

Answers to selected questions concerning Foreign direct investment stock statistics

- FAQs -

The Foreign direct investment stock statistics provide information on cross-border equity investment of at least 10% of the shares or voting rights. Therefore, they provide an illustration of the German economy's links with the global economy. The information in question is also included in other external statistics, such as the balance of payments statistics (income from participating interests) or Germany's international investment position.

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I Questions concerning reporting requirements

1) Who is subject to reporting requirements?

Pursuant to section 11 of the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz, AWG*) in conjunction with section 64 of the Foreign Trade and Payments Regulation (*Außenwirtschaftsverordnung, AWV*), all enterprises and individuals domiciled in Germany (direct investors) that hold a participating interest in a foreign company (direct investment enterprise) of 10% or more respectively residents and a dependent non-resident enterprise hold more than 50% of the shares are subject to reporting requirements. Likewise, any enterprise domiciled in Germany (direct investment enterprise) in which one or more non-resident investors holds a participating interest of 10% or more is obliged to observe the reporting requirements set out in section 11 of the Foreign Trade and Payments Act in conjunction with section 65 of the Foreign Trade and Payments Regulation. In both instances, there is a reporting threshold of €3 million (if necessary, converted) in respect of the balance sheet total of the respective participating interest.

2) What information has to be specified?

If reporting requirements apply it is necessary to complete the following forms: sheets 1 and 2 of annex K 3 (in the case of a German participating interest in a foreign enterprise) and /or sheets 1 and 2 of annex K4 (for non-resident investors with a participating interest in an enterprise in Germany). When doing so, it is important to enter the appropriate details in all of the relevant "of which" fields (also in the second and/or third column of sheet 2).

3) When is the deadline for submitting reports?

The report must be received by the Bundesbank no later than six months after the reference date on which the reporting enterprise (in its capacity as a direct investor or as a direct investment enterprise, see question 1) compiled its balance sheet. In the case of individuals who have participated in non-resident investment enterprises as direct investors the applicable reporting date is 31 December of any given year, meaning that these individuals have to submit their reports until the end of June of the following year.

4) What methods are available for transmitting the report?

The report has to be submitted electronically using the secure data transmission system of the "Bundesbank ExtraNet" which offers the "AMS" (General statistics reporting portal) and the "ExtraNet-Filetransfer". For submission of large data volume the "Filetransfer" is the better choice.

Until further notice, the report can be sent on paper either as letter or fax to the Servicezentrum Außenwirtschaftsstatistik in Mainz without special authorisation..

5) If some data or balance sheets are missing, is it possible to submit a partial report?

Yes, if the supply of information is temporarily unavailable it is possible to submit an incomplete report in exceptional cases. However, in such an event, it is necessary to clearly state which data / sheet 2 are still missing and are to be submitted at a subsequent (specified) date.

6) How can the Bundesbank be notified that no reporting requirements apply?

It is sufficient to file a nil report or send an informal written notification explaining the situation to the Deutsche Bundesbank, service centre "Aussenwirtschaftsstatistik", 55148 Mainz, Germany. Forms for filing a nil report are available for download from the Bundesbank's website

http://www.bundesbank.de/Redaktion/EN/Standardartikel/Service/Reporting_systems/reports_k3_and_k4.html

7) Is it possible to apply for an extension of the deadline?

Yes, in exceptional cases it is possible to submit a written request (by e-mail, fax or post) for an extension of the deadline applying to the K3/K4 report. Such a request must be substantiated.

II Details relating to reporting items

8) What are the differences between the terms "non-resident" and "foreign" respectively "resident" and "German"?

The terms "non-resident" and "resident" do not refer to "nationality" but to the official domicile of the enterprise or person in question. As such, a German permanently living abroad is classified as a "non-resident", while a foreign national permanently residing in Germany is classified as "resident"

9) What is the difference between direct and indirect participating interests?

Direct participating interests refer to direct cross-border investments. If the direct participating interests hold themselves non-resident enterprises, then the latter are treated as indirect participating interests.

10) Is it necessary to report data and information on the non-resident shareholder in annex K 4 to the Foreign Trade and Payments Regulation?

The reporting data on the non-resident shareholder comprise merely the investor's name and country of domicile and, if necessary, the country in which the final owner is domiciled. The balance sheet information to be entered on sheet 2 refers exclusively to the enterprise in Germany (direct participating interest) and not to the balance sheet of the non-resident shareholder.

11) On sheet 2 of annex K 3 to the Foreign Trade and Payments Regulation, are the data to be specified in euro or the local currency?

When completing these sheets, the data must always be specified in the currency used by the direct investment enterprise for reporting purposes.

12) Which accounting rules apply to the balance sheet items?

The balance sheet items of participating interests abroad have to be reported using the valuation standards of the respective national accounting rules. In individual cases where these are not available it is also possible to report items on the basis of international accounting rules (IFRS or IAS, US GAAP). The reporting of data with respect to foreign direct investment in Germany (report form K4) must adhere exclusively to the German accounting rules (German Commercial Code).

13) Is it also possible to submit consolidated annual accounts / consolidated financial statements?

When compiling a K4 report it is essential to use individual accounts/statements each time. The K3 report may be compiled using consolidated annual financial statements only if this information cannot be obtained from individual statements as the respective national accounting rules do not prescribe the generation of individual accounts. This is, however, subject to the condition that the reports refer exclusively to enterprises which share the same country of domicile and are in the same economic sector.

14) Under “number of employees” should the full-time equivalent or the actual number of employees (headcount) be entered?

The full-time equivalent should always be entered under "number of employees". For instance, if a company employs ten part-time employees, each on a 50% basis, it would enter 5 employees in “number of employees”.