2 Scope and Modalities

This chapter sets out the scope and modalities of the Coordinated Portfolio Investment Survey (CPIS), Securities Held as Foreign Exchange Reserves (SEFER), and Securities Held by International Organizations (SSIO).

Scope of the CPIS

Participation and Reference Date

2.1 All economies are welcome to participate in the Coordinated Portfolio Investment Survey (CPIS). The focus of the survey is on economies with sizable assets of portfolio investment securities (including small economies with international financial centers, or SEIFiCs) and economies with sizable assets of securities classified in reserve assets (covered by Securities Held as Foreign Exchange Reserves (SEFER)).

2.2 At present, the CPIS is conducted biannually. Each participating economy is invited to conduct its own national survey twice a year, in respect of portfolio investment positions as at the close of business on June 30 and at the close of business on December 31 of each year. However, it is recognized that some economies can currently compile reliable estimates only for end-December of each year. These economies are therefore participating in the CPIS for the end-December data collection exercises even if they cannot participate in the end-June rounds.

2.3 In its current format, the scope of the CPIS comprises both mandatory (or core) and "encouraged" items. Appendix 3 of this *Guide* presents the detailed reporting forms for the submission of the CPIS and the SEFER results to the IMF, including the metadata questionnaire. To participate in the IMF's CPIS data collection, an economy is required to report at least the core items, in line with Table 1 of the reporting template (see Appendix 3 of this *Guide*).

Mandatory (Core) Items

Portfolio investment assets by economy of nonresident issuer of securities (CPIS Table 1)

Assets

2.4 The national survey should cover portfolio investment assets of domestic residents: that is, securities issued by nonresidents and owned by residents[1]—outward investment.

Type of securities

2.5 The national survey should cover equity securities (including investment fund shares), debt securities with an original maturity of over one year (long-term), and debt securities with an original maturity of one year or less (short-term) issued by nonresidents and owned by residents of the compiling economy. Equity securities must be reported **separately** from debt securities, and short-term debt securities should be reported separately from long-term debt securities, based on the original maturity of such instruments. These categories of securities are more fully defined in Chapter 5 of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6*) and in Appendix 4 of this *Guide*.

Economy breakdown

2.6 To facilitate data exchanges, a full geographic attribution of securities issued by nonresidents and owned by residents is an important feature of the CPIS. Accordingly, securities are to be allocated geographically by the economy of residence of the issuer, by type

[1] *Residence* is an important concept in the CPIS and should not be confused with nationality. The economy in which an entity has its center of predominant economic interest is where it resides, regardless of the location of its headquarters. Residents need not be nationals of the economy in which they are located. The country of legal incorporation—or in the absence of legal incorporation, legal domicile—is one practical method of determining residence of corporate entities. See paragraphs 3.5–3.33 of this *Guide* for further discussion on residence.

of security. In some instances, to reduce respondent burden, some reporters apply a threshold such that holdings below that threshold are not required to be reported separately (i.e., they are usually collected as a total, with no further breakdown).

2.7 The economy breakdown is to be based on the International Organization for Standardization economy codes (i.e., ISO 3166). Securities issued by international organizations (IOs) are **not** to be allocated to the country in which the IO is located but rather to a separate IO category. Guidance on geographic attribution is provided in Chapter 3.

Methodology

2.8 The concepts and principles underlying the CPIS conform with those contained in *BPM6*. The most important of these, for the conduct of the CPIS, are discussed in Chapter 3 of this *Guide*. When compilers apply the concepts and principles to their surveys, practical reporting issues will arise for which a consistent treatment across economies is required. Indeed, it is important for purposes of data exchange that methodology be applied as consistently as possible across economies, given the CPIS's goal of providing mirror statistics for the compilation of national portfolio investment liabilities broken down by counterpart economy. Departures from international methodological standards should be identified in the metadata. Guidance is provided in Chapter 4.

Encouraged Items

2.9 Several items of the survey are not necessary for CPIS participation; economies are encouraged to collect and report these additional data items if they want to extend the scope of the national survey beyond the core data requirements of the CPIS.

2.10 In an environment with increasing cross-border vulnerabilities, the CPIS provides critical information on cross-country financial linkages. The G-20 Data Gaps Initiative (DGI) launched by the Financial Stability Board and the IMF at the request of the G-20 has promoted the improvement of frequency, timeliness, and granularity of the CPIS. Specifically, the second phase of the initiative (DGI-2) includes a separate recommendation (recommendation II.12) on the CPIS, which underscores the reporting of encouraged tables—in particular, the identification of the sector of the holder and the nonresident issuer. The combination of cross-sectoral and cross-economy exposures (who finances whom) is key to support the understanding of global cross-border exposures of different types of investors and borrowers, considering that different institutional sectors and economies usually involve a completely different level of risk.

Currency breakdown of portfolio investment assets (CPIS Table 2)

2.11 The national survey could be extended to include a currency breakdown of securities issued by nonresidents and owned by domestic residents (the CPIS only collects this information by type of instrument, not by counterpart economy). This provides compilers with more scope to verify income data using position data because the yields calculated will be more accurate if they are computed by currency. At minimum, the suggested currency breakdowns include U.S. dollar, euro, British pound, Japanese yen, Swiss franc, and others (see Table 2 in Appendix 3).[2] For economies that do not have or cannot make use of a securities database, or which are collecting data on an aggregate basis (versus a security-by-security approach), it may be more difficult to obtain such additional information without increasing the response burden.

Portfolio investment assets by sector of holder and economy of nonresident issuer of securities (CPIS Table 3)

2.12 National compilers may want to identify in their national survey the institutional sector of domestic investors: for instance, collective investment schemes (mutual funds, unit trusts), pension funds, and insurance companies. This would provide analytically useful information. For the CPIS, the following institutional sector classifications are to be used in reporting data by sector of resident holder of securities:

- Central Bank
- Deposit-taking corporations, except the Central Bank
- Other financial corporations

[2]Starting with the collection of end of June 2017 data, the currency composition list was expanded to also separately identify holdings denominated in Chinese renminbi, Australian dollar, and the Canadian dollar.

- o Insurance corporations and pension funds
- o Money market funds
- o Other
- General government
- Nonfinancial corporations (NFCs), households, and nonprofit institutions serving households (NPISHs)
- o NFCs
- o Households
- o NPISHs

The sectoral breakdown is explored further in Chapter 3.[3]

Portfolio investment liabilities by economy of nonresident holder of securities (CPIS Table 4)

2.13 Compilers might consider extending the national survey to include securities issued by residents and owned by nonresidents (i.e., portfolio investment liabilities of residents—inward investment). The national survey would then cover both outward and inward investment. Compilers could compare the data from the inward survey with that received from the data exchange. However, it is recognized that collecting geographic data on liabilities on a correct basis—using the *debtor/creditor* principle—may be very challenging, with just a few exceptions in which some sort of direct collection may be possible. Most frequently, countries can only collect information on the first nonresident counterpart to which a domestic security is sold, thus attributing the liability to the economy of residence of the first party that acquired the security (i.e., on a *transactor* basis). Any subsequent trading between nonresidents will not be recorded because the national compiling system may not be able to obtain this information. Therefore, a correct attribution of the liability to the actual holder (i.e., on a *debtor/creditor* basis) is usually not possible.[4]

[3]For definitions of these institutional sector classifications, see *BPM6*, Chapter 4.

[4]A comparison of data compiled under the two approaches (debtor/creditor basis and transactor basis) might provide useful information on the extent of secondary market trading.

Portfolio investment assets by sector and economy of nonresident issuer of securities (CPIS Table 5)

2.14 The national survey could be extended to have the core data further classified according to the institutional sector of the nonresident issuer of the security. As mentioned in Chapter 1, the IMF Committee is considering the possibility of organizing a centralized exchange of information across CPIS reporters aimed at enhancing the sectorization of nonresident issuers.

Portfolio investment assets by sector of resident holder, and sector and economy of nonresident issuer for specified economies (CPIS Table 6)

2.15 National compilers may want to further enhance the granularity of the CPIS data so users can identify "from-whom-to-whom" positions according to sectors of both the security-issuing and security-holding economies (as reported by the latter). The reporting structure builds on the sector of resident holder breakdowns by adding a geographical cross-classification by sector of issuer.[5]

Portfolio investment assets by economy of nonresident issuer: short or negative positions (CPIS Table 7)

2.16 The national survey could also separately identify short or negative asset positions, using the structure of the core items reporting (i.e., with equity, long-term debt securities, and short-term debt securities separately identified; and with the securities allocated by the economy of residency of the issuer, by the type of security).

Modalities of the CPIS

2.17 Given the possible challenges in organizing a portfolio investment survey—no matter which approach is taken—compilers undertaking the survey for the first time are strongly recommended to

[5]The CPIS reporting form structure builds on the sector of resident holder breakdowns by adding a geographical cross-classification by sector of issuer for each of the 25 economies identified by the IMF Executive Board as having systemically important financial sectors (the 25 economies are listed in the CPIS Table 6). For the sector of nonresident issuers, the reporting form adopts less detailed breakdowns so as to minimize reporting burden (see Appendix 3).

undertake initial investigations with financial market participants before deciding which approach to take. This issue is discussed in Chapter 4.

2.18 In determining the approach to take, national compilers must focus on two key issues: whom to survey (*coverage*) and the *degree of detail* to request. This will determine the collection methods to use. Guidance on how to make these important decisions is provided in Chapter 4, drawing on the practical experiences of economies involved in previous surveys of portfolio investment. Chapter 5 guides compilers on some of the other practical applications.

Coverage

2.19 National compilers are encouraged to investigate how to achieve comprehensive coverage of resident investment in securities issued by unrelated nonresidents. To that aim, it is important to note that the population of investors is not necessarily the population to be surveyed. Economies may consider different (nonmutually exclusive) options regarding the reporting population:

- primarily end-investors (e.g., banks, security dealers, pension funds, insurance companies, mutual funds, NFCs, and households);
- primarily custodians, who hold or manage securities on behalf of others; and
- a combination of end-investors and custodians.[6]

2.20 The advantages and disadvantages of each approach are explained in Chapter 4. No matter which approach is taken, it is important that national compilers have a degree of understanding of the relationship between domestic investors and survey respondents, to avoid undercounting or double counting.

Degree of Detailed Information

2.21 The data required to meet the objectives of the CPIS can be collected through either a security-by-security approach (where survey respondents provide information on their holdings of individual securities issued by nonresidents) or an aggregated approach (where holdings of securities issued by nonresidents are reported in aggregate, for instance by counterpart economy, instrument, or currency).

2.22 The advantages and disadvantages of the two approaches are detailed in Chapter 4. Whichever approach is adopted, it is important that good control checks are established in order to ensure high-quality data (see also Chapter 5).

Other Modalities

2.23 Considerable other preparations are required for a portfolio investment survey: namely, establishing a timetable, taking account of legal and confidentiality considerations, developing a mailing list of survey respondents, choosing and developing computer software to process the data provided, and maintaining quality-control checks. Chapter 5 provides guidance on these modalities.

For Guidance Not Contained in the Survey Guide

2.24 The IMF Statistics Department (STA) recognizes that national compilers, as they prepare for their national survey, might require advice in addition to that provided in this *Guide*. National compilers who require additional advice are urged to contact STA at the following e-mail address: cpis@imf.org.

Data Exchange

2.25 After the survey data are collected, validated, compiled, and checked for quality, national compilers will submit them to the IMF[7] for public dissemination. Data can be denominated either in domestic currency or in U.S. dollars (economies will be asked to indicate which has been used). To help ensure international comparability and for future reference, each economy is invited to complete and submit a metadata questionnaire (describing the coverage, approach, collection methods, etc.) to the IMF on how it conducted the survey.[8] An understanding of the survey procedures and of the overall coverage and reliability is important, not only for users of the data, but also

[6] An alternative approach is to survey investment managers. Operating within specific contractual guidelines, and in return for the payment of a fee, investment managers buy and sell securities on behalf of their clients to maximize the goals set out under the contract. The investment managers do not take these assets on to their own balance sheets. Surveying investment managers is complex, and this approach is recommended only when compilers have experience in conducting such surveys. For economies interested in exploring this approach further, a discussion of the advantages and disadvantages is presented in paragraphs 4.42–4.46 of this *Guide*.

[7] See Appendix 3 for the detailed reporting forms.

[8] See Appendix 3 and http://data.imf.org/CPIS for the detailed metadata questionnaire.

because of the CPIS's target to provide counterpart economies with mirror data for their possible use to construct their liability positions. Providing as much detail as possible is essential for that assessment, and economies are encouraged to be as comprehensive as possible. Moreover, to the extent that there may be data exchange bilaterally, any elements of the data that may affect any counterpart economy should be identified. Data exchange has strong potential benefits between two economies, but each economy must be able to provide the other economy with additional information—while, at the same time, being able to ensure that any confidentiality concerns are adequately addressed.

Timeliness

2.26 It is requested that the results from each end of June and each end of December CPIS be provided to the IMF within seven months of the measurement date at the latest (i.e., by about mid-July for data pertaining to the previous end of December and by about mid-January for data pertaining to the previous end of June). If final data are not available by the due date, preliminary estimates are acceptable. The results of the survey are published by the IMF within nine months of the measurement date (i.e., about two months after economies are requested to submit their CPIS data to the IMF—in March for data pertaining to the previous June and in September for data pertaining to the previous December).

Modalities of the SEFER

2.27 SEFER is a survey of the geographical breakdown of holdings of securities held as part of reserve assets. It is related to the CPIS, in that it uses the same concepts and definitions and is necessary to give a comprehensive view of securities markets and portfolio investment. However, different data collection, processing, and publication procedures are used.

2.28 One of the main objectives of the CPIS is to reconcile portfolio investment asset and liability positions. Although the foreign securities component of reserve assets appears under a separate heading from portfolio investment in *BPM6*, securities held as part of reserve assets are part of the portfolio investment liabilities of the issuers. From the perspective of the issuer, securities that are held by nonresident investors as reserve assets are indistinguishable from those held in portfolio investment. Moreover, securities held as part of reserve assets make an important contribution to the size of the securities markets and should not be ignored. Consequently, it is necessary to cover portfolio investment and reserve assets in an integrated way for a comprehensive reconciliation of portfolio investment asset and liability positions.

2.29 One key concern about the reporting of data on the geographical breakdown of securities issued by nonresidents and held as part of a country's reserve assets is that the combination of geography and holding sector would reveal the identity of the holder. To overcome this concern, the data are provided to the IMF on a confidential basis and are published only in totals together with data on the holdings of portfolio investment of selected large IOs. In the CPIS, all economies are asked to report CPIS data that exclude reserve asset holdings and to report asset holdings data separately through SEFER.

2.30 Data reported for the SEFER survey are treated in a confidential manner. Data reported for SEFER are handled separately by a small number of IMF staff using secure procedures to ensure confidentiality. Transmission of data is fully protected by the confidential classification. The set of guidelines governing the security of information entrusted to the IMF on a confidential basis ensures that necessary and sufficient levels of protection against unauthorized access and disclosure are afforded to all sensitive information. The results of SEFER are published in aggregate form only. These aggregates comprise the securities holdings within *reserve assets* of all countries reporting for SEFER, plus the portfolio investment holdings of the IOs (for which see next section, "Modalities of the SSIO"). If any aggregated component is dominated by the holdings of a single or small number of reporters, it is not published.

2.31 Those economies that wish to publish the geographical breakdown of their securities holdings within reserve assets are free to do so. However, to ensure international consistency within the CPIS, they are requested to supply separately to the IMF CPIS data (excluding reserves) and the reserves data (for inclusion in SEFER results), respectively.

2.32 Data reported under SEFER are aggregated and included in the CPIS published database. Therefore, the SEFER data should be reported to the IMF according to the same timeline as for the CPIS, for inclusion with the CPIS published results.

Modalities of the SSIO

2.33 The Survey of Geographical Distribution of Securities Held by International Organizations (SSIO) is a survey of IOs with significant holdings of securities. The survey is conducted by the IMF on a confidential basis and is designed to obtain the value of these organizations' holdings of securities on an economy-by-economy basis. The SSIO is an annual survey, and data reported for each end of December are combined with those from SEFER and are published as a single vector, so that no one organization's holdings can be identified. Therefore, the SSIO data should be reported to the IMF according to the same timeline as for the end of December CPIS and end of December SEFER, for inclusion with the published results from these surveys.[9]

2.34 For the purposes of the CPIS, the balance of payments, and the international investment position, separately constituted pension funds of IOs are treated as residents of the economies in which they are located (see *BPM6*, paragraph 4.141). Consequently, these holdings should be excluded from the SSIO and included instead in the CPIS. For further discussion of IOs, see paragraphs 3.29 through 3.33, of this *Guide*.

[9]CPIS and SEFER are conducted semiannually (as of 2017), whereas SSIO is conducted annually. Given the small size and dynamics of holdings of securities by international organizations, the SSIO remained an annual exercise to reduce reporting burden.