short-term				x			4.2.4.2 Short-term
4.3 Currency and deposits				x			4.3 Currency and deposits
4.3.1 Monetary authorities		x		x			4.3.1 Monetary authorities
4.3.2 Banks	x			x			4.3.2 Banks
4.4 Other Liabilities				x			4.4 Other Liabilities
4.4.1 Monetary authorities		x		x			4.4.1 Monetary authorities
4.4.1.1 Long-term		x		x			4.4.1.1 Long-term
4.4.1.2 Short-term		x		x			4.4.1.2 Short-term
4.4.2 General Government			x	x			4.4.2 General Government
4.4.2.1 Long-term			x	x			4.4.2.1 Long-term
4.4.2.2 Short-term			x	x			4.4.2.2 Short-term
4.4.3 Banks	x			x			4.4.3 Banks
4.4.3.1 Long-term	x			x			4.4.3.1 Long-term
4.4.3.2 Short-term	x			x			4.4.3.2 Short-term
4.4.4 Other sectors				x			4.4.4 Other sectors
4.4.4.1 Long-term				x			4.4.4.1 Long-term
4.4.4.2 Short-term				x			4.4.4.2 Short-term

*Locational

Other Investment (continued)

Note: **Monetary Authorities** – these data may not exist if reserve management policy or other provisions prohibit the monetary authority's investing in certain types of assets or incurring certain liabilities.
BIS International banking statistics can be used if there are no national statistics available. It should be emphasized that this information is partial with regard to coverage since it only includes the position vis-à-vis nonresident banks that are reporting to the BIS.
Joint BIS-IMF-OECD-World Bank Statistics on External Debt – *Trade credits* – partial coverage only as official and officially guaranteed trade credits from countries not reporting to the OECD are not covered, as are trade credits that are not guaranteed by an official export credit guarantee agency. Multilateral and bilateral loans cannot be distinguished by sector and coverage is partial (see text).
For a definition of *Other accounts receivable/payable*, see *MFSM*, para. 179.

5. Reserve Assets

	Existing Domestic Source
	Monetary Authorities
A. Reserve Assets	
5.1 Monetary gold	x
5.2 SDRs	x
5.3 Reserve position in the Fund	x
5.4 Foreign exchange	x
5.4.1 Currency and deposits	x
5.4.1.1 With monetary authorities	x
5.4.1.2 With banks	x
5.4.2 Securities	x
5.4.2.1 Equities	x
5.4.2.2 Bonds and notes	x
5.4.2.3 Money market instruments	x
5.4.3 Financial derivatives (net)	x
5.5 Other claims	x

Note: Reserve position in the Fund does not appear on the "Sectoral Balance Sheet for Central Bank" (*MFSM* p. 130); However, it can be obtained from the Monetary Authorities or the Fund itself.

D. Surveys of External Financial Assets and Liabilities

141. It is evident that the data sources outlined so far will not comprehensively cover all the data required for compiling IIP statistics. Most commonly, data gaps will occur for external positions of the private nonbank sectors (nonbank enterprises, and individuals and private households).

142. Compilers will usually find it difficult to collect data on private household's external assets and liabilities through household surveys, since underreporting and nonresponse in such surveys are likely to be substantial (especially on the assets side). In most countries, compilers will need to collect these data by surveying financial intermediaries and custodians (for example, for portfolio investment) or by using international data sources as outlined above.

143. To close gaps in the collection of enterprise data, usually countries will develop surveys on enterprises' external financial assets and liabilities. When designing a survey system—for enterprise surveys or portfolio investment surveys—the compiler has to consider the various other data sources that he intends to use, to avoid duplication or omission in the overall compilation system.

Enterprise surveys

144. Enterprise surveys are usually a major building block of more developed balance of payments and IIP data collection systems. The *Compilation Guide*[56] and the *External Debt Guide*[57] provide valuable guidance in developing these surveys. Enterprise surveys, in which data are collected directly from the entity involved in international transactions, can cover the whole range of international transactions and positions, or only specific activities or positions, depending on other available sources. Generally, surveys specifically designed for balance of payments and IIP purposes have the advantage of taking into account the conceptual requirements for these statistics more appropriately than is the case with some other data sources (such as administrative data or information from international institutions).

145. Enterprise surveys could cover not only information on external positions but also information on transactions (financial and other) and other changes in positions, as well as related income flows. Combining this information in one survey usually allows greater consistency between the balance of payments and IIP data and may prove to be more efficient than conducting separate surveys for flows and stocks.

146. To achieve good coverage of cross-border activity, it is necessary to develop and maintain a register of the enterprises that have to be included or have the potential to be

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[56] Chapter XVIII of the *Compilation Guide* discusses related issues; see in particular paras. 883-904 and 910-918.

[57] See *External Debt Guide,* paras. 12.11–12.20.

included in such a survey. The balance of payments reports would be a good source of information to identify the relevant enterprises for IIP purposes.

147. In designing a survey, the compiler needs to choose an approach for determining the reporting population (census, sample survey). He/she also needs to decide on the statistical unit with the responsibility for supplying the data (establishment, enterprise, enterprise group) and to develop a collection strategy.[58]

148. In general, the compiler will find it useful to collect information on the level of individual instruments. This is particularly relevant for securities but may also be useful in some countries for other types of instruments (e.g., for loans). Collecting data at a very detailed level usually eases checking of the data and facilitates the compilation of related income flows for balance of payments purposes. It is wise to consider these advantages when weighing the higher costs usually involved with such an approach. Compilers therefore need to take into account the practices of the reporting entities regarding storage, accounting, etc. (for example, use of instrument identification numbers) for external assets and liabilities and how these could benefit the compilation of the statistics.

149. In the *Compilation Guide,* the compiler will find a set of model collection forms for enterprise surveys that he/she may use as a starting point for developing a data collection system for balance of payments and IIP purposes.

150. Model Form 12[59] (Financial Claims on and Liabilities to Nonresidents) is particularly relevant for IIP compilation.[60] This form may be used for different types of enterprises, including banks and other financial enterprises, since data collected from those entities in the framework of money and banking statistics are often not entirely satisfactory for balance of payments and IIP compilation purposes. The model form is comprehensive in covering the different types of financial instruments as required for compiling balance of payments and IIP data. The form integrates data requirements on stocks and flows (transactions and other changes) and on related income and thus includes information required for reconciling beginning and end-of-period stock data.

151. An economy will generally need to adapt the survey form to its specific situation. For example, for an economy where the financial structure is less developed and therefore specific forms of investment are negligible, a compiler could omit specific sections of the report form to simplify reporting and reduce survey costs.[61] On the other hand, he/she could extend the

[58] Chapter XVIII of the *Compilation Guide* discusses issues related to the survey design; see in particular paras. 883-904 and 910-918.

[59] See *Compilation Guide,* p. 331.

[60] See also paras. 180-186 and 1017-1024 of the *Compilation Guide.*

[61] An example for a less detailed form is presented in Chapter XIX of the *Compilation Guide*, illustration 19.3.

form to include more information that may be specific to a country or to include more details on financial instruments. Also, the survey form does not need to be the same for different types of enterprises. For example, compilers may consider developing specific questionnaires for enterprises with direct investment relationships or for financial intermediaries (see also next section). For other enterprises, he/she could then simplify the report form.

Portfolio investment surveys

152. The compiler will find that collecting information on international portfolio activities in securities usually involves several economic entities, such as banks, investment funds, custodians, issuers of securities, and end-investors. The complexity of this task increases, of course, with more developed financial markets.

153. For designing a collection system for portfolio investment (transactions and positions), compilers will find it especially important to give attention to the risks of duplications or omissions in collecting information. It is important to carefully choose the population to be surveyed and provide clear reporting rules.

154. When financial intermediaries handle securities transactions and associated stock positions, compilers may find it difficult in many cases to collect this information directly from the resident principals involved. The *Compilation Guide*, in Chapter VI, gives practical guidance on how to collect those data on securities transactions and positions from intermediaries.

155. Model Form 13 (International Securities) of the *Compilation Guide*[62] is specifically addressed to intermediaries and could complement the more general Model Form 12 for enterprise surveys. Designed to collect details security-by-security from the resident intermediaries, it is a good example of how countries could incorporate the information needs on securities transactions and positions in a survey questionnaire. As in the case of the model form provided for enterprise surveys on external financial assets and liabilities, compilers might need to amend, split, or simplify the model form for surveys on security transactions and positions, according to a country's circumstances.

156. Compilers can find further practical guidance on how they can prepare, organize, and conduct a survey on **portfolio investment assets** (positions only) in the *Coordinated Portfolio Investment Survey Guide, Second Edition (CPIS Survey Guide)*—in particular Chapters 4 and 5. This guide sets out different approaches for collecting such information, notably a mixed custodian/end-investor security-by-security survey, an end-investor survey on an aggregate basis, and a mixed custodian/end-investor survey on an aggregate basis. It also explains the advantages and disadvantages of each approach to guide compilers in choosing an approach that best suits their country's circumstances. It provides different model collection forms in

[62] See paras. 1025–1029 of the *Compilation Guide* as well as page 343 for a copy of Model Form 13.

accordance with these approaches, and it provides additional model forms for small economies with an international financial center (offshore center).

157. The *CPIS Survey Guide* does not cover how to collect and compile data on **portfolio liabilities**. For compiling data on traded debt securities, compilers are advised to refer to the *Compilation Guide.* They could also refer to the *External Debt Guide*, Chapter Thirteen, which lists types of potential respondents from which compilers can collect information on domestically issued securities. It also advises how to collect information on securities issued by residents in foreign markets.

IV. Other Compilation Aspects of IIP Statistics

158. While this paper focuses on presenting possible data sources for IIP statistics—that is, the data collection aspects for compiling IIP statistics—the compiler will want to consider other important aspects of the compilation process. Such aspects include an institutional environment that promotes the production of good quality statistics, aggregation and validation procedures for the collected data, and publication. This chapter illuminates aspects considered specific for compiling IIP data. In particular, it addresses aspects on the institutional setting and on the dissemination of IIP data.

A. Institutional Setting

159. The institutional framework for compiling statistics should assist data providers to produce good-quality data. Good practices in this area—like having a legal basis for compiling statistics, having a clear responsibility for the statistics, or allocating sufficient resources to accomplish the task—are relevant for compiling any official statistics. This section therefore focuses on the institutional issues that are more specific for compiling IIP statistics.

160. A key question is which agency should have the overall responsibility of compiling the statistics. Typically, several agencies are involved in the compilation of IIP statistics. Most commonly, the central bank, the central statistical office, or a foreign exchange control body is entrusted with this task. Sometimes it is a ministry (for example, ministry of finance, economic affairs, or international relations) or a subordinate agency. In fact, more than one agency will often collect and compile data. In this case, it is crucial for these agencies to coordinate among themselves.

161. Assigning the primary responsibility for IIP statistics will depend on several factors. These include the general institutional environment in a country, the resources available in various agencies, the access to existing data sources, the experience of agencies in collecting data and compiling statistics, and the expertise of the agencies' staff. However, the decision may be predetermined largely by the close relationship between balance of payments and IIP statistics and hence by the potential for synergies if the same agency prepares both sets of statistics. With regard to the conceptual framework of IIP statistics, the balance of payments compiling agency usually would meet the criteria of having the staff expertise. Of course, agencies might need to develop specific methods for collecting and compiling stock data. But they might use data collected for balance of payments purposes to some extent for compiling

the IIP, or they might adapt or extend existing data collection methods to take into account the specific needs for compiling the external financial position of an economy. Centralizing the tasks of balance of payments and IIP compilation in one agency would also simplify cross-checking of the external flow and position data and thus enhance overall consistency of the two datasets.

162. Nevertheless, other agencies might be eligible for the leading role in compiling IIP statistics if other factors outweigh the advantages of integrating balance of payments and IIP compilation. Pragmatic considerations, such as resource constraints, might be the decisive factor. Or agencies other than the balance of payments compiling institution also might have access to various data that they consider valuable for compiling IIP statistics.

163. Sometimes a country is preparing to overhaul the data collection system for balance of payments purposes. This might be due to the dismantling of the foreign exchange controls and the resulting weakening of these data sources. Thus when the country develops IIP statistics, it might take the opportunity to shift the responsibility to another compiling agency (for example, from an exchange control agency or the central bank to a central statistical office).

164. If such considerations result in different agencies collecting and compiling balance of payments and IIP data—either as a transition or as a more permanent solution—it becomes essential for these agencies to coordinate to ensure good-quality external sector statistics. Similarly, if different agencies produce data on external (public) debt and the IIP, close cooperation will be required, because data on the external debt position can be considered as a subset of the IIP. Agencies need to coordinate the reporting requirements for respondents to avoid having respondents report the same data to different agencies. Also, both sets of statistics need to be consistent.

B. Dissemination of IIP Statistics

165. Disseminating any statistical data needs to take into account users' needs for frequency and timeliness of the data, detail, revision, support used to disseminate the data, the need for explanations of the data, etc. This section describes the dissemination aspects for coverage, periodicity, and timeliness of IIP statistics as laid out in the Fund's Data Dissemination Standards, namely the Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS). These standards have been developed in the aftermath of the 1994-95 international financial crisis to guide member countries in providing economic and financial data to the public.[63]

166. The **SDDS** is intended for countries that have, or seek, access to international capital markets. Subscription to the SDDS is voluntary. By subscribing, members undertake to provide the supporting information to the Fund and to observe the various elements of the SDDS.

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[63] For more information about the SDDS and the GDDS, see the Fund's website at http://dsbb.imf.org/.

167. For IIP data, the SDDS prescribes disseminating annual data within two quarters after the end of the reference period. The SDDS encourages quarterly frequency and a one-quarter lag for publishing IIP statements. For the coverage, the standard calls for disseminating the IIP following the component detail specified in the *BPM5* (see Appendix I). Compilers should classify assets and liabilities into direct investment, portfolio investment, broken down into equity and debt, other investment, and reserves (for assets only).

168. For economies in which an analysis of the debt position is highly desirable, the SDDS also encourages a breakdown of liabilities within portfolio and other investment of securities and loans, by currency of issue, and by original maturity (e.g., short- and long-term).

169. The supporting information to be provided by SDDS subscribers to the Fund consists of metadata, which include a summary methodology for each data category of the SDDS. The metadata are disseminated on the Data Dissemination Bulletin Board on the Fund's website. The Fund has developed prompt points for most of the SDDS datasets to guide subscribers in preparing the methodological notes. The IIP prompt points, attached in Appendix II, could also be a good guide to follow while building an IIP reporting system.

170. The **GDDS** is a structured process focused on improving data quality that assists countries in adapting their statistical systems to meet the evolving requirements of the user community in the areas of economic management and development. Participating countries commit to adhering to sound statistical practices in developing their statistical systems. The GDDS encourages them to extend the core comprehensive framework for the external sector, namely the balance of payments, into an IIP statement.

V. Summing up

171. In conclusion, this guide provides practical advice on IIP compilation for those countries not yet compiling IIP data or that are producing only partial IIP statements. Specifically, the guide speaks to how compilers might improve the availability of external position data in a relatively short time by using available data.

172. The guide briefly summarizes IIP concepts, coverage, and classifications, familiarizes the user with existing data sources, and finally discusses institutional environments and aspects of data dissemination.

173. Reflecting the increased world interest in levels of foreign investment, the introduction of the IIP will provide key information for assessing a country's economic relations with the rest of the world.

International Investment Position: Standard Components

	Position at Beginning of Year	Trans-actions	Changes in Position Reflecting			Position at End of Year
			Price Changes	Exchange Rate Changes	Other Adjust-ments	
A. Assets						
1. Direct investment abroad[64]						
1.1 Equity capital and reinvested earnings						
1.1.1 Claims on affiliated enterprises						
1.1.2 Liabilities to affiliated enterprises						
1.2 Other capital						
1.2.1 Claims on affiliated enterprises						
1.2.2 Liabilities to affiliated enterprises						
2. Portfolio investment						
2.1 Equity securities						
2.1.1 Monetary authorities						
2.1.2 General government						
2.1.3 Banks						
2.1.4 Other sectors						
2.2 Debt securities						
2.2.1 Bonds and notes						
2.2.1.1 Monetary authorities						
2.2.1.2 General government						
2.2.1.3 Banks						
2.2.1.4 Other sectors						
2.2.2 Money market instruments						
2.2.2.1 Monetary authorities						
2.2.2.2 General government						
2.2.2.3 Banks						
2.2.2.4 Other sectors						

[64] Because direct investment is classified primarily on a directional basis—abroad under the heading **Assets** and in the reporting economy under the heading **Liabilities**—claim/liability breakdowns are shown for the components of each, although these sub-items do not strictly conform to the overall headings of **Assets** and **Liabilities.**

International Investment Position: Standard Components

	Position at Beginning of Year	Trans-actions	Changes in Position Reflecting Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
3. Financial derivatives						
3.1. Monetary authorities						
3.2 General government						
3.3 Banks						
3.4 Other sectors						
4. Other investment						
4.1 Trade credits						
4.1.1 General government						
4.1.1.1 Long-term						
4.1.1.2 Short-term						
4.1.2 Other sectors						
4.1.2.1 Long-term						
4.1.2.2 Short-term						
4.2 Loans						
4.2.1 Monetary authorities						
4.2.1.1 Long-term						
4.2.1.2 Short-term						
4.2.2 General government						
4.2.2.1 Long-term						
4.2.2.2 Short-term						
4.2.3 Banks						
4.2.3.1 Long-term						
4.2.3.2 Short -term						
4.2.4 Other sectors						
4.2.4.1 Long-term						
4.2.4.2 Short-term						
4.3 Currency and deposits						
4.3.1 Monetary authorities						
4.3.2 General government						
4.3.3 Banks						
4.3.4 Other sectors						

International Investment Position: Standard Components

	Position at Beginning of Year	Trans-actions	Changes in Position Reflecting: Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
4.4 Other assets						
4.4.1 Monetary authorities						
4.4.1.1 Long-term						
4.4.1.2 Short-term						
4.4.2 General government						
4.4.2.1 Long-term						
4.4.2.2 Short-term						
4.4.3 Banks						
4.4.3.1 Long-term						
4.4.3.2 Short-term						
4.4.4 Other sectors						
4.4.4.1 Long-term						
4.4.4.2 Short-term						
5. *Reserve assets*						
5.1 Monetary gold						
5.2 SDRs						
5.3 Reserve position in the Fund						
5.4 Foreign exchange						
5.4.1 Currency and deposits						
5.4.1.1 With monetary authorities						
5.4.1.2 With banks						
5.4.2 Securities						
5.4.2.1 Equities						
5.4.2.2 Bonds and notes						
5.4.2.3 Money market instruments						
5.4.3 Financial derivatives (net)						
5.5 Other claims						

International Investment Position: Standard Components

	Position at Beginning of Year	Trans-actions	Changes in Position Reflecting			Position at End of Year
			Price Changes	Exchange Rate Changes	Other Adjust-ments	
B. Liabilities						
1. Direct investment in reporting economy[65]						
1.1 Equity capital and reinvested earnings						
1.1.1 Claims on direct investors						
1.1.2 Liabilities to direct investors						
1.2 Other capital						
1.2.1 Claims on direct investors						
1.2.2 Liabilities to direct investors						
2. Portfolio investment						
2.1 Equity securities						
2.1.1 Banks						
2.1.2 Other sectors						
2.2 Debt securities						
2.2.1 Bonds and notes						
2.2.1.1 Monetary authorities						
2.2.1.2 General government						
2.2.1.3 Banks						
2.2.1.4 Other sectors						
2.2.2 Money market instruments						
2.2.2.1 Monetary authorities						
2.2.2.2 General government						
2.2.2.3 Banks						
2.2.2.4 Other sectors						

[65] Because direct investment is classified primarily on a directional basis—abroad under the heading **Assets** and in the reporting economy under the heading **Liabilities**—claim/liability breakdowns are shown for the components of each, although these sub-items do not strictly conform to the overall headings of **Assets** and **Liabilities.**

International Investment Position: Standard Components

	Position at Beginning of Year	Trans-actions	Changes in Position Reflecting Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
3. Financial derivatives						
3.1. Monetary authorities						
3.2 General government						
3.3 Banks						
3.4 Other sectors						
4. Other investment						
4.l Trade credits						
4.1.1 General government						
4.1.1.1 Long-term						
4.1.1.2 Short-term						
4.1.2 Other sectors						
4.1.2.1 Long-term						
4.1.2.2 Short-term						
4.2 Loans						
4.2.1 Monetary authorities						
4.2.1.1 Use of Fund credit and loans from the Fund						
4.2.1.2 Other long-term						
4.2.1.3 Short-term						
4.2.2 General government						
4 2.2.1 Long-term						
4.2.2.2 Short-term						
4.2.3 Banks						
4.2.3.1 Long-term						
4.2.3.2 Short -term						
4.2.4 Other sectors						
4 2.4.1 Long-term						
4.2.4.2 Short-term						
4.3 Currency and deposits						
4.3.1 Monetary authorities						
4.3.2 Banks						

International Investment Position: Standard Components

	Position at Beginning of Year	Trans-actions	Changes in Position Reflecting: Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
4.4 Other liabilities						
4.4.1 Monetary authorities						
4.4.1.1 Long-term						
4.4.1.2 Short-term						
4.4.2 General government						
4.4.2.1 Long-term						
4.4.2.2 Short-term						
4.4.3 Banks						
4.4.3.1 Long-term						
4.4.3.2 Short-term						
4.4.4 Other sectors						
4.4.4.1 Long-term						
4.4.4.2 Short-term						

International Investment Position Methodology for SDDS
List of Prompt Points

Country: ________________________

Series: International Investment Position (IIP)

I. Analytical Framework, Concepts, Definitions, and Classifications

- Analytical framework: Indicate the underlying conceptual framework for the international investment position disseminated under the SDDS (e.g., conceptual framework of fifth edition of *Balance of Payments Manual* [*BPM5*]). Describe organization of the data (e.g., end-of-period stocks of external financial assets and liabilities are presented under the following data categories: direct investment, portfolio investment, financial derivatives, other investment, and reserve assets; Standard components consist of the beginning and the end of period positions of external assets and liabilities, and changes in positions during the period associated with transactions, exchange rate changes, price changes, and other adjustments).

- Definition: (e.g., statistical statement of the value and composition of the stock of [country's] external financial assets and liabilities).

- Classification: Indicate system used to classify external financial assets and liabilities (e.g., standard components according to the *BPM5*).

- Relationship to international guidelines: Describe main deviations from the concepts, definitions, and classifications outlined in the *BPM5* (e.g., directional principle for classifying direct investment positions is not followed).

II. Scope of the Data

- Coverage of external financial assets and liabilities: Include main differences from *BPM5* (e.g., external positions in financial derivatives not covered; offshore financial institutions operating in domestic economy treated as nonresidents and excluded).

- Geographical coverage: Indicate significant exclusion/inclusion of territories/regions.

III. Accounting Conventions

- Conversion to unit of account: Indicate exchange rates used to convert position data into unit of account (e.g., midpoint between buying and selling spot rate at the end of the period).

- Valuation: Describe how external financial assets and liabilities are valued (e.g., current market values, book values).

- Recording basis: Indicate principle used for recording position data (e.g., accrual principle).

IV. Nature of Basic Data

- Direct investment: Indicate the sources of direct investment data (e.g., International Transactions Reporting System [ITRS]; enterprise surveys; administrative data; accumulation of balance of payments transactions data).

- Portfolio investment: Indicate the sources of portfolio investment data (e.g., ITRS; survey of financial intermediaries and end investors; accumulation of balance of payments transactions data; administrative data; Coordinated Portfolio Investment Survey [partner country data]).

- Financial derivatives: Indicate the sources of financial derivatives data (e.g., ITRS; survey of financial intermediaries; enterprise survey).

- Other investment: Indicate the sources of other investment data (e.g., ITRS; enterprise surveys; international banking statistics; administrative data).

- Reserve assets: Indicate the sources of reserve assets data (e.g., central bank balance sheet; Treasury Department records; commercial bank balance sheets; exchange records).

V. Compilation Practices

- Direct investment:

    - Describe statistical adjustments to improve coverage, classification, timing, valuation of the data (e.g., adjustments for market valuation of exchange traded shares; adjustments for classifying direct investment positions according to the directional principle; estimations for reinvested earnings).

- Verification and other practices (e.g., reconciliation of stocks and transactions data; comparison with partner country data).

- Portfolio investment:

  - Describe statistical adjustments to improve coverage, classification, timing, valuation of the data (e.g., estimation of private households' holdings of foreign securities; adjustments to include accrued interest in position data).

  - Verification and other practices (e.g., reconciliation of reported data with money and banking statistics; custodian data; repurchase agreements are treated as loans).

- Financial derivatives:

  - Describe statistical adjustments to improve coverage, classification, timing, valuation of the data.

  - Verification and other practices (e.g., positions in financial derivatives are available only on a net basis [resulting from accumulation of net balance of payments transactions data] and recorded under assets; the ratio of market to nominal value that is reported is compared to the "normal" ratio derived from the Bank for International Settlement's [BIS] statistics on the open positions in the global OTC derivatives market).

- Other investment:

  - Describe statistical adjustments to improve coverage, classification, timing, valuation of the data (e.g., estimation for trade credits are made on the basis of foreign trade statistics and payment data from the ITRS).

  - Verification and other practices (e.g., deposits and loans with foreign banks are compared to international banking statistics of the BIS).

- Reserve assets:

  - Adjustments to improve coverage, classification, timing, valuation of the data (e.g., securities valued at book values in source data are adjusted to market prices).

  - Verification and other practices (e.g., specific foreign assets are excluded from official reserve assets because they are not readily available for balance of payments purposes).

VI. Other Aspects

- Additional detail: (availability of [e.g.] geographical detail, currency composition of external financial assets and liabilities).

- Other: Other aspects of data sources and compilation methods that users should be aware of in analyzing published IIP data.

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