

Notice

Direct investment

External transactions

I Prefatory remark

This notice relates to the reporting requirements for payment reports pursuant to sections 67 et seq 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 abroad

Shares in capital and in the reserves of foreign enterprises, branches and permanent establishments are to be regarded as direct investment abroad 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 domestic and foreign enterprises are categorised as direct investment. Enterprises are considered to be related within the meaning of the reporting regulation if

- 10% or more of the nominal capital or voting rights of the foreign enterprise is directly attributable to the domestic enterprise or
- taken together, more than 50% of the nominal capital or voting rights of the foreign enterprise is directly or indirectly attributable to the domestic enterprise,¹ or
- there is no direct or indirect stake linking the domestic and the foreign enterprise but both – 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 repayments between such enterprises are to be reported as direct investment loans.

The chart shows a group of related enterprises, known as a direct investment relationship (outlined in bold). Enterprises in which enterprise A has a direct stake 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 stake of more than 50% in the former. Where such dependent enterprises have a stake of more than 50% in 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 relationship. Where more than 50% of another enterprise is attributable to one or more enterprises that are dependent on enterprise A or on enterprise A combined with its dependent enterprises, this enterprise (E) is also classified as being dependent on enterprise A (9%_{direct} +

¹ In such cases, the foreign enterprise is considered to be a dependent enterprise of the domestic enterprise. For more on the term “controlled enterprise”, see sections 64 and 65 of the Foreign Trade and Payments Regulation.

42%_{indirect} = 51%). Since enterprise E, as a dependent enterprise, has a stake 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.

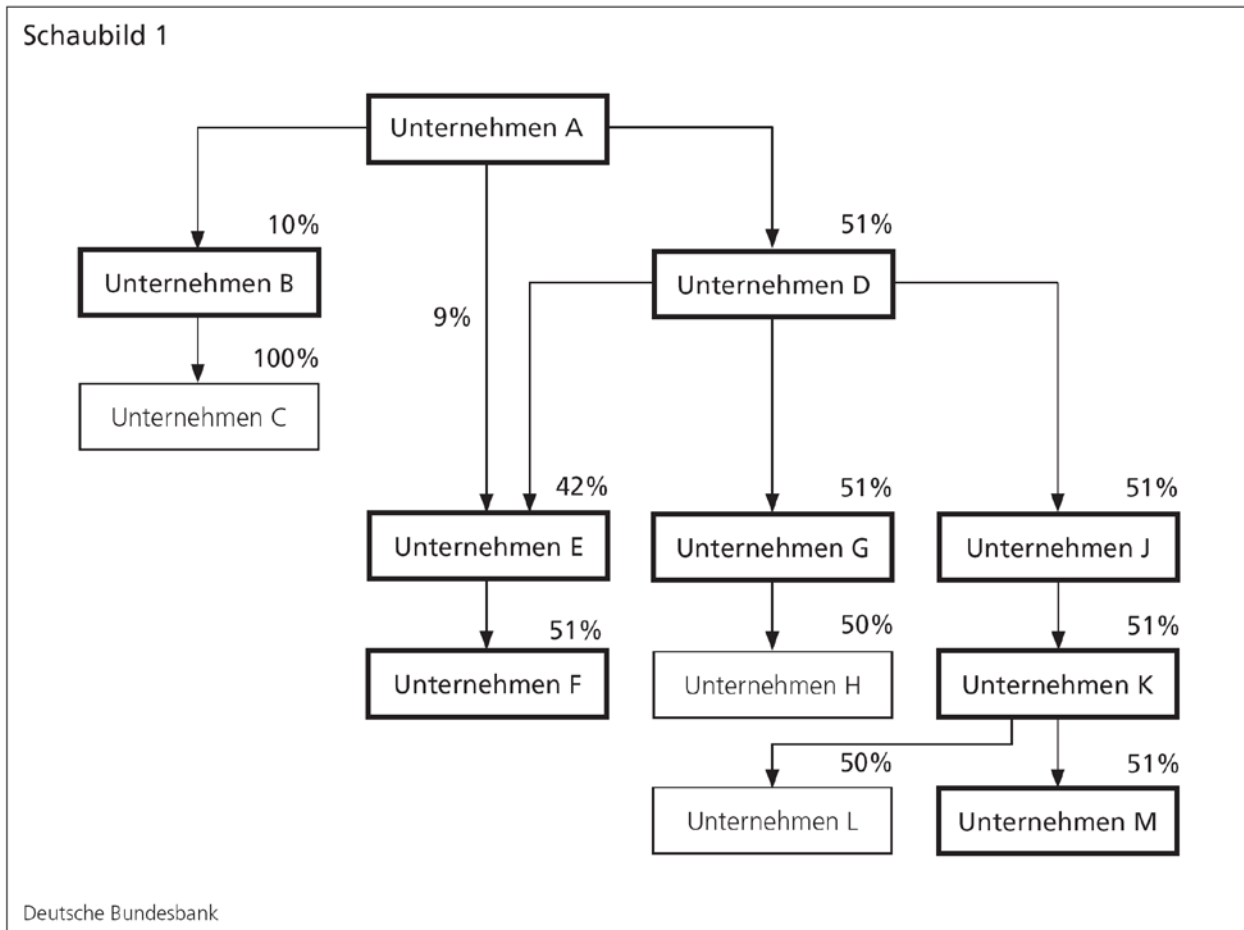


Schaubild 1

Chart 1

Unternehmen (A-M)

Enterprise (A-M)

2 Direct investment in Germany

Shares in capital and in the reserves of domestic 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 domestic and foreign enterprises are categorised as direct investment. Enterprises are considered to be related within the meaning of the reporting regulation if

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

- b) taken together, more than 50% of the nominal capital or voting rights of the domestic enterprise is directly or indirectly attributable to the foreign enterprise or
- c) there is no direct or indirect stake linking the foreign and the domestic enterprise but both – directly or indirectly – share a common direct investor (“affiliated companies”).

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

II Content of the reports

General information

The payment reports must clearly indicate whether an investment in or a liquidation of an investment enterprise occurred in Germany or abroad. 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. By contrast, 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. For capital interests securitised by shares, the ISIN and exact number of securities are also to be indicated.

Loans

In reports for direct investments of €1 million or more, the name and domicile of the foreign 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 abroad

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

Shares in foreign public limited companies

Acquisition or disposal 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

Acquisition or disposal 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 carried forward

108 by domestic MFIs

208 by domestic enterprises and households as well as general government

Shares in foreign non-public limited companies

Acquisition or disposal of **capital interests**, capital inpayments, capital increases and capital reductions of foreign non-public limited companies as well as payments for the establishment and dissolution or acquisition and disposal 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 carried forward

112 by domestic MFIs

212 by domestic enterprises and households as well as general government

237 Exploration costs abroad

b) Direct investment loans of domestic direct investors

As a 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 foreign 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 foreign 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 foreign 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 foreign **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 foreign 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 the capital and reserves of domestic enterprises, branches and permanent establishments

Shares in domestic public limited companies

Acquisition or disposal of **capital interests**, capital inpayments, capital increases and capital reductions of **non-listed**

147 domestic MFIs

247 domestic enterprises

Acquisition or disposal 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 carried forward

148 of domestic MFIs

248 of domestic enterprises

Shares in domestic non-public limited companies

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

251 Acquisition or disposal of **capital interests**, capital inpayments, capital increases and capital reductions of domestic enterprises. Payments for the establishment and dissolution or acquisition and disposal 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 carried forward

152 of domestic MFIs

252 of domestic enterprises

b) Direct investment loans of foreign direct investors

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

- 262 Borrowing and repaying** of loans with a maturity of more than 12 months by domestic enterprises (as borrowers) of foreign enterprises which have a **direct or indirect participating interest** in them as well as borrowing by domestic branches and permanent establishments from their foreign head offices.
- 268 Borrowing and repaying** of loans with a maturity of more than 12 months by domestic enterprises (as borrowers) from foreign 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 domestic enterprises (as lenders) to foreign enterprises and individuals which have a **direct or indirect participating interest** in them as well as loans of domestic branches and permanent establishments to their foreign head offices.
- 219 Granting and repaying** of loans with a maturity of more than 12 months by domestic **financial subsidiaries** (as lenders) to foreign 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 foreign 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 direct investment enterprises**

689 Interest on **loans from direct investment enterprises 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 carried forward

Grants collected or paid to avoid loss carryforwards or annual losses as well as the assumption of negative operating results of permanent establishments and branches, provided that they are included in the “profit or loss from ordinary business activities”.

190 of domestic MFIs

290 of domestic enterprises and households

Information on external sector reporting

Hotline: 0800 1234 111 (freephone – only available if call is made from a German landline)
Internet: www.bundesbank.de under Service/Reporting systems/External sector statistics
Newsletter (in German): www.bundesbank.de under Service/Newsletter (category: Meldewesen Aussenwirtschaft)
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