

**Guide to the survey  
on foreign direct investment 2015**

**May 2016**

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# 1 INTRODUCTION

## 1.1 Aims of the survey

The Central bank of Luxembourg conducts this annual survey in order to collect information on foreign direct investment stocks held:

- in the Grand Duchy of Luxembourg by non-residents (direct investments from abroad)
- outside the Grand Duchy of Luxembourg by residents (direct investments to abroad)

This survey will contribute to:

- satisfy statistical obligations towards international institutions,
- conduct economical studies,
- establish Luxembourg's international direct position, and finally
- assess over the years the growth and the effects of investments.

## 1.2 Field of application

A resident credit institution is subject to the present survey:

- If incorporated under the Luxembourg laws, when one or several foreign shareholders hold, either directly or indirectly, at least 10% of the ordinary shares or the voting rights ;
- If established on Luxembourg territory but incorporated under the laws of a foreign country (resident branch);
- If established on Luxembourg territory, incorporated under the laws of a foreign country and which holds a least 10% of the ordinary shares or voting rights of a foreign company (subsidiary or associate);
- If established on Luxembourg territory, incorporated under the laws of Luxembourg and which holds directly or indirectly a foreign company.

## 1.3 Confidentiality

This survey meets the legal framework set by the law of December 23<sup>rd</sup>, 1998 relating to monetary status and the Central bank of Luxembourg (Art.32, 2° and Art.33). The answers collected will only be used for statistical purposes and exclusively released on a consolidated basis, avoiding individual information to be disclosed.

## 1.4 Contact persons at the BCL

For any further information, please contact one of the following:

Mrs. Nathalie LEHMANN	4774 4241
Mr. Kola LENDELE	4774 4297

## 1.5 Time limit

The required questionnaires, duly completed and signed, must be returned to the BCL before **June 15<sup>th</sup>, 2016**:

- preferably by using one of the secure electronic transmission channels (Sofie or E-File)
- if not, by e-mail (non secure transmission) to [reporting.bop@bcl.lu](mailto:reporting.bop@bcl.lu), or by post to the following address:

### **BANQUE CENTRALE DU LUXEMBOURG**

Département Statistiques  
Section Statistiques extérieures  
2, boulevard Royal  
L-2983 Luxembourg

## **2 DEFINITIONS**

With reference to the definitions of the international institutions (IMF, OECD), the fundamentals of the survey are defined as follows:

### **2.1 Foreign direct investment**

Entirety of funds (contributions to share capital, appropriations, loans, making available cash, commercial credits, or reinvested earnings) which, at a given time, a direct investor leaves to the disposition of enterprises with which he is in a direct investment relationship.

Direct investment therefore indicates “the investments which a resident entity in one economy (the direct investor) makes with the purpose of acquiring a lasting interest in an enterprise resident in another economy (the direct investment enterprise). By lasting interest, it is meant that there should exist a long-term relationship between the direct investor and the enterprise, and that the investor should exercise a significant influence on the management of the enterprise. Direct investments not only include the initial transaction, which establishes the relationship between the investor and the enterprise, but also all subsequent capital transactions between them and among affiliated enterprises, whether or not are incorporated as companies and therefore endowed with a distinct legal personality” (IMF, Balance of Payments Manual).

### **2.2 Direct investor**

A direct investor is a public or private enterprise, incorporated or not, possessing a direct investment enterprise which operates in a country different from the country or countries of residence of the direct investor or investors.

### **2.3 Direct investment enterprise**

An enterprise in which a direct investor holds at least 10% of the ordinary shares or voting rights – in the case of a subsidiary or an associate – or the equivalent if it is a branch.

### **2.4 Reverse investment**

A reverse investment depicts a financing in the opposite direction of influence and control; that is when the direct investment enterprise holds in turn a participation in its

direct investor. Such a reverse investment is only verified when the percentage share of voting power of the direct investment enterprise in its direct investor is less than 10% (a reverse investment of 10% or more would establish a distinct direct investment relationship).

## **2.5 Relationship of direct investment abroad**

Any connection – either between a resident and an enterprise established on foreign territory or between a non-resident and an enterprise established on national territory – which permits that resident or non-resident – the direct investor – to exercise a significant influence on the management of the enterprise concerned – the direct investment enterprise – and which testifies to a lasting interest of the direct investor in the said enterprise.

There is a presumption of the existence of a direct investment relationship when the direct investor holds at least 10% of the ordinary shares or the voting rights.

## **2.6 Resident**

- any legal entity under national public law and all its departments on national territory;
- any legal entity under national private law, for the activities of its registered office, of its subsidiaries, associates and branches, established on national territory ;
- any legal entity under foreign law, for the activities of its branches established on national territory.

## **2.7 Non-resident**

Any individual or any legal entity which is not considered as resident.

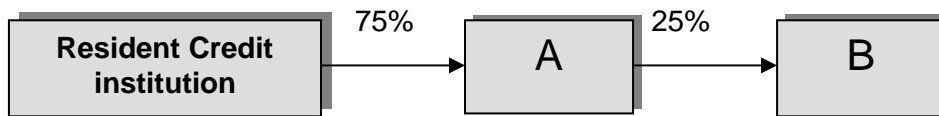
## **2.8 Direct connection**

One speaks of a direct connection when a direct investor directly holds a direct investment enterprise.

## **2.9 Indirect connection**

One speaks of an indirect connection when a direct investor holds a subsidiary – or an associate – which itself directly or indirectly holds a direct investment enterprise.

Example:



Direct connection of the resident credit institution with the company A: **75%**

Indirect connection of the resident credit institution with the company B:  $75\% \times 25\% =$   
**18,75%**

## 2.10 Subsidiary

An enterprise endowed with a legal personality, of which the direct investor:

- possesses more than 50% of the ordinary shares or of the voting rights, or
- has the right to appoint or remove a majority of the members of the Board of Directors of the said enterprise.

## 2.11 Associate

An enterprise in which the direct investor possesses between 10% and 50% inclusive of the ordinary shares or of the voting rights, or has an effective and decisive voice in the management of that enterprise.

## 2.12 Branch

An enterprise not having a legal personality according to the law of the host country. It may be a permanent establishment or an office, a partnership, or a joint venture.

## 2.13 Holding

Presumed to constitute a holding is the holding of a category of shares or voting rights representing at least 10% of the capital or of corporate funds of the direct investment.

## 2.14 Ultimate shareholder

Ultimate controlling institutional unit of a foreign affiliate, which means that this institutional unit, proceeding up a foreign affiliate's chain of control, is not controlled by another institutional unit.

### **3 GUIDELINES TO COMPLETE THE QUESTIONNAIRES**

The present survey comprises four questionnaires:

- Questionnaire n°1 : General information on the resident credit institution

This questionnaire must always be duly completed and returned to the BCL, even if the survey does not apply to the resident enterprise.

- Questionnaire n° 2 : Shareholding

This questionnaire has to be completed if the resident enterprise is held by one or more, direct or indirect, non-resident shareholder(s), or if the resident enterprise's parent company is established abroad.

- Questionnaire n° 3 : Holdings

This questionnaire has to be completed if the resident enterprise holds, either directly or indirectly, one or more subsidiaries, associates or branches abroad.

- Questionnaire n° 4 : Exemption

This questionnaire is intended for any resident credit institution which is not concerned by the present survey. In that case, two forms must be duly completed and returned: Questionnaire n°1 (excluding sections D and E) + Questionnaire n°4.

#### **3.1 Reference period**

Information collected should theoretically refer to the situation at December 31<sup>st</sup>, 2015, if not, situation at the end of the accounting year.

#### **3.2 Structure of shareholding / holdings**

Questionnaire n°1, Section C: this section must always be duly completed and returned to the BCL, even if the survey does not apply to the resident credit institution.

One organization model is represented in this questionnaire.

This chart shows a general combination:

- Structure of the shareholding - national and international – both direct and indirect (up to the ultimate shareholder);



- Structure of the holdings - national and international – both direct and indirect of the resident credit institution.

### 3.3 Currency valuation

All figures must be denominated in EURO. Should balance sheet data be available in a foreign currency, amounts must be converted into EURO, by means of the rate settled by the European Central Bank on the last day of the reference period, which may be consulted by the following link:

[www.ecb.europa.eu/stats/eurofxref/eurofxref-hist.xml](http://www.ecb.europa.eu/stats/eurofxref/eurofxref-hist.xml)

### 3.4 Figures valuation

The following rules must be applied:

- Figures should be provided on a non-consolidated basis.
- Figures relating to equity of the resident credit institution must be expressed according to IFRS accounting principles.
- Regarding holdings, please specify the valuation method used to assess their net book value.
- Net book value (subsidiary or associate): net book value such as stated on the asset side of the balance sheet of the resident credit institution at the end of the financial year; specifying the valuation method (historical cost, market value, acquisition cost, fair value, etc.).
- Net assets (branch): Evaluation of shareholder funds, resulting from the balance sheet amount of total assets (after amortisement) of the non-resident branch, reduced by its debts and provisions.

### 3.5 Extraordinary results

If the credit institution booked special charges or gains during the given accounting year, the amount and a short description have to be mentioned.

Actually, as direct investment earnings are calculated using the “Current Operating Performance Concept” -COPC- (refer to OECD Manual “Benchmark definition of foreign direct investment, 4<sup>th</sup> edition”), it is necessary to be able to exclude some extraordinary results, charges or gains (ex: gains from the disposal of assets, debt waiver, etc).

For further information, please refer to paragraphs 208 and 209, page 68 of this Manual.

### **3.6 Exemption (Questionnaire n°4)**

This questionnaire must be completed when the resident credit institution has no connection equal to or exceeding 10% with non-resident companies (from abroad or to abroad). In that case, the reason why the said credit institution is not concerned by this survey should be clearly specified. For reminder, the questionnaire n°1 should nevertheless be duly completed (excluding sections D and E).