FOREIGN ASSETS AND LIABILITIES SURVEY (FALS) 2014

STATISTICS DIVISION

BANK OF MAURITIUS

The Bank of Mauritius is conducting the fifth Foreign Assets and Liabilities Survey (FALS) 2014 for the country's balance of payments and international investment position. Similar to the previous surveys, FALS2014 called for selected resident enterprises to provide stock and flow data on their claims on and liabilities to non-residents for the year ended December 2013.

Guidelines to fill in the survey questionnaire:

1. Who must fill the Questionnaire?

The Chief Executive or his/her representative like Finance Director or Accountant shall fill the questionnaire. The questionnaire contains technical concepts that will most likely be familiar to the Finance Director/Accountant.

2. Which parts of the Questionnaire must be filled?

The questionnaire contains a filtering section on page 6 which shall guide you to the relevant parts for your enterprise. This questionnaire **must** be completed by all the enterprises which have some or all of the following: foreign liabilities, borrowings from foreign related and unrelated parties, foreign assets, lending to foreign related and unrelated parties.

3. What is the Legal Mandate to collect the data?

By virtue of the section 51A(1) of the Bank of Mauritius Act 2004, the responsibility for the preparation of the balance of payment accounts and the external assets and liabilities position of Mauritius is vested on the Bank of Mauritius.

In this regard, section 51A(2) states that the Bank may, by notice in writing, require any person to furnish, within such time and in such form and manner as the Bank may determine, such information and data as the Bank may require for the preparation of the balance of payments accounts and the external assets and liabilities position of Mauritius.

4. Offence

Any person who fails to comply with a requirement under section 51A(2) of the Bank of Mauritius Act 2004 shall commit an offence and shall, on conviction, be liable to a fine not exceeding 50,000 rupees for each day on which the offence occurs or continues.

5. Why are Financial Statements needed?

Much of the information sought in this questionnaire can be obtained from your annual financial statements. Kindly attach with the duly completed questionnaire a copy of your Audited Financial Statements covering calendar year 2013. This will enable us to answer some questions we might have, in which case we would not need to come back to you for clarifications. In the event that your audited financial statements are not ready, please use your interim financial statements or management accounts to report the required data.

After you have completed this questionnaire, please retain a copy for your records.

6. Assistance/Query?

Do not hesitate to contact the undersigned in case of any difficulty in understanding or completing the questionnaire.

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7. Completed Questionnaire

The due date for return of the completed questionnaire to the **Head – Statistics Division**, Bank of Mauritius, Sir William Newton Street, Port Louis is **30 April 2014**. If you are having problems in meeting the due date, please call us as soon as possible before the deadline. You may choose to email the questionnaire on bops_fal@bom.mu

8. Feedback and Other Comments

In case you have any comments or information to support the data provided, please post them in the comment box at the end of the questionnaire.

Instructions to fill in the survey questionnaire:

1. Completing the Questionnaire

Section 1 pertaining to the characteristics of the enterprise must be completed by respondents which are **filling the questionnaire for the first time.** Those enterprises which responded to the previous round of the survey and have witnessed changes in their characteristics must report these changes.

2. Reporting Period

This questionnaire requests for stock data on a calendar year basis (i.e., from 1st January to 31st December) and transactions during the calendar year 2013. If your entity's financial statements are prepared on any other financial year basis other than on the calendar year, then please indicate this period to us on the questionnaire. Then, please provide the information on the basis of your accounting year as reported in question 1.14 in Section 1 of the questionnaire.

3. Currency of Reporting

Please provide all data in **thousands of Mauritian rupees**. If the currency(ies) of denomination of any of your enterprise's foreign assets and liabilities is(are) not in Mauritian rupees, please use the exchange rates on the sheets provided to convert to Mauritian rupees. If a currency is not on the sheet, please contact the Division.

Balances: Apply the rates for 31 December 2012, and 31 December 2013
Transactions during the period: if you know the mid-point rate between buying and selling rates at the time the transaction was recorded in your books, please use it. If not, refer to the attached exchange rate sheet, and use the monthly average exchange rate closest to the time of the transaction.

4. Loans and Trade Credit (assets and liabilities)

Please report on a nominal value basis (after allowing for any changes that may result from changes in exchange rates).

5. Debt Securities on Issue

Please report the market value of the securities on issue, at the balance sheet date (for positions) and the actual proceeds (or retirement values), for transactions.

6. Debt and Equity Securities Held

Please report the market value of the securities held at the balance sheet date (for positions) and the actual purchase/sale price, for transactions.

7. Financial Transactions

Financial transactions and income should be recorded on a gross basis, that is, before the deduction of commissions, brokerage fees, and withholding taxes.

Net profit is the gross profit less corporation tax and retained (reinvested) earnings are undistributed profits that are capitalised in the entity.

8. Time of Recording of a Transaction

The value of a transaction should be recorded at the time it occurs. If the transaction is in a foreign currency, please use the rate of exchange on the day of the transaction or a weighted average rate for the reporting period if transactions (such as interest receipts and payments) occur continually over the period.

For interest, please report the total value of interest (payable and receivable) that **accrued** during the reporting year, even if some payment were made during the year.

Dividends must be recorded on the date they are payable or received.

9. List of Definitions

The questionnaire contains technical concepts. Key ones are explained at the end of the questionnaire, in the context which they are used. However, if you still are uncertain of any terms or questions, please do not hesitate to call or email us for clarification.

A. DEFINITIONS

I Cross-border positions and transactions data consider only the residents to non-residents (foreigners) relationship.

1. Definition of Residents and Non-Residents (Foreigners)

An institutional unit (which may be an individual, an enterprise or any other entity) is a **resident** of the Mauritian economy, regardless of its nationality, if it exists, within Mauritius, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time - exceeding one year - in economic activities and transactions on a significant scale. Corporations and non-profit organisations normally may be expected to have a center of economic interest in the economy in which they are legally incorporated and registered. Representation of foreign Governments and International Organisations are excluded.

Non-Residents (foreigners) are institutional units, regardless of their nationality, living or operating **outside** the economic territory of Mauritius for one year or more and include:

(i) Individuals having their principal residence outside the economic territory of Mauritius or enterprises operating abroad for a year or more;
(ii) Representative offices/embassies/consulates of foreign Governments;
(iii) Bilateral development assistance organisations (e.g.: Commonwealth Development Corporation (UK)) Multilateral/Regional Organisations with shareholders who are governments of more than one country (e.g., International Finance Corporation; World Bank; African Development Bank etc).

If you are not sure of the residency status of any organisation, please give its name.

2. Financial Transactions

This questionnaire collects annual information regarding financial claims of your enterprise and its subsidiaries on non-residents and the liabilities of your enterprise and its subsidiaries to non-residents.

Financial transactions are transactions relating to the acquisition or disposal of your enterprise's financial claims on, or liabilities to, non-residents (foreigners). Purchases of stock made by your enterprise (and its subsidiaries) in non-resident companies, purchases of your enterprise's shares by non-residents, issuances and purchases of bonds, increased deposits in bank accounts, and draw-downs of loans are examples of transactions that increase assets or liabilities.

Sales of stock by your enterprise (and its subsidiaries) in non-resident companies, sales of your enterprise's shares by non-residents (foreigners), redemptions and sales of bonds, withdrawals from bank accounts, and repayments of loans are examples of transactions that decrease assets or liabilities.

3. Financial Instruments

Financial instruments consist of Equity and Non-equity. Equity refers to all shares held in entities or the equivalent ownership interest in an incorporated entity. Non-equity refers to all other financial instruments including loans, trade credits (for goods and services), bonds, debentures, notes, money market instruments, shareholder and inter-company loans, arrears of debtor interest, currency and deposits.

4. Income/ Interest

Income refers to: (1) income receivable by your enterprise from its ownership of claims on non-residents (foreigners); and (2) income payable by your enterprise as a result of its liabilities to non-residents. The most common forms of income are dividends, remittances of profit, and interest. Dividends and remittances of profit refer to income earned from the ownership of stock (shares) or equivalent equity interest in enterprises.

Interest relates to income earned from the ownership of financial assets other than equity assets. Interest should be recorded on an accrual basis. The difference between income accrued and income payable should be recorded as a financial transaction in the instrument to which the interest relates. Any interest in arrears should be recorded as a financial transaction in the other category of financial instruments.

II. For each of the financial asset and liability transactions or positions, there are functional classifications. The functional categories/classifications are built taking into account the relationship aspect between the parties and the motivation for the investment. Therefore while linked with the classification of the financial assets and liabilities, the functional categories also highlight features that help to understand the relevance of the cross-border flows and positions.

The main functional categories involved in this survey are:

(a) Direct Investment, and (b) Portfolio Investment

5. Direct Investment

5.1 Definition of Direct Investment

Direct investment is a category of cross-border investment associated with a resident in Economy A having **control** or a **significant degree of influence** on the **management** of an enterprise that is resident in another Economy B. In technical Balance of Payments language, the entity having direct control or a significant degree of influence is called the **direct investor** (DI) whereas the enterprise located in another economy in which he/she/it has invested in is called the **direct investment enterprise** (DIE). Please note that a DIE can also be a DI if, in turn, the DIE can exercise direct control or significant degree of influence over a DIE located in another economy.

A direct investor could be:

(a) An individual or household;
(b) An enterprise, incorporated or unincorporated, public or private;
(c) An investment fund;
(d) A government or international organization;
(e) A non-profit institution in an enterprise that operates for profit; however, the relationship between two non-profit institutions is excluded from direct investment;
(f) An estate, trustee in bankruptcy, or other trust; or
(g) Any combination of two or more of the above. For two or more individuals or other entities to be considered a combination, and thus be regarded as a single direct investor, they must be in a direct investment relationship or have a family relationship (in the case of individuals). The different individuals or other entities must be resident in the same economy as each other. They cannot include any investor that is a resident of the same economy as the direct investment enterprise. Equity held by an associate is not summed with that from any other enterprise to establish either control or influence because influence is not able to be passed unless there is control of the next affiliate;

And finally,

(h) Any unit, resident in an international financial centre, involved with "in transit" or "pass-through" finance, and which exists solely for the purpose of transferring funds—*i.e.*, funds that pass through an enterprise resident in an economy to an affiliate in another economy.

A direct investment relationship may be immediate (i.e., direct) or indirect, and recorded as such, if and only if the two parties to the transaction are resident in different economies. A direct investment relationship once established implies than any transaction (equity or debt) thereafter between the two parties constitute direct investment transactions.

Control is determined to exist if the direct investor owns directly or indirectly **more than 50 per cent** of the voting power in the direct investment enterprise. In this case the direct investment enterprise is a subsidiary of the direct investor.

A significant degree of influence is determined to exist if the direct investor owns **at least 10 per cent but no more than 50 per cent** of the voting power in the direct investment enterprise. *Please note that for Balance of Payments purposes equity holdings of at least 10 per cent is a sufficient condition for an enterprise to qualify as an associate, unlike the conventional accounting definition of at least 20 per cent.*

Enterprises in a direct investment relationship with each other are called **affiliates** or **affiliated enterprises**. Affiliates of an enterprise consist of: (a) its direct investor(s), both immediate and indirect; (b) its direct investment enterprises, whether subsidiaries (including branches and other quasi-corporations), associates, and subsidiaries of associates, both immediate and indirect (*excluded are associates of associates considered as unaffiliated enterprises*); and (c) **fellow enterprises**, that is, those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other fellow enterprise.

6. Portfolio Investment

Portfolio investment is defined as cross-border transactions and positions involving debt or equity *securities,* other than those included in direct investment. Securities are debt and equity instruments that have the characteristic feature of *negotiability*. That is, their legal ownership is readily capable of being transferred from one unit to another unit by delivery or endorsement. Portfolio investment covers, but is not limited to, securities traded on organized or other financial markets. Portfolio investment usually involves financial infrastructure, such as a suitable legal, regulatory, and settlement framework, along with market-making dealers, and a sufficient volume of buyers and sellers. However, hedge funds, private equity funds, and venture capital are examples of portfolio investment that occur in less public and more lightly regulated markets. **The operational definition of portfolio investment would require that there is no direct investment relationship between the two entities and that the financial instrument is either an equity security or a debt security.**

7 Other Changes in Volume

Other changes in the volume of financial assets and liabilities are any changes in the value of these assets that are due neither to transactions nor to revaluation. These changes include those due to cancellation and write-offs, economic appearance and disappearance of assets, reclassification, and the changes in financial assets arising from entities changing their economy of residence. For example, changes in financial assets and liabilities due to change in residence of individuals are treated as other changes in the volume of assets (reclassifications) rather than as transactions.

However, a unilateral cancellation of a financial claim by a debtor (debt repudiation) is not recognized.

8 Valuation Changes

Revaluations occur because of a change in the monetary value of a financial asset or liability due to changes in the level and structure of its price. Revaluations may also be called holding gains or losses. As the term suggests, holding gains or losses are changes in the value of an asset that accrue purely as a result of holding assets over time without transforming them in any way. A holding gain occurs when an asset increases in value or a liability decreases in value; a holding loss occurs when an asset decreases in value or a liability increases in value. Common causes of revaluation are, for equity, changes in expectations of future incomes and, for debt securities, changes in market yields and the creditworthiness of the debtor.

9. Offshore Entities

Offshore entities include global business companies, private equity funds, collective investment schemes and trusts licensed by the FSC.