

Notice

External transactions

Direct investment

I Preliminary remarks

This notice relates to the reporting requirements for payment reports pursuant to section 59 of the Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung*) (payments, nettings, clearings as well as the contribution of assets and rights) in connection with direct investment.

1 Direct investment in foreign economic territories

Shares in capital and in the reserves of non-resident enterprises, branches and permanent establishments are to be regarded as direct investment in foreign economic territories if 10% or more of the shares or voting rights is directly attributable – or, taken together, more than 50% is directly and indirectly attributable – to the capital donor. In addition, loans between affiliated resident and non-resident enterprises are categorised as direct investment. Enterprises are considered to be affiliated within the meaning of the reporting regulation if

- a) 10% or more of the nominal capital or voting rights of the non-resident enterprise is directly attributable to the resident enterprise or
- b) taken together, more than 50% of the nominal capital or voting rights of the non-resident enterprise¹ is directly or indirectly attributable to the resident enterprise or
- c) there is no direct or indirect participating interest between the resident and the non-resident but the two enterprises – directly or indirectly – share a common direct investor ("affiliated companies").

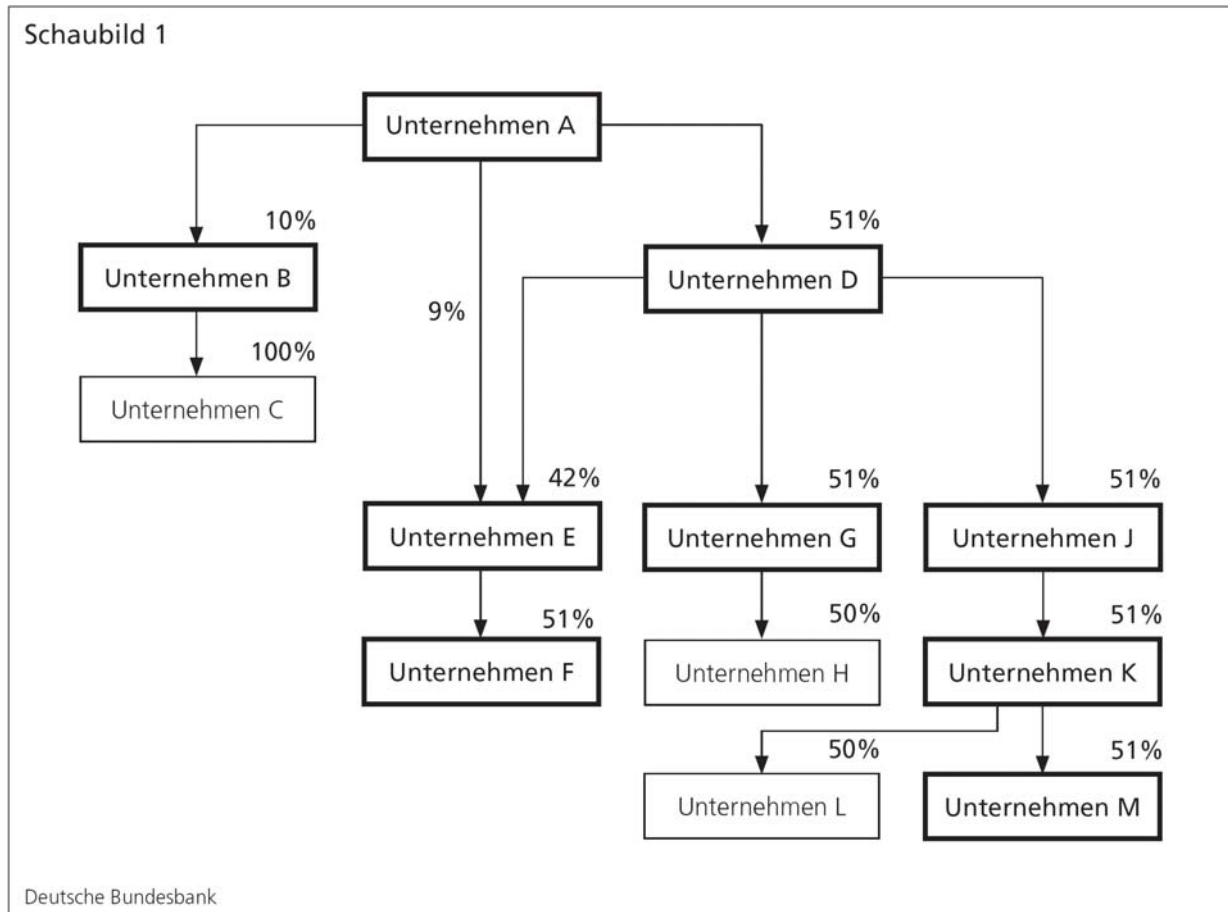
This is illustrated below in chart 1.

The enterprises in the boxes outlined in bold are considered to be affiliated within the meaning of the reporting regulation. Cross-border lending, borrowing and repurchases between such enterprises are to be reported as direct investment loans.

The chart shows a group of affiliated enterprises, known as a direct investment group (outlined in bold). Enterprises in which enterprise A has a direct participating interest of 10% or more are regarded as affiliated enterprises (B, D). Furthermore, enterprise D is also considered dependent on enterprise A as the latter has a participating interest of more than 50% in the former. Where such dependent enterprises have a participating interest of more than 50% in

¹ In such cases, the non-resident enterprise is considered to be a dependent enterprise of the resident enterprise. For more on the term "dependent enterprise", see sections 56 (a) and 58 (a) of the Foreign Trade and Payments Regulation.

another enterprise, the latter is likewise considered to be a dependent enterprise of enterprise A (G, J, K, M) and is thus also part of the same direct investment group. Where more than 50% of another enterprise is attributable to one or more enterprises that are dependent on enterprise A or to enterprise A combined with its dependent enterprises, this enterprise (E) is also classified as being dependent on enterprise A ($9\%_{\text{direct}} + 42\%_{\text{indirect}} = 51\%$). Since enterprise E, as a dependent enterprise, has a participating interest of over 50% in enterprise F, the latter is likewise considered to be dependent on enterprise A and is thus part of the direct investment group headed by enterprise A.



2 Direct investment in Germany

Shares in capital and in the reserves of resident enterprises, branches and permanent establishments are to be regarded as direct investment in Germany if 10% or more of the shares or voting rights is directly attributable – or, taken together, more than 50% is directly and indirectly attributable – to the capital donor. In addition, loans between affiliated resident and non-resident enterprises are categorised as direct investment. Enterprises are considered to be affiliated within the meaning of the reporting regulation if

- a) 10% or more of the nominal capital or voting rights of the resident enterprise is directly attributable to the non-resident enterprise or

- b) taken together, more than 50% of the nominal capital or voting rights of the resident enterprise is directly or indirectly attributable to the non-resident enterprise or
- c) there is no direct or indirect participating interest between the non-resident and the resident but both enterprises – directly or indirectly – share a common direct investor ("affiliated companies").

This is illustrated in chart 1 and the explanation on page 1.

II Contents of the reports

General information

The payment reports must clearly show whether an investment in or a liquidation of an investment enterprise occurred in Germany or in foreign economic territories. In addition, the type of capital investment (capital and reserves as well as loans) must be specified.

Shares in capital and capital reserves

In reports for foreign direct investments of €1 million or more, the name and domicile of the direct investment enterprise must be provided. In reports for domestic direct investments of €1 million or more, the name and domicile of both the domestic direct investment enterprise and the foreign investor must be provided. The International Securities Identification Number (ISIN) and the volume must also be stated if the participating interests are securitised by shares.

Loans

In reports for direct investments of €1 million or more, the name and domicile of the non-resident borrower or lender must be provided.

III Codes and payment items of the balance of payments in the field of direct investment

1 Direct investment in foreign economic territories

a) Shares in capital and in the reserves of non-resident enterprises, branches and permanent establishments

Shares in foreign public limited companies

Purchase or sale of **capital interests**, capital inpayments, capital increases and capital reductions of foreign **non-listed** public limited companies

107 by domestic MFIs

207 by domestic enterprises and households as well as general government

Purchase or sale of **capital interests**, capital inpayments, capital increases and capital reductions of foreign **listed** public limited companies

827 by domestic MFIs

927 by domestic enterprises and households as well as general government

Inpayments to the **capital reserves** and repayments of foreign public limited companies including grants for the reimbursement of the reported losses brought forward

108 by domestic MFIs

208 by domestic enterprises and households as well as general government

Shares in foreign non-public limited companies

Purchase or sale of **capital interests**, capital inpayments, capital increases and capital reductions of foreign non-public limited companies as well as payments for the establishment, dissolution, purchase or sale of foreign branches and permanent establishments

111 by domestic MFIs

211 by domestic enterprises and households as well as general government

Inpayments to the **capital reserves** and associated repayments of foreign non-public limited companies including grants for the reimbursement of the reported losses brought forward

112 by domestic MFIs

212 by domestic enterprises and households as well as general government

237 Enterprises' and households' exploration costs abroad

b) Direct investment loans of resident direct investors

As a general rule, loans in which an MFI participates as lender or borrower are not categorised as direct investment.

222 Granting and repaying of loans with a maturity of more than 12 months by domestic enterprises and households as well as general government (as lenders) to non-resident enterprises in which they have a **direct or indirect participating interest** and to branches and permanent establishments.

228 Granting and repaying of loans with a maturity of more than 12 months by domestic enterprises (as lenders) to non-resident enterprises in which they do not have a direct or indirect participating interest but with which they share, directly or indirectly, a common direct investor ("**affiliated companies**").

267 Granting and repaying of loans with a maturity of more than 12 months by domestic enterprises and households as well as general government (as borrowers) from non-resident enterprises in which they have a **direct or indirect participating interest** and from foreign branches and permanent establishments.

269 Granting and repaying of loans with a maturity of more than 12 months by domestic enterprises and households as well as general government (as borrowers) from non-resident **financial subsidiaries** in which they have a **direct or indirect participating interest**.

268 Granting and repaying of loans with a maturity of more than 12 months by domestic enterprises (as borrowers) from non-resident enterprises in which they do not have a direct or indirect participating interest but with which they share, directly or indirectly, a common direct investor (“**affiliated companies**”).

2. Direct investment in Germany

a) Shares in capital and in the reserves of resident enterprises, branches and permanent establishments

Shares in domestic public limited companies

Purchase or sale of **capital interests**, capital inpayments, capital increases and capital reductions of **non-listed**

147 domestic MFIs

247 domestic enterprises

Purchase or sale of capital interests, capital inpayments, capital increases and capital reductions of **listed**

847 domestic MFIs

947 domestic enterprises

Inpayments to the **capital reserves** and repayments including grants for the reimbursement of the reported losses brought forward

148 of domestic MFIs

248 of domestic enterprises

Shares in resident non-public limited companies

151 Purchase or sale of **capital interests**, capital inpayments, capital increases and capital reductions of domestic MFIs. Payments for the establishment, dissolution, purchase or sale of domestic branches and permanent establishments of foreign banks that are domestic MFIs.

251 Purchase or sale of **capital interests**, capital inpayments, capital increases and capital reductions of domestic enterprises. Payments for the establishment, dissolution, purchase or sale of domestic branches and permanent establishments of foreign enterprises and households.

Inpayments to the **capital reserves** and associated repayments including grants for the reimbursement of the reported losses brought forward

152 of domestic MFIs

252 of domestic enterprises

b) Direct investment loans of resident direct investors

As a general rule, loans in which an MFI participates as lender or borrower are not categorised as direct investment.

- 262 Granting and repaying** of loans with a maturity of more than 12 months by resident enterprises (as borrowers) to non-resident enterprises which have a **direct or indirect participating interest** in them as well as borrowing by resident branches and permanent establishments from their non-resident head offices.
- 268 Granting and repaying** of loans with a maturity of more than 12 months by domestic enterprises (as borrowers) from non-resident enterprises in which they do not have a direct or indirect participating interest but with which they share, directly or indirectly, a common direct investor (“**affiliated companies**”).
- 227 Granting and repaying** of loans with a maturity of more than 12 months by resident enterprises (as lenders) to non-resident enterprises which have a **direct or indirect participating interest** in them as well as loans from domestic branches and permanent establishments to their non-resident head offices.
- 219 Granting and repaying** of loans with a maturity of more than 12 months by resident **financial subsidiaries** (as lenders) to non-resident enterprises and households which have a **direct or indirect participating interest** in them.
- 228 Granting and repaying** of loans with a maturity of more than 12 months by domestic enterprises (as lenders) to non-resident enterprises in which they do not have a direct or indirect participating interest but with which they share, directly or indirectly, a common direct investor (“**affiliated companies**”).

3 Income from direct investment

a) Income from participating interests

Income from **shares**

188 collected or paid for by domestic MFIs

288 collected or paid for by domestic enterprises and households

Income from **other corporations**

186 collected or paid for by domestic MFIs

286 collected or paid for by domestic enterprises and households

Income from **other business and capital investments as well as branches**

187 collected or paid for by domestic MFIs

287 collected or paid for by domestic enterprises and households

b) Interest on direct investment loans

289 Interest on **loans from direct investors to subsidiaries**

689 Interest on **loans from subsidiaries to direct investors**

789 Interest on **loans between affiliated companies**

889 Interest on **loans from financial subsidiaries to direct investors**

c) Grants for avoiding losses brought forward

Grants collected or paid to avoid losses brought forward or annual losses as well as the assumption of negative operating results of branches and permanent establishments provided that they are included in the "outcome of normal business activities".

190 of domestic MFIs

290 of domestic enterprises and households

Contact persons

Further information may be obtained from the Service Centre for External Sector Statistics, 55148 Mainz, Germany, as well as from the Deutsche Bundesbank, Balance of Payments Statistics Division, International investment position, Postfach 30 09, 55020 Mainz, Germany.

Information: ☎ (0800) 1234 111 (freephone when calling from within Germany)

Internet: www.bundesbank.de

Newsletter (in German): registration on the website under "Meldewesen → Newsletter"
(category: Außenwirtschaft)