

**RESTRICTED**

**BOPCOM-05/45**

---

**Eighteenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
Washington, D.C., June 27–July 1, 2005**

**Draft Summary Record of the Workshop on International Investment Statistics**

**Prepared by the Organisation for Economic Co-operation and Development**

**For Official Use**

**DAF/INV/STAT/M(2005)1**



Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

**17-Jun-2005**

**English - Or. English**

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS  
INVESTMENT COMMITTEE**

**DAF/INV/STAT/M(2005)1  
For Official Use**

**Workshop on International Investment Statistics**

**DRAFT SUMMARY RECORD**

**26-28 APRIL 2005**

Contact:  
Ayse Bertrand Tel: 33 1 45 24 91 24 Fax: 33 1 45 24 13 34 E-mail: [ayse.bertrand@oecd.org](mailto:ayse.bertrand@oecd.org)

**JT00186647**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format

**English - Or. English**



## WORKSHOP ON INTERNATIONAL INVESTMENT STATISTICS

### Draft Summary Record

26-28 April 2005

#### 1. Election of the Bureau

The Bureau was elected as follows:

Chairman:	Ralph Kozlow (United States)
Vice-chairmen:	Silvia Iranzo-Gutiérrez (Spain)
	Peter Thomas (United Kingdom)

#### 2. Adoption of the Agenda

1. The revised agenda of the Workshop on International Investment Statistics (WIIS) was adopted [DAFFE/IME/STAT/A(2005)1/REV1].

#### 3. Approval of the summary record

2. The summary of the WIIS meeting held on 12-13 October 2004 was approved without any amendments [DAFFE/IME/STAT/M(2005)1].

#### 4. Revision of the OECD *Benchmark Definition of Foreign Direct Investment*

##### (4.1) *Deliberations on the outcome of the IMF/OECD Direct Investment Technical Expert Group (DITEG)*

3. WIIS devoted a large part of the meeting to this agenda item and considered documents DAF/INV/STAT(2005)1 and DAF/INV/STAT(2005)4 including the outcome papers summarising the recommendations from the second and third meetings of the Direct Investment Technical Expert Group (DITEG). WIIS also considered a discussion paper by the Secretariat [DAF/INV/STAT(2005)5].

4. WIIS reached firm conclusions on the majority of the items but could not reach a consensus regarding only a very few recommendations. As a matter of procedure, WIIS recalled that in cases of “unresolved” issues, the present treatment will apply (unless a consensus can be reached on time for the drafting of the *Benchmark Definition of Foreign Direct Investment*, 4<sup>th</sup> edition (*Benchmark Definition*)). Due to the shortage of time, comments on some of the items were requested to be sent to the Secretariat by 13 May 2005<sup>1</sup>.

5. The deliberations of WIIS are listed in Annex 1 of the present summary.

---

1. These comments are incorporated in the present summary.

**(4.1) Next steps for the preparation of the OECD Benchmark Definition of Foreign Direct Investment**

6. Due to the shortage of time this item was deferred to the Benchmark Advisory Group for their preliminary comments and recommendations

**5. OECD foreign direct investment statistics**

7. The Secretariat presented the revised FDI data collection questionnaire [DAF/INV/STAT(2005)9] which is a joint framework agreed by OECD and Eurostat working parties. Even though the needs of two institutions may differ slightly, the overall data requirements remain the same. OECD urged for a more timely submission of the statistics by European Union countries to better service the policy community. The Group heard comments from Eurostat regarding the regulation governing data collection and dissemination. Both institutions reiterated the importance they attach to their co-operation and agreed to pursue discussions bilaterally.

8. The Secretariat informed Delegations of the forthcoming OECD publication on *Economic Globalisation Indicators* prepared jointly by three directorates: Financial and Enterprise Affairs; Science, Technology and Industry; and Statistics. Delegates were requested to submit their comments to the preliminary chapters circulated in DAF/INV/STAT(2005)8 by 13 May 2005.

**6. 2003 Survey of Implementation of Methodological Standards for Direct Investment (SIMSDI)**

9. The Secretariat provided an oral progress report and informed Delegations that final modifications to their submission should be incorporated through the on-line survey system the latest by end-May 2005. After that date, the Secretariat will start preparations for the dissemination of the material to the public at large.

**7. Co-ordinated Direct Investment Survey- Feasibility Study**

10. WIIS heard an oral progress report from the IMF representative. The Group took note of the letter by the IMF Statistics Department sent to the OECD Directorate for Financial and Enterprise Affairs [DAF/INV/STAT/RD(2005)3].

**8. FDI statistics of Middle East and North African Countries (MENA)**

11. Delegates considered a Secretariat note [DAF/INV/STAT(2005)10] regarding a new outreach activity with MENA countries and noted that the first statistical expert meeting will be held in June 2005. The Secretariat welcomed participation by member country experts.

**9. Other business**

12. A room document on reinvested earnings of OECD countries was circulated for information [DAF/INV/STAT/RD(2005)2].

13. Date of next meeting: 24-26 April 2006 (Paris)

**ANNEX 1**  
**WIIS DELIBERATIONS FOR THE REVISION OF THE**  
**OECD BENCHMARK DEFINITION OF FOREIGN DIRECT INVESTMENT**

**Issue # 1 (i): Valuation of direct investment equity**<sup>2</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) DITEG considered that an additional split of FDI equity stocks into quoted and unquoted shares could be a useful supplementary item for the IIP but that the split should not be part of the standard components. The group were of this view, to a large extent, because of concerns about confidentiality in cases where listed companies do not represent a significant proportion of the population of FDI enterprises for a specific sector and/or for specific geographical counterparts.
- (ii) The group was of the view that the second proposal in the paper, namely the extent to which the use of a single definition of own funds at book value (OFBV) could facilitate the exchange of information among countries, should be deferred and discussed in another forum (possibly a task force on a Coordinated Direct Investment Survey, should a decision be made to proceed with such a survey).
- (iii) The group considered responses to the questionnaire, prepared by DITEG Secretariat, on the group's views on the acceptability and ranking of various approaches to valuing unquoted shares. Eleven options were considered. Without providing a ranking, as circumstances would vary from year to year and country to country, the group felt that seven should be considered generally acceptable for the IIP. These were: (i) value of recent transactions (within the previous twelve months; (ii) net asset value, including intangibles and goodwill; (iii) net asset value, excluding intangibles and goodwill; (iv) apportioning global value of a group to a local operation, using an appropriate indicator; (v) own funds at book value; (vi) use of capitalization ratios (stock market indices) to own funds at book value of listed companies; and (vii) use of models that revalue non-financial assets. The group felt that three other approaches [(viii) use of stock price indices to revalue cumulated flows, (ix) historic or acquisition cost, and (x) summing transactions] are not good approximations of market value. Even so, the group felt that a distinction should be made between the basis on which data were collected, and the basis on which they would be published. If data were obtained using one or more these latter three approaches, such an approach may be a useful basis for making adjustments to bring the published data closer to market value. The group felt that the new manuals should specify criteria for compilers to make choices among various alternatives.
- (iv) Book value was also discussed by the group. The group expressed concern that this approach has no standard definition; however, it was recognized by some participants that book value

---

<sup>2</sup> Reference documents: DITEG Issue Papers # 1(A) by the US, ECB, and Australia (June 2004) and background document by the ECB (December 2004)

might be the only basis for valuing bilateral data, in the absence of any better alternative for many countries, and did not wish to preclude this approach, as a result.

*(b) Rejected alternatives*

The group rejected the proposal to introduce an additional split of FDI equity into quoted and unquoted shares within the BOP/IIP standard components.

**Deliberations of WIIS**

- (1) WIIS agreed that an additional split of FDI equity stocks into quoted and unquoted shares could be a useful supplementary item for the IIP (but that the split should not be part of the standard components).
  - (2) WIIS reiterated its attachment to the market price principle for the valuation of direct investment equity positions. The group endorsed the following methods are appropriate proxies for market valuation for the valuation of unquoted direct investment equity:
    - (a) value of recent transactions (within the previous twelve months);
    - (b) net asset value, including intangibles and goodwill;
    - (c) net asset value, excluding intangibles and goodwill;
    - (d) apportioning global value of a group to a local operation, using an appropriate indicator;
    - (e) own funds at book value;
    - (f) use of capitalization ratios (stock market indices) to own funds at book value of listed companies; and use of models that revalue non-financial assets.
  - (3) Most WIIS participants agreed that the following three valuation bases may serve as appropriate approaches for the collection of data on unquoted direct investment equity, while recognizing that adjustments should be made to bring the data closer to market valuation:
    - (a) use of stock price indices to revalue cumulated flows;
    - (b) historic or acquisition cost; and
    - (c) summing transactions.
  - (4) WIIS agreed that book values may be the most widely used practical means to obtain bilateral data on unquoted direct investment equity.
-

**Issue # 3: Indirect investment-FCS, USM, or 50 per cent ownership**<sup>3</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) The concept underlying the determination of direct investment relationships be confirmed as being the existence of significant influence of one unit over another through an equity holding.
- (ii) The aim of the recommended system FCS and alternate systems US and EU systems be confirmed as being to determine the extent of the existence of significant influence through a chain of equity holdings.
- (iii) Work on determining direct investment relationships is to be coordinated with work on determining UBO.

*(b) Rejected alternatives:*

DITEG neither recommended nor rejected the use of the hybrid approach

**Deliberations of WIIS**

- (1) The concept underlying the determination of direct investment relationships was confirmed as being the existence of significant influence of one unit over another through an equity holding. FDI relationship should be adequately defined in the next edition of the OECD *Benchmark Definition of Foreign Direct Investment*.
- (2) WIIS recalled the deliberations of October 2004 whereby it was agreed that FCS reflects the ideal conceptual basis for delineating the scope of the FDI relationship. The aim of the recommended system (FCS) and alternate systems (US and EU systems) was confirmed as being to determine the extent of the existence of significant influence through a chain of equity holdings.
- (3) Even though the 'hybrid system' was neither recommended nor rejected, its merits were recognized, and WIIS felt that this method may be referenced and described by BAG. Nonetheless, as noted, WIIS, in majority, did not favour including other systems (besides the FCS and alternate US and EU systems) amongst its recommendations. Work on determining the direct investment relationships is to be coordinated with work on determining UBO, as appropriate.

---

3. Reference documents: DITEG Issue Papers # 3 Indirect Investment – FCS, USM and 50 percent Ownership: Determining Direct Investment Relationships by Australia (ABS-November 2004); Background document #3 Determining Direct Investment Relationships: Cross Holdings of Investments and Direct Investment Relationships by Australia (ABS - February 2005); Background document #3 Determining Direct Investment Relationships: Reconciliation of the differences in the definitions of Foreign Direct Investment used in the Balance of Payments Textbook and the OECD Benchmark Definition of Foreign Direct Investment by Australia (ABS - January 2005); Background document #3 Indirect Investment: FCS, USM or 50% Ownership, prepared by the US Bureau of Economic Analysis (March 2005); Summary and outcome papers – First, Second and Third DITEG meetings.



***Issue #4, #28, #29: Mergers & Acquisitions, greenfield investment, extensions of capital***<sup>4</sup>

***Conclusions of DITEG***

*(a) Recommendations*

- (i) The group agreed that classifying the statistics by type of FDI responds to user requirements keeping in mind that the analytical interpretation of FDI differs depending on the type of investment. Three possible breakdowns discussed were:
  - (a) Cross-border mergers and acquisitions (CM&A);
  - (b) Greenfield investments;
  - (c) Extension of capital.
- (ii) The group agreed that such breakdowns:
  - (a) be recommended as supplemental items (on a voluntary basis);
  - (b) be limited only to two categories (a) CM&As and (b) Other, which would include greenfield investment and the extension of capital;
  - (c) be limited solely to the financial accounts, namely to FDI equity capital and other capital flows (but not to FDI income or FDI positions);
  - (d) also provide data by (a) partner country; and (b) industry within the limits of confidentiality concerns.
- (iii) The group raised the confidentiality issues and considered the possibility of disseminating data separately for inflows and outflows or as net flows. The group did not take a firm decision.
- (iv) The group acknowledged the need for developing the underlying concepts and definitions and recommended firmly that this fundamental work should be conducted.
- (v) The group also considered the need for harmonising the statistical recording of different types of transactions which may be involved in CM&A operations with special focus on the recording of purchases by exchange of securities.

*(b) Rejected alternatives*

The group rejected the “mandatory” nature of breakdowns by type of FDI to avoid reporting burden on smaller economies.

---

<sup>4</sup>. Reference documents: DITEG Issue Papers # 4 by Canada and a combined paper on #4, #28 and # 29 by the OECD

**Deliberations of WIIS**

- (1) WIIS agreed to incorporate new breakdowns by type of FDI as supplemental items in the *Benchmark Definition*. WIIS recommended basic concepts and definitions and the methods for recording different elements of financing M&A operations be developed and harmonised.
  - (2) WIIS recommended that:
    - (a) the breakdowns relate to (1) mergers & acquisitions and (2) other types of FDI (which would include greenfield investments and extensions of capital);
    - (b) the breakdown relates to financial accounts only (FDI equity capital and other capital);
    - (c) that the information be provided (a) by partner country and (b) by industry classification, taking into account confidentiality problems which may arise;
    - (d) inflows and outflows be reported either separately or as net flows. It was even suggested that inflows and outflows should be reported separately for assets and liabilities;
  - (3) WIIS recommended that developmental work of the Benchmark Advisory Group be further reviewed/discussed by the WIIS (this would have to be by electronic means, given the timetable).
- 

**Issue # 7: Directional principle; and****Issue # 8: Reverse investment**<sup>5</sup>**Conclusions of DITEG***(a) Recommendations*

- (i) In regard to the standard components of the international investment position, a significant majority of the group agreed that direct investment positions representing claims on foreign residents should be presented gross under assets, and that direct investment liabilities representing claims on residents of the reporting economy should be presented gross under liabilities. This is a change from the existing international standards, which nets claims on affiliated enterprises against liabilities to affiliated enterprises in the direct investment functional categories.
- (ii) The same majority agreed that flows on assets should be presented separately from flows on liabilities, rather than netting flows on reverse direct investment interests in the direct investment functional categories.

---

<sup>5</sup> Reference documents: DITEG Issue Paper # 7 and # 8 by the United States (November 2004), which, in turn, references IMF issue paper #7 and #8 (dated May 2004 and discussed at the June 2004 DITEG meeting).

- (iii) In the case where a direct investment enterprise holds an equity interest of less than 10 per cent in the direct investor, the experts had split views regarding whether this holding should be recorded in direct investment (as under existing standards) or recorded as portfolio investment (resulting in a change to existing standards). As further elaboration:
  - (a) DITEG agreed that the categories pertaining to equity finance claims on direct investors, and to equity finance liabilities to direct investment enterprises, would be very narrowly defined. Although this is the present standard, some members were concerned about confidentiality and about their country's inability to show data for these rows;
  - (b) DITEG had questions regarding whether reinvested earnings should be recorded on this investment, should the existing standards be retained. Under existing standards, reinvested earnings should be recorded on the reverse equity investment; the Annotated Outline asked whether this treatment should be retained, and members generally felt that it should not.
- (iv) Most delegates felt that, even were equity in a reverse investment relationship to be treated as portfolio investment, other capital should remain in direct investment. However, in a situation where an SPE, acting as a conduit for the raising of funds external to the group, and having a reverse investment with its direct investor, the treatment of non-equity transactions between the SPE and the direct investor (or the rest of the group) was not considered in this discussion.
- (v) It was proposed that income flows be reported gross under receipts and payments if direct investment positions are reported gross under assets and liabilities, and no one spoke against this proposal. It was noted that this treatment would eliminate instances of negative interest income flows in direct investment in the case where SPE's act as conduits for the raising of debt for direct investors.

*(b) Rejected alternative*

The group rejected the existing international standards, which call for the netting of reverse equity and reverse debt investment in the direct investment functional categories.

**Deliberations of WIIS**

- (1) WIIS agreed that direct investment positions and flows should be presented on a gross basis, under assets, liabilities, receipts, and payments (rather than including reverse investment flows and positions on a net basis in direct investment).
  - (2) WIIS agreed that reverse equity investment of less than 10 per cent should be included in direct investment (as under existing standards). Some delegates expressed their preferences to include such holdings in portfolio investment for practical reasons.
  - (3) WIIS concluded that debt transactions and positions between a direct investment entity with less than 10 per cent in its direct investor and the direct investor should be recorded as direct investment.
-

**Issue # 9 (ii): SPE's, shell companies, holding companies, holding companies, off-shore enterprises (units, sectorization, residence, transaction)**<sup>6</sup>

**Conclusions of DITEG**

*(c) Recommendations*

- (i) DITEG discussed the sector classification of holding companies that are special purpose entities (SPEs) resident in another economy than the parent company and *not* owning enterprises in the same economy. BOPTTEG had agreed in its June meeting that SPEs are separate institutional units and that SPEs in the form of holding companies should be classified on the basis of their own economic function in the host economy as a unit belonging to the financial sector. DITEG was of the opinion and recommends that holding companies that are SPEs should be classified as Other Financial Intermediaries (OFIs), provided that the definition of “intermediation” is modified to take account of the activities of these holding companies.
- (ii) DITEG also discussed the sector classification of holding companies that are SPEs that are resident in an economy other than that of the parent company and owning companies that are resident in the same economy as the holding company that is an SPE. The following four cases were considered:
  - (a) Holding companies that are established as SPEs in an economy for the purpose of owning all the local subsidiaries or production entities in the host economy: Most members of DITEG felt that the sector of the resident holding company should be based on the predominant activity of the group the “local group”, i.e., those members of the group that are resident in the economy of the holding company that is an SPE, in line with 1993 SNA treatment.
  - (b) A holding company that is an SPE that only owns holding companies in the host economy that, in turn, only own subsidiaries in a third economy: Most members of DITEG felt that the sector of the resident holding company should be classified as an OFI because the predominant activities of that holding company or the entire “local group” are holding activities.
  - (c) *A holding company that is an SPE that owns subsidiaries in the host economy (both SPEs and non-SPEs) and in another economy*: Most members of DITEG felt that the classification of the holding company that is an SPE should be based on which activity dominates. That is, if the activities of the subsidiaries in the host economy are relatively small compared with the operations of the subsidiaries in another economy, it would be classified as a holding company and as an OFI. If the activities in the host economy are relatively large compared to the operations of the subsidiaries in the other economy, then the holding company that is an SPE should be classified based on the local group's

---

<sup>6</sup> Reference documents: DITEG and BOPTTEG issue paper #9 ‘The sector classification of special purpose entities’ by Stephan Klinkum and Frank Ouddeken (De Nederlandsche Bank)

predominant activities. In effect, the treatment should be the same as in 3(ii)1, and is in line with the 1993 SNA.

- (d) *A holding company that is an SPE that owns subsidiaries in a third economy and having non-financial sister companies in the host economy*: DITEG agreed and recommends that the holding company that is an SPE should be treated as an OFI, in the same manner as 3(i). The other sister companies' activities would not have a bearing on the classification of the SPE/holding company.

(iii) However, some members felt that the sector/industry classification of the SPE/holding company should be a holding company in all instances (in line with BOPTEG's recommendation, with the exception of (ii) 5. above). This view was considered to be very important in the case of a currency union as the classification might change between the local economy and the currency union. The reason for this is that the "local group's" predominant activity may not be the same as the group's predominant activity at the currency union level.

*(d) Rejected alternatives*

- (i) DITEG rejected the alternative to classify holding companies that are SPEs that are resident in another economy than the parent company and *not* owning enterprises in the same economy as financial auxiliaries because the function of these auxiliaries does not comply with the function of these types of holding companies.
- (ii) Although it may be difficult for the resident compiler to determine the sector of a SPE/holding company in a non-resident economy, DITEG rejected the alternative to classify all holding companies as OFIs. A classification of all holding companies as OFIs gives a wrong view of the sectoral breakdown of the economy involved.

**Deliberations of WIIS**

- (1) WIIS agreed to classify as "Other Financial Intermediaries –OFIs" holding companies that are SPEs and that are resident in an economy other than that of the parent company and that do not own enterprises in the same economy.
- (2) WIIS agree, with some reservation, to classify to the sector of the predominant activity of the "local" group holding companies that are SPEs, and that have been established in an economy to own all the local subsidiaries or production entities in the host economy.
- (3) WIIS agree, with some reservation, to classify holding companies that are SPEs and that own only other SPEs and/or other holding companies in the host economy, and which, in turn, own only subsidiaries in a third economy, as OFIs.
- (4) WIIS could not reach a consensus regarding the recommendation to determine the sector of a holding company that is an SPE and which owns both subsidiaries in the host economy (not exclusively SPEs) and in another economy on the basis of the predominant activity, which may either be the activity of the local group or as a holding company, depending upon the size of the holding company activity relative to the size of the local group's activities. WIIS left the issue "unresolved" and requested that the OECD Secretariat keep the group informed of the conclusions in other fora and call for comments by means of electronic discussion.

- (5) WIIS agreed that a holding company that is an SPE and that owns subsidiaries in a third economy and that has non-financial sister companies in the host economy should be classified as an autonomous entity based on its own economic function and should be classified as an OFI if it has no other function than holding shares of its subsidiaries abroad.
- (6) WIIS agreed that it would be useful to have clarifications and even extension of the definition of “intermediation” in industry classification manuals to accommodate the different nature of holding companies’ activities from the more standard intermediation functions.

**Issue # 11: SPEs inclusion in direct investment of transactions between non-financial die and affiliated financial SPEs**<sup>7</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) DITEG acknowledged that there are differing needs of users of the data: balance of payments and for Direct Investment statistics.
- (ii) DITEG confirmed the opinion that an internationally agreed definition of SPEs seems hardly achievable in the time set for updating BPM5 and the *Benchmark Definition*. This was reinforced by the background paper presented by the OECD, which showed a very large number of heterogeneous country practices and non-existence of any legal or other definition in most OECD countries. Therefore, the group was supportive to providing solutions to users’ requests spelled out in the letter by the Chairman of the OECD Investment Committee by making use of standard principles consistent with the overall BOP/IIP. framework, as opposed to developing any ad-hoc treatment addressed to a specific type of companies (i.e. SPEs), which is not separately identified in international statistical standards at present.
- (iii) DITEG concurred with the view that a single solution could not address all problems related to the operations of SPEs. In particular, the group agreed with the three statistical problems identified by the ECB paper in the field of FDI:
  - *First problem:* countries which are hosts of SPEs register a large volume of gross (inward and outward) flows and stocks due to the operations of SPE holding companies;

The impossibility to achieve an internationally agreed definition of SPEs suggests that other possibilities should be explored. In that context, the possibility of isolating holding companies’ transactions/positions (even if indistinguishably comprising both SPE and non-SPE holding companies) as part of the sector breakdown of the BOP/IIP. - as suggested by

<sup>7</sup>. Reference documents: Secretariat document: DAF/INV/STAT(2005)5, DITEG Issue Paper # 11 by the ECB (December 2004); Background document by the ECB (February 2005); Background document by the OECD (February 2005); Background document by the Netherlands (DNB - March 2005)

BOPTTEG outcome paper #9B – was considered by some as an approach which could be a more promising and feasible way out in this context

- *Second problem:* investor and investee countries are losing information on the final destination / ultimate origin of direct investment relationships passing through SPEs located in third countries;

DITEG agreed that this problem should be resolved outside the scope of the core accounts, in particular via supplementary presentations of FDI statistics based on concepts other than the general BOP/IIP standard ones. Since such concepts would have much to do with the identification of ultimate beneficial owners and affiliates, it was agreed to link their resolution to discussions related to these topics.

- *Third problem:* a number of distortions are registered in relation to FDI other capital flows and stocks due to the existence of conduits and SPVs raising funds in offshore centres for their direct investors.

DITEG recognized that, on theoretical grounds, exclusions from FDI should be limited to financial SPEs borrowing funds from outside the group and lending to the direct investor, as suggested by the annotated outline of the forthcoming *Balance of Payments Manual*. On pragmatic grounds though, it was recognized that an accurate identification of the population of SPEs that would be subject to this exclusion would be hardly feasible; additionally, the difficulty to establish a perfect correspondence between origin and destination of each individual flow / stock (with a view to determining which of the loans provided by such SPEs would originate from outside the group) was also considered hardly realistic. Therefore, as an alternative it was proposed to exclude from FDI those reverse investments (other than equity capital and permanent debt) in which the lender is a financial affiliate providing funds to its (financial or non-financial) direct investor. While it was recognized that there was still some risk of excluding some transactions / positions which could be deemed to correspond to genuine FDI relations (FDI classified according to ultimate destination), it was concluded that the bulk of those excluded would not comply with the definition of FDI and, therefore, the quality, in particular the value for analysis, of FDI flows and stocks would significantly improve.

- (iv) DITEG also expressed preference for maintaining the existing exclusion from FDI in the present standards, i.e. financing flows or stocks other than equity capital and permanent debt in which both lender and borrower affiliated enterprises have a financial nature would be recorded under portfolio or other investment (instead of under FDI).
- (v) DITEG did not reach a consensus and was not in a position to determine the methodology in response to the request of the OECD Investment Committee to include in the *Benchmark Definition* recommendations to isolate “genuine FDI further broken down by partner country and by industry classification.” As the balance of payments does not address specifically bilateral data issues, DITEG recommended deferring the discussion to Benchmark Advisory Group of the OECD Workshop on International Investment Statistics.

*(b) Rejected alternatives*

The group rejected the proposal of Luxembourg to establish a new category outside the scope of FDI for SPEs’ financial flows and stocks. While the separate identification of this information

may be considered at some stage, the group was of the opinion that it should remain under FDI in any case.

The group rejected the proposal of the Netherlands to net out under inward direct investment all flows/stocks in which the resident company is not the ultimate beneficial owner. Among the reasons given, several members mentioned inconsistency with the reformulation of the directional principle as supported by DITEG, incompatibility with the general principle of recording gross assets and liabilities, serious consistency problems between inward and outward FDI which would prevent bilateral comparisons amongst countries, etc. In general, it was deemed that the proposal would create as many problems as it would solve. However, the group was of the view that some of the ideas contained in the paper could find proper accommodation in supplementary presentations of FDI statistics and suggested further work in that direction.

### *Deliberations of WIIS*

- (1) WIIS agreed that the solutions responding to users' requests concerning SPEs should be provided, as much as possible, by making use of standard principles consistent with the overall BOP/IIP framework. However, not all participants agreed that SPEs should continue to be included in the core accounts.
- (2) WIIS recognised that a single solution could not address all problems related to the operations of SPEs and agreed (but not unanimously) with the identification of three main statistical problems: (a) large volume of gross (inward and outward) flows and stocks due to the operations of SPE holding companies in countries which are SPE hosts; (b) loss of information on the final destination / ultimate origin of direct investments passing through SPEs located in third countries; and (3) how to record financial flows / stocks due to the existence of conduits and SPVs raising funds in offshore centres for their direct investors.
- (3) WIIS took note that a proposal for the overall BOP/IIP accounts is to isolate holding company transactions/positions (indistinguishably comprising both SPE and non-SPE holding companies). It was mentioned that, if these data were available at bilateral levels for direct investment, this might, to some extent, alleviate user concerns about SPEs. However, WIIS did not consider the proposal while this breakdown was proposed for BUO/IIP accounts but it was neither proposed to or discussed by WIIS for FDI statistics described in the *Benchmark Definition*
- (4) WIIS agreed that the *Benchmark Definition* would include recommendations (a) to provide detailed statistics (by country and industry classification) according to the principles retained for core BOP/IIP accounts; (b) to provide detailed statistics (by country and industry classification) as an of which category: FDI excluding SPEs (based on national definitions).<sup>8</sup> The *Benchmark Definition* will once again include an Annex on SPE which will be improved in the most useful way to include criteria to identify SPEs and to provide guidance to national compilers. Even though this approach was not considered to be the final solution to this issue, it will provide an interim response to the request by the OECD Investment Committee. WIIS also endorsed continuation of the work on SPEs as a part of the future research agenda.

---

8 . This recommendation was not supported by the statistical bodies of the European Commission: Eurostat and European Central Bank.



- (5) Even though all WIIS participants did not agree that there is a loss of information, WIIS agreed that developmental work be co-ordinated with the work on UBO/UBA principles for a supplemental presentation.
- (6) WIIS did not approve the proposal to exclude from FDI reverse investments (other than equity capital) in which the lender is a financial affiliate providing funds to its (financial or non-financial) direct investor. At the same time, WIIS did not reject the existence of related problems. In sum, WIIS left the issue as “unresolved” and proposed the elaboration of the DITEG recommendation. Further discussion of this issue would have to be conducted by electronic means.
- (7) WIIS did not endorse the proposal to net out under inward direct investment all flows/stocks in which the resident company is not the ultimate beneficial owner. However, OECD was asked to conduct future work to explore the feasibility for developing meaningful supplementary presentations of FDI statistics.

It was agreed that WIIS Chairman will address a letter to the Chairman of the group dealing with the revision of ISIC classifications with regard to the coverage of holding companies.

---

**Issue # 12(i): Country identification (ultimate beneficial owner/ ultimate destination and immediate host/ investing country)<sup>9</sup>**

**Conclusions of DITEG**

*(a) Recommendations*

- (i) DITEG agreed that the geographic allocation on the basis of the Ultimate Beneficial Owner (UBO) for inward FDI will provide useful supplementary information especially for FDI stocks and income, as well as for FATS.
- (ii) DITEG readdressed the issue, especially also discussing the identification of the UBA. The meeting recognised that sets of (often complex) rules could be devised to reflect chains of ownership or significant influence or control.
- (iii) There was a preference to base the ownership chain between the extremes of an FDI relationship on control (more than 50% ownership). It was felt that this ensures relative simplicity, as only one path is possible, and it will, moreover, result in consistency with FATS data. The meeting noted that many direct investment positions are greater than 50%. It was recognized that some countries limit foreign equity to, for instance, 49%, so as not to allow inward FDI to result in control. Two views were represented at the meeting:

---

<sup>9</sup> Reference documents: DITEG Issues Papers #12(i) by the United States (BEA – November 2004), Eurostat (November 2004 and February 2005) and Australia (ABS – March 2005).

- (a) as the restrictions do not allow control, any UBO system based on control should not include these positions, reflecting the reality of the situation;
- (b) as the restrictions artificially prevent control, a 49% holding can be deemed to represent an interest which can be considered equivalent to control, and such positions should be included.

On balance, the meeting supported (b).

- (iv) There was support for the UBO allocation to align with direct investment data, such that it reflects the amount of equity owned, rather than allocating 100% of the equity to the controlling entity as in FATS.
- (v) As far as the enterprises in the middle of the ownership chain are concerned, where FDI capital passes in transit, DITEG recommended to see if the Dutch proposal to net out FDI transactions (particularly of SPEs, which was rejected for the *standard* BOP/IIP presentation), could be useful in the framework of UBO/UBA chains.
- (vi) DITEG felt the need for additional work.

*(b) Rejected alternatives*

It was recognised that using a “mirror image” of the FCS to determine the UBO is not feasible.

**Deliberations of WIIS**

- (1) WIIS deferred its deliberations of the questions raised by DITEG, namely:
  - (a) Whether the application of the UBO concept should be limited to chains of control (greater than 50 per cent ownership), or it should also include chains of influence (10 to 50 per cent ownership), recognizing the extra complexity and ambiguity introduced by allowing multiple paths.
  - (b) Whether data allocated by UBO should align with FDI data, reflecting the amount of equity owned, rather than allocating 100% of the equity to the controlling entity as in FATS.
  - (c) Whether, if the UBO/UBA concept is limited to chains of control, in instances where countries do not allow inward FDI to have control, that consideration should be given to applying the UBO/UBA concept to include FDI ownership of 49% (or more).
- (2) WIIS felt that answers to the above questions must be partly based on an assessment of major user requirements. It was agreed to approach the OECD Investment Committee, to invite its input. To that end, WIIS Chair will address a letter to Chairman of the Investment Committee, seeking clarifications on specific user needs to clearly define the objectives for developing supplemental FDI series reflecting the UBO/UBA .
- (3) There was an agreement also that the work on this topic (for inward and outward investments) be dealt with by both WIIS and BAG<sup>10</sup>. WIIS did not give a specific mandate

---

<sup>10</sup> Conclusions of the ECB thematic meeting on this subject will be sent to the OECD Secretariat for the information of BAG.

to BAG on this issue while the group stressed that BAG should give priority to core concepts within the limited time for the delivery of the revised *Benchmark Definition*.

---

**Issue # 12(ii): Geographic classification principles (debtor/creditor or transactor principle) (for information)**

WIIS was informed of the conclusions by CUTEG which has the primary responsibility of this topic to allocate flows to the country of debtor / creditor rather than then that of the transactor.

WIIS recognised that this issue will be presented to BOPCOM but expressed its preference for the debtor/creditor principle to classify FDI transactions. Nevertheless, WIIS was encouraged to provide additional comments, if any, by e-mail to the Secretariat before the June 2005 meeting of BOPCOM.

---

***Issue # 13: Round tripping*<sup>11</sup>**

**Conclusions of DITEG**

*(a) Recommendations*

- (i) The group expressed a high level of interest in the concept of round tripping and agreed that it is an interesting dimension of FDI.
- (ii) The group expressed some concerns about the methodology presently being used by Hong Kong China, as well as concerns about the difficulty of effectively identifying and covering all round tripping FDI flows. It also recognized the need for more work to be done on developing the methodology and concepts.
- (iii) The group agreed that it would be useful to extend the analysis of round tripping to cover additional situations, such as where the two ends of the chain of round tripping flows are not in the same country but rather in the same geographical region or economic zone.
- (iv) The group recognized that many of the issues discussed under round tripping are connected to other FDI conceptual issues, such as Ultimate Beneficial Owners (UBOs), and that it would be necessary to consider these issues in a coherent manner in the new standards.
- (v) The group agreed that, if it is decided that data on round tripping is to be included in the balance of payments (BOP)/international investment position (IIP) framework in the new manual, the data should be treated as supplemental BOP/IIP presentations rather than as mandatory, standard components.

*(b) Rejected alternatives*

None.

---

<sup>11</sup> . Reference document: DITEG Issue Paper #13 by Hong Kong, China

**Deliberations of WIIS**

- (1) WIIS supported the proposal that data on round tripping should be included in the framework of the BOP/IIP statistics although it was also stated the need for developing concepts and the methodology.
  - (2) WIIS supported that the presentation of data on round tripping in the BOP/IIP statistics should be supplemental rather than a standard or mandatory reporting requirement.
- 

**Issue # 14: Permanent debt between affiliated financial intermediaries**<sup>12</sup>**Conclusions of DITEG***(a) Recommendations*

- (i) DITEG concluded that the Basle Tier 2 Capital definition was not appropriate for use as the definition of permanent debt between affiliated financial intermediaries;
- (ii) DITEG also concluded that all “unsecured and subordinated debt” should not be regarded as permanent debt. (The existing standards associate permanent debt with a permanent and lasting interest – such as debt used by branch banks for acquiring fixed assets – and “unsecured and subordinated debt” did not convey the same meaning or concept.)
- (iii) DITEG recommended, mainly on practical grounds, that compilers should no longer define and include “permanent debt” in direct investment. A concern was that large bilateral asymmetries could continue to exist if individual compilers defined for themselves what constituted permanent debt. Instead, DITEG concluded that all debt between affiliated financial intermediaries should be excluded from direct investment.

*(b) Rejected alternatives*

The existing international standard – which requires compilers to identify permanent debt between affiliated financial intermediaries and include such debt in Direct Investment -- was rejected.

**Deliberations of WIIS**

- (1) WIIS agreed that the Basle Tier 2 Capital definition was not appropriate for use as the definition of permanent debt between affiliated financial intermediaries. The group also concluded that all “unsecured and subordinated debt” should not be regarded as permanent debt.

---

<sup>12</sup>. Reference documents: DITEG Issue Paper # 14 by Japan (December 2004), the IMF (December 2004), and the United States (March 2005).

- (2) WIIS agreed that compilers should no longer define nor include “permanent debt” in direct investment and that all debt between affiliated financial intermediaries should be excluded from direct investment. WIIS also noted concerns expressed by only a few delegates that this deliberation may lead to excluding too much from FDI.

---

***Issue # 15: Land and buildings owned by non-residents***<sup>13</sup>

***Conclusions of DITEG***

*(a) Recommendations*

- (i) DITEG recognized the existence of long-term leases on land (and buildings) and recommended that they need clarifying in the new balance of payments manual and the revised *Benchmark Definition*.
- (ii) DITEG felt that where an effective change in ownership takes place through a lease on land (and buildings), in a manner comparable to a finance lease, a notional enterprise should be created, in the same way it is when land (and buildings) are acquired outright. DITEG also felt that the claim on the direct investment entity should be considered to be equity and that the value of the asset would fall as the lease moves to maturity (assuming no price changes).
- (iii) DITEG did not think that an arbitrary rule regarding the length of the lease (to determine whether the lease represented an effective change of ownership or not) should be adopted, noting that an (original) term of one year seemed too short.
- (iv) DITEG felt that it would be appropriate to wait until Canberra II has held its meeting in April 2005 before making a final recommendation

*(b) Rejected alternatives*

Treating land (and buildings) acquired under a long-term lease by households for non-commercial purposes as “other investment”.

***Deliberations of WIIS***

- (1) Recognising the existence of long-term leases on land (and buildings), WIIS recommended that concepts and treatments be clarified in the OECD *Benchmark Definition of Foreign Direct Investment* and stressed the importance of consistency of the concepts and treatments with the System of National Accounts and the national accounts.
- (2) WIIS agreed that where an effective change in ownership takes place through a lease on land (and buildings), in a manner comparable to a finance lease, a notional enterprise should be created, in the same way as when land (and buildings) are acquired outright. The claim on the direct investment entity should be considered to be equity (rather than debt) and that the value of the asset would fall as the lease moves to maturity (assuming that there are no price changes).

---

13. Reference documents: DITEG Issue Paper # 15 Land and buildings owned by non-residents on a long-term leasehold basis by IMF; Summary and outcome papers: Third DITEG meeting

- (3) WIIS rejected the “one year” arbitrary rule regarding the length of the lease (to determine whether the lease represented an effective change of ownership or not) but recommended that the duration be as long as possible (e.g. 99 years).

***Issue # 16: Use of maturity and full instrument split for direct investment***<sup>14</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) There was no consensus on this issue. Some members favoured the maximum instrument detail, without expressing much interest in a maturity split; others had the reverse view, emphasizing maturity over instrument; some favoured both maturity and instrument split; some felt the detail for both maturity and instrument split should be part of the standard components; others felt that the detail for both maturity and instrument should be supplementary. Some saw original maturity split as being more useful; others felt it was only residual maturity that mattered. No one who spoke supported the status quo.
- (ii) Some members expressed concerns about the practicality of all the possible permutations.

*(b) Rejected alternatives*

None

**Deliberations of WIIS**

- (1) WIIS agreed to adopt an instrument split for direct investment that is consistent with the SNA instrument breakdown and a maturity split as supplemental items, although concerns were expressed for practical data compilation.
- (2) Responses show more emphasis on the instrument split over the maturity split.

***Issue # 17: Multi-territorial enterprises***<sup>15</sup>

**BOPTEG recommendations**

- (i) Multi-territory enterprises are single enterprises that have substantial operations in two or more territories but for which branches are not able to be identified. (Note: International organisations are not treated in the same way.) In the case of multi-territory enterprises, the group agreed with the general principles in BPM5, but generalized it to all kinds of activities (rather than limiting it to mobile transport enterprises). It also recommended considering factors for splitting, such as shipping tonnage, rather than just equity shares. The group also concluded that the complexities of practical implementation should be acknowledged in the new manual.

<sup>14</sup>. Reference documents: DITEG Issues Papers #16

<sup>15</sup>. Reference document: BOPTEG issue paper #6.

- (ii) In the case of joint sovereignty zones, the group agreed that these were a previously omitted case which should be referred to in the new manual. The group considered that guidance and examples should be provided, but the manual should allow flexibility in implementation.
- (iii) For both multi-territory zones and joint sovereignty zones, the group agreed the manual should indicate the need for collaboration between the compilers of the territories concerned. The implications for other economies when compiling partner data should also be noted in the new manual.

### **Deliberations of WIIS**

- (1) WIIS made no new recommendations or conclusions. The issue was presented to WIIS for information only, as it was considered by BOPTTEG and BOPCOM (and not by DITEG).

---

### **Issue # 20: Define terms more clearly**<sup>16</sup>

#### **Conclusions of DITEG**

##### *(a) Recommendations*

- (i) DITEG recommended that the FDI glossary which is to be included in the IMF Balance of Payments Manual and in the *OECD Benchmark Definition of Foreign Direct Investment* should be limited only to terms that are directly related to direct investment.
- (ii) DITEG recommended that other terms which are used in the manuals but which have a broader coverage than direct investment (e.g. residence, financial assets, units, transactions, etc.) should only be cross-referenced with the source which has the primary carriage (e.g. SNA).
- (iii) DITEG emphasized the importance of harmonisation and recommended particular attention to be attached to consistency with other work, including the terminology of more recent areas such as the GATTs, FATS, etc.
- (iv) DITEG agreed that the work for developing a glossary will involve (i) a review of changing definitions as a result of the revision of the concepts; (ii) improve some of the existing definitions by providing clarity; (iii) to define new terms resulting from developments in the recent years.
- (v) DITEG recommended that the actual preparation of the FDI glossary will entail:
  - (a) DITEG Secretariat, following an electronic consultation with the group, should establish a list of FDI terms drawn from the broader list presented by the editorial group;

---

<sup>16</sup>. Reference Documents: DITEG Issue Papers #20 by the Canada (March 2005), Issue Papers #20 by Australia (March 2005); Outcome paper #20 of DITEG December 2004 meeting.

- (b) The glossary should be elaborated as a part of the work of the Benchmark Advisory Group (BAG) of the OECD Workshop on International Investment Statistics (WIIS); this work should be conducted with special attention to the revision time-table of manuals;
- (c) The draft glossary prepared by BAG should be submitted for approval to the OECD WIIS and to the IMF Committee.
- (d) The glossary should be provided to the SNA as an input for direct investment terms.

*(b) Rejected alternatives*

The proposal to include terms which go beyond the only scope of direct investment was rejected.

**Deliberations of WIIS**

- (1) WIIS agreed that the FDI glossary be limited to direct investment terms only and cross-reference the primary sources for terms which have a broader coverage than direct investment;
- (2) WIIS agreed in general with the preliminary list of terms presented in the DITEG outcome paper and made some suggestions for additional terms;
- (3) WIIS agreed that the direct investment glossary be developed by the OECD Benchmark Advisory Group for WIIS comments and approval.
- (4) WIIS agreed that the final FDI glossary should be an input for the SNA.

**Issue # 21: Banking activities**<sup>17</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) DITEG was presented three alternatives to the way in which transactions and positions between banks and related enterprises might be treated. These are:
  - (a) Option #1: inclusion of all transactions between banks and affiliated enterprises in direct investment transactions and positions.
  - (b) Option #2: full exclusion of transactions with affiliated banks, except permanent debt and equity, even by non-financial enterprises; and

17 . Reference documents: DITEG issue paper # 21 by Belgium (November 2004)



- (c) Option #3: a mixed approach introducing the notion of “captive bank” (equivalent to an intra-group financier) as a bank, as part of a group of enterprises and with activities restricted to the group).

Generally, there was little support for the first and third options.

- (ii) In considering option #2, the Group asked that this outcome paper clarify rationales for the existing international standards (under which financial institution-to-financial institution transactions and positions (except permanent debt and equity) are excluded from direct investment and financial institution-to-non-financial institution transactions and positions are included in direct investment).
- (iii) In consideration of this request, the following rationales are offered. It should be recognized that other or different rationales may be important. Looking first at the exclusion from direct investment of financial institutions-to-financial institutions transactions (except permanent debt and equity), the rationale for this standard is probably related to the fact that banks, security brokers, and other financial intermediaries often move around huge sums of money, and the fact that these transactions may occur between affiliated financial intermediaries is an insufficient rationale for including these transactions in direct investment. Stated from a different perspective, if these large debt transactions were instead included in direct investment, they would be unlike, and substantially larger than, other debt flows classified in direct investment. On the other hand, these debt flows have much in common with flows that are between unrelated parties and that are now classified in portfolio or in other investment. To facilitate the needs of policymakers and other users of the BOP accounts, these financial institutions-to-financial institutions flows belong outside of direct investment
- (iv) Looking next at the inclusion in direct investment of financial institutions-to-non-financial institutions transactions, the rationale is related to the fact that multinationals routinely establish financial institutions as integral parts of their international operations, and that an incomplete and misleading picture of direct investment transactions and positions would emerge if (contrary to existing standards) non-permanent debt (and equity) transactions and positions of non-financial institutions with these financial institutions were excluded from direct investment. To illustrate, assume that a direct investor borrows funds from its financial DIE and onlends or invests those funds in a different foreign affiliate. The exclusion from direct investment of the direct investor’s borrowings from its foreign affiliate that is a financial institutions – combined with the inclusion in direct investment of the direct investor’s subsequent onlending or investment of those funds with a different direct investment enterprise – would result in an incomplete or misleading picture of the impact of MNCs.
- (v) The group did not support any change to the present treatment, as clarified in 2000, of transactions and positions between banks and their affiliated enterprises, other than the treatment of certain conduits (that loans by a financial affiliate to its non-financial parent should not be considered to be direct investment: as set out in outcome paper #11B) and permanent debt (that permanent debt between related financial affiliates should no longer be considered direct investment: see outcome paper #14). However, the question was raised whether consideration might be given to excluding from direct investment, deposit transactions and positions between banks and their non-financial affiliates. This exclusion rests on the principle that the collection of deposits is a core activity of the banks and is not affected by the fact that a direct investment relationship exists. This exclusion should thus be done despite the fact that there is a 10% ownership between the bank and the related

enterprise owner of the deposit, in one or another direction. This practice should be considered as an exception on the application of the "10 per cent" rule."

*(b) Rejected alternatives*

All options proposed in the paper were rejected, subject to consideration of deposits between banks and all affiliates.

**Deliberations of WIIS**

WIIS agreed that the Benchmark Advisory Group could examine the treatment of deposits by non-financial entities with affiliated banks as suggested under recommendation (v).

***Issue # 21 (a): Transfer pricing between banks***<sup>18</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) While the revisions to the *BOP Manual* and the *Benchmark Definition* of FDI are still in progress the guidance in them relating to this topic will remain under discussion
- (ii) DITEG did not support the separate identification for trade in services of the service element of transfer pricing
- (iii) DITEG concluded that income redistribution should not be classified as transfer pricing where it was not separated for reporters own purposes and that it should remain as income
- (iv) DITEG did not reach a conclusion on whether all transfer pricing should be treated as a hidden dividend/investment if reporters are unable to identify the element that is over or under invoicing
- (v) DITEG did not think that it would be appropriate for the issue of transfer pricing to feed into the upcoming SNA revision process

<sup>18</sup> . Reference documents: DITEG Issue Paper 21A Inter-company Transactions and Amount Outstanding with Fellow Subsidiaries

*(b) Rejected alternatives*

None

**Deliberations of WIIS**

WIIS agreed that payments by a branch to its non-resident head office that result in a zero balance in the branch's income account should be treated as income, and not to try to separate any other elements (such as service payments).

---

**Issue # 21 (b): Shipping companies**<sup>19</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) DITEG agreed on the complexity of the statistical treatment of shipping activities while it recognized the need for clarification on different aspects such as residency, nature of shipping companies' activities, etc. The group accepted that the existing manuals should be clarified about the treatment of shipping companies and recommended that this further clarification should be included to distinguish between FDI and services.
- (ii) DITEG stressed the importance of following the principles of the existing system, which would involve clear identification of units involved in shipping activities which are namely the owner and the operator of the ship: it should make clear that the flag of convenience is not relevant:
  - (a) The owner holds an asset (the ship).
  - (b) The operator is effectively involved in shipping activities such as fishing, transporting, etc.
  - (c) The flag of convenience is for the legal registration of the ship. The flag is not considered in determining the residency of the owner or operator of the ship.
  - (d) If the owner and the operator are the same entity, then they comprise a single institutional unit.
  - (e) If the owner and the operator are not the same entity, then they comprise separate institutional units. The owner will typically receive a fee from the operator, reflecting the payment (rent) for the use of the vessel; in this case, the owner is a lessor, and is not a provider of transportation services. The operator of the vessel provides transportation

---

19 . Reference documents: Issue Paper # 21 (B) by Greece (Statistics Department, Bank of Greece –November 2004) and Summary and outcome papers: Third DITEG meeting.

services; it receives revenues for transporting passengers and/or freight, pays wages to crew members (who may be residents of a different economy than the operator), and incurs other transportation-related expenses including port expenditures.

- (iii) DITEG indicated that the treatment of management offices and business promotion and ticket sales offices would depend upon individual circumstances; in some circumstances, they would qualify for treatment as direct investment enterprises and, in other circumstances, they would not. In this latter case, some members of DITEG believed that transactions related to these offices should be recorded as international services transactions.
- (iv) DITEG agreed that the starting point of the statistical treatment of shipping is the basic asset/liability principle. Following from that principle, transactions related to branches should meet the criteria to be included under FDI. Distinction should be made between the branches which engage in real economic activities and have income statements, etc. and units that are set up to increase sales of the institutional units that established them but that have no sales of their own, such as ticket sales offices and business promotion offices.
- (v) It was pointed out that determining the residency of shipping companies is often a difficult issue. As noted, the residence of the owner and of the operator are determined independently from the country where the ship is registered (from the country of the flag of convenience), and different types of leasing arrangement may exist that can make it difficult to determine whether the ship is being leased or effectively sold to the institution that operates it.
- (vi) DITEG noted that issues related to complex leasing arrangements and their solutions could be extended to other types of mobile equipment, such as aircraft. DITEG could not fully articulate its recommendations, pending clarification of the criteria for differentiating between financial and operational leases that are still under review in other groups.

*(b) Rejected alternatives*

None.

**Deliberations of WIIS**

- (1) Acknowledging the complexity of the statistical treatment of shipping activities, WIIS recommended that further clarification was necessary on different aspects such as residency, nature of shipping companies' activities, etc. in the *Benchmark Definition* including guidance to distinguish shipping activities between FDI and services.
- (2) In agreement with DITEG, WIIS identified three main institutional units, namely (a) the owner (the lessor); (b) the operator (the lessee); and (c) ticket offices/management offices/sales promotion offices which, in general, do not qualify for FDI. If the owner and the operator are the same entity, then they comprise a single institutional unit.
- (3) WIIS agreed with the analysis of DITEG and endorsed that following the basic asset/liability principle, the statistical treatment of shipping transactions related to branches should meet the criteria to be included under FDI. Distinction should be made between the branches which engage in real economic activities and have income statements, etc. and units that are set up to increase sales of the institutional units that established them but that have no sales of their own, such as ticket sales offices and business promotion offices. The residence of the owner and of the operator are determined independently from the country where the ship is registered (from the country of the flag of convenience).

- (4) Having acknowledged that different types of leasing arrangement may exist that can make it difficult to determine whether the ship is being leased or effectively sold to the institution that operates it, WIIS was prompted by another complex problem regarding the acquisitions by unincorporated shipping companies. Such operations may be either considered as FDI or could be treated simply as merchandise trade.
- (5) WIIS requested that the Benchmark Advisory Group should ensure that the *Benchmark Definition* includes clarifications for differentiating between financial and operational leases and, in particular, the criteria for identifying vessels that are leased and those that are effectively purchased or sold.
- (6) WIIS also agreed that solutions that apply to shipping companies be also extended to the treatment of other mobile equipment, as appropriate, e.g. aircraft leasing arrangements.

---

**Issue # 21 (c): Natural resource exploration and construction<sup>20</sup>**

**Conclusions of DITEG**

*(a) Recommendations*

The group recognized the importance of following the rules of the existing systems in classification of services and FDI. The starting points of the statistical treatment of construction and natural resource exploration are: identification of a possible notional enterprise, to which ownership of certain assets is transmitted, and examination of how services are being delivered. It was indicated that the application of that notional enterprise to these activities should be in line with the SNA guidance and that future developments in SNA related to these issues should be taken into account.

*(b) Rejected alternatives*

A proposal to give an unambiguous recommendation for classification of site offices in borderline cases has been rejected.

**Deliberations of WIIS**

- (1) The starting points of the statistical treatment of construction and natural resource exploration are:
  - (a) identification of a possible notional enterprise, to which ownership of certain assets is transmitted, and
  - (b) examination of how services are being delivered.

---

<sup>20</sup>

Reference document: DITEG Issue Paper # 21 (C) by the Russian Federation (Balance of Payments Department, Bank of Russia – November 2004).

- (2) The application of notional enterprise to these activities should be in line with the SNA and ESA.

## **Issue # 22: Other capital (focusing on short-term instruments)<sup>21</sup>**

### **Conclusions of DITEG**

#### *(a) Recommendations*

- (i) DITEG agreed that all FDI-other capital flows and stocks, both long-term and short-term, between FDI related enterprises should be included in FDI and not in Other Investment (with the standard exception for financial intermediaries). Therefore DITEG recommends keeping the existing standards unchanged.
- (ii) It was recognised that short-term flows and positions could lead to disturbances in the FDI data. See also issue #16 for a split between short-term and long-term FDI other capital.

#### *(b) Rejected alternatives*

- (i) DITEG rejected the alternative to exclude both long-term and short-term other capital flows and stocks from FDI and to include these in Other Investment (alternatives 3 and 4 in the issue paper) because all flows and stocks within a FDI relationship should remain within FDI.
- (ii) DITEG also rejected the proposed alternative (alternative 5 in the issue paper) to include other capital flows and stocks between direct relationships only and to exclude other capital flows and stocks between indirect relationships (e.g. between a company and its grandmother) for the same reason mentioned in (i).

### **Deliberations of WIIS**

- (1) WIIS agreed that all other capital flows and stocks, both long-term and short-term, between FDI related enterprises should be included in FDI and not in Other Investment (with the standard exceptions for financial intermediaries) and thus to keeping the existing standards unchanged.
- (2) WIIS also agreed that countries may give, on a voluntary basis, supplementary information on a split between long-term and short-term FDI other capital.

21 . Reference documents: DITEG issue paper #22 'FDI – other capital (with focus in short-term)' by De Nederlandsche Bank.

***Issue # 23: Inter-company transactions and amounts outstanding with fellow subsidiaries***<sup>22</sup>

***Conclusions of DITEG***

*(a) Recommendations*

- (i) DITEG considered mainly three possibilities: (a) excluding all transactions between fellow companies from FDI statistics; (b) including all transactions; (c) restricting the transactions to fellow subsidiaries. DITEG concluded that all transactions between fellow companies should be included in FDI.
- (ii) DITEG did not see any grounds for changing the current standard when there is a FDI relationship: all transactions between fellow companies in that relationship should be recorded on an asset/liability basis and directed between two parties (and not channelled through the immediate parent).
- (iii) Some DITEG members were concerned about practical difficulties for identifying transactions between fellow companies, especially, in case where fellow companies are not aware of the existing FDI relationship. However, it was believed that when there are large transactions, compilers will be informed of them.

*(b) Rejected alternatives*

- (i) The alternative method, namely the directional principle, for recording transactions between fellow companies was rejected (see also outcome papers # 7 and 8).
- (ii) DITEG rejected the alternative for restricting transactions and amounts outstanding to fellow subsidiaries, since there is a risk of losing information.

***Deliberations of WIIS***

- (1) WIIS agreed that transactions between fellow companies should be included in FDI statistics.
- (2) WIIS consider that the asset/liability principle is the most appropriate treatment for the transactions between fellow companies.

---

22 . Reference document: DITEG Issue Paper # 23 by Italy (Ufficio Italiano dei Cambi – November 2004).

**Issue # 24: FDI stocks (financial versus economic measurement)<sup>23</sup>****Conclusions of DITEG***(c) Recommendations*

- (i) DITEG confirmed the primacy of a gross asset and liability recording as it is essential for the compilation of integrated economic accounts. Nevertheless, DITEG supported the need for autonomous FDI statistics within the globalization framework, recognising user needs for FDI data after having removed investments going through holding companies and SPEs. It was noted that the work was parallel in many ways to the work on defining UBOs and UBAs, and that coordination between the groups at periodic stages may be helpful in promoting cohesion between the two approaches.
- (ii) DITEG agreed that this work would fall more naturally under the *Benchmark Definition* rather than the *Balance of Payments Manual*.
- (iii) In regard to the way forward, several members of DITEG thought that it could be difficult to complete all of the above work on concepts and definitions for the supplemental data sets in time for inclusion in the BMD, but there was broad sympathy for moving ahead with the work.
- (iv) There was a discussion of whether the supplemental sets of statistics on FDI positions and FDI income recommended in the paper should be based upon virtually the same set of concepts and definitions as the standard data sets now prepared by compilers. At this stage of the work, most compilers were of the opinion that the supplemental data sets should retain basic concepts and definitions as much as possible.

Notwithstanding the above, it was recognized that the supplemental statistics might produce different results from the BOP/IIP results in significant ways. For example, it was conceived that, in the supplemental data sets, data on positions or income by individual country might be different from the data related to the FDI components in the IIP. The DITEG considered thus that there could be two ways to tackle FDI but has not reached a definitive conclusion. It recommended future work in order to elaborate further on the additional way to measure FDI.

- (v) DITEG asked for a clarification of the parameters of the work (e.g. the notion "penetration in foreign economies"). They also asked for numeric examples that would show the results of different methods, and suggested that multiple alternative examples might be provided to the WIIS meeting of April 2005.

DITEG expressed sympathy for restricting coverage in the supplemental data sets to units that are majority-owned or majority-controlled.

---

<sup>23</sup> Reference documents: DITEG Issue Paper # 24 by Belgium (November 2004), and DAF/INV/STAT/RD(2005)5



*(d) Rejected alternatives*

NONE.

**Deliberations of WIIS**

- (1) WIIS concluded that work should proceed on developing supplemental FID position and FDI income statistics as part of work on providing globalization statistics in response to user needs.
- (2) A majority of WIIS concluded that, as compilers try to develop the supplemental sets of statistics envisioned in the issue paper that they should strive to retain basic concepts and definitions. However, they did not want to preclude deviations from basic concepts and definitions where appropriate.
- (3) WIIS concluded that the work on developing the supplemental data sets envisioned in this paper should be coordinated – and preferably merged – with future work on defining UBOs and UBAs.
- (4) WIIS concluded that work on developing concepts and definitions for these supplemental data sets should move ahead even though it may be difficult to complete all of the work in time for inclusion in the BMD.

---

***Issue # 25: Valuation of real estate***<sup>24</sup>

**Conclusions of DITEG**

*(a) Recommendations*

- (i) In the course of the useful discussion on this topic, DITEG recognized the importance of the widespread statistical problems concerning the collection and compilation of data on direct investment in real estate realized by individuals (even if 75 per cent of the 53 countries for which purchases and sales of land and buildings by individuals are applicable include these transactions in their inward and outward FDI transactions data, according to the 2001 SIMSDI).
- (ii) In order to calculate the market value of stocks of foreign direct investment in real estate, DITEG encouraged the continued effort undertaken by certain international organisations (EUROSTAT notably) to develop real estate price indices.
- (iii) DITEG expressed a preference in using real estate price indexes rather than a more general price index (such as the price deflator for gross domestic product which would provide a rather imperfect estimate) in order to calculate the market value of real estate stocks. A general price index can not be a suitable indicator to reflect the evolution of the real estate markets.

---

24 . Reference Document: DITEG Issue Paper # 25 by France (October 2004).

*(b) Rejected alternatives*

The group rejected the exceptional use of acquisition cost to calculate the market value of real estate stocks in the case where transactions were not conducted in the most recent past.

**Deliberations of WIIS**

WIIS encouraged the use of real state price indexes (despite their methodological heterogeneity among countries) rather than a more general price index to calculate the market value of real estate stocks. However the use of acquisition cost was not totally rejected but was proposed as an inferior option.

**Issue # 27: Principles for classification by industry (according to direct investor or direct investment enterprise)<sup>25</sup>****Conclusions of DITEG***(a) Recommendations*

- (i) From the terminological point of view, DITEG was of the opinion that the methodology should refer to a “classification by industrial activity” rather than to an “industry sector classification”. The latter expression, contained in the present methodology, may give rise to confusion with the classification by institutional sector.
- (ii) DITEG agreed that the methodology should refer to the categories of the United Nations International Standard Industrial Classification (ISIC). In particular, DITEG was of the opinion that the methodology should recommend, as a minimum requirement, a classification by industrial activity as reflected in ISIC *sections* in force at the time of the data compilation.
- (iii) Based on analytical arguments, DITEG agreed to maintain the present recommendation of the methodology, namely that FDI statistics by industrial activity should refer, if possible, to the activity of the direct investment enterprise and to the activity of the direct investor, for both inward and outward statistics. The Group recommended that data be compiled at least according to the activity of the direct investment enterprise in both cases (inward and outward investment).
- (iv) Concerning the specific problem of the classification of holding companies, the present FDI methodology in the *Benchmark Definition* recommends that holding companies be considered financial corporations, even though the investments that they hold may be in other industries. Including all holding companies that are SPEs, regardless of the activities that the holding companies’ subsidiaries may be involved in, in the financial sector had been rejected by DITEG at its December 2005 meeting. More specifically, DITEG concluded at its December 2004 meeting that, in cases where the holding company owns other companies

<sup>25</sup>

Reference document: DITEG Issue Paper # 27 by Eurostat (December 2004).

in its same economy, the “holding company is to be classified according to whichever industrial activity of its subsidiaries dominates in the resident economy. This may result in a holding company being classified as a financial corporation (when most of the group’s activities in its same economy are in the financial sector), or as a non-financial corporation (when most of the group’s activities in its same economy are in the non-financial sector). Some delegates confirmed this opinion during the March 2005 DITEG meeting, while other delegates were in favour of classifying all Direct Investment Enterprises that contain a holding company at the top of the organizational structure in its country of operation to Financial Intermediation. It was also noted that DITEG, at its December 2005 meeting, had recommended that the definition of “financial intermediation” needed to be modified to take account of the activities of holding companies as their activities may not meet the current definition of financial intermediation.

- (v) DITEG also took note that the present discussion on the revision of ISIC, according to the provisional documents available at the time of DITEG meeting (mid-March 2005), may seem to go in the opposite direction as the conclusions of Outcome paper #9 (2). ISIC proposed revision seems to show a preference for classifying “holding companies” in Financial Intermediation irrespective of the activity of the subsidiaries controlled.

*(b) Rejected alternatives*

DITEG rejected the proposal of creating in the new methodology a specific list of ISIC activities dedicated to FDI statistics.

**Deliberations of WIIS**

- (1) WIIS agreed that the methodology should refer to a “classification by industrial activity” rather than to an “industry sector classification” to avoid confusion with the classification by institutional sector.
- (2) WIIS agreed that the methodology should refer to the categories of the United Nations International Standard Industrial Classification (ISIC) and that the methodology should recommend, as a minimum requirement, a classification by industrial activity as reflected in ISIC *sections* in force at the time of the data compilation. Taking into account the existence of regional classifications (such as NAICs, NACE), the group also expressed some concerns of possible deviations which may occur in the future between ISIC and regional classifications.
- (3) WIIS based on analytical arguments agreed to maintain the present recommendation of the methodology, namely that FDI statistics by industrial activity should refer (i) to the activity of the direct investment enterprise and (ii) to the activity of the direct investor, for both inward and outward statistics (in line with the existing recommendations of the *Benchmark Definition*). WIIS agreed that data be compiled at least according to the activity of the direct investment enterprise in both cases (inward and outward investment). However, concerns were expressed with regard to the practical implementation of the recommendation by some countries.
- (4) In regard to the industrial classification of holding companies, a substantial majority of WIIS agreed with DITEG’s recommendations. In particular, when a holding company owns one or more other companies in its same economy and no other companies abroad, the holding company is to be classified according to whichever industrial activity of its subsidiaries

dominates in the resident economy. This may result in a holding company being classified as a financial corporation (when most of the group's activities in its same economy are in the financial industry or sector), or as non-financial (when most of the group's activities in the economy are in a non-financial industry or sector). In the case where the holding company owns both one or more other companies in its same economy and one or more other companies abroad, then its industry classification would depend upon the size of the company(ies) it owns abroad relative to the size of the company(ies) it owns in its own economy. If the company(ies) it holds in its own economy are large relative to the size of the company(ies) it owns abroad, then it would be classified according to the industrial activity of its holdings in the resident economy. If its holdings abroad are large relative to the size of the company(ies) it owns in its own economy, then it would be classified as a holding company.

---

**Issue # 30: Mutual funds (units, sectorizations, residence, transactions)<sup>26</sup>**

**Conclusions of DITEG**

*(a) Recommendations*

- (i) DITEG discussed the issue paper on whether there are circumstances when mutual funds, hedge funds, distressed funds, and master/feeder funds might be considered to be in direct investment relationships.
- (ii) DITEG felt that the existing standards are less than clear, appear to conflict between direct investment and portfolio investment, and do not specify what sort of investment involving mutual funds should be classified to portfolio investment. The group felt that the wording in *BPM5* needed to be clarified for the new balance of payments manual.
- (iii) The discussion revolved around what constituted "direct investment" and what, if any, exceptions there might be to the 10 percent equity ownership rule. The group felt that mutual funds, and similar collective investment schemes, were a rising international phenomenon, in particular, the growing importance of master/feeder funds (fund of funds), hedge funds and distressed funds.
- (iv) DITEG felt that, in recommending that mutual funds should be included in portfolio investment, *BPM5* would appear to address only retail mutual funds. Generally, the group felt that, were the "10 percent" rule to be reached, investment in hedge funds and distressed funds should be considered to be direct investment.
- (v) Regarding retail mutual funds, there were divided views. Some supported the application of the "10 percent" rule. Others felt that there was generally a different type of motivation for these type of funds: that there was no genuine interest in exerting influence on the management of the entity in which there might be more than 10 per cent equity ownership.

---

<sup>26</sup>. Reference documents: DITEG Issue Paper # 30 by Japan (November 2004); Background document by ECB (October 2004)

Accordingly, those of this opinion felt that investment in these types of mutual funds should be regarded as portfolio investment.

- (vi) With regard to master/feeder funds, most members of DITEG felt that the “10 percent” rule should be applied. Others pointed out that were “feeders” to be treated as direct investors (should their ownership meet the “10 percent” rule for equity holding in the “master”) this treatment would be an inversion of the standard direct investment relationship: the “feeders” would be direct investors even though the “master” would control them.
- (vii) The group discussed how such funds might be identified, with some members proposing that industrial activity classification might be used.

*(b) Rejected alternatives*

NONE.

**Deliberations of WIIS**

- (1) WIIS agreed that current recommendations for the treatment of investments in non-resident investment funds or investment by non-resident investment funds were unclear and that further clarifications are necessary.
- (2) WIIS considered two categories of investment funds (a) investment funds such as private equity funds, distressed funds, master/feeder funds (i.e. all funds other than retail mutual funds); and (b) Other investment funds, including mostly retail mutual funds and other types of funds open to the public. In each case, WIIS also considered (a) investments in the funds; and (b) investments by the funds.
- (3) WIIS could not reach a consensus while the views were equally divided. Some delegates considered the strict 10 per cent rule to be applied across the board while others were extremely concerned with user requirements and the analytical meaning of including investment funds under FDI. Some others supported the view that investments “in” and investments “by” the funds should be treated differently while some were in favour of a further spilt applying different treatments depending on the type of investment funds (as described above). In contrast, some delegates voiced concerns on the difficulties to identify different types of investment funds in their statistical systems. Others voiced strongly their opposition to create an additional supplemental category “of which” or to include investment funds along with SPE in the new category “of which FDI excluding SPEs”
- (4) In consequence, WIIS left the treatment of investment funds as “unresolved”. Nevertheless, delegates agreed that international guidelines needed further clarification.
- (5) WIIS asked the Secretariat to circulate the results of discussions in other fora and to organise an electronic discussion to reach an agreement, if possible, for the OECD *Benchmark Definition* provided that new elements or arguments can be presented.

## ANNEX 2

## LIST OF PARTICIPANTS

<b>CHAIRMAN (United States)</b>	Mr. Ralph KOZLOW	Associate Director for International Economics US Department of Commerce
<b>Australia</b>	Mr. Paul MAHONY	Director Australian Bureau of Statistics
<b>Austria</b>	Mr. René DELL'MOUR	Special Advisor Balance of Payments Division Oesterreichische Nationalbank
<b>Belgium</b>	Mr. Roger DE BOECK	Chef du Service Balances des Paiements, Département Statistique Général Banque Nationale de Belgique
<b>Canada</b>	Mr. Christian LAJULE	Balance des paiements Statistics Canada
	Mr. Art RIDGEWAY	Director, Balance of Payments Division Statistics Canada
<b>Czech Republic</b>	Ms. Lidmila GREGOROVA	Czech National Bank
<b>Denmark</b>	Mr. Jens HALD	Advisor Statistics Department National Bank of Denmark Denmark
<b>Finland</b>	Ms. Airi HEIKKILÄ	Economist Bank of Finland
<b>France</b>	M. Bruno TERRIEN	Banque de France

<b>Germany</b>	Mr. Daniel KROMER	Counsellor Deutsche Bundesbank
	Ms Beatrix STEJSKAL	Head of Section, Statistics Department Banking Statistics and External Stock Statistics Deutsche Bundesbank
<b>Greece</b>	Mr. Andreas KARAPAPPAS	Head, BOP Compilation Section Statistics Department Bank of Greece
<b>Hungary</b>	Mr. György SZABÓ	Counsellor Economic Counsellor Permanent Delegation
	Dr. Mihaly DURUCSKÓ	Advisor Statistics Department National Bank of Hungary
<b>Iceland</b>	Mr. Petur SIGURDSSON	Economist Statistics Department Central Bank of Iceland
<b>Ireland</b>	Mr. John Fitzpatrick	Head – BOP Analysis & Dissemination Division Central Statistical Office
<b>Italy</b>	Ms. Valeria PELLEGRINI	Statistics Department Ufficio Italiano dei Cambi (UIC)
<b>Japan</b>	Ms. Satoru HAGINO	Research and Statistics Department Bank of Japan
<b>Korea</b>	Mr. Yang-Woo KIM	Attaché Permanent Delegation
	Mr. Chon-II LIM	Exim Bank of Korea
	Mr. Ho-Seok Yang	Bank of Korea

<b>Korea</b>	Ms. Kyong Mi MIN	Specialist Foreign Investment Promotion Division MOCIE
<b>Luxembourg</b>	M. Guy SCHULLER	Head of External Economic Statistics Division Service Centrale de la Statistique et des Etudes Economiques
<b>Netherlands</b>	Ms. Olga AARSMAN	Balance of Payments & Financial Accounts Department Balance of Payments Section De Nederlandsche Bank NV
<b>Poland</b>	Ms. Barbara KOSEK	Chef de Service Statistics Department National Bank of Poland
<b>Portugal</b>	Mrs. Paula CASIMIRO	Balance of Payments and International Investment Position Statistics Department Banco de Portugal
<b>Slovak Republic</b>	Ms. Martina JURZOVA	Monetary Policy Department National Bank of Slovakia
	Ms. Zuzana MINAROVICŔOVÁ	Statistics Department National Bank of Slovakia
<b>Spain</b>	Ms. Teresa CID	Methodology and New Information Sources Unit Balance of Payments Department Bank of Spain
	Ms. Silvia IRANZO GUTIÉRREZ	Sous-Directeur Général Adjoint. Sous-Direction Générale des Investissements Internationaux Ministère de l'Industrie, du Tourisme et du Commerce



<b>Sweden</b>	Maria FALK	Economist Monetary Policy Department Statistics Division Sveriges Riksbank
<b>Switzerland</b>	Mr. Alexander FLUEHMANN	Balance of Payments Banque Nationale Suisse
<b>Turkey</b>	Mr. Tugrul GOVER	Expert Undersecretary of Treasury
	Mr. Fikret KARABUDAK	Deputy General Director, Statistics Department Central Bank of Turkey
<b>United Kingdom</b>	Mr. Peter THOMAS	Office for National Statistics
<b>United States</b>	Mr. Obie WHICHARD	Chief, International Investment Division US Department of Commerce Bureau of Economic Analysis
<b>European Commission</b>	Mr. Carlos SÁNCHEZ MUÑOZ	External Statistics Division European Central Bank
	Mr. Markus VAN WERSCH	Senior Economist Unit C5BOP EUROSTAT
<b>Brazil</b>	Mr. Fernando LEMOS	Coordinator, Sub-division of Capitals & Services Department of Economics, Balance of Payments Division Banco central do Brasil
<b>Estonia</b>	Ms. Piret ANTON	Analyst Statistics Department Bank of Estonia
	Mr. Jaanus KROON	Head Balance of Payments & Economic Statistics Department Bank of Estonia

<b>Israel</b>	Mr. Daniel BLINDER	Senior Economist Foreign Exchange Activity Department Bank of Israel
<b>International Monetary Fund (IMF)</b>	Mr. John JOISCE	Senior Economist International Monetary Fund
<b>U.N. Conference on Trade and Development (UNCTAD)</b>	Mr. J.F.OUTREVILLE	Investment Trends Section

***OECD SECRETARIAT***

**Directorate for Financial and Enterprise Affairs**

Ms. Ayse BERTRAND

Mr. Hans CHRISTIANSEN

M. Pierre PORET

Ms. Yesim SISIK

**Directorate for Science, Technology and Industry**

Mr. Thomas HATZICHRONOGLOU