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# Collecting FDI and MNE Data

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SCHWEIZERISCHE NATIONALBANK  
BANQUE NATIONALE SUISSE  
BANCA NAZIONALE SVIZZERA  
BANCA NAZIUNALA SVIZRA  
SWISS NATIONAL BANK



# Agenda based on Top 5 answers to OIC survey: What is of interest to you? Where are gaps?

- Data collection [problems] (10) ⇒ 1. Collection of Swiss enterprises' cross-border financial linkages
- UCI country (10) ⇒ 2. Identify Ultimate Investors
- Debt between fellows (12) ⇒ 3. Allocate Debt between fellows
- SPE (9) ⇒ 4. Identify SPEs
- FATS/AMNE (13) ⇒ 5. Compile data on FATS

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# 1. Challenges in the collection of Swiss enterprises' cross-border financial linkages

# Why we are running surveys

- BOP/IIP section of the SNB runs its own surveys on cross-border financial linkages of enterprises in Switzerland: INV (exception: non-FDI linkages of banks)
- Reason: No other sources available for this data
- Use of the data is purely statistical:
  - Balance of payments (BOP) and International investment position (IIP)
  - Foreign direct investment (FDI)
  - Foreign affiliate trade statistics (FATS)
  - Swiss sector accounts

# INV-Surveys

- Introduced in 2014
- Motivation:
  - Change to BPM6, bilateral treaties with EU
- Basic principles:
  - «One fits for all survey»
  - Covering most financial assets / liabilities of enterprises and some FATS figures
  - Main focus is on position data
  - Using business terms (not statistical terms)
  - Mostly on aggregated level  
(local enterprise group, aggregated by country)

# Challenge: Communicate with reporters

- Challenges:
  - SNB-reporting is not a priority for the enterprises
  - SNB-reporting is often outsourced
  - The domestic reporting entity does not always have all necessary information
  - Finding «their language»
- What we do:
  - Frequent contact with reporting enterprises (email/phone/visit)
  - If necessary, special reporting arrangements
  - Standard workflow in case of non-reporting, ultimate measure is a fine

# Challenge: Determine the survey population

- Challenges:
  - Reporting obligation upon invitation to participate (no automatic reporting obligation)
  - CH is an important holding location, i.e. harbouring capital without physical presence.
    - ⇒ Population is quite volatile
- What we do:
  - Using additional sources, such as
    - Commercial registers
    - Media
    - Business register
  - Preliminary survey
    - Is the reporting threshold met (10m cross-border capital linkages)?

# Challenge: Size and complexity of certain groups (I)

## ■ Challenges:

- CH is a small open economy with many MNEs (DC and FC).
  - 2020: ~ 60 enterprise groups with A/L > CHF 10 billion.
  - In some cases, highly complex structures
  - Limited resources in our team
- ⇒ Those large cases often dominate BOP/IIP/FDI
- ⇒ Reporting those cases is especially difficult as well as checking the reported data



# Challenge: Size and complexity of certain groups (II)

- What we do:
  - Initial checks of reported data:
    - Focus on large cases
    - Comparison with values previously reported
    - Stock/flow checks (other changes in volume)
    - Comparison with external data (e.g. private databases)
    - Frequent contact with reporting enterprises (email/phone)
  - Deeper checks of reported data:
    - Mirror data analysis of the aggregate
    - Analysis of the whole MNE group (organization chart)
    - In cases of doubt, enterprise visits / calls
    - If necessary, special reporting arrangements

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## 2. Challenge: Identify Ultimate Investors

# What we do

- We collect the country of ultimate beneficial owner for each immediate investor in our surveys

Investors domiciled abroad						
Name of investor	Country of domicile of immediate investor		Country of domicile of ultimate beneficial owner		Participating interest in equity capital	
	Name	Code	Name	Code	At end of previous reporting year (=previous year)	At end of current reporting year (=reference date)
Investor 1	Luxembourg	LU	Japan	JP	60.00%	70.00%
Investor 2	Netherlands	NL	Russia	RU	40.00%	30.00%

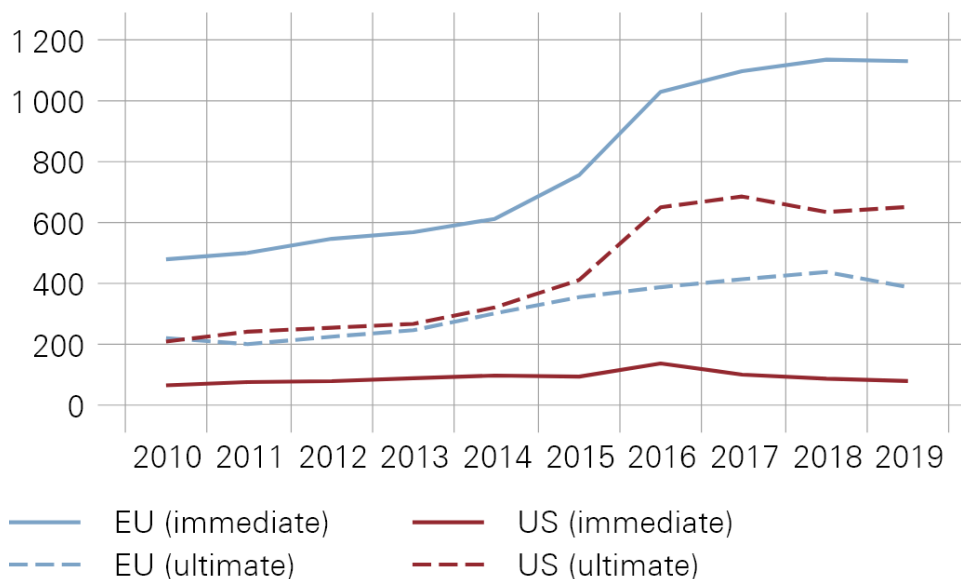
# Use in our FDI publication

- We publish capital stocks by UBO since 2004, investment income by UBO since 2020
- Method: Proportional approach (UBO not UCI)

## DIRECT INVESTMENT IN SWITZERLAND

Capital stocks by country of origin of immediate investor  
and of ultimate beneficial owner

CHF billions



Source: SNB

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### 3. Challenge: Allocate Debt between fellows in FDI statistics

# What we do

- Step 1: We allocate a flag «Ultimate Control (Foreign/Domestic)» to each reporter in our database
- Step 2: We collect quarterly debt positions in with a breakdown by counterparty

Domestic group loans, deposits and other accounts receivable/payable vis-à-vis counterparties abroad			<b>Assets</b>		
			Claims vis-à-vis related companies abroad (short-term and long-term)		
			Investors (>10%), e.g. parent companies	Participations (>10%), e.g. subsidiaries	Other related companies, e.g. fellow companies
<b>Country groups</b>	<b>Country of counterparty</b>	<b>Code</b>	<b>Col. 11</b>	<b>Col. 12</b>	<b>Col. 13</b>
	Germany	<a href="#">DE</a>			
	United Kingdom	<a href="#">GB</a>			

- Step 3: Our databases combines the data from step 1 and step 2 and calculates FDI debt according to the directional principle.

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## 4. Challenge: Identify SPEs

# What we do

- We allocate a flag “SPE yes/no to” each reporter (since 2014) using a decision tree based on OECD Benchmark Definition of FDI:
  - Flag for ultimate control: foreign
  - FATS: number of employees  $\leq 5$
  - cross-border assets  $\sim$  cross-border liabilities
  - Industry of the reporter
- We are currently implementing the new definition of the IMF

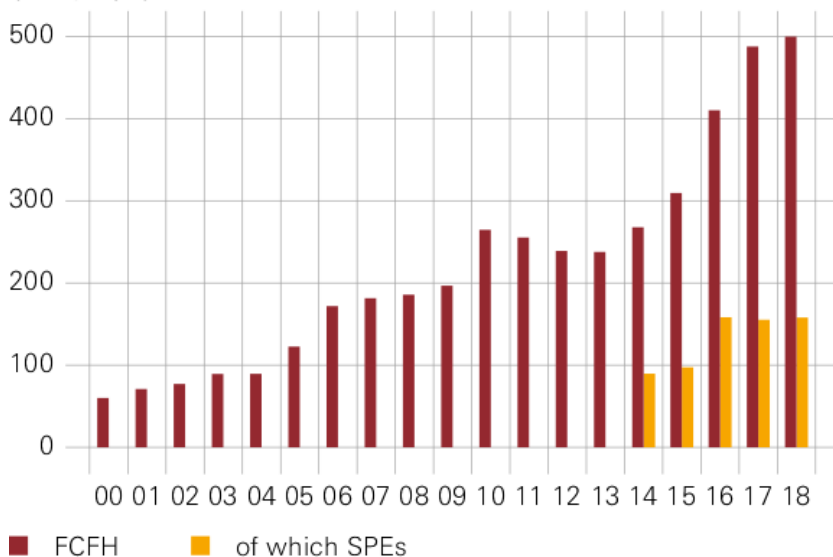


# Use in our FDI publication

- We show SPEs as a breakdown of “Foreign controlled finance and holding companies” (FCFH).
- FCFH are our proxy of «capital in transit»

## OUTWARD FDI: CAPITAL STOCKS

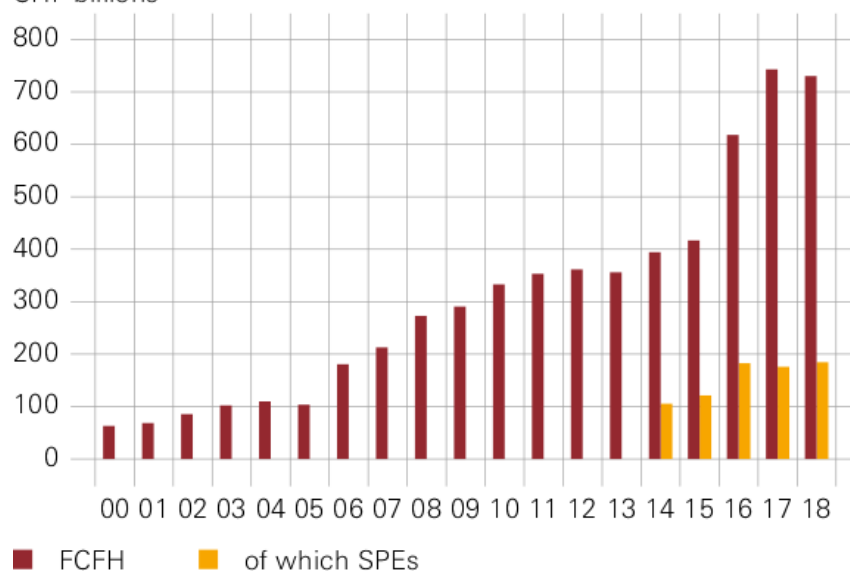
CHF billions



Source: SNB

## INWARD FDI: CAPITAL STOCKS

CHF billions



Source: SNB

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## 5. Challenge: Compile data on FATS

# What we do

- Shared responsibility SNB / National Statistical Office (NSO)
- Inward FATS (NSO):
  - NSO uses data from their business register and combines it with control information from external sources (e.g. private databases, European groups register)
  - SNB cross-checks this based on the control information (UBO) collected in the INV-surveys (linking of databases is crucial)
- Outward FATS and data on parents (SNB):
  - SNB collects data on three variables in the INV-Survey: Number of employees, Number of enterprises, Turnover
  - SNB cross-checks the data with data on FDI collected in INV-surveys

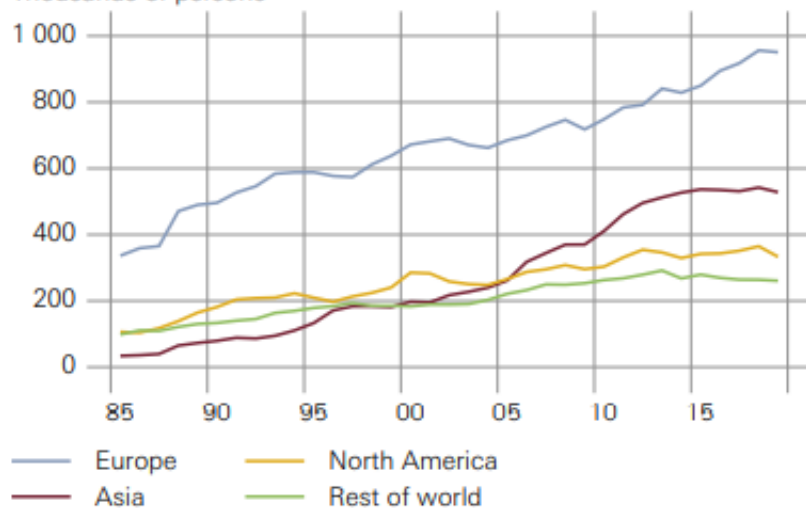
# Uses in SNB's report on FDI (outward FATS)

Chart 16

## STAFF NUMBERS ABROAD

Regional breakdown

Thousands of persons

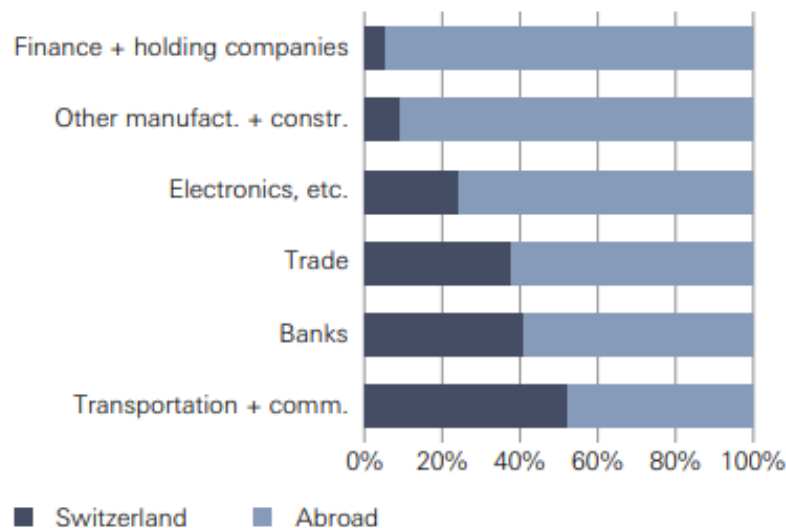


Source: SNB

Chart 18

## STAFF NUMBERS IN SWITZERLAND AND ABROAD

In %, by industry category (2019)



Source: SNB

# Links



- Surveys on cross-border capital linkages:  
<https://emi.snb.ch/en/emi/INV>
- Data portal on Switzerland's foreign economic affairs:  
<https://data.snb.ch/en/topics/aube>
- Data on inward FATS (Swiss Federal Statistical Office):  
<https://www.bfs.admin.ch/bfs/en/home/statistics/industry-services/stagre.html>
- Contact us directly in case of questions:
  - Patrick Lengg ([patrick.lengg@snb.ch](mailto:patrick.lengg@snb.ch))
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# Thank you for your attention.

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## 6. Annex Some comments on OIC current methodology

# Summary of challenges / gaps

• <b>FATS</b>	<b>13</b>
• <b>Debt between fellows</b>	<b>12</b>
• <b>Data quality: Non/Miss-reporting/timeliness</b>	<b>10</b>
• <b>UCI</b>	<b>10</b>
• <b>SPE</b>	<b>9</b>
• Coverage of indirectly owned enterprises	8
• Debt between affiliated financial intermediaries	4
• Income according COPC	4
• Equity at book value, Valuation unlisted	4
• Outward by ultimate host	3
• Survey Population	2
• FDI transactions / positions	2
• Debt instruments at fair value	1
• Adequate number of staff	1