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**Report on the Coordinated Portfolio Investment Survey**

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

## Report on the Coordinated Portfolio Investment Survey

	<b>Contents</b>	<b>Page</b>
I. Introduction .....		3
II. The Status of CPIS Reporting .....		3
III. Some Issues Relating to the Publication of CPIS Metadata .....		4
IV. Revision Policies and Practices .....		5
V. The CPIS Work Program .....		6
 Appendices		
1. The Economies that Participated in the 2001 and 2002 CPIS .....		8
2. The Economies that Participated in the 2003 CPIS Workshops.....		9
3. Aggregated Answers to Selected Confidential Questions in the CPIS Metadata Questionnaire .....		10

## I. INTRODUCTION

1. This document reports the outcome of efforts made to implement decisions by the IMF Committee on Balance of Payments Statistics (Committee) at its meetings in Santiago (October 1999), Washington (October 2000), Tokyo (October 2001), and Canberra (October 2002) regarding the work program in support of the Coordinated Portfolio Investment Survey (CPIS). Questions for discussion by the Committee are included.

## II. THE STATUS OF CPIS REPORTING

2. A total of 67 economies participated in the 2001 CPIS, for which a first release was published by the IMF on its external website in January 2003 and revised data were published in June 2003. The database comprised individual economy data on 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. In addition, 66 economies participated in the *2001 Survey of Foreign Exchange Reserves* (SEFER) and 19 international organizations participated in the *2001 Survey of Securities Held by International Organizations* (SSIO).

3. As encouraged data categories in the 2001 CPIS, 39 economies reported to the IMF's Statistics Department information on the institutional sector of the resident holder of securities issued by nonresidents; 23 economies reported information on the major currencies in which these securities are denominated; and 13 economies reported information on the geographic breakdown of their portfolio investment liabilities.

4. As of October 31, 2003, a total of 44 economies have reported data for the 2002 CPIS and a further 22 have indicated their intention to do so. Of those that participated in the 2001 CPIS, only Bahrain has indicated that it will not participate in the 2002 CPIS. All other economies are now participating on an annual basis. A list of economies participating in the CPIS is given in Appendix 1.

5. Actions taken in 2003 in support of the CPIS include:

- The *Second Edition of the Coordinated Portfolio Investment Survey Guide* (CPISG2) has been translated into Arabic, French and Spanish, and published in these languages.
- In May and June 2003, the IMF conducted two **regional CPIS workshops**, 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 Bermuda Monetary Agency (Hamilton, May 6–8, 2003), and the National Bank of Lebanon (Beirut, June 17–19, 2003). The participating economies are listed in Appendix 2.

- In January 2003, the IMF made available to participating economies (via a CD-ROM) the preliminary **results of the CPIS metadata questionnaire** (excluding confidential questions).
- Following an extensive review and subsequent correspondence with participating economies, the **final CPIS metadata were posted on the IMF's external website** in November 2003. The metadata provide information on data collection and compilation practices for both the 2001 and 2002 CPIS.
- The expected date for **the release of the 2002 CPIS data** on the IMF's external website (and revised data for 2001) is end-December 2003, although there may be some slippage. The cut-off date for the receipt of data, originally set for end-September 2003, was extended to end-November 2003. Data not reported by this cut-off date will be included in the release of revised CPIS data set for end-June 2004.

### III. SOME ISSUES RELATING TO THE PUBLICATION OF CPIS METADATA

6. The individual economy CPIS metadata posted on the IMF's external website for 63 economies in November 2003 provide information on both the 2001 and 2002 CPIS. These metadata exclude responses to a number of questions that were included in the questionnaire sent to CPIS compilers in September 2002. From a review of these particular responses, IMF staff concluded that the questions were not optimally designed and were misunderstood by some respondents. In consequence, the resulting metadata would not provide a reliable basis for cross-country comparison. The CPIS Metadata Questionnaire also included some questions that were asked on a confidential basis ("confidential questions"). While the responses obviously are not part of the published metadata, they have been used to report to the Committee on some data quality issues without attribution to individual economies. From a review of these responses, the IMF staff reached the following conclusions:

- On repurchase agreements and securities lending, many CPIS compilers did not fully understand the potential problems of doublecounting when relying on custodian reporting and that more work was needed to clarify the underlying issues.
- On depository receipts and stripped securities, many of the responses addressed the issuance of such instruments in domestic financial markets and not the ability of respondents to apply the recommendations of the *CPISG2* to holdings of such instruments issued abroad.
- On encouraged items, it was concluded that more work was needed to explore the reasons why so few compilers were able to provide these data. Many CPIS compilers noted that confidentiality considerations inhibited their ability to release detailed geographic breakdowns of holdings of securities by instrument, country of residence of holder, and by institutional sector of the holder. They also noted that there is a need to establish a clear set of priorities when applying confidentiality rules.

- On revision policy, many compilers indicated that it was too soon to formulate a revision policy and that prior work would be needed to assess revision practices. Many compilers concluded that a revision policy for the CPIS, when formulated, would be aligned to revision policy for the IIP. Much the same situation applied to questions relating to economy practice in publishing CPIS data and metadata. At present, many economies simply report CPIS data and metadata to the IMF for publication. Issues related to revision policy and practice are discussed ahead.

7. The confidential questions provided an opportunity for compilers to comment on shortcomings in the legal and institutional environment, the impact of inadequate resources, deviations from the *CPISG2*, deficiencies in coverage, and deficiencies in accuracy of reported data. A summary of these responses without attribution to individual economies is provided in Appendix 3. Overall, the impression given is that most compilers have considerable confidence in the quality of the resulting data.

8. It is proposed that the CPIS metadata be updated annually and that the next CPIS Metadata Questionnaire be sent out in April 2004. The Metadata Questionnaire would be an abridged version of the previous one, as it would exclude the confidential questions and others listed above for which responses were not posted on the IMF's external website.

9. It is proposed that a Metadata Survey of Portfolio Investment Liability Positions be conducted by the IMF in 2004. The survey would aim to complement the CPIS metadata by providing a tool for users wishing to better understand differences between reported and partner country data for portfolio investment liability positions. Only the CPIS participants that presently produce portfolio investment liability data will be approached, which will include all SDDS subscribers.

#### IV. REVISION POLICIES AND PRACTICES

10. Revision policy issues arise when data are prone to substantial and continual revision. As may be expected, most economies compiling CPIS data for the first time have not established a revision policy for their national CPIS. Those that already collect CPIS data as part of their IIP tend to apply their IIP revision policy to the CPIS. In many cases, there are revision policy issues for IIP data because IIP data are commonly subject to substantial revision. For the CPIS, the expectation of IMF staff is that many economies make minor revisions some months after the first release, more substantial revisions when undertaking the CPIS for the following year, and may make substantial revisions again as a result of expected changes to their collection system (on the assumption that they backcast the application of the new methodology to 2001).

11. At present, the IMF plans to publish on its external website the initial release of CPIS data 12 months after the reference date. Hence, the first release of data for end-December 2002 would be on end-December 2003. The revision policy of the IMF for the CPIS is to post revised data six months after the initial release and further revisions in conjunction with the release of data for the following year's CPIS. Thus, revised data can be posted on the

website at six monthly intervals. Because there is no hard copy publication of CPIS data, users will only have access to the current CPIS database and not to earlier vintages, unless they store the data themselves. However, the IMF will keep earlier vintages in electronic storage with a view to conducting revision studies over time. Consideration could be given to adding questions at some later date to the CPIS Metadata Survey about revision practices and policies followed by CPIS compilers.

## **V. THE CPIS WORK PROGRAM**

12. The 2003 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 Canberra, October 2002 (BOPCOM-02/10). 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**

13. 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. Issues related to country practice in the treatment of repurchase agreements and securities lending are discussed in BOPCOM-03/17. The statistical treatment of short positions that may be held by the reverse repoing party is discussed in BOPCOM-03/18.

### **Residence**

14. The CPIS Metadata Survey indicated that most CPIS compilers determined the residence of Special Purpose Entities (SPEs) on the basis of legal domicile and not physical presence, as recommended in the CPIS Guide. Clarification of how the residence of SPEs should be determined in balance of payments statistics is addressed in the Draft Annotated Outline of the revision to *BPM5*.

### **Trusts**

15. For the purposes of the CPIS, trusts are not regarded as statistical units in their own right, and therefore ownership of securities held by trusts is 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 are not included in the CPIS. Clarification of how trusts should be treated in balance of payments statistics is addressed in the Draft Annotated Outline of the revision to *BPM5*.

### **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. An update on progress in this work is provided in BOPCOM-03/16.

### **Establishing a Global Securities Database**

17. Many CPIS compilers using the security-by-security approach lack access to reliable information on individual securities issued by nonresidents, such as may be contained in global securities databases, that can be used to verify data reported by their respondents. 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. A report by the Working Group was presented to the Committee at its meeting in Canberra in October 2002 (BOPCOM-02/13). Further work will be undertaken in light of the development of the European System of Central Banks' Centralized Securities Database.

## **IV. Questions for Discussion**

18. *Should the CPIS database be updated to include revisions on a six-monthly cycle?*

19. *Should the CPIS Metadata as presented on the IMF website be updated on an annual cycle?*

20. *Should the IMF undertake a Metadata Survey of Portfolio Investment Liability Positions in 2004?*

21. *In view of the relatively low response to the encouraged items (breakdown of holdings by the institutional sector of the holder, breakdown of holdings in aggregate by the currency of denomination; and breakdown of portfolio investment liabilities by the country of residence of the holder), does the Committee agree that participants should be further encouraged to report?*

### The Economies that Participated in the 2001 and 2002 CPIS

Country Groups	Participating Countries and Jurisdictions
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/
Small Economies with International Financial Centers 4/	Aruba, Bahamas, Bahrain 2/, Bermuda, Cayman Islands, Guernsey, Isle of Man, Jersey, Macao SAR of China, 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	Indonesia, Hong Kong SAR of China, Korea, Malaysia, 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/ Did not participate in the 2002 CPIS.

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.

4/ As defined in *Offshore Financial Centers – A Progress Report*, March 14, 2003. See <http://www.imf.org/external/np/mae/oshore/2003/eng/031403.pdf>

### **The Economies that Participated in the 2003 CPIS Workshops**

#### **Small Economies with International Financial Centers**

Hosted by Bermuda Monetary Agency, Hamilton, 6-8, 2003

Chair: John Joice, IMF

Aruba, The Bahamas, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Mauritius, Netherlands Antilles.

#### **Members of the Arab League and other Arabic Speaking Countries**

Hosted by the National Bank of Lebanon, Beirut, June 17-19, 2003

Chair: Simon Quin, IMF

Algeria, Bahrain, Egypt, Islamic Republic of Iran, Jordan, Kuwait, Mauritius, Morocco, Oman, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen.

India also participated.

**Aggregated Answers to Selected Confidential Questions in the 2001 CPIS Metadata Questionnaire.**

Do you believe that your CPIS survey is supported by solid legal provision?

Yes	50
No	11
Other	2
Grand Total	63

How would you rate the adequacy of the resources made available in your jurisdiction for collecting and compiling the 2001 CPIS?

	Computing	Financial	Staff
Adequate	37	40	28
Broadly adequate	21	16	29
Broadly inadequate	0	3	3
Inadequate	2	1	2
Other	1	1	1
Grand Total	61	61	63

What is the impact of deviations from international standards or in their practical implementation for selected dimensions of your CPIS?

	1: No impact	2: Some minor impact	3: Sizeable impact	4: Other	Grand Total
	Total answers				
Residence of the securities holder	9	13	1	2	25
Residence of the issuer of securities held by domestic investors	6	17	0	0	23
Distinction between long-term and short term debt securities	4	8	1	1	14
Distinction between direct and portfolio investment	12	15	0	2	29
Valuation of portfolio investment holdings	5	36	2	2	45
Recording debt securities on accrual basis	4	29	0	0	35