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Report on the Coordinated Portfolio Investment Survey

**Prepared by the Statistics Department
International Monetary Fund**

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I. INTRODUCTION

1. This document reports the outcome of efforts made to implement decisions made by the IMF Committee on Balance of Payments Statistics (Committee) at its meetings in Santiago (October 1999), Washington (October 2000), and Tokyo (October 2001) regarding the 2001 Coordinated Portfolio Investment Survey (2001 CPIS). Recommendations are made to the Committee concerning actions needed to address likely deficiencies in the coverage of the 2001 CPIS and subsequent surveys, as well as help determine the usefulness of the CPIS as a partner country source in compiling external debt statistics.

2. At its meeting in Tokyo in October 2001, the Committee decided that the CPIS will become an annual survey starting with the 2001 CPIS and that the coverage of the 2002 CPIS should be the same as for the 2001 CPIS. In accordance with this decision, the Fund has invited all countries and jurisdictions that participated in the 2001 CPIS to participate in a 2002 CPIS for December 31, 2002. The Fund will also coordinate successive annual CPIS surveys for the end of each calendar year.¹

II. THE STATUS OF THE 2001 CPIS

3. A total of 70 countries and jurisdictions are participating in the 2001 CPIS, all of which will provide data on their residents' holdings of securities issued by nonresidents, separately for equities, long-term debt securities, and short-term debt securities, and broken down by the country of residence of the issuer, and are, except for one country and some non-reserve holding jurisdictions, participating in the *2001 Survey of Foreign Exchange Reserves* (SEFER). A listing of the 70 countries and jurisdictions that are participating in the 2001 CPIS is given in Appendix 1. In addition, 17 international organizations are participating in the *2001 Survey of Securities Held by International Organizations* (SSIO).

4. As encouraged data categories in the 2001 CPIS, participating countries and jurisdictions were asked to report information on (i) the institutional sector of the resident holder of securities issued by nonresidents; (xx) are reporting information on (ii) the major currencies in which these securities are denominated; and (xx) are reporting information on (iii) the geographic breakdown of their portfolio investment liabilities. Information is not currently available on the reporting of encouraged items.

¹ Recommendations made at the 1999 and 2000 meetings of the Committee concerning the CPIS are summarized in the *Report on the Coordinated Portfolio Investment Survey (BOPCOM-01/10)* that was prepared by the IMF for the 2001 meeting.

5. Actions taken in 2002 in support of the 2001 CPIS include:

- In April 2002, the IMF published in English the final version of the *Second Edition of the Coordinated Portfolio Investment Survey Guide* (CPISG2) - this replaced the draft that had earlier been made available on the IMF's external website (translations into French and Spanish were made subsequently).
- In May and June 2002, the IMF conducted four **CPIS workshops for newly participating countries**, all of which were funded by the Government of Japan under the *Administered Account for Selected Fund Activities-Japan Technical Assistance Projects*. These were hosted by the Jersey Financial Services Commission (St. Helier, May 28-30, 2002), the National Bank of Belgium (Brussels, June 4-6, 2002), the Center for Monetary Studies for Latin America (Mexico City, June 11-13, 2002) and the Hong Kong Census and Statistics Department (Hong Kong SAR, June 25-27, 2002). The participating countries and jurisdictions are listed in Appendix 2.
- In July 2002, the IMF sent participating countries and jurisdictions the Excel template to be used for reporting the results of the 2001 CPIS to the Fund (**data reporting template for the 2001 CPIS**);
- In August 2002, the IMF sent a **draft CPIS metadata questionnaire** to all participating countries and jurisdictions for comment, with a view to finalizing it by end-September, 2002. The results from the metadata questionnaire will be made available to all CPIS compilers in conjunction with the final results of the 2001 CPIS in April 2003, and used in the Fund's analysis of the results. It is planned to make the metadata available to other users on a CD-ROM. (see section III).
- Most countries and jurisdictions appear to be on track for meeting **the deadlines for reporting to the Fund their provisional and final 2001 CPIS results** (end-September 2002 and end-March 2003 respectively). However, as the preliminary United States data are now not likely to be available before end-October 2002, it seems likely that the earliest data for release of the provisional results of the 2001 CPIS will be end-November 2002.

III. PUBLICATION OF THE 2001 CPIS RESULTS

6. The IMF requested countries and jurisdictions to report the provisional 2001 CPIS results by end-October 2002 and the final 2001 CPIS results by end-April 2003. The provisional results will be posted on the IMF's external website and will comprise; (i) the reported mandated and encouraged data on a country-by-country basis; (ii) the flip side of the mandated data showing partner country data on a country-by-country basis; (iii) summary

presentations of mandated data by region and shares of regional and global totals; and (iv) a table deriving, from available data sources, an estimate of the global discrepancy for portfolio investment positions in 2001. The final results will also be posted on the IMF's external website and comprise revisions, as needed, to these tables together with a hard copy publication that will provide an analysis of the results. In addition, it is also planned to make available, at that time, the CPIS database (containing the results of the 1997 and 2001 CPIS) and the CPIS metadatabase available on a CD-ROM. The results from the CPIS metadata questionnaire will also be included in the hard copy publication.

7. The IMF is investigating the possibility of making available to users data management tools for the interrogation of the CPIS data and metadata, either through the Fund's external website or through an upgraded CD-ROM product. This work is currently in the developmental phase, but would be intended for use when the CPIS database can support both intertemporal and cross-country analysis, and thus not before 2004.

IV. PARTICIPATION IN THE 2002 CPIS

8. All countries and jurisdictions that participated in the 2001 CPIS have been invited to participate in the 2002 CPIS with the same coverage as for the 2001 CPIS. Thus far, 58 have indicated their willingness to participate in the 2002 CPIS and on an annual basis thereafter. The responses received to date are listed in Appendix 3.

V. THE CPIS WORK PROGRAM

9. The 2001/2002 work program to address major gaps and deficiencies in the CPIS collection systems of participating countries was presented to the Committee at its meeting in Tokyo, October 2001 (BOPCOM-01/10). The following provides an update on work on these topics and how the CPIS may benefit. As much of the work relates to clarification of methodological issues in balance of payments statistics, reference is made to other BOPCOM papers as relevant.

Repurchase Agreements and Securities Lending

10. Many CPIS compilers have recognized the potential for misreporting by custodians who may not know of repurchase agreements entered into by clients for whom they are holding securities released under such agreements. For the CPIS, ownership of the security should be attributed to the cash taker, but may, in such cases, be attributed by the custodian to the legal owner. A similar problem arises in the case of securities lending without cash collateral, which, for the CPIS, should be attributed to the lender. If the custodian holding the security is not a party to the securities lending agreement entered into by its client, it may not be able to attribute ownership of the security to the lender. Work was to be undertaken to determine how CPIS collection systems could be modified to avoid such misreporting.

11. No progress has been made in the design of CPIS collection systems that rely on custodian reporting to ensure the appropriate reporting of securities held under repurchase and securities lending agreements. To address this issue, one country (Netherlands) is revising its CPIS collection to limit custodian reporting to securities held by resident households. The issue is thought to be particularly important by the CPIS compilers for France and the U.S., and probably also for other countries with major repos markets, such as Germany, Italy, and Japan. Issues related to the accounting treatment of repurchase agreements and securities lending were discussed at last year's BOPCOM meeting (BOPCOM-01/16 and 17).

Residence

12. For the 2001 CPIS, small economies with international financial centers (SEIFiCs) were requested to determine residence on the basis of legal domicile and not on the basis of physical presence.² In practice, this was done only for financial service providers. Other countries have generally determined the residence of entities for the purposes of their CPIS on the basis of physical presence. In the latter case, work was to be undertaken to determine whether securities held by special purpose entities (SPEs) domiciled in a country or owned by a resident but domiciled elsewhere, would be fully covered in the CPIS. See BOPCOM-02/59 for further discussion of residence issues.

13. Work is currently being undertaken by the IMF and OECD to clarify how OECD countries determine the residence of SPEs in their surveys of inward and outward direct investment. This has implications for the coverage of the CPIS. For example, there may be gaps in CPIS reporting if an SPE that undertakes portfolio investment is treated as non-resident in the country where it is incorporated or otherwise established. Clarification on how the residence of SPEs is determined by CPIS compilers may help to determine whether there are gaps in the CPIS resulting from the treatment of SPEs. The treatment of SPEs in FDI statistics has implications for the Fund's work on OFCs, which is discussed further in BOPCOM-02/11.

² There is no agreed statistical definition of a SEIFiC. At its meeting in Washington DC on May 2-3, 2002, the *Inter-Agency Task Force on Finance Statistics* set up a working group to develop a statistical definition of Offshore Financial Centers (OFCs, of which SEIFiCs are a subset). In Appendixes 1 and 4, the jurisdictions categorized as SEIFiCs are taken from the Group List of offshore financial centers published by the Financial Stability Forum in May 2000. This definition of SEIFiCs is intended only for reporting to BOPCOM. The treatment of SEIFiCs in the regional classification of the results of the 2001 CPIS will be addressed in the hard copy publication that is planned for release in April 2003. See BOPCOM-02/11.

Trusts

14. For the 2001 CPIS, trusts were not regarded as statistical units in their own right, and therefore ownership of securities held by trusts was to be attributed to the beneficial holder. In practice, this has meant that when the trustee is resident in one country or jurisdiction and the beneficial holder in another, securities held by the trustee have not been included in the CPIS. Because the trustee is an institutional unit and has legal ownership of securities held under the terms of a trust agreement, the trustee could be treated as the holder of the security for the purposes of the CPIS. Work is being undertaken to clarify the statistical treatment of trusts with a view to ensuring that securities held by the trustees are included in the CPIS.

15. Work has continued on the underlying methodological issues (see BOPCOM-02/60). It would be helpful to determine which investing countries, other than SEIFiCs, have a trust industry with substantial cross-border business, and ask those countries to report on whether the coverage of their CPIS could be improved by treating trusts as statistical units. Such an initiative would strengthen the case for asking SEIFiCs to treat trusts as resident statistical units in their CPIS.

Third Party Reporting

16. A major gap in the 2001 CPIS comprised securities held by households with nonresident custodians, as such holdings were not captured in either end-investor or custodian collections. Work was to be undertaken to determine the feasibility of expanding existing reporting by custodians to include securities held on behalf of nonresidents - called third party reporting – with a particular focus on the holdings of nonresident individuals.

17. With the support of the U.S. and U.K. authorities, the Fund held discussions with global custodians in the U.S. and U.K. to determine, as a first step, the feasibility of establishing third party reporting. A report on the outcome of these discussions, and a proposal to conduct a pilot survey to explore the feasibility of collecting data on the value of securities held by custodians on behalf of nonresident individuals and broken down by the country of residence of the issuer, is included in BOPCOM-02/12.

Establishing a Global Securities Database

18. Many CPIS compilers using the security-by-security approach lack access to reliable information on individual securities issued by nonresidents. To address these concerns, the Committee established a *Working Group on Securities Databases* (Working Group) in 1999, comprising the BIS, ECB, and IMF, and subsequently expanded to include Japan, the U.K., and the U.S. The Working Group was to investigate the feasibility of establishing a global securities database that CPIS compilers could have access to.

19. A report by the Working Group is included in BOPCOM-02/13.

The Countries and Jurisdictions Participating in the 2001 CPIS

Country Groups	Participating Countries and Jurisdictions 2/
Industrial Countries 1/	Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States.
SEIFiCs	Aruba, Bahamas, Bahrain, Bermuda , Cayman Islands, Guernsey, Isle of Man, Jersey, Macao SAR, Mauritius, Netherlands Antilles, Panama, Vanuatu
Other Europe	Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Kazakhstan, Malta, Poland, Romania, Russian Federation, Slovak Republic, Turkey, Ukraine
Other Asia	Bangladesh, Hong Kong SAR, Indonesia, Korea, Malaysia , Pakistan, Philippines, Singapore, Thailand
Other Latin America	Argentina , Brazil, Chile , Columbia, Costa Rica, Uruguay, Venezuela
Africa	South Africa
Middle East	Egypt, Lebanon

1/ As defined in *International Financial Statistics*.

2/ Countries that participated in the 1997 CPIS are shown in bold.

Countries and Jurisdictions that Participated in the 2002 CPIS Workshops

Group 1

Europe, Africa, Middle East

Hosted by National Bank of Belgium, Brussels, June 4-6, 2002

Chair: Guido Melis, National Bank of Belgium

Consultant: Raymond Chaudron, Netherlands Bank

Bahrain, Bulgaria, Cyprus, Czech Republic, Egypt, Estonia, Hungary, Kazakhstan, Lebanon, Malta, Poland, Romania, Russian Federation, South Africa, Slovak Republic, Turkey, Ukraine

Group 2

Small Economies with International Financial Centers

Hosted by Jersey Financial Services Commission, St. Helier, May 28-30, 2002

Chair: Simon Quin, IMF

Aruba, Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Jersey, Isle of Man, Mauritius, Netherlands Antilles, Turks and Caicos Islands

Group 3

Latin America

Hosted by the Center for Monetary Studies in Latin America, Mexico City, June 11-13, 2002

Chair: Eduardo Rodriguez-Tenez, Central Bank of Spain

Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Panama, Uruguay, Venezuela

Group 4

Asia and Pacific

Hosted by Hong Kong Census and Statistics Department, Hong Kong SAR, June 25-27, 2002

Chair: Simon Quin, IMF

Bangladesh, Hong Kong SAR, Indonesia, Japan, Korea, Macao SAR, Malaysia, Pakistan, Philippines, Singapore, Thailand, Vanuatu

The Countries and Jurisdictions Participating in the 2002 CPIS

Country Groups	Participating Countries and Jurisdictions 2/
Industrial Countries 1/	Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Israel, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States 3/
SEIFiCs	Aruba, Bahamas, Bahrain, Bermuda, Cayman Islands, Guernsey, Isle of Man, Jersey, Macao SAR, Mauritius, Netherlands Antilles, Panama, Vanuatu
Other Europe	Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Kazakhstan, Malta, Poland, Romania, Russian Federation, Slovak Republic, Turkey, Ukraine
Other Asia	Bangladesh, Indonesia, Hong Kong SAR, Korea, Malaysia, Pakistan, Philippines, Singapore, Thailand
Other Latin America	Argentina, Brazil, Chile, Columbia, Costa Rica, Uruguay, Venezuela
Africa	South Africa
Middle East	Egypt, Lebanon

1/ As defined in *International Financial Statistics*.

2/ The countries shown in bold have confirmed their participation in the 2002 CPIS. The remaining countries have not yet confirmed their 2002 participation (reminders are being sent out).

3/ The United States has confirmed that it will participate in the 2003 CPIS and on an annual basis thereafter. In 2002, it will provide data for the official sector based on survey results; for the non-official sector, estimates will be provided based on transactions data and adjustments for price and exchange rates and for known biases in the data.