

Centrale Bank van Curaçao en Sint Maarten



Manual

Coordinated Portfolio Investment Survey

CPIS

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Augustus 1, 2015

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Introduction

The Centrale Bank van Curaçao en Sint Maarten (CBCS) has introduced a new survey to collect annual data on equity and debt securities issued by unrelated non-residents and owned by residents of Curaçao and Sint Maarten. The collected data will be used to improve the compilation of the balance of payments and to create new statistics on the international investment position (IIP) for Curaçao and Sint Maarten. The survey is based on guidelines of the International Monetary Fund (IMF) to improve the quality of statistics on international capital flows and to facilitate international data comparability.

Legal basis of the survey

Compilation of this data is mandated by the International Monetary Fund (IMF) for its international monitoring and assessment role.

Pursuant to article 9 of the Foreign Exchange Regulation Curaçao and Sint Maarten (2010), every entity is obliged to truthfully submit all information and data that the CBCS requires to compile the balance of payments, including the data on equity and debt securities issued by unrelated non-residents and owned by residents of Curaçao and Sint Maarten. The supplied data will be treated strictly confidential and will be used for statistical purposes only. Furthermore, the data will be published only in aggregated form, which prevents the disclosure of data provided by individual respondents.

What, when, and how to report

The survey should be reported in accordance with the reporting instructions provided and the completed survey should be submitted by **November 30, 2015**. For assistance in understanding or completing the survey, please contact the person mentioned in the accompanying letter.

The survey can be downloaded as a Microsoft Excel 2007 file from our website: <http://www.centralbank.cw/iip-survey-cpis>. Please send the completed survey back to us as an Excel file only by electronic mail to siro-dev@centralbank.cw.

We thank you in advance for your cooperation.

Centrale Bank van Curaçao en Sint Maarten

General reporting and instruction notes

Residency

The balance of payments and international investment position include transactions/positions between residents and nonresidents only. In accordance with the definitions of the IMF, *residents* of a country are natural persons and legal entities whose centre of economic interest lies in the country concerned. This definition is elaborated further in article 1 of the Foreign Exchange Regulation Curaçao and Sint Maarten (2010).

This survey is only intended for enterprises¹ registered in Curaçao and Sint Maarten, including corporations legally registered in Curaçao and Sint Maarten with no “physical presence”.

Representation

Reporting enterprises usually report directly to the CBCS without the intervention of third parties. A reporting enterprise may outsource its reporting to an external party (a representative) but shall remain responsible at all times for the fulfillment of its reporting requirements. Sanctions will be imposed on reporting enterprises failing to (timely) meet the reporting requirements.

Representatives of reporting enterprises must be resident natural persons or legal entities, and all correspondence by the CBCS on behalf of the reporting enterprise will be sent to the representative’s correspondence address. Change of representatives should be reported immediately to the Bank through an official letter.

General valuation principles and conversion to guilders

All amounts must be reported in guilders, rounded up/down to the nearest thousands.

The positions to be reported (for the beginning and the end of the year) are in principle to be valued at current market prices. Amounts in foreign currency should be converted into guilders using the reference (middle) rate on the last trading day of the year. If current market prices are not available, e.g., in the case of unlisted securities, approximations of current prices are acceptable.

In the case of transactions, the market price almost always corresponds with the agreed transaction price. Transactions in foreign currency should be converted into guilders according to the reference (middle) rate on the transaction day or reported as the actual exchange rate used in the transaction.

¹ An enterprise is defined as an institutional unit engaged in production. Investment funds and other corporations or trusts that hold assets and liabilities on behalf of groups of owners are also enterprises, even if they are engaged in little or no production. An enterprise may be a corporation (including branches), a nonprofit institution, or an unincorporated enterprise, such as a government unit.

Contents of the survey

The survey is set up in a Microsoft Excel 2007 file consisting of 2 sections and 4 worksheets. We strongly suggest that the survey be filled out by the person most familiar with the financial affairs of the reporting enterprise, for example, the finance manager, investment manager, or an accountant.

The survey consists of the following sections:

Section I: Registration

The first sheet of the survey is the registration form and must be filled in by every respondent to enable categorization of the entities by sector. If an external party is completing the survey on behalf of your enterprise, its name also must be filled in.

Section II: The questionnaire forms

The survey concerns transactions and positions data from January 1 to December 31.

Table 2

Type of Investment	Worksheet	Short description
Portfolio Investment	Form 9: Equity securities	Investment in equity securities issued by nonresident entities.
	Form 10: Long-term debt securities	Investment in long-term debt securities issued by nonresident entities.
	Form 11: Short-term debt securities	Investment in short-term debt securities issued by nonresident entities.

General notes – standard columns

All worksheets contain the following columns (see Figure 1):

(i) *Opening position* refers to the value of equity and debt securities issued by unrelated non-residents and owned by your enterprise at the beginning of the year. The opening position reported by your enterprise should match the closing position of the previous year.

(ii) *Transactions* (increases/decreases) are the gross transactions carried out during the reporting year. Increases must be reported with a positive sign (+) and decreases with a negative sign (-).

(iii) *Revaluation* entails value changes caused by market price and/or exchange rate changes:

- **Price changes** are caused by, e.g., asset price volatility.
- **Exchange rate changes** show all the changes that result from exposure to exchange rate fluctuations.

(iv) *Other changes* include changes in the value of equity and debt securities holdings not related to transactions or to revaluations. Examples are write-offs, reclassifications, and changes in financial assets arising from entities changing their country of residence.

(v) *The closing position* refers to the value of equity and debt securities issued by unrelated non-residents and owned by your enterprise at the end of the year. The closing position is a result of your reported data and will be automatically generated in the Excel file.

(vi) *Income receivable* refers to the value of income earned on the equity and debt securities holdings during the year.

Figure 1

(i) Opening Position	Change in Position					(v) Closing Position	(vi) Income Receivable
	(ii) Transactions		(iii) Revaluation		(iv)		
	Issues/ Purchases (+)	Redemptions / Sales (-)	Price Changes	Exchange Rate Changes	Other Changes		

General notes – breakdown by country

A key element of this survey is the provision of a country attribution of the residence of the issuer of the security. Country attribution should be based on where the entity is ordinarily domiciled. Corporations having no “physical presence” are regarded as residents of the country where they are legally registered. If there is doubt as to the issuers' country of domicile, then, as a general rule, the country of residence of any enterprise can be taken as where it is legally incorporated, or in the absence of legal incorporation, where it is legally domiciled.

The issuer of a security is likely to be a government agency, a public or private corporation (including financial institutions), or a branch or subsidiary of a public or private corporation (including a financial institution). The coding systems used by the securities industry to identify securities can help ensure consistency of geographic attribution of securities across countries.

Securities issued by international organizations (such as the World Bank or the United Nations) are not to be allocated to the country in which the organization is located but rather to the separate category specified at the end of the form. Attribution of county of residence of issuer should not be determined on the basis of the currency of issue, country of issue or country of guarantor.

In the next sections, we will explain each form separately.

Equity securities

Equity securities are instruments that signify an ownership position in a corporation and represent a claim on its proportional share in the corporation's assets and profits.

Equity securities should be reported at market prices in guilders. For enterprises listed on a stock exchange, the market value of your holding of their equity securities should be calculated using the market price on their main stock exchange prevailing at the close of business on December 31. The market value of equities that are not quoted on stock exchanges or otherwise traded regularly could be estimated by using the net asset value of the enterprises to which the equities relate or recent transaction prices.

Equity securities include among others:

- ordinary shares;
- stocks;
- participating preferred shares;
- shares/units in mutual funds and investment trusts;
- depositary receipt (DR);
- equity securities that have been **sold** under repurchase agreements; and
- equity securities that have been “**lent**” under a securities lending arrangement.

Equity securities that have been *bought* under repurchase agreements and/or *acquired* under a securities lending arrangement must be **excluded** from your equity holdings because there is no change of economic ownership of the securities involved.

Also to be excluded from equity securities investments are investments in derivative instruments and nonparticipating preference shares.

Form 9²: Equity securities

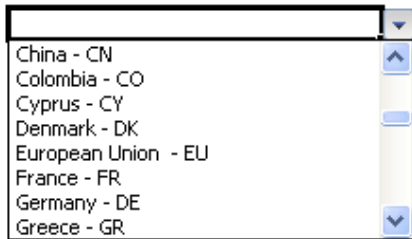
Form 9² is setup to register positions, transactions and other types of changes concerning your investment in equity securities issued abroad by unrelated enterprises, held on your own behalf or on behalf of your resident clients (Figure 2).

² The numbering of the forms starts with no. 9 because this survey is a section of a larger survey of the Centrale Bank van Curaçao en Sint Maarten.

Figure 2

Form 9: Foreign equity securities in Naf. thousands	Opening Position 2014	Change in Position					Closing Position 2014	Income Receivable
		Transactions		Revaluation				
		Issues/ Purchases (+)	Redemptions/ Sales (-)	Price Changes	Exchange Rate Changes	Other Changes		
								(9.3)
Total equity securities (9.1)	0	0	0	0	0	0	0	
<i>Equity holdings by country of issuer (9.2)</i>								
1							0	
2							0	
3							0	
4							0	
5							0	
6							0	
7							0	
8							0	
9							0	
10							0	
Note: Only 10 rows are shown in this figure for illustration purposes. This form contains additional rows in the survey.								

When you click on the arrow as indicated above, a dialog box will appear that allows you to select a country, as shown below. The overall total is automatically calculated based on the totals by country.



The data that must be reported are:

(9.1) **Total equity securities:** refers to the total equity value owned by your enterprise, issued by unrelated enterprises abroad.

This value is automatically calculated based on the totals under item (9.2).

(9.2) **Equity holdings by country of issuer:** specify the equity securities held by your enterprise broken down by the country of residence of the nonresident issuer. The residence of an enterprise is considered to be where it is legally incorporated or, in the absence of legal incorporation, where it is legally domiciled. For each country, you must report the data as follows:

- *Opening position:* the total equity value your enterprise owns at the beginning of the reporting year;
- *Transactions:* total equity-related transactions, like sales or purchases of shares during the reporting year;
- *Revaluations:* changes in the value of your equity investments due to price and/or exchange rate changes;
- *Other changes:* changes in the value of your equity investments due to other reasons, e.g., if you previously had 2% of the shares in a foreign enterprise and acquired 15%, then the relationship changes from portfolio investment to direct ownership investment because you now own more than 10% of the shares;
- *Closing position:* the total equity value your enterprise owns at the end of the reporting year is automatically calculated in the Excel file.

(9.3) **Income receivable:** refers to the total dividends earned during the year.

Dividends should be recorded on the ex-dividend date.³ We do not require a breakdown of the total dividends earned by country.

³ The date the recipients of the dividend are determined comes from the shareholders' register. After this date, subsequent shareholders are not entitled to the dividends.

Debt securities

Debt securities are a type of financial instrument that can be bought or sold between two parties and has basic terms defined, such as notional amount (amount borrowed), interest rate and maturity or renewal date. Examples are different types of bonds, documents such as debentures, or even paper money issued by a bank or government.

Debt securities investments are mostly traded over the counter instead of being centrally traded on exchanges as stocks are. Debt securities should also be reported at market prices. For those securities that are traded, prices should be commonly available from securities exchanges, commercial vendors (for instance, Reuters and Bloomberg), or organizations that maintain securities databases. The market value at the close of business on December 31 should be taken. For debt securities not readily tradable, the net present value of the expected stream of future payments associated with the securities could be used to estimate the market value.

Form 10: Long-term debt securities

Form 10 is setup to register positions, transactions and other types of changes concerning your investment in long-term debt securities issued abroad by unrelated entities and held on your own behalf or on behalf of your resident clients (Figure 3).

Figure 3

Form 10: Foreign debt securities long-term in Naf. thousands	Opening Position 2014	Change in Position					Closing Position 2014	Income Receivable
		Transactions		Revaluation				
		Issues/ Purchases (+)	Redemptions/ Sales (-)	Price Changes	Exchange Rate Changes	Other Changes		
								(10.3)
Total long-term debt securities (10.1)	0	0	0	0	0	0	0	0
<i>Long-term debt holdings by country of issuer (10.2)</i>								
1								0
2								0
3								0
4								0
5								0
6								0
7								0
8								0
9								0
10								0

Note: Only 10 rows are shown in this figure for illustration purposes. This form contains additional rows in the survey.

The data that must be reported are:

(10.1) **Total long-term debt securities:** refers to the total value of bonds, debentures, and notes that usually assign the holder the unconditional right to a fixed cash flow or contractually determined variable money income and have *an original term to maturity of more than one year*.

This value is automatically calculated based on the totals under item (10.2).

(10.2) **Long-term debt holdings by country of issuer:** specify the long-term debt securities held by your enterprise broken down by the country of residence of the nonresident issuer. For each country, you must report the data as follows:

- *Opening position:* the total value of debt securities your enterprise owns at the beginning of the reporting year;
- *Transactions:* total debt securities-related transactions, like sales or purchases of bonds during the reporting year;
- *Revaluations:* changes in the value of your debt holdings due to price and/or exchange rate changes;
- *Other changes:* changes in the value of your debt holding due to other reasons, e.g., if you may recognize that a claim can no longer be collected because of bankruptcy;
- *Closing position:* the total value of debt securities your enterprise owns at the end of the reporting year is automatically calculated in the Excel file.

(10.3) **Income receivable:** refers to total interest earned during the year.

Interest should be recorded on an accrual basis. We do not require a breakdown of the total interest earned by country.

Long-term debt securities include among others:

- bonds, such as treasury, zero-coupon, currency-linked, and Eurobonds;
- asset-backed securities, such as mortgage-backed bonds;
- nonparticipating preference shares;
- debentures;
- negotiable certificates of deposit with contractual maturity of more than one year;
- bearer depositary receipts denoting ownership of debt securities issued by nonresidents;
- debt securities that have been **sold** under repurchase agreements; and
- debt securities that have been “**lent**” under a securities lending arrangement.

Long-term debt securities that have been *bought* under repurchase agreements and/or *acquired* under a securities lending arrangement must be **excluded** from your long-term debt holdings because there is no change of economic ownership of the securities involved.

Also to be excluded from long-term debt securities investments are investments in derivative instruments, (tradable) loans and money market instruments, such as treasury notes and note issuance facilities.

Form 11: Short-term debt securities

Form 11 is setup to register positions, transactions and other types of changes concerning your investment in short-term securities issued abroad by unrelated entities and held on your own behalf or on behalf of your resident clients (Figure 4).

Figure 4

Form 11: Foreign debt securities short-term in NAF thousands	Opening Position 2014	Change in Position					Closing Position 2014	Income Receivable
		Transactions		Revaluation				
		Issues/ Purchases (+)	Redemptions/ Sales (-)	Price Changes	Exchange Rate Changes	Other Changes		
								(11.3)
Total short-term debt securities (11.1)	0	0	0	0	0	0	0	↓
<i>Short-term debt holdings by country of issuer (11.2)</i>								
1							0	
2							0	
3							0	
4							0	
5							0	
6							0	
7							0	
8							0	
9							0	
10							0	
Note: Only 10 rows are shown in this figure for illustration purposes. This form contains additional rows in the survey.								

The data that must be reported are:

(11.1) **Total short-term debt securities:** covers money market instruments that usually assign the holder the unconditional right to receive a stated, fixed sum of money on a specified date and have an *original term to maturity of one year or less*.

This value is automatically calculated based on the totals under item (11.2).

(11.2) **Short-term debt securities holdings by country of issuer:** see explanation under (10.2).

(11.3) **Income receivable:** refers to total interest earned during the year.

Interest should be recorded on an accrual basis. We do not require a breakdown of the total interest earned by country.

Short-term debt securities include among others:

- treasury bills/notes;
- bankers' acceptances;
- commercial and financial paper;
- certificates of deposit with contractual maturity of one year or less;
- short-term notes issued under note issuance facilities or revolving underwriting facilities, and promissory notes;
- debt securities that have been **sold** under repurchase agreements; and
- debt securities that have been "**lent**" under a securities lending arrangement.

Short-term debt securities that have been *bought* under repurchase agreements and/or *acquired* under a securities lending arrangement must be **excluded** from your short-term debt holdings because there is no change of economic ownership of the securities involved.

Treatment of specialized securities

In this section, four types of specialized securities are identified: (i) repurchase agreements, (ii) securities lending agreements, (iii) depository receipts, and (iv) stripped securities.

(i) Securities involved in repurchase agreements

A repurchase agreement (repo) is an arrangement involving the sale of securities in exchange for cash with a commitment to repurchase the same or similar securities at a fixed price on a specified future date or on demand. A reverse repo is the same transaction seen from the other side; that is, an agreement whereby a security is purchased at a specified price with a commitment to sell the same or similar securities at a fixed price on a specified future date or on demand.

Repurchase agreements were developed primarily as a method of financing security positions. Hence, they have been used as a means of leverage, but they also have become a method by which investors can borrow securities to cover “short positions.”

Accounting practice in many countries is to regard the securities involved in repo transactions as remaining on the books of the seller and to record the cash received as a collateralized loan. For the purposes of this survey and in line with the IMF recommendations, repo transactions must be recorded as collateralized loans.

(ii) Securities lending arrangements

Securities lending is an arrangement whereby the ownership of a security is transferred usually in return for collateral, typically another security, under the condition that similar securities are returned to the original owner on a specified future date or on demand. If cash exchanges hands, the transaction has the same economic nature as a repo and should be treated as a repo. A fee is paid by the “borrower” to the “lender.”

Securities lending is an activity usually associated with securities dealers needing to meet commitments to deliver securities that they have sold but do not own, covering a “short” position. Basically, a securities loan, in the absence of cash collateral, involves swapping the borrowed securities for other acceptable securities (or other acceptable collateral). For the purposes of this survey and in line with the IMF recommendations, securities lending/borrowing are to be regarded as an off-balance-sheet item, and, consequently, not be recorded as a transaction so that the original owners continue to report that they still hold the security.

(iii) Depository receipts

Depository receipts are securities that represent ownership of securities held by a depository. The country of residence of the issuer of the underlying securities is different from the country in which the receipts are issued.

The issuance of depository receipts is becoming increasingly common. Issuers and intermediaries are finding that investors frequently prefer to acquire securities in the financial markets where payment and settlement systems are familiar rather than in the home market of the issuer, where systems and procedures may not be as familiar or as efficient. For the purposes of this survey and in line with the IMF recommendations, depository receipts should be recorded as such that the financial institution “issuing” the receipts should be “looked through”. Depository receipts should be attributed to the country of residence of the issuer of the security underlying the depository receipt.

(iv) Stripped securities

Stripped securities (strips) are securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon securities, with the range of maturities matching the coupon payment dates and the redemption date of the principal amount. For the purposes of this survey and in line with the IMF recommendations, the reporting instructions with regard to stripped securities are as follows:

- If strips have been created and issued by an entity in its own name, then the residence of the issuer is that of the entity that issued the strips, and in turn, such an issuer of strips should report its ownership of the underlying securities if they were issued by a nonresident;
- If strips have been created from a nonresident security and remain the direct obligation of the original issuer, then the residency of the issuer of the strips remains the same as for the original security. Dealers who request that a settlement or clearing house creates strips from an existing security issued by a nonresident should not report ownership of the underlying security once the strips have been created.

Glossary

Asset-backed securities are arrangements under which payments of interest and principal are backed by payments on specified assets or income streams. They are backed by mortgages, home equity loans, student loans, and other debts as well as pools of leased property.

Bankers' acceptance is a short-term debt instrument issued by a company that is guaranteed by a commercial bank. Bankers' acceptances are issued by companies as part of a commercial transaction. These instruments are similar to T-bills and are frequently used in money market funds. The date of maturity typically ranges between 30 and 180 days from the date of issue. However, banks or investors often trade the instruments on the secondary market before the acceptances reach maturity.

Collateral loan (also called a secured loan) is a loan from banking or other financial institution where the creditor may sell the security offered as collateral if the loan remains unpaid. A collateral loan is often offered at a lower interest rate than an unsecured loan, because repayment is guaranteed should the borrower default on the loan.

Stocks or bonds are often used as collateral for this type of loan. Borrowers can use their ownership in property, where a portion of perhaps a home or a piece of land is assigned as collateral. If the borrower defaults, he must sell the property to pay back the loan, while the lender also has rights to sell the property.

Debenture is a type of debt instrument that is not secured by physical assets or collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue this type of bond in order to secure capital. Debentures have no collateral. Bond buyers generally purchase debentures based on the belief that the bond issuer is unlikely to default on the repayment. An example of a government debenture would be any government-issued Treasury bond (T-bond) or Treasury bill (T-bill).

Portfolio investment is defined as cross-border transactions and positions involving debt or equity securities other than those included in direct investment or reserve assets. The negotiability of securities is a way of facilitating trading, allowing them to be held by different parties. Negotiability allows investors to diversify their portfolios and to withdraw their investment readily.

Revolving underwriting facility is a credit facility that requires an agreement between an issuer (borrower) and an underwriting bank, providing the borrower with contingent liability in the event the borrower is unable to sell their euro notes. The banks agree to buy the unsold euro notes at a previously agreed price.