

Recommendations Manual on the Production of
Foreign AffiliaTes Statistics
(FATS)

2007 edition

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PREFACE

This manual is a milestone on the way to achieving EU-wide harmonised foreign affiliate statistics (FATS). The importance of this step becomes even more apparent when we consider the political background against which the project originated.

All over the world “globalisation” is seen as the predominant agent of change and policy challenge. At the heart of this complex and somewhat blurry concept, however, lie businesses and their ever increasing drive to expand their activities across national borders, most notably by establishing foreign affiliates. Europe plays a key role in this. For one thing, it has become one of the most important destinations, if not *the* most important destination, for foreign companies and their affiliates. Also, European businesses are among the most active foreign enterprises abroad. A host of crucial policy challenges flow from this, such as outsourcing of jobs, the competitiveness of European firms and competition issues, to name but a few.

Consequently, there is huge and ever growing demand for data on these developments. FATS take pride of place when it comes to statistics that help to explain how businesses are expanding internationally and the repercussions for the European Union. Unfortunately, up until now not enough data have been available on inward, and even more so, outward FATS. The data sets available to policy-makers at both national and European levels in no way satisfy their needs. So far the reason for this lack of information has been that no coordinated and harmonised attempt has been made to compile FATS.

The FATS Regulation, expected to be adopted later this year, sets out to solve this problem. The Regulation will ensure that in future harmonised FATS will be available. This manual will play a crucial role in the compilation process. It provides the definitions and guidelines for national compilers which are the indispensable precondition for obtaining FATS which can be added together to produce meaningful EU-wide aggregates. To make sure that the manual is not only in line with the rules in the FATS Regulation but also meets the needs and realities national compilers face in practice, it has been thoroughly discussed by various joint working groups. The manual has also been through many rounds of written procedure with Member States at all stages of production. In the process, EUROSTAT received extremely helpful comments from a great many delegates. In particular, we acknowledge the work of the members of several drafting groups who were actively involved in writing specific sections of this manual.

“Harmonising” always implies “compromising”. Therefore the definitions and guidelines contained in this manual are not always the preferred options for every Member State. However, EUROSTAT has been extremely careful to ensure that the provisions in the manual are in keeping with the concerns of the maximum number of Member States.

Our aim is to keep updating and improving this manual regularly. Experience collected in the process of compilation of FATS will be reflected in the manual as the need arises.

The manual will be put to use for the first time in the FATS pilot studies which were launched at the start of 2007. Since the reference year for the Regulation is 2007, regular compilation of FATS will start soon after. EUROSTAT has therefore had copies of the manual distributed to the relevant institutions in every Member State. To ensure compatibility with FATS collected by partners outside the EU, the manual will also be shared with international organisations and key partner countries.

Finally, I would like to thank the EUROSTAT staff involved in producing this manual, in particular the colleagues from Units C-4 “Balance of Payments” and G-1 “Structural Business Statistics”.

I sincerely hope that this manual will prove useful in the process of compilation of FATS.

May 2007
Hervé Carré
Director-General

TECHNICAL NOTES

THIS RECOMMENDATIONS MANUAL ON FOREIGN AFFILIATES STATISTICS (FATS)

The Regulation (EC) No 716/2007 of the European Parliament and of the Council of 20 June 2007 on Community statistics on the structure and activity of foreign affiliates¹ is the regulatory framework for the provision of foreign affiliates statistics (FATS). In article 7 of the FATS Regulation (FATS-R) it is foreseen to “publish a recommendations manual which contains the relevant definitions and supplementary guidance concerning the Community statistics produced pursuant to this Regulation.”

This manual shall provide a common methodological framework for anyone working on the collection, compilation, transmission and analysis of FATS. As such, it shall make significant contributions to data quality and comparability.

THE FATS JOINT WORKING GROUP

A Joint Working Group (JWG) on FATS was organised by EUROSTAT because FATS are provided by different data providers, namely the National Statistical Institutes in the framework of Structural Business Statistics (SBS), EUROSTAT unit G1, and the Central Banks in the framework of Balance of Payments Statistics (BoP), EUROSTAT unit C4.

The aim of the FATS JWG was to avoid a double data collection and to co-operate, to develop a harmonised methodology, to improve the quality of the data and to bring the methodology in line with international standards. The FATS-R was discussed and approved in the FATS JWG.

Over the intervening years the FATS JWG became the relevant technical working group for the FATS in the European Statistical System.

FUTURE IMPLICATIONS

Following the adoption of the FATS-R, the Commission will determine the procedures for implementing this regulation as foreseen in article 9 of the FATS-R. These implementing procedures will concern the technical format and procedures for the transmission of the results, granting derogations, adaptations of provisions in FATS-R Annexes I to III of which the implementation of NACE Rev. 2 needs immediate action, definition of proper quality standards and contents and periodicity of quality reports and the implementation of the results of the pilot studies. All these procedure will be formalised in the form of Commission Regulations and this manual will be amended consequently.

¹ OJ L 171, 29.6.2007, p. 17.

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FATS



I.1 INTRODUCTION

I.1.1 OBJECTIVE

This manual aims at laying down the methodology as well as to include all necessary information for the collection and compilation of inward and outward FATS. Member States of the European Union will be required to provide information to EUROSTAT according to the FATS-R and the recommendations given in this manual.

The target audience for this manual are specialist producers, including statisticians in National Statistical Institutes, National Central Banks, EUROSTAT and other international organisations. The manual can be used also by users as background information.

The manual is together with the FATS-R the legal and methodological framework according to which inward and outward FATS are to be provided to EUROSTAT. It aims at providing information necessary to allow for the correct and consistent interpretation of the OECD-Handbook on economic globalisation indicators² (hereinafter referred to as HEGI) in all countries.

The manual goes beyond the provisions in the FATS-R to push further to a harmonised methodology by identifying and recommending best practices. It includes also information on the experiences of Member States that can be useful for countries setting-up own data collections.

Full implementation of these recommendations will help to ensure that FATS are compiled and maintained on a consistent basis in all Member States; hence comparability and quality should be assured.

As business registers are a main data source for the geographical breakdown, this manual is based on the Business Register Recommendation Manual (BRRM)³ that was released in 2003. All Member States maintain Business Registers (BRs) according to the Council Regulation (EEC) No. 2186/93 of 22 July 1993 on Community co-ordination in drawing up business registers for statistical purposes⁴, which is currently under revision. Although it has no legal basis, the BRRM provides guidelines on interpreting the Business Register Regulation (BR-R), as well as information to guide the further development of BRs.

In order to ensure international comparability this FATS manual is harmonised with chapter 3 of the HEGI, which deals with the economic activity of multinational enterprises. Wherever relevant, the latest version of the Manual on Statistics in International Trade in Services (MSITS) which has been developed and published jointly by the European Commission,

² See bibliography

³ European Commission, Methods and Nomenclatures, Theme 4, Industry, Trade and Services, Business Register Recommendations Manual, European Communities, 2003, partly revised 2005 and 2006. Information is available from Eurostat's Business Register network; <http://forum.europa.eu.int/Members/irc/dsis/brnet/info/data/home.htm>

⁴ OJ L 196, 5.8.1993

the International Monetary Fund, the OECD, the United Nations, the United Conference on Trade and Development and the World Trade Organization, is cited.

1.1.2 THE MAIN COMPONENTS

The manual is divided in three sections:

Section I covers information relevant for the compilation of both inward and outward FATS; in particular the definitions and characteristics. Sections II and III deal with inward and outward FATS.

The recommendations regarding inward FATS were discussed and approved in the FATS JWG and drawn from the experience of the Member States and EUROSTAT from the pilot studies carried out according to Annex 1 Section 10 of Council Regulation No 58/97 of 20 December 1996 concerning structural business statistics, also known as the SBS Regulation⁵ (SBS-R).

The aim of the pilot studies in the SBS-framework was to assess the feasibility of collecting the data taking into account the benefits of the data in relation to the costs of collection and burden on business.

During several rounds of voluntary data collection starting from reference year 1996 onwards, up to twelve Member States provided inward FATS data and detailed reports describing their methodology.

Recommendations regarding outward FATS were also discussed and approved in the FATS JWG. In addition during the written consultation that took place between the FATS JWG in September 2005 and the process of finalising the FATS Recommendations Manual several suggestions of Member States were taken into account. This also includes the experiences in outward FATS data collection of 9 Member States that was carried out on voluntary basis starting from reference year 1995.

Results of the voluntary data collection for both inward and outward FATS were published in several Statistics in focus⁶ and are disseminated in EUROSTAT's free-of-charge database:

Inward FATS:

Theme Industry, Trade and Services
 Industry, Trade and Services – Horizontal view
 Special topics of Structural Business Statistics
 Foreign control of enterprises

Outward FATS:

Theme Economy and Finance
 Balance of Payments – International transactions
 European Union Foreign Affiliates Statistics (Outward FATS).

⁵ Council Regulation (EC, EURATOM) No. 58/97 of 20 December 1997 concerning structural business statistics, OJ L 14, 17.1.97, as last amended by Regulation (EC) No. 1670/2003, OJ L 244, 29.09.2003, p. 74

⁶ See bibliography.

I.2 DEFINITIONS

I.2.1 FOREIGN AFFILIATES STATISTICS (FATS) AND FOREIGN AFFILIATES

Foreign Affiliates Statistics (FATS), foreign affiliate, inward and outward FATS are defined in article 2 of the FATS Regulation (FATS-R):

Box I.1 Definitions of FATS	
Foreign Affiliates Statistics (FATS)	“Statistics on foreign affiliates” shall mean statistics describing the overall activity of foreign affiliates.
Foreign affiliate	“Foreign affiliate” shall mean an enterprise resident in the compiling country over which an institutional unit not resident in the compiling country has control, or an enterprise not resident in the compiling country over which an institutional unit resident in the compiling country has control.
Inward FATS	“Inward statistics on foreign affiliates” shall mean statistics describing the activity of foreign affiliates resident in the compiling economy.
Outward FATS	“Outward statistics on foreign affiliates” shall mean statistics describing the activity of foreign affiliates abroad controlled by the compiling economy.

This definition of foreign affiliate is consistent with the BRRM definition⁷.

The definition of “foreign affiliate” uses three expressions that need to be further defined; namely, control (I.2.2), institutional unit (I.2.3) and residency (I.2.4).

⁷ See BRRM glossary on Eurostat’s Business Register network.

I.2.2 CONTROL

The concept of control is used for the breakdown of the FATS variables. Control is defined in article 2 of the FATS-R. This definition is the general definition. It will be sometimes difficult to identify foreign control of an enterprise in practice. Therefore this manual contains a more specific definition of “control”. The definitions are given in Box I.2 and discussed below.

Box I.2 Definition of Control

“Control” shall mean the ability to determine the general policy of an enterprise by choosing appropriate directors, if necessary. In this context, enterprise A is deemed to be controlled by an institutional unit B when B controls, whether directly or indirectly, more than half of the shareholders’ voting power or more than half of the shares (FATS-R, article 2).

Indirect control means that an institutional unit may have control through another affiliate who has control over enterprise A.

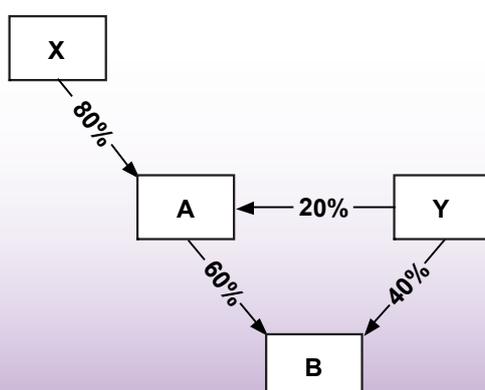
Control can be exerted via effective minority control without owning more than half of the shareholders’ voting power or more than half of the shares.

Control can be exerted by a government through a legislation decree or regulation, which empowers the government to determine corporate policy or to appoint the directors.

As can be seen from the definition, control implies the ability to determine the strategy of an enterprise, to guide its activities and to appoint a majority of directors. In most cases, this ability can be exercised by a single investor holding a majority (more than 50%) of the voting power or of the shares, directly or indirectly.

Control can be direct or indirect. Figure I.1 shows an example of indirect control:

Figure I.1 Example of indirect control



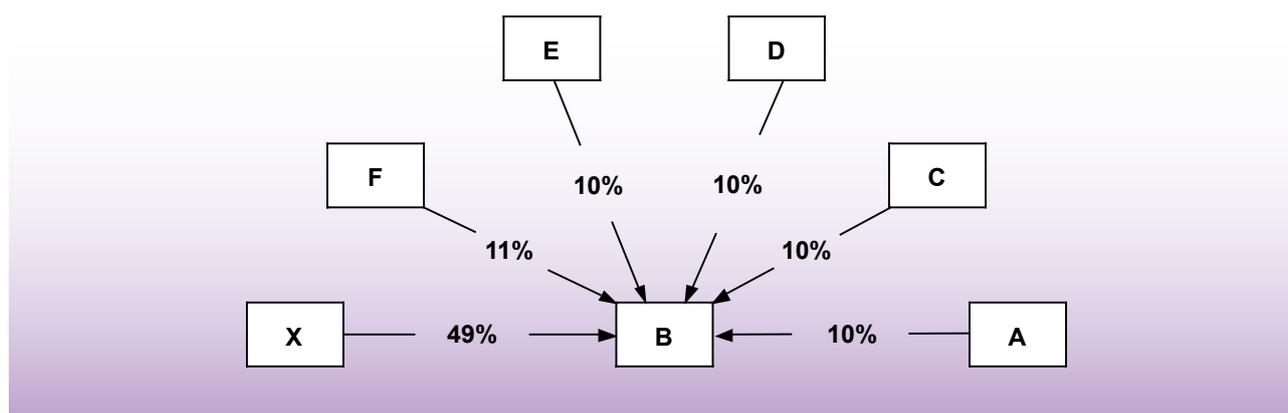
A directly controls B, but as A is controlled by X, B is controlled indirectly by X through its affiliate A. This case is an example for indirect majority ownership.

While majority ownership is the major criterion to determine control, it is not indispensable for exercising control. A government can exert control through a legislation decree or regulation, empowering it (the government) to determine the enterprise policy or to appoint (a majority of directors).

Control can be affected by agreements among minority shareholders or if some shareholders are absent in meetings. It is also possible that some shareholders might have shares with limiting voting rights or the voting rights are temporary suspended or the transferability of shares might be forbidden.

Figure I.2 shows an example of effective minority control. There is one large shareholder and a large number of dispersed shareholders, none of which holds a significant share of the capital. In such cases effective control can be exerted without having the majority of the voting rights or shares, if no majority of shareholders is really able to oppose it. A group of shareholders acting in concert and behaving as a unique person could control enterprise B as well.

Figure I.2 Example of effective minority control



Only shareholdings of 10 % and more should be considered. Recording shares below 10 % (portfolio investment) is likely to be too burdensome. In a majority of cases control will be exerted however by a single investor.

Situations vary very much from country to country and depend on the legal framework for corporate governance, i.e. the legislation regulating the allocation of property rights and control of enterprises. In particular, the principles vary sometimes notably between civil law systems and common law ones. A precise allocation of control between national and foreign entities requires a supplementary assessment by the compiler besides the application of the definition.

This is in particular true for the so-called special cases. One noticeable case for inward FATS is that in which the entire ownership is in the hands of foreign investors, but none of them owns more than 50%. If concerted action cannot be determined this enterprise would be treated as nationally controlled, with an obvious underestimation of the set of foreign controlled units. These special cases are treated separately in the sections II and III for inward and outward FATS, as not all of them are relevant for both in the same way. Recommendations for possible data sources to find the information regarding the Ultimate Controlling Institutional Unit (UCI) are given in chapter II.4 for inward FATS.

These recommendations are consistent with the European System of Accounts (ESA) 1995, the System of National Accounts (SNA) 1993, the Statistical Units Regulation (SUR)⁸, the BRRM and the HEGI. The relevant paragraphs are quoted below. It has to be taken into account that the terminology used is not always consistent, e.g. subsidiary is used interchangeably with affiliate. For further information regarding the glossary please see the BRRM glossary on the before mentioned EUROSTAT's Business Register network.

Box I.3 Consistent definitions in other EU legislation	
Control, §2.26 ESA 1995	<p>A single institutional unit (...) secures control over a corporation by owning more than half of the voting shares or otherwise controlling more than half of the shareholders' voting power. In addition, government secures control over a corporation as a result of special legislation decree or regulation, which empowers the government to determine corporate policy or to appoint the directors.</p> <p>In order to control more than half the shareholders' voting power, an institutional unit needs not own any of the voting shares itself. A corporation C could be a subsidiary of another corporation B in which a third corporation A owns a majority of the voting shares.</p> <p>Corporation C is said to be subsidiary of corporation B when: either corporation B controls more than half of the shareholders' voting power in corporation C or corporation B is a shareholder in C with the right to appoint or remove a majority of directors of C.</p>
Control relationship, §7.25 BRRM	<p>This is another very close relationship, which is invariably between a natural or legal person exercising such control and a legal unit being controlled, which is always a legal person. The controlling unit exercises or has the right to exercise influence over the articles of association or over the activity, over the use of the resources or over the management or administration of the controlled unit.⁹</p>
Control and ownership, §§7.26 to 7.28 BRRM	<p>It should be pointed out that, although they are very often associated with one another, the relationships of ownership (even where this involves a majority holding) and control are not equivalent. Each can exist independently of the other.</p> <p>While 50% or greater ownership of a legal person usually includes the possibility of control, this is not necessarily the case, particularly if the statutory provisions determining its legal form provide for the forming of blocking minorities in respect of certain key decisions in the company's life (e.g. winding-up, merger with another company, increases in capital, changes in the articles of incorporation, changes of bonds into shares, etc.).</p> <p>Control does not necessarily imply majority ownership (it sometimes coincides with considerably less than 50% of the share for limited liability companies).</p>
Majority ownership, §21.37 BRRM	<p>The ownership of a unit or a group of units is related to the property of its assets and determines the distribution of financial flows and income. If a unit or group of units is owned by shareholders, its ownership is vested in the shareholders collectively and can be seen as diffuse among the legal units that own its shares in proportion to their shareholdings, and independently of voting rights.</p>
Majority ownership, §21.29 BRRM	<p>...the acquisition of the absolute majority (50%+1) of shareholdings.</p>

⁸ Council Regulation (EEC) No. 696/93 of 15 March 1993 on the statistical unit for the observation and analysis of the production system in the Community (SUR), OJ L 76, 30.3.1993, p. 1.

⁹ More detailed discussion on control can be found in BRRM chapter 21 and in Commission Recommendation 96/280/EC of 3 April 1996 concerning the definition of small and medium-sized enterprises, OJ L 107, 30.04.1996.

Box I.3 Consistent definitions in other EU legislation (continued)	
Indirect control, §21.35 of the BRRM (follows SNA 1993, § 4.23)	The subsidiary enterprises of a subsidiary enterprise are considered to be subsidiaries of the parent enterprise (...). This means that a parent unit may have indirect control over a legal unit (sub-subsidiary) through other subsidiaries. Indirect control does not require the parent unit to own a majority of integrated shareholding in the capital share of the sub-subsidiaries.
Other forms of control than direct or indirect majority control, §§21.29–21.31 BRRM	<p>...the absolute majority of ownership of the capital share is neither a necessary nor a sufficient condition to have control.</p> <p>It is not a necessary condition because there may be situations in which a relative majority of shareholdings with voting rights is enough to take control. This can be due to:</p> <p>(a) absenteeism in the meetings on the part of the other shareholders;</p> <p>(b) contracts or agreements affecting control.</p> <p>It is not a sufficient condition because the ability to effectively exercise control depends on the ability to actively participate in the decision making process of the meeting. This may be limited by the presence of:</p> <p>(a) shareholdings with limited voting rights;</p> <p>(b) statutory provisions that limit the transferability of shares;</p> <p>(c) temporary suspension of voting rights.</p>
Effective minority control, §21.32 BRRM:	Effective minority control means having the effective control of a unit without having the majority of voting stock. It does not include indirect control via majority-controlled subsidiary. The most common case is a minority but large shareholder and a very large number of dispersed small shareholders, none of which holds a significant share of the capital. The minority shareholder can thus exercise effective control insofar as no majority of shareholders is really able to oppose it. However, it is possible that the small shareholders join forces in order to have more influence over the strategic decisions.
Group of investors, § 4.20, footnote 64, MSITS	...an associated group consists of “two or more persons who, by the appearance of their actions, by agreement, or by an understanding, exercise or appear to exercise their voting privileges in a concerted manner to influence the management of a business enterprise”. The following entities are considered to constitute groups of associates: members of the same family, a business enterprise and one or more of its officers or directors, members of a syndicate or joint venture, or a corporation and its domestic subsidiaries.

I.2.3 FOREIGN CONTROL

Foreign control is defined in article 2 of the FATS-R:

Box I.4 Definition of <i>Foreign control</i>
Foreign control shall mean that the controlling institutional unit is resident in a different country from the one where the institutional unit over which it has control is resident.

1.2.4 ULTIMATE CONTROLLING INSTITUTIONAL UNIT (UCI)

The total values of characteristics should be allocated to the ultimate controlling institutional unit (UCI) concept, which is defined in article 2 of the FATS-R:

Box I.5 Definition of <i>UCI</i>	
UCI	“Ultimate controlling institutional unit of a foreign affiliate” shall mean the institutional unit, proceeding up a foreign affiliate’s chain of control, which is not controlled by another institutional unit.
Determination of the UCI	If the UCI is not known from existing data, the decision about the UCI should be taken proceeding the ownership chain of the units involved with a step by step analysis, in each step determining control. Global calculation by multiplication of shares of ownership for alternative candidate UCIs leads to the wrong UCI.

This definition is consistent with the definition of a group head¹⁰ in the BRRM. In addition, the definition is consistent with the ultimate controller of the HEGI (see Box 3.7 (ii) unit of ultimate control, p. 108).

The UCI-definition is based on the concept of **institutional unit**. Its definition is laid down in the SUR, a Council Regulation (EEC) which defines statistical units for the observation and analysis of the production system in the European Community.

Box I.6 Definition of <i>Institutional Unit</i>	
The institutional unit is an elementary economic decision-making centre characterised by uniformity of behaviour and decision-making autonomy in the exercise of its principal function. A unit is regarded as constituting an institutional unit if it has decision-making autonomy in respect of its principal function and keeps a complete set of accounts.	
<ul style="list-style-type: none"> • In order to be said to have autonomy of decision in respect of its principal function, a unit must be responsible and accountable for the decisions and actions it takes. • In order to be said to keep a complete set of accounts, a unit must keep accounting records covering all its economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities. 	

¹⁰ An enterprise group is a set of enterprises controlled by the group head. The group head is the parent legal unit, which is not controlled either directly or indirectly by any other legal unit. Please see SUR, Annex, Section III, C, explanatory notes, 4.

Box I.6 Definition of *Institutional Unit* (continued)

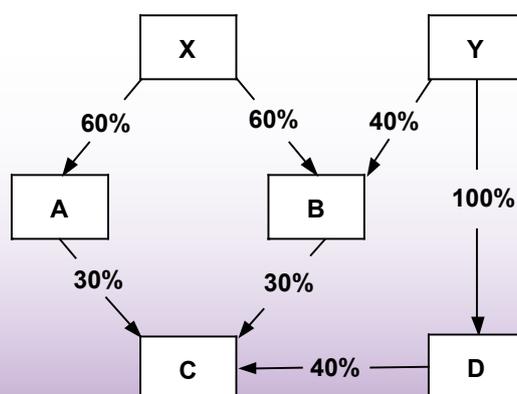
The following are deemed to be institutional units:

- units which have a complete set of accounts and autonomy of decision:
 - (a) private and public companies, public corporations;
 - (b) cooperatives or partnerships recognized as independent legal entities;
 - (c) public enterprises which by virtue of special legislation are recognized as independent legal entities;
 - (d) non-profit institutions recognized as independent legal entities;
 - (e) agencies of general government;
- units which have a complete set of accounts and which, by convention, are deemed to have autonomy of decision:
 - (f) quasi-corporate enterprises: sole proprietorships, partnerships and public enterprises, other than those referred to in points (a), (b) and (c) in so far as their economic and financial behaviour can be separated from that of their owners and resembles that of corporate enterprises;
- units which do not necessarily keep a complete set of accounts, but which by convention are deemed to have autonomy of decision:
 - (g) households.

In the enterprise sector an institutional unit corresponds to the enterprise.

In practice, the UCI is not always known from existing information about the enterprise. It is particular difficult to determine in cases of indirect control. Figure I.3 shows how the decision about the UCI should be taken.

Figure I.3 Defining the UCI in cases of indirect control



The institutional unit X has indirect control over enterprise C, even though it owns indirectly 36% ($60\% \cdot 30\% + 60\% \cdot 30\%$) of its capital share. X controls C through its two affiliates A and B, by joining their voting rights in the meeting of C = $30\% + 30\% = 60\%$. Y owns 52% ($40\% \cdot 30\% + 100\% \cdot 40\%$), but he has no power to control enterprise C, since the voting rights that it has in its meeting of C amount only 40% of its capital share.

This example demonstrates that - if the UCI is not instantly identifiable from existing information about the enterprise - the decision about the UCI should be based on a thorough analysis of the ownership chain of the units involved. A step by step analysis of the units (in this example paths C-A-X, C-B-X, C-B-Y and C-D-Y), whereby in each step control is determining, is the only viable option to ensure a sound determination of the UCI. A global calculation by multiplication of shares of ownership for alternative candidate UCIs could be misleading.

In the exceptional case of geographical allocation of units not being based on the UCI, this should be clearly stated in the methodological notes, and the procedure used to determine the UCI of the unit should be clearly explained.¹¹

1.2.5 RESIDENCY

Box 1.7 Definition of Residency

The place of residency of an UCI should be the country of registration of the UCI. Residency is often but not always the nationality of the UCI.

The BRRM defines in §21.80 the nationality of enterprise group and in §21.46 domestically-controlled enterprise groups. From both definitions can be seen that residency is often but not always the nationality of the UCI. The ‘nationality’ of the UCI is defined as the country where the main decision-making centre is located, which is most often the country where the headquarters are located.

Box 1.8 Consistent definitions in other EU legislation

A domestically controlled enterprise group is a multinational group controlled by a group head [UCI] that has its headquarters resident in the country compiling the business register.

The concept of “nationality of the group” should be used to refer to the country where the main decision-making centre is located. Most often this is the country where the headquarters are located. This is often but no always the country of registration of the group head [UCI].

¹¹ The determination of control/ownership structures allows identifying also the country of the first foreign parent, also known as first shot or immediate foreign owner. The first shot is defined in the BRRM (see glossary) as “the first enterprise outside the Member State in an affiliate ownership chain that has an ownership or more than 50% of the ordinary shares or the equivalent in the case of an unincorporated enterprise.” The UCI criterion is clearly preferable in terms of significance for the geographical allocation of FATS variables, because it assigns the foreign affiliate to the country of the real controller. Moreover, if the UCI turns out to be in the same compiling country a unit that may appear to be a foreign affiliate can instead be correctly treated as controlled by the compiling country.

A study made by unit D3 of Eurostat with Inward FATS based on first shot data and UCI data (presented in the Task Force FATS on 14 September 2000) has shown that the first shot method overestimates EU-control and underestimates Non-EU-control by American and Japanese investors. This result is mainly due to investment via the Netherlands.

On the other hand, the UCI may be difficult to apply because it requires information on control/ownership structures outside the compiling country that may be not readily available for the compiling country.

However, the Inward FATS pilot studies within the framework of the SBS-R have proven that a breakdown according to the concept of UCI is possible. It has been shown convincingly that the data can be collected, that the statistics can be produced in a cost-effective way and that the results are of high interest to users in and outside the European Commission.

The Ultimate Beneficial Owner (UBO) concept used in certain manuals (in particular in the MSITS), is closer to the concept of ownership than that of control. To find the UBO it has to be proceeded up along the chain of ownership. As ownership of 10% or more of the equity of the enterprise (and not control) is taken into account, there can be several UBOS.

I.3 CHARACTERISTICS¹²

I.3.1 ALLOCATION OF VALUES

Box I.9 Recommendation for the allocation of values

100% of values should be allocated to one country even if it does not exercise full ownership.

Values should be attributed to one country only. Neither splitting of values according to shares of ownership, nor double-counting is recommended. As an example, if institutional units A and B are identified as the foreign shareholders of an enterprise in country C, with respective shares of 80% and 20%, then the total values of characteristics such as *Turnover* should be allocated to the country where A is resident in this instance.

The allocation of 100% of the values to two or more countries would result in double-counting. In addition, splitting of values should not be used. All owners would be captured but values would be inconsistent with the enterprise counts. A similar method not to be recommended, that combines the first two methods, is the allocation of the UCI to the country with the highest share of ownership and splitting the values equally between the controlling enterprises according to their percentages of ownership. Although all controlling enterprises are captured, this would lead to inconsistencies with enterprise counts and with the rule concerning the allocation of values. It would not reflect any notion of control anymore.

This recommendation is consistent with the HEGI, where paragraph 299 on p. 102 states that “*the notion of control allows all of a company’s activities to be attributed to the controlling investor. This means that variables such as a company’s turnover, staff or exports are all attributed to the controlling investor and the country from which he comes.*”

I.3.2 REFERENCE PERIOD

Box I.10 Recommendation for the reference period for the economic characteristics

The reference period is the calendar year. This is defined for inward FATS in the FATS-R, Annex I, Section 4.

As a matter of principle, all characteristics should refer to the calendar year. However, it should be noted that most characteristics are compiled from already existing data. For these characteristics the reference period has to be taken as a given and might not always coincide with the calendar year. Specific recommendations for individual characteristics are given in the definitions (I.3.3).

Member States should specify in the methodological notes, if they compile data on calendar, fiscal or accounting year basis.

¹² The terms “characteristics” and “variables” are used interchangeably.

I.3.3 DEFINITIONS

The characteristics are defined in Commission Regulation (EC) No 1670/2003 of 1 September 2003 implementing Council Regulation (EC, Euratom) No 58/97 with regard to the definitions of characteristics for structural business statistics and amending Regulation (EC) No 2700/98 concerning the definitions of characteristics for structural business statistics¹³.

Box I.11 Definition of *Number of enterprises* (11 11 0)

A count of the number of enterprises registered to the population concerned in the business register corrected for errors, in particular frame errors. Dormant units are excluded. This statistics should include all units active during at least a part of the reference period.

For the enterprises defined in section 3 of Annex 7 to Regulation (EC, Euratom) No 58/97 [pension funds, NACE REV. 1.1 class 66.02] this characteristic shall also comprise pension funds that do not employ personnel. It shall also include pension funds which are not established as legal entities and which are managed by pension fund management companies, insurance enterprises or other financial institutions (without however being covered by the annual accounts of these institutions). This characteristic shall however not include the number of pension funds which are not established separately from the sponsoring undertaking or trade (i.e. the non-autonomous pension funds or the book reserve system normally managed as an ancillary activity by the employer).

The second paragraph in box I.11 is from Commission Regulation (EC) No 1670/2003 of 1 September 2003 implementing Council Regulation (EC, Euratom) No 58/97 with regard to the definitions of characteristics for structural business statistics and amending Regulation (EC) No 2700/98 concerning the definitions of characteristics for structural business statistics.¹⁴

For *pension funds (NACE Rev. 1.1 class 66.02)* variable 11 11 0 refers to the number of pension funds. On the one hand, pension funds often do not have employees of their own. These pensions fund should nevertheless be considered here. On the other hand not all pension funds are incorporated. Pension funds constituted under the law of contract (as common funds managed by management companies) or trust law (trusts) should also be considered. Pension funds may carry out one or more schemes.

The characteristic “*Number of enterprises*” was specified more in detail for pension funds in Council Regulation concerning the definitions for SBS (see definition above). For more information please see the methodological manual for pension funds statistics¹⁵.

For *credit institutions (NACE Rev. 1.1 classes 65.12 and 65.22)* all enterprises that are registered, authorised and supervised as credit institutions at the end of the reference period are covered (including those credit institutions which are on a run-off). For more information please see the methodological manual for credit institutions¹⁶.

¹³ OJ L 244, 29.9.2003, p. 57.

¹⁴ OJ L 244, 29.9.2003, p. 74.

¹⁵ See bibliography.

¹⁶ See bibliography.

Box I.12 Definition of *Turnover* (12 11 0)

Turnover comprises the totals invoiced by the observation unit during the reference period, and this corresponds to market sales of goods or services supplied to third parties.

Turnover includes all duties and taxes on the goods or services invoiced by the unit with the exception of the VAT invoiced by the unit vis-à-vis its customer and other similar deductible taxes directly linked to turnover.

It also includes all other charges (transport, packaging, etc.) passed on to the customer, even if these charges are listed separately in the invoice. Reduction in prices rebates and discounts as well as the value of returned packing must be deducted.

Incomes classified as other operating income, financial income and extraordinary income in company accounts is excluded from turnover. Operating subsidies received from public authorities or the institutions of the European Union are also excluded.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics - *Indirect taxes* can be separated into three groups:

- The first comprises VAT and other deductible taxes directly linked to turnover which is excluded from turnover. These taxes are collected in stages by the enterprise and fully borne by the final purchaser.
- The second group concerns all other taxes and duties linked to products which are either (1) linked to turnover and not deductible or (2) taxes on products not linked to turnover. Included here are taxes and duties on imports and taxes on the production, export, sale, transfer, leasing or delivery of goods and services or as a result of their use for own consumption or own capital formation.
- The third group concerns taxes and duties linked to production. These are compulsory, unrequited payments, in cash or kind which are levied by general government, or by the institutions of the European Union, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production irrespective of the quantity or the value of goods and services produced or sold.

For the enterprises defined in section 3 of Annex 5 [*insurance sector (NACE Rev. 1.1 division 66 except class 66.02)*] to Regulation (EC, Euratom) No 58/97, the corresponding title of this characteristic is “Gross premiums written”. This characteristic is defined in Article 35 of Directive 91/674/EEC.”

For the enterprises defined in section 3 of Annex 7 [*pension funds (NACE Rev. 1.1 class 66.02)*] to Regulation (EC, Euratom) No 58/97, the corresponding title of this characteristic is “Total pension contributions”. This characteristic shall comprise all pension contributions due during the financial year in respect of pension contracts, such as all mandatory contributions, other regular contributions, voluntary additional contributions, incoming transfers, other contributions.

Link to company accounts:

Turnover as defined above for statistical purposes comprises the accounting heading ‘Net turnover’.

Link to other characteristics:

- *Turnover* is used in the calculation of *Production value* (12 12 0) and other aggregates and balances,
- *Turnover* may be broken down by activity, *Turnover from* (i) *the principal activity*, (ii) *industrial activities*, (iii) *trading activities of purchase and resale*, (iv) *intermediary activities (agents)*, (v) *other service activities* (18 11 0 to 18 15 0),

- *Turnover* may be broken down by product type: *Breakdown of turnover by product type* (18 21 0)
- *Turnover* may be broken down by type of customer: *Percentage share of turnover to* (i) *retail traders* (25 11 1), (ii) *professional users* (25 11 2), (iii) *final customers* (25 11 3).

For the enterprises defined in Section 3 of Annex 5 [*insurance sector (NACE Rev. 1.1 division 66 except class 66.02)*] to Regulation (EC, Euratom) No 58/97, “Gross premiums written” (12 11 0) is calculated as follows:

Gross direct premiums written (12111),
+ Gross reinsurance premiums accepted, written premiums (12112).

“Gross premiums written” is used in the calculation of “Gross premiums earned” (32110) and other aggregates and balances.

For the enterprises defined in Section 3 of Annex 7 [pension funds, NACE REV. 1.1 class 66.02] of Regulation (EC, Euratom) No 58/97, “Total pension contribution” is calculated as follows:

Pension contributions receivable from members (48001),
+ Pension contributions receivable from employers (48002),
+ Incoming transfers (48003),
+ Other pension contributions (48004);

or:

Pension contributions to defined benefit schemes (48005),
+ Pension contributions to defined contribution schemes (48006),
+ Pension contributions to hybrid schemes (48007).

Pension contributions receivable from members (48 00 1):

This variable shall comprise all pension contributions from members, due during the financial year, in respect of pension contracts, including all mandatory contributions, other regular contributions and voluntary additional contributions.

Pension contributions receivable from employers (48 00 2)

This variable shall comprise all pension contributions from employers, due during the financial year, in respect of pension contracts, including all mandatory contributions, other regular contributions and voluntary additional contributions.

Incoming transfers (48 00 3):

This variable shall comprise all incoming transfers. Those transfers are usually received from other pension funds or insurance companies. When an employee changes employer he often has the choice to transfer the amounts of pension rights constituted at the pension fund or insurance scheme of his former employer to the pension fund of the new employer.

Other pension contributions (48 00 4):

This variable shall comprise all other pension contributions, due during the financial year, in respect of pension contracts (e.g. contributions from central or local governments, from individuals and associations).

Pension contributions to defined benefit schemes (48 00 5):

This variable shall comprise all pension contributions receivable by defined benefits schemes, due during the financial year, in respect of pension contracts, including all regular, voluntary and other contributions.

Pension contributions to defined contribution schemes (48 00 6):

This characteristic shall comprise all pension contributions receivable by defined contributions schemes, due during the financial year, in respect of pension contracts, including all regular, voluntary and other contributions.

Pension contributions to hybrid schemes (48 00 7):

This variable shall comprise all pension contributions receivable by hybrid schemes, due during the financial year, in respect of pension contracts, including all regular, voluntary and other contributions.

Note: Hybrid schemes are schemes with elements of both defined schemes and defined contributions schemes.

For *financial auxiliaries (NACE Rev. division 67) Turnover* (or the totals invoiced by the observation unit during the reference period) corresponds with the commissions receivable for the services they rendered during the financial year.

Box I.13 Definition of *Production value* (12 12 0)

The production value measures the amount actually produced by the unit, based on sales, including changes in stocks and the resale of goods and services.

The production value is defined as turnover, plus or minus the changes in stocks of finished products, work in progress and goods and services purchased for resale, minus the purchases of goods and services for resale, plus capitalised production, plus other operating income (excluding subsidies). Income and expenditure classified as financial or extraordinary in company accounts is excluded from production value. Included in purchases of goods and services for resale are the purchases of services purchased in order to be rendered to third parties in the same condition.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

For the enterprises defined in Section 3 of Annex 6 [credit institutions (NACE Rev. 1.1 classes 65.12 and 65.22)] to Regulation (EC, Euratom) No 58/97, the *Productions value* is defined as interest receivable and similar income, less interest payable and similar charges, plus commissions receivable, plus income from shares and other variable-yield securities, plus net profit or net loss on financial operations, plus other operating income.

Note: capitalised production includes the own-account production of all goods that are retained by their producers as investment. The latter includes the production of fixed tangible assets (buildings etc.) as well as intangible assets (development of software etc.). Capitalised production is unsold production and is valued at production cost. Note that these capital goods are also to be included in investment.

Note: other operating income is a company accounting heading. The contents of this heading may vary between sectors and over time and as such cannot be defined precisely for statistical purposes.

Link to company accounts:

The components of *Production value* are included in the following accounting headings:

- Net turnover,
- Part of other operating income - excluding subsidies,
- Variation in stocks of finished goods and work in progress, part of raw material and consumables relating to purchases and change in stocks of goods for resale,
- Work performed by the undertaking for its own purposes and capitalised.

Link to other variables:

Production value is based on

Turnover (12 11 0),

- +/- *Change in stocks of finished products and work in progress manufactured by the unit* (13 21 3),
- +/- *Change in stocks of goods and services purchased for resale in the same condition as received* (13 21 1),
- *Purchases of goods and services purchased for resale in the same condition as received* (13 12 0),
- + Capitalised production,
- + Other operating income (excluding subsidies).

Production value is used in the calculation of *Value-added at factor cost* (12 15 0) and other aggregates and balances.

For the enterprises defined in Section 3 under Annex 6 [credit institutions (NACE Rev. 1.1 classes 65.12 and 65.22)] of Regulation (EC, Euratom) No 58/97, *Production value* is calculated as:

- Interest receivable and similar income (42 11 0),
- Interest payable and similar charges (42 12 0),
- + Commissions receivable (42 14 0),
- + Income from shares and other variable-yield securities (42 13 1),
- + Net profit or net loss on financial operations (42 20 0),
- + Other operating income (42 31 0).

For the enterprises of NACE class 65.11 (Central Banking), the *Production value* is defined as interest receivable and similar income, less interest payable and similar charges, plus commissions receivable, plus income from shares and other variable-yield securities, plus net profit or net loss on financial operations, plus other operating income.

All the profit-and-loss variables necessary for the calculation of *Production value* for credit institutions are defined in Directive 86/635/EEC.¹⁷

The *Production value* for *other financial intermediation* (NACE Rev. 1 group 65.2) is defined in the same way as for credit institutions. The same definition of production value for other financial intermediation activities as for credit institutions is relevant for the NACE classes 65.21 (financial leasing) and 65.22 (other credit granting). For the enterprises of NACE class 65.23 this definition is perhaps less relevant:

¹⁷ Please see Annex III of the above mentioned Commission Regulation (EC) No 1670/2003.

- securities and derivatives dealers (own account): their production value will mainly be determined by the income from securities and the net profit or loss on financial operations. This seems reasonable as they use this income for paying their operational costs.
- financial holdings: their production value will mainly be determined by the income from securities (and net profit or loss on financial operations) as well as possibly by commissions receivable (management fees they receive from the companies they are controlling)
- mutual funds: EUROSTAT feels that the definition proposed is perhaps inadequate for this kind of enterprises. Incorporated mutual funds (e.g. SICAV) receive commissions for the services they render to the participants. *The production value will be limited to the commissions receivable by the mutual fund itself* (and not the company managing the fund).

By limiting the *Production value* to the commissions receivable we suppose that the income from the investments of the fund is in its entirety attributed to the holders of units in the mutual funds (although in practice, this is not always the case since some of the operational costs of the mutual fund are paid from the proceeds of the investments).

N.B. The calculation of the production value for mutual funds corresponds with the general calculation method for NACE 65.2 in so far as the ‘interest and similar costs’ that is subtracted in the calculation for other activities of NACE 65.2 is interpreted for mutual funds as all income attributed to holders of units in mutual funds. As we suppose that all income from investment is attributed to the holders of units this equals interest and similar income + income from securities + net profit or loss on financial operations.

Box I.14 Definition of *Value added at factor cost* (12 15 0)

Value added at factor cost is the gross income from operating activities after adjusting for operating subsidies and indirect taxes.

It can be calculated from turnover, plus capitalised production, plus other operating income, plus or minus the changes in stocks, minus the purchases of goods and services, minus other taxes on products which are linked to turnover but not deductible, minus the duties and taxes linked to production. Alternatively it can be calculated from gross operating surplus by adding personal costs.

Income and expenditure classified as financial or extraordinary in company accounts is excluded from value added.

Value added at factor cost is calculated ‘gross’ as value adjustments (such as depreciation) are not subtracted.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

Indirect taxes can be separated into three groups. See definition of *Turnover*.

Link to company accounts:

Value added at factor cost can be calculated directly from the following accounting headings:

- Net turnover,
- Variation in stocks of finished goods and work in progress,
- Work performed by the undertaking for its own purposes and capitalised,
- Raw materials and consumables,

- Other external charges,
- Other operating charges,
- Other operating income.

Link to other variables:

Value added at factor cost is based on

Turnover (12 11 0),

- +/- Changes in stocks of goods and services (13 21 0),
- + Capitalised production,
- + Other operating income,
- Purchases of goods and services (13 11 0),
- Other taxes on products which are linked to turnover but not deductible,
- Duties and taxes linked to production.

Value added at factor cost is used in the calculation of *Gross operating surplus* (12 17 0) and other aggregates and balances.

Box I.15 Definition of *Total purchases of goods and services* (13 11 0)

Total purchases of goods and services include the value of all goods and services purchased during the accounting period for resale or consumption in the production process, excluding capital goods the consumption of which is registered as consumption of fixed capital. The goods and services concerned may be either resold with or without transformation, completely used up in the production process or, finally, be stocked.

Included in these purchases are the materials that enter directly into the goods produced (raw materials, intermediary products, components), plus non-capitalised small tools and equipment. Also included are the values of ancillary materials (lubricants, water, packaging, maintenance and repair materials, and office materials) as well as energy products. Included in this variable are the purchases of materials made for the production of capital goods by the unit.

Services paid for during the reference period are also included regardless of whether they are industrial or non-industrial. In this figure are payments for all work carried out by third parties on behalf of the unit including current repairs and maintenance, installation work and technical studies. Amounts paid for the installation of capital goods and the value of capitalised goods are excluded.

Also included are payments made for non-industrial services such as legal and accountancy fees, patents and licence fees (where they are not capitalised), insurance premiums, costs of meetings of shareholders and governing bodies, contributions to business and professional associations, postal, telephone, electronic communication, telegraph and fax charges, transport services for goods and personnel, advertising costs, commissions (where they are not included in wages and salaries), rents, bank charges (excluding interest payments) and all other business services provided by third parties. Included are services which are transformed and capitalised by the unit as capitalised production.

Expenditure classified as financial expenditure or extraordinary expenditure in company accounts is excluded from the total purchases of goods and services.

Purchases of goods and services are valued at the purchase price excluding deductible VAT and other deductible taxes linked directly to turnover.

All other taxes and duties on the products are therefore not deducted from the valuation of the purchases of goods and services. The treatment of taxes on production is not relevant in the valuation of these purchases.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristic:

Link to company accounts:

Purchases of goods and services can be calculated from the accounting headings:

- Raw materials and consumables (before account is made of changes in stocks of goods and services)
- Other external charges (before account is made of changes in stocks of goods and services),
- Part of other operating charges, the part included here concerns payments for goods and services not included in the two headings above (raw material and consumables and other external charges). The part not included here concerns the payment of taxes on production.

Link to other variables:

Total purchases of goods and services for resale in the same condition as received (12 15 0) and other aggregates and balances.

Many items included within *Total purchases of goods and services* are identified separately

- Purchases of goods and services purchased for resale in the same condition as received (13 12 0)
- Operating costs linked to buildings and equipment (13 41 0), Cost of selling (13 42 0), other operating costs (13 43 0).
Note that these three variables, when combined with variables 13 12 0 above are an exhaustive breakdown of total purchases of goods and services for enterprises in wholesale and retail trade,
- Payments for agency workers (13 13 1),
- Payments for long-term rental and operational leasing of goods (13 41 1),
- Purchases of energy products (20 11 0 and 20 21 0 to 20 31 0),
- Percentage share of purchases from wholesalers and purchasing groups (25 21 1) and Percentage share of purchases from producers (25 21 2).

Box I.16 Definition of *Purchases of goods and services purchased for resale in the same condition as received* (13 12 0)

Purchases for resale are purchases of goods for resale to third parties without further processing. It also includes purchases of services by 'invoicing' service companies, i.e. those whose turnover is composed not only of agency fees charged on a service transaction (as in case of estate agents) but also the actual amount involved in the service transaction, e.g. transport purchases by travel agents. The value of goods and services which are sold to third parties on a commission basis are excluded since these goods are neither bought nor sold by the agent receiving the commission.

When services for resale are referred to here, the services concerned are the output from service activities, rights to use predetermined services, or physical supports for services. Purchases of goods and services purchased for resale in the same condition as received are valued at the purchase price excluding deductible VAT and other deductible taxes linked directly to turnover. All other taxes and duties on the products are therefore not deducted from the valuation of the purchases of goods and services.

The treatment of taxes on production is not relevant in the valuation of these purchases.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

Link to company accounts:

Purchases of goods and services purchased for resale in the same condition as received may not be isolated in company accounts. It is a part of:

- Raw materials and consumables,
- Other external charges,
- Other operating charges.

Link to other variables:

Part of *Total purchases of goods and services* (13 11 0)

Purchases of goods and services purchased for resale in the same condition as received is used in the calculation of *Gross margin on goods for resale* (12 13 0), in *Production value* (12 12 0) and other aggregates and balances.

Box I.17 Definition of *Personnel costs* (13 31 0)

Personnel costs are defined as the total remuneration, in cash or kind, payable by an employer to an employee (regular or temporary employees as well as home-workers) in return for work done by the latter during the reference period. *Personnel costs* also include taxes and employees' social security contributions retained by the unit as well as the employer's compulsory and voluntary social contributions.

Personnel costs are made up of:

- Wages and salaries,
- Employers' social security costs.

All remuneration paid during the reference period is included, regardless of whether it is paid on the basis of working time, output or piecework, and whether it is paid regularly or not. Included are all gratuities, workplace and performance bonuses, ex gratia payments, 13th month pay (and similar fixed bonuses), payments made to employees in consideration of dismissal, lodging, transport, cost of living and family allowances, commissions, attendance fees, overtime, night work, etc. as well as taxes, social security contributions and other amounts owed by the employees and retained at source by the employers.

Also included are the social security costs for the employer. These include employer's social security contributions to schemes for retirement pensions, sickness, maternity, disability, unemployment, occupational accidents and diseases, family allowances as well as other schemes. These costs are included regardless of whether they are statutory, collectively agreed, contractual or voluntary in nature.

Payments for agency workers are not included in *Personnel costs*.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

Link to company accounts:

Personnel costs can be calculated directly from the following accounting headings:

Staff costs, which is the sum of the headings wages and salaries and social security costs.

Link to other variables:

Personnel costs is based on

Wages and salaries (13 32 0),
+ *Social security costs* (13 33 0).

Personnel costs is used in the calculation of *Gross operating surplus* (12 17 0) and other aggregates and balances.

Box I.18 Definition of *Gross investment in tangible goods* (15 11 0)

Investment during the reference period in all tangible goods. Included are new and existing tangible capital goods, whether from third parties or produced for own use (i.e. capitalised production of tangible capital goods), having a useful life of more than one year including non-produced tangible goods such as land. The threshold for the useful life of a good that can be capitalised may be increased according to company accounting practices where these practices require, a greater expected useful life than the one-year threshold indicated above.

All investments are valued prior to (i.e. gross of) value adjustments, and before the deduction of income from disposals. Purchased goods are valued at purchase price, i.e. transport and installation charges, fees, taxes and other costs of ownership transfer are included. Own produced tangible goods are valued at production cost. Goods acquired through restructuring (such as mergers, take-overs, break-ups, split-off) are excluded. Purchases of small tools which are not capitalised are included under current expenditure.

Also included are all additions, alterations, improvements and renovations which prolong the service life or increase the productive capacity of capital goods.

Current maintenance costs are excluded as in the value and current expenditure on capital goods used under rental and lease contracts. Investments in intangible and financial assets are excluded.

Concerning the recording of investments where the invoicing, delivery, payment, and first use of the goods may take place in different reference periods, the following method is proposed as an objective:

Investments are recorded when the ownership is transferred to the unit that intends to use them. Capitalised production is recorded when produced. Concerning the recording of investments made in identifiable stages, each part-investment should be recorded in the reference period in which they are made.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

In practice this may not be possible and company accounting conventions may mean that the following approximations to this method need to be used:

- Investments are recorded in the reference period in which they are delivered,
- Investments are recorded in the reference period in which they enter into the production process,
- Investments are recorded in the reference period in which they are invoiced,
- Investments are recorded in the reference period in which they are paid for.

Link to company accounts:

Investment is not recorded in the balance sheet. However, the additions, disposals and transfers of all fixed assets as well as the value adjustments of these fixed assets are shown in the balance sheet or the notes to the accounts.

Tangible goods are listed in company accounts under fixed assets - tangible assets.

Link to other variables:

Gross investment in tangible goods is based on:

- Gross investment in land (15 12 0),
 + Gross investment in existing buildings and structures (15 13 0),
 + Gross investment in construction and alteration of buildings (15 14 0),
 + Gross investment in machinery and equipment (15 15 0).

Box I.19 Definition of *Number of persons employed* (16 11 0)

Number of persons employed is defined as the total number of persons who work in the observation unit (inclusive of working proprietors, partners working regularly in the unit and unpaid family workers), as well as persons who work outside the unit who belong to it and are paid by it (e.g. sales representatives, delivery personnel, repair and maintenance teams). It includes persons absent for a short period (e.g. sick leave, paid leave or special leave), and also those on strike, but not those absent for an indefinite period. It also includes part-time workers who are regarded as such under the laws of the country concerned and who are on the payroll, as well as seasonal workers, apprentices and home workers on the payroll.

The *Number of persons employed* excludes manpower supplied to the unit by other enterprises, persons carrying out repair and maintenance work in the equity unit on behalf of other enterprises, as well as those on compulsory military services.

Unpaid family workers refer to persons who live with the proprietor of the unit and work regularly for the unit, but do not have a contract of service and do not receive a fixed sum for the work they perform. This is limited to those persons who are not included on the payroll of another unit as their principal occupation.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

In order to check the comparability of data, it is necessary to indicate whether voluntary workers have been included under this heading or not.

Link to company accounts:

Number of persons employed is recorded in the notes on the company accounts (Article 43(8)).

Link to other variables:

Number of persons employed may be broken down into the number of employees (16 13 0) and unpaid workers.

If the *Number of persons employed* is not available, the *Number of employees* should be compiled instead.

Box I.20 Definition of *Number of employees* (16 13 0)

Number of employees is defined as those persons who work for an employer and who have a contract of employment and receive compensation in the form of wages, salaries, fees, gratuities, piecework pay or remuneration in kind.

The relationship of employer to employee exists when there is an agreement, which may be formal or informal, between an enterprise and a person, normally entered into voluntarily by both parties, whereby the person works for the enterprise in return for remuneration in cash or kind.

A worker is considered to a wage or salary earner of a particular unit if he or she receives a wage or salary from the unit regardless of where the work is done (in or outside the production unit). A worker from a temporary employment agency is considered to be an employee of the temporary employment agency and not of the unit (customer) in which they work.

In particular the following are considered as employees:

- Paid working proprietors,
- Students who have a formal commitment whereby they contribute to the unit's process of production in return for remuneration and/or education services,
- Employees engaged under a contract specifically designed to encourage the recruitment of unemployed persons,
- Home workers if there is an explicit agreement that the home worker is remunerated on the basis of the work done and they are included on the payroll.

Number of employees includes part-time workers, seasonal workers, and persons on strike or on short-term leave, but excludes those persons on long-term leave.

Number of employees does not include voluntary workers.

Number of employees is calculated in the same manner as the number of persons employed, namely as the number of jobs and is measured as an annual average.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

Link to other variables:

Part of the *Number of persons employed* (16 11 0),

Many categories of employees are identified separately

- *Number of part-time employees* (16 13 1)
- *Number of apprentices* (13 13 2)
- *Number of homeworkers* (16 13 5)

Box I.21 Definition of Total intra-mural R & D expenditure (22 11 0)

Research and experimental development comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications.

Intra-mural expenditures are all expenditures for R & D (Research & Development) performed within the unit, regardless of the source of funds.

R & D must be distinguished from expenditures for a wide range of related activities. The following are therefore excluded from R & D expenditure:

- expenditures on education and training
- expenditures on other scientific and technological activities (E.g. information services, testing and standardisation, feasibility studies etc.)
- expenditures on other industrial activities (E.g. industrial innovations n.e.s.)
- expenditures on purely financing activities (other administration and other indirect supporting activities are included).

Intra-mural expenditures are valued at production cost and include all operating costs including the labour cost and capital expenditure.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

Link to company accounts:

Research and development expenditure may, depending upon national laws, be recorded in one of three places: movements in intangible assets, movements in tangible assets or operating expenditure.

If under national law it may be partly or completely capitalised the expenditure is included in the movement of the intangible assets included in company accounts under *Fixed assets - intangible assets - costs of research and development*.

If under national law it is only partially capitalised or not capitalised at all, the current expenditure is part of *Raw materials and consumables, other external charges, staff costs and other operating charges* and the capital expenditure is included in the movement of the tangible assets included in company accounts under *Fixed assets - tangible assets*.

Box I.22 Definition of *Total number of R & D personnel* (22 12 0)

Research and experimental development comprise creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications.

All persons employed directly on Research & Development (R & D) should be counted, as well as those providing direct services such as R & D managers, administrators and clerical staff. Those persons providing an indirect service, such as canteen and security staff, should be excluded, even though their wages and salaries are included as an overhead in the measurement of expenditure.

R & D personnel must be distinguished from personnel for a wide range of related activities. The following are therefore excluded from R & D personnel:

- personnel employed on education and training
- personnel employed on other scientific and technological activities (E.g. information services, testing and standardisation, feasibility studies etc.)
- personnel employed on other industrial activities (E.g. industrial innovations n.e.s.)
- personnel employed on administration and other indirect supporting activities.

It is further specified in the above mentioned legal basis for the definitions of SBS-characteristics:

Link to company accounts:

The *Total number of research and development personnel* may not be isolated in company accounts. It is part of the number of persons employed which is recorded in the notes on the company accounts (Article 43 (8) of Council Directive 78/660/EEC, OJ L 222, 14.8.1978, p. 11).

Link to other variables:

Part of the *Number of persons employed* (16 11 0)

Turnover, production value, number of persons employed¹⁸, personnel costs¹⁹ and gross investment in tangible goods²⁰ are also requested in the HEGI using the SBS-R definitions. For value added SNA and MSITS-Definitions are used in the HEGI, but it is not specified if it should be value added at factor costs, whilst in the definition of gross operating surplus the value added at factor cost is quoted.

In the FATS-R, value added at factor cost is used because it is available from SBS. SBS requests value added at factor cost because it is the concept which is provided by the enterprises, whilst value added at basic prices (which was collected in SBS on a voluntary basis some years ago but was removed from the regulation when the SBS-R was revised) is not available in the enterprises. In addition, value added at factor cost is necessary for the calculation of gross operating surplus. Furthermore, the opportunity for flexible use offered by the ESA allows the derivation from one variable to the other. In paragraph 9.24 of the ESA 1995 it is said “*Value added at factor cost* is not a concept in the ESA. Nevertheless,

¹⁸ They are labelled as number of people in employment in the HEGI, p. 94.

¹⁹ They are labelled as employee compensation in the HEGI, p. 95.

²⁰ They are labelled as gross fixed capital formation in the HEGI, p. 93.

it could be derived from value added at basic prices by subtracting other taxes less subsidies on production.” Hence, the National Accountant could derive value added at basic prices for ESA-purposes, whereas in enterprise statistics value added at factor cost is the only one which can be delivered by enterprises because for the calculation of value added at basic prices, duties and taxes have to be excluded from the accounting heading operating charges and operating subsidies from the accounting heading operating income.

Box I.23 Definition of *Exports and imports of goods and services*

For the definitions of “exports” and “imports” of foreign affiliates the general definitions as laid out in the “European System of Accounts 1995” apply :

“*Exports of goods and services* consist of transactions in goods and services (sales, barter, gifts or grants) from residents to non-residents.”(ESA 1995, 3.128.)

“*Imports of goods and services* consist of transactions in goods and services (purchases, barter, gifts or grants) from non-residents to residents.” (ESA 1995, 3.129.).

“*Imports and exports of goods* occur when there are changes of ownership of goods between residents and non-residents (whether or not there are also corresponding physical movements of goods across frontiers).” (ESA 1995, 3.132.).

“*Exports of services* consist of all services rendered by residents to non-residents.”

“*Imports of services* consist of all services rendered by non-residents to residents.”

It should be noted that, for the above definitions to be applicable to both inward and outward FATS, the concept of “residents” has to be interpreted in different ways. While for inward FATS, “residents” refers to the compiling country where the foreign affiliate is resident, for outward FATS it is defined as the host country where the foreign affiliate is located.

Goods and Services are defined as in ESA95.

Exports/imports of goods and services can be realised directly by the foreign affiliate or indirectly by the mean of other firms, such as wholesalers, that are resident in the same country and act in the behalf of the foreign affiliate. In this latter case no property right transaction must occur between resident firms.

In order to ensure the consistency with other economic variables collected at the firm level, export and import values should be evaluated at market prices, using the same criteria adopted to compile turnover or total purchase of goods and services², respectively.

International transactions other than the exchange of goods and services should not be considered as exports or imports. In particular, the service component (royalties, re-insurance) should be adjusted for financial transactions.



Since these definitions are rather general, a number of additional qualifications are necessary to allow for the proper application of the definitions. These qualifications include:

1. Specifications detailing which types of transactions are to be counted imports and exports²¹ of goods and services:²²
2. Provisions regarding the use of the “change of ownership” principle with a view to the recording imports and exports of goods:
3. Qualifications as regards the issue registration of exports of goods not physically crossing the country in question’s frontier.
4. Special cases of goods’ exports involving transactions between residents and non-residents
5. Non-inclusion of transactions into the imports and exports of goods categories despite the crossing national frontiers.
6. Specifications as regards the timing of the recording of imports and exports of goods and services
7. Provisions regarding the usage of the free on board (f.o.b.) valuation principle
8. Details as regards which types of transactions are to be counted as imports and exports of services

For all the above listed areas the recommendations of the European System of Accounts 1995 manual, most notably those on pp. 61/62 and 71/72 apply. In addition to the provisions listed above the question of the valuation principles for the trade transactions of foreign affiliates deserves special attention.

Valuation of transactions

As for the valuation of the exports and imports of goods and services, the basic idea should be to allow for comparability between the statistics of foreign affiliates’ imports and exports with the other Balance-of Payments-relevant statistics. This is an important requirement from the users’ side. In light of this the following approaches for trade in good and services are recommended:

Goods

For trade in goods the provisions of the ESA 1995 also with regard to the valuation of the export and import transactions, at least for goods. Therefore, in principle, as per the ESA 1995, imports and exports of goods are to be reported to EUROSTAT in the form of “free-on- board” (f.o.b.) at the border of the exporting country.

²¹ Imports and exports of goods and services should be distinguished into: a) Intra-EU deliveries (arrivals and dispatches based on INTRASTAT); b) Imports and exports outside the EU.
For convenience they will both be referred to as imports and exports here.

²² This provision deviates from the one cited in ESA1995 (3.130) in that it does not include “... deliveries to non-residents by non-resident affiliates of resident enterprises, e.g. sales abroad by foreign affiliates of a multinational owned/controlled by residents; ...”

The f.o.b. value consists of:

- the value of the goods at basic prices;
- plus the related transport and distributive services up to that point of the border, including the cost of loading on to a carrier for onward transportation (where appropriate);
- plus any taxes less subsidies on the goods exported; for intra-EU deliveries this includes VAT and other taxes on the goods paid in the exporting country. (ESA 1995 manual, article 3.138, p.59)

Services

For the trade in services' component the relevant provisions detailed in the MSITS apply whereby "market prices should be used as the basis for valuation of transactions in international trade in services" (art. 3.16, p.28).

It is recognized that compilers may face difficulties to compile data directly associated with these values. These refers in particular to the f.o.b. values for goods: the *Intrastat/Extrastat* data which would be the prime source for compilers in this regard, covers only trade in goods and is also only useful in the context of FATS data compilation for inward, but not for outward FATS.

Therefore, it is suggested that compilers, where f.o.b. values cannot be obtained directly, start with compiling data based on the basis of related variables stemming from Structural Business Statistics (SBS). In terms of exports this would be "turnover", while for imports "total purchase of goods and services" would be the relevant category (both as defined elsewhere in this manual). In a second step, the f.o.b. values to be reported to EUROSTAT can be estimated on the basis of these values using appropriate techniques which should be well documented in the meta-data accompanying the data transmission to EUROSTAT. (In terms of the estimation of f.o.b. values on the basis of turnover value, this could be done by multiplying the turnover values with a fixed factor/percentage representing the f.o.b factor). Again, EUROSTAT is in no position to prescribe a certain methodology, but insists on obtaining sufficient information on the applied methods.

The same approach would apply to the transformation of the mentioned SBS variables into "market prices" for services, although this should be much less complicated than in the case of trade in goods.

Link to company accounts

Exports and imports cannot normally be isolated in standard company accounts.

Link to other variables

Exports are a part of the turnover characteristic; Imports are a part of the total purchase of goods and services, with the relevant exception of the imports of instrumental goods.

Data sources

The data sources for inward and for outward FATS vary significantly concerning the trade characteristics. Therefore, more detailed description of the data sources can be found in sections II (inward) and III (outward).

Box I.24 Definition of *Intra-group exports and imports of goods and services*

The definitions of “exports” and “imports” of foreign affiliates as cited in box I.24 also apply to intra-group foreign affiliate exports and imports of goods and services.

Intra-group foreign affiliate exports and imports of goods and services are a subset of the overall imports and exports of foreign affiliates. Therefore, the same conceptual framework (ESA 1995) applies.

Intra-group exports and imports comprise of all trade transactions that take part between the foreign affiliate on the one side and, on the other side, all enterprise units that are located abroad and are controlled, directly or indirectly, by the same controlling unit as the foreign affiliate in question. This includes, of course, also transactions between the foreign affiliate and the controlling unit itself.

The location of the intra-group trading partner can be in-side as well as outside the territory of the EU. Excluded are trading partners that share the same country of residence as the foreign affiliate in question.

For a typology of the relevant trade links for inward and for outward FATS, see the figures II.3 in section II and III.7 in section III, respectively.

All other provisions applicable to the general exports and imports to of a foreign affiliate are also valid in the case of intra-group imports and exports of a foreign-affiliate.

There are, however, a few additional rules applicable in the event of special cases as referred to in chapter II and III of this manual:

1. In the event of a joint venture with an equal amount of shares controlling the foreign affiliate in question, only the import and export transactions between the foreign affiliate and the dominating partner in the joint venture and all its associated group members, respectively, would qualify.
2. In the case of the foreign affiliate itself being partner to a joint venture that would control other foreign affiliate(s), the ensuing import and export transaction would only qualify as per the definitions of this manual, if the foreign affiliate would be identified as the controlling /dominating partner in that joint venture.
3. In the event of a foreign affiliate, being part of a consortium exerting a multiple minority ownership over another foreign affiliate, its import or export transaction would only be included if it would account for the largest share of all members of that consortium.
4. In the case of a foreign affiliate, being itself subject to multiple minority ownership control, only the import and export transaction would qualify that take place between the foreign affiliate in question and the controlling unit(s) with the largest share and all its associated group members, respectively.

Potential pitfalls in the compilation of FATS trade indicators

There are a number of areas where compilers would have to be alert so as to avoid the occurrence of a systematic bias in the results:

1. Reporting units might include under exports sales of good and services to a domestic wholesaler which are destined for further sale abroad. This practise would result in over-estimations. Respondents should be alerted about this problem in advance.
2. Another issue on which respondents might need to be alerted has to do with the use of extra-/intrastat data. Since according to the recent nomenclature, “Intrastat” transactions are no longer called “imports” and exports”, responding firms using the data might be misled into thinking that the request refers to “Extrastat” data only. Again, this should be properly explained.
3. Another factor that needs to be kept in mind when using foreign trade data is that it typically does not include the service component which may be part of a transaction involving the delivery of goods (e.g. maintenance or training services related to the sales of a sophisticated machine). There is little which can be done about this problem, other than noting it and, if possible, to revert to alternative sources which may help to avoid this bias.
4. Another problem to watch out is the trade with other foreign-controlled affiliates resident in the same country as the foreign affiliate in question. This trade is essentially domestic and respondents should be informed that these transactions should not be included.
5. Concerning intra-group imports and exports transactions values might be distorted by transfer price practices. In theory, compilers should try and identify the market price equivalents of arm’s length transactions for intra-group imports and exports. In practice, this is not feasible. As the HEGI: “Unfortunately there is little statistical compilers can do about transfer pricing. So users must interpret intra-firm trade data cautiously in light of these considerations.” (chapter V, p.193)

I.4 QUALITY

I.4.1 GENERAL ASPECTS

Box I.25 Definition of Quality

Quality is defined by ISO standard 9000:2000 as the “degree to which a set of inherent characteristics fulfils requirements”. Quality is defined in EUROSTAT’s quality project with reference to several criteria.

Relevance: *an inquiry is relevant if it meets users’ needs. The identification of users and their expectations is therefore necessary.*

Accuracy: *closeness between the estimated value and the (unknown) true value.*

Timeliness and punctuality in disseminating results: *most users want up-to-date figures which are published frequently and on time at pre-established dates.*

Accessibility and clarity of the information: *statistical data have most value when they are easily accessible by users, are available in the forms users’ desire and are adequately documented.*

Comparability: *statistics for a given characteristic have the greatest usefulness when they enable reliable comparisons of values taken by the characteristic across space and time. The comparability component stresses the comparison of the same statistics between countries in order to evaluate the meaning of aggregated statistics at the European level.*

Coherence: *when originating from a single source, statistics are coherent in that elementary concepts can be combined reliably in more complex ways. When originating from different sources, and in particular from statistical surveys of different frequencies, statistics are coherent in so far as they are based on common definitions, classifications and methodological standards.*

Completeness: *domains for which statistics are available should reflect the needs and priorities expressed by the users of the European Statistical System.*

Quality of statistics can be determined by the extent to which they meet user needs.

Are FATS relevant? The FATS-R was proposed because of the needs of several users, and the concepts used are in line with the GATS (General Agreement in Trade and Services). The FATS-R is a compromise between users and data providers. The user need goes beyond what data compilers can provide.

Are FATS accurate? The general problem is that we do not know the true weight of foreign-controlled affiliates. The data raised to population totals are less representative for rare owners. This problem is substantially reduced at higher aggregated levels, such as intra-EU and extra-EU.

Are FATS timely and results disseminated punctually? For inward FATS the deadline is 20 months after the end of the reference year. This deadline is 2 months later than the deadline for SBS data, one of the most important data sources. It seems to be the earliest possible date for data compilers.

Are FATS accessible and is the information given clear? Inward and outward FATS are provided in EUROSTAT's free-of-charge dissemination database, and several (e.g. Statistics in Focus) publications.

Are FATS comparable? If the recommendations in this manual are followed, this helps to improve comparability. One remaining problem is that some Member States use cut-off thresholds which are different, other do not. The Metadata information will here help to improve the comparability.

Are FATS coherent? Inconsistencies could come into existence if the data have been produced from different sources and the definitions of variables and breakdowns do not match perfectly. Another problem might appear if the reference period is different, e.g. if some countries refer to actual calendar year and other to the accounting year which might differ from the calendar year.

Are data complete? The FATS-R was drafted to have data of all Member States of the European Union. The calculation of EU aggregates is essential for the main users of the statistics. The remaining problem is that not all economic sectors can be covered. Additional effort is necessary in many Member States for NACE section J and NACE activities M, N and O are not covered by the FATS-R.

1.4.2 NON-RESPONSE

The data compiler for FATS will face the problem of missing data. Two types of missing data could be distinguished:

- **item non response** and
- **unit non response**.

Item non response or partial non response might occur when the sampled units have not answered the relevant question(s) regarding foreign ownership and/or control.

More information can be found in the Handbook on the design and implementation of business surveys, page 151 onwards for item non-response methods and page 157 for unit non-response. Using of such methods can also be used to improve quality. The precision is increased by using auxiliary information.

Box I.26 Recommendation for the treatment of non-response

1) **Item non-response** should be handled with imputation. Estimates for the missing data should be sought and with these new values the data matrix would be complete. There are several possible methods:

- **Subjective treatment:** impute on the basis of value which appears reasonable. For example, one might deduce the labour costs if the number of employees is known.
- **Mean/modus imputation:** impute the mean of a variable or the modus (for categorical data). An alternative may be to impute the median in order to eliminate the effect of outliers.
- **Post stratification:** divide the sample into strata and then impute stratum mean/ modus/ median.
- **Cold deck imputation:** find reasonable estimates for the missing data in another data set, for instance a previous measurement (historic data) or another source close to the non-responding one (proxy data).
- **Hot deck imputation:** find a donor case in the data set. First make homogenous imputations classes and then select a donor at random.
- **Nearest neighbour imputation:** select a donor which is close to the non respondent according to some distance criterion. Or select one from the nearest group.
- **Regression imputation:** define predictor variables and estimate the missing value. Add random error to the prediction to compensate for underestimation of the variance. The predictor variables can also be chosen in an optimal way.
- **Predictive mean matching:** combination of the regression and nearest neighbour approach.
- **Multiple imputations:** impute several values for the missing variable in order to obtain better estimates for variance and covariance.
- **Simultaneous imputation:** impute different values from the same record to ensure consistency.

Which method applies best depends on the data sources used and the resources available in the NSI.

2) **Unit non-response** (and also expanding the sample to the population in case of cut-off thresholds) weights can be attached to a sample. Weights can be attributed before the data collection or after the data collection. This can be done by weighting or reweighting.

I.5 CONFIDENTIALITY

Box I.27 Recommendation for Confidentiality

Data should be flagged for primary and secondary confidentiality, clearly indicating the reason for confidentiality. EUROSTAT will do the disclosure control treatment for the EU aggregates.

EUROSTAT's outputs depend to a large degree on the quality and completeness of the data supplied by the Member States. The Council of the European Communities has adopted two pieces of legislation in order to make it possible for all Member States to transmit some of the data needed for the compilation of Community statistics.

- Council Regulation No 1588/90, on transmission of data subject to statistical confidentiality authorises national authorities to send confidential data to EUROSTAT. It also guarantees that the Commission will take all necessary measures to respect the confidentiality of such data. Confidentiality is defined in this Regulation as “*Data declared by Member States in line with national legislation or practices governing statistical confidentiality*”. National definitions differ to the extent that data that is confidential in one Member State may be publicly accessible in another. National rules on statistical confidentiality can not, however, be used to prevent transmission of specific data required under a Regulation. Confidential data in EUROSTAT's possession may only be disseminated when it has been combined with other data to ensure that individual units cannot be identified either directly or indirectly. This Regulation also provides for a Committee on Statistical Confidentiality (CSC), which defines data protection norms and ensures that all regulatory, technical and organisational measures are taken to guarantee the confidentiality of data transmitted to EUROSTAT.
- Council Regulation (EC, No 322/97, February 1997) on Community statistics - In Chapter V of this Regulation the definition of confidentiality is “*Data should be considered confidential when they allow statistical units to be identified either directly or indirectly and thereby disclosing individual information.*” To determine whether a statistical unit is identifiable, account shall be taken of all means that might reasonably be used by a third party to identify it.

Chapter V of the Council Regulation No 322/97 must be taken as the basis and Regulation 1588/90 as a complement, providing together a clear and comprehensive legal framework for the treatment of confidential data.

Article 13 of Council Regulation 322/97 defines how the decision about confidential data has to be taken. It is not up to Member States to decide which data are confidential. This decision is based on the “objective” criteria, i.e. the “identifiability” of statistical units, taking into account “all the means that might reasonably be used by a third party to identify the said statistical unit”.

Article 20 of Regulation 322/97 gives the Committee on Statistical Confidentiality - set up by Regulation 1588/90 - the responsibility “for the adoption of the measures necessary for the implementation of Chapter V”, making it the most influential forum for the development of statistical confidentiality.

The fundamental principles involved in statistical confidentiality are:

- Statistical data are to be considered confidential when they allow direct or indirect identification of the statistical units concerned.
- Confidential data are to be used exclusively for statistical purposes, unless the respondents have given their consent to the use for any other purposes.
- All the necessary regulatory, administrative, technical and organisational measures shall be taken to ensure the physical and logical protection of confidential data against unlawful disclosure and non-statistical use, including penal sanctions, if necessary, in order to prevent violations. Officials and other EUROSTAT staff and the national authorities having access to confidential data shall also be subject to this rule, even after the cessation of their functions.

The two main reasons for declaring data to be confidential are:

- Too few units in a cell
- Dominance of one or two units in a cell

The limits of what constitutes ‘too few’ or ‘dominance’ vary between Member States. Member States treat this primary confidentiality in a number of ways. The most common practice is to aggregate two or more NACE headings. These aggregations vary between the Member States, between data-sets, and over time. Alternatively some Member States simply suppress confidential data. This means that the data that is available corresponds to just one activity and not to an aggregate, the composition of which changes, but it does make the calculation of aggregates more difficult.

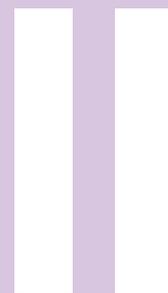
Confidential FATS data should be transmitted to EUROSTAT in accordance with the legal framework described.

Due to the fact that simultaneous breakdown by activity and geography leads to confidential cells, not all data can be disclosed at the national level. However, confidential data can be used for calculation of EU aggregates, which are necessary to fulfill user needs.

Data compilers should take into account the following links between datasets when doing the confidentiality treatment for inward FATS:

1. Inward FATS are often compiled as a subset of SBS. If a cell contains the same information for SBS and inward FATS, it should be marked as confidential either in both datasets or in none of them. This should be particularly checked when sending inward FATS, because it is sent two month later than SBS. When EUROSTAT publishes inward FATS, SBS has normally already been disseminated and it is too late to add flags to SBS.
2. Data compilers should also bear in mind that the two inward FATS datasets to be delivered and confidentiality should be consistent between both datasets.

Inward FATS



II.1 DEFINITIONS

II.1.1 STATISTICAL UNIT

Box II.1 Definition of the <i>Statistical unit</i> for the module inward FATS	
FATS-R, Annex 1, Art. 1	The statistical units are the enterprises and all branches, which are under foreign control according to the definition contained in Article 2.
FATS-R, Annex 1, Art. 2	“Enterprise”, “Local unit” and “Institutional unit” shall have the meaning attributed to it in Regulation (EEC) No 696/93 ¹ of 15 March 1993 ²³ on the statistical unit for the observation and analysis of the production system in the Community.
SUR, Annex, Section III, A	The enterprise is the smallest combination of legal units that is an organisational unit producing goods or services, which benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources.
FATS-R, Art. 2	“Branches” shall mean local units without separate legal entity, which are dependent on foreign owned enterprises. They are treated as quasi-enterprises.
Draft BR Regulation, Art. 3, paragraph 3	Local unit without separate legal entity (branches), which are dependent on foreign enterprises and classified as quasi-corporations [quasi-corporations] according to ESA95 and SNA93 principles, shall be treated as enterprises in the business registers.
SUR, Annex, Section III, F	The local unit is an enterprise or part thereof (e.g. a workshop, factory, warehouse, office, mine or depot), situated in a geographically identified place. At or from this place economic activity is carried out for which - save for certain exceptions – one or more persons work (even if only part-time) for one and the same enterprise.
Draft BR Regulation, Art. 3, paragraph 5	This Regulation shall apply only to units which exercise wholly or partially an economic activity. Any activity consisting in offering goods and services on a given market is an economic activity. Non-market services contributing to the gross domestic product, as well as direct and indirect holding of active legal units are regarded as economic activity for business registers purposes. Economically inactive legal units are part of an enterprise only in combination with economically active legal units.

Paragraph 7.17 BRRM explains the link between legal unit and enterprise: “Usually, an enterprise uses a single legal unit as its legal basis. But that is not always so: sometimes, several units combine to carry on a business activity. The usual forms that such associations take need to be analysed.” Paragraph 7.7 BRRM defines the legal unit as the “principal legal basis for a single enterprise (on national territory), although exceptions may be allowed for enterprises in the public administration sector”.

²³ OJ L 76, 30.3.1993, p. 1.

These definitions are consistent with the criteria used for the definitions in the SUR (Annex, Section II, 3.), where it is said that legal units include:

- **Legal persons** whose existence is recognised by law independently of the individuals or institutions which may own them or are member of them.
- **Natural persons** who are engaged in an economic activity in their own right.

It is further said that “the legal unit always forms, either by itself or sometimes in combination with other legal units, the legal basis for the statistical unit ‘enterprise’.”

The draft BR-R defines in Article 3, paragraph 5, that the following units should be covered:

- wholly or partially economically active units,
- units with market and non-market activities (contributing to the gross domestic product),
- direct and indirect holding of active legal units and
- economically inactive legal only in combination with economically active legal units (e.g. dormant parents with active affiliates).

The institutional unit has been defined in chapter I.2.4 of this Recommendations Manual.

Only branches with permanent addresses should be covered.

II.1.2 TARGET POPULATION

The target population is the conceptual population of units at which the survey is aimed and for which statistics should be produced.

Box II.2 Definition of *target population* for inward FATS

The target population as defined in the FATS-R are all enterprises and all branches under foreign control. To be able to compare with the whole business economy, the same breakdown is to be provided for the whole economy (aggregate A1) and the compiling country (aggregate A2).

OECD recommends its Handbook four target populations for multinational enterprises (Box 3.3, p. 100). Two of them are target populations for inward FATS, of which the first one are foreign-controlled affiliates without controlled affiliates abroad, and the second one are foreign-controlled affiliates with controlled affiliates abroad. The FATS-R makes no distinction if foreign-controlled enterprises in the economy control themselves enterprises abroad or not. The third and fourth OECD-target population of multinational enterprises are nationally-controlled enterprises with foreign affiliates abroad and without foreign affiliates (so-called non-multinational enterprises). The inward FATS aggregate A2 covers nationally-controlled enterprises without a distinction of having foreign affiliates abroad or not. The aggregate A1 covers all four OECD-target populations. There are no plans to change this in future, but Member States are however encouraged to collect the target populations separately.

Foreign control, enterprises and branches are defined in chapter I.2, definitions. The target population also includes the special cases, which are further defined in the following chapter.

II.2 SPECIAL CASES

II.2.1 GENERAL ASPECTS

Box II.3 Recommendations for the attribution of the country of UCI in cases of more than 50% in foreign hands but absence of majority ownership

In the absence of majority ownership, it must be ascertained whether there is effective minority control.

If this can be proven, the UCI should be attributed to one country.

If the enterprise is known as foreign-controlled by non-EU Member States but the country of UCI is not known, the UCI should be allocated to extra-EU not allocated enterprises (Z8).

If a proof for equally-shared control of UCIs of more than one Member State can be found, the UCI should be allocated to Z7.

The special cases are difficult to decide upon. Let us consider a case in which the entire ownership is in the hands of foreign investors, but none of them owns more than 50% and no proof for effective minority control can be found. This affiliate is obviously not nationally-controlled, and considering it as nationally-controlled would lead to underestimation of foreign control. According to the definition of control, simply knowing the percentage shareholding of each enterprise is not sufficient to find the UCI. It will be necessary to determine all possible links between foreign and national shareholders. In practice, the affiliate must be able to specify which shareholder controls it, even if the latter does not have majority ownership. The effort for case-by-case reviews (which include also the use of administrative sources or annual records) should be made for at least affiliates with a high value added or high impact in the compiling countries' economy.

A correct allocation in terms of control is the allocation to one country. A separate category is not recommended because it would possibly lead to more confidential cells. Therefore two special codes are foreseen in the FATS-R, Z7 and Z8, which should be used in marginal cases only in order not to lose too much information. Z7 should be used for enterprises controlled equally by enterprises located in more than one Member State. If the enterprise is known as foreign-controlled by non-EU Member States, but the country of the UCI is not known, it can be allocated to the Z8 (Extra-EU not-allocated enterprises).

If there is equally-shared control between enterprises in two Member States, the compiler should try to find out which enterprise controls and attribute to the Member State where the UCI is resident. In cases of equally-shared control of a Member State and an Extra-EU country, the data compiler has to decide using his knowledge of the legal framework in his country. It is likely that the distribution of shares or voting power is due to legal constraints and it is not self-evident that the UCI should be attributed to the EU Member State. For the situation that one controller is resident in an EU Member State, which is not known, and another outside the EU, but the country is not known, data compilers should decide based on their background information.

II.2.2 JOINT VENTURES WITH TWO FOREIGN OWNERS AND EQUALLY SPLIT OWNERSHIP

Box II.4 Recommendations for identifying the country of UCI in case of joint ventures with two foreign investors, in which each foreign investor holds 50% of the shares or voting power

The UCI should be attributed to one country.

It should be figured out whether there is a dominant controller. The recommended method is the use of administrative sources.

If this is not possible, additional sources like annual records should be used.

If this is not possible, the decision should be taken in co-operation with the controlled enterprise.

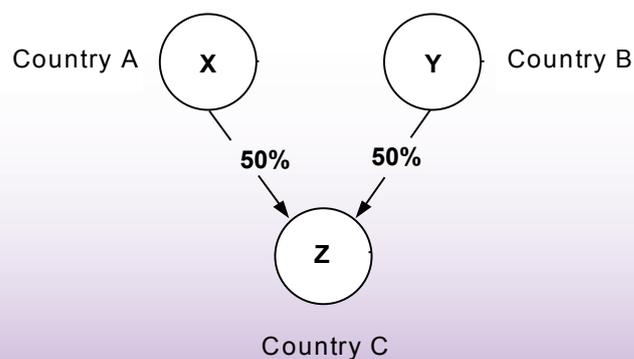
If the Member State or country where the UCI is resident can not be figured out, the UCI should be attributed either to Z7 or to Z8, depending whether the UCI is resident in the EU or not.

A joint venture is created according to paragraph 13.23 of the BRRM "when two or more independent enterprises agree to commit some of their resources to work together on a common project or towards a common goal."

The two enterprises may be located in different countries and the newly created one may be located in a third country or in one of the countries in which they are located. The assets may be split unequally or equally. The advantage of creating such a joint venture might be that they can become responsible for special tasks. It might be necessary to share the assets equally due to legal constraints.

If the assets are split unequally, there will be one majority owner and the general recommendations can be followed. If the assets are split equally, it should first be checked if both investors are foreign. If yes, then the enterprise can be seen as under foreign control as both enterprises are foreign. An attribution to the nationally-controlled enterprises would mean an underestimation of foreign control. If one investor is resident in the compiling country, the joint venture can be considered as under national control according to the foreign-national criterion, where control exerted by the foreign investor is considered as weaker than that of the national investor. But that is not always the case, if it is necessary to distribute shares or voting power equally due to legal constraints, one investor can still exert control.

Figure II.1 Example of joint venture





In Figure II.1 ownership is split equally and the investors are resident in different countries, here countries A and B. Although this situation tends to be infrequent, they could affect the statistics considerably, as they are usually rather big enterprises. Thus, it is important to identify the UCI, at least for enterprises with high value added or a high impact on the economy.

The UCI should be attributed to the dominant investor in by using administrative sources or, if the first is not possible, annual records. These methods would both be neutral. A third option would be to attribute the UCI in co-operation with the controlled affiliate. This solution would have the advantage that the enterprise must know who controls it, but it might be difficult to obtain a correct answer from the enterprise because the employees responsible for the completion of forms do often not have the required information.

All methods imply a case-by-case investigation that might not be possible for all Member States due to resource limitations although the cases of 50/50-joint ventures are rare. However, this effort should be made at least for enterprises with a high impact on the economy.

If the country of UCI can not be determined, the under II.2.1 described recommendation regarding the attribution to Z7 or Z8 should be followed.

II.2.3 MULTIPLE MINORITY OWNERSHIP WITH MORE THAN 50% FOREIGN OWNERSHIP

Box II.5 Recommendations for identifying the country of UCI in case of Multiple Minority Ownership with more than 50% foreign ownership

The UCI should be attributed to one country.

It should be figured out whether there is a dominant investor. The recommended method is the use of administrative sources.

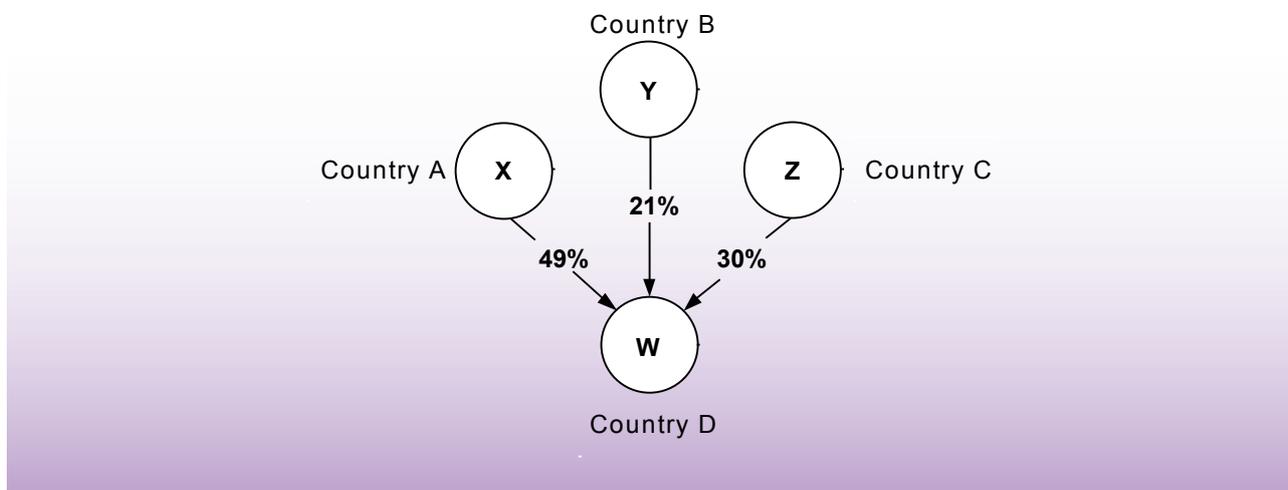
If this is not possible, additional sources like annual records should be used.

If this is not possible, the decision should be taken in co-operation with the controlled enterprise.

If the Member State or country where the UCI is resident can not be figured out, the UCI should be attributed either to Z7 or to Z8, depending whether the UCI is resident in the EU or not.

Multiple Minority Ownership is a case where an enterprise (W in our example) is owned by three foreign investors resident in different (foreign) countries (A, B and C in figure II.2) and none of the enterprises has 50% share of ownership or more. It would be an underestimation of foreign control to consider the enterprise as nationally-controlled, but it is difficult to identify effective minority control in practice. It is however important that the existence of such a situation is determined and that the links between the owning enterprises are rectified, at least for enterprises with a high impact on the economy.

The dominant investor should be identified, either by using administrative sources, additional sources like annual records or by contacting the enterprise. If the country of UCI can not be determined, the under II.2.1 described recommendation regarding the attribution to Z7 or Z8 should be followed.

Figure II.2 Example of multiple ownership with three foreign owners

II.2.4 NATURAL PERSONS AS OWNERS

Box II.6 Recommendations for the treatment of natural persons as owners

Natural persons should be included if they are engaged in an economic activity in their own right.

A simple form of non-national ownership by a physical person is an enterprise owned by a non-national person. According to the GATS the allocation is a simple process²⁴. According to the SUR, Section II, part A.3; legal units include natural persons who are engaged in an economic activity in their own right. It is foreseen in the forthcoming BR-R, that the same information is collected for all legal units including natural persons if they exercise wholly or partially an economic activity.

In some Member States the identification of natural persons as owners is difficult because their national BRs only include ownership details of corporate bodies and in other Member States cross border transactions by individuals are not readily identified by central banks.

If Member States can not identify natural persons in their population these enterprises will be included in the nationally-controlled data set and this underestimates foreign control. Effort should be made to include the natural persons as owners in the data collection.

Box II.7 Recommendation for holding companies set up abroad by natural persons

If the holding enterprise established abroad in turn controls an enterprise in the country of residence of the natural person, the country of UCI is clearly the country of residence of the natural person.

If the investor lives and become resident in the foreign country, the UCI should be attributed to the foreign country.

²⁴ The GATS states that ownership can take place by a natural or physical person as well as a judicial person.



Holding companies established abroad are a special case if they are set up by natural persons. There are two possible cases: Firstly, the holding enterprise in turn controls an enterprise in the country of residence of the natural person. In this case the country of UCI is clearly the country of residence of the natural person and not the country where the holdings company is located. Secondly, the investor could live and become resident in the foreign country. In the latter situation, the UCI should be attributed to the foreign country.

II.3 DELIVERABLES

II.3.1 DATA

As specified in the FATS-R (Annex 1, Section 3), two data sets are to be delivered:

Box II.8 Data sets to be delivered

The data sets to be delivered differ in the geographical and activity breakdown.

Data set “1G”

Variables²⁵ 11110, 12110, 12120, 12150, 13110, 13120, 13310, 15110, 16110, 16130, 22110, 22120

Country of UCI Geographical breakdown level 2-IN FATS-R
A1, A2, Z9, V1, BE, BG, CZ, DK, DE, EE, GR, ES, FR, IE, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK, Z7, V2, AU, CA, CH, CN, HK, IL, IS, JP, LI, NO, NZ, RU, TR, US, Z8, C4

Activity Activity breakdown level 3 FATS-R
BUS (= sum of C-I, K), C, D, DA, 15, 16, DB, 17, 18, DC, 19, DD, 20, DE, 21, 22, DF, 23, DG, 24, DH, 25, DI, 26, DJ, 27, 28, DK, 29, DL, 30, 31, 32, 33, DM, 34, 35, DN, 36, 37, HIT, MHT, MLT, LOT, E, 40, 41, F, 45, 451, 452, 453, 454, 455, G, 50, 50F, 504, 505, 51, 511, 512, 513, 514, 515, 518, 518, 52, 521, 522, 523, 524, 525, 526, 527, H, 55, 551, 552, 553, 554, 555, I, 60, 601, 602, 603, 61, 62, 63, 63F, 633, 634, 64, 641, 642, J, 65, 66, 67, K, 70, 71, 71F, 713, 714, 72, 721, 722, 723, 724, 725, 726, 73, 74, 74F, 74G

Data set “1G2”:

Variables 11110, 12110, 12120, 12150, 13110, 13120, 13310, 15110, 16110, 16130, 22110, 22120

Country of UCI Geographical breakdown level 3 FATS-R
A1, A2, Z9, V1, BE, BG, CZ, DK, DE, EE, GR, ES, FR, IE, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK, Z7, V2, AD, AE, AF, AG, AI, AL, AM, AN, AO, AQ, AR, AS, AU, AW, AZ, BA, BB, BD, BF, BH, BI, BJ, BM, BN, BO, BR, BS, BT, BV, BW, BY, BZ, CA, CC, CD, CF, CG, CH, CI, CK, CL, CM, CN, CO, CR, CU, CV, CX, DJ, DM, DO, DZ, EC, EG, ER, ET, FJ, FK, FM, FO, GA, GD, GE, GG, GH, GI, GL, GM, GN, GQ, GS, GT, GU, GW, GY, HK, HM, HN, HR, HT, ID, IL, IM, IN, IO, IQ, IR, IS, JE, JM, JO, JP, KE, KG, KH, KI, KM, KN, KP, KR, KW, KY, KZ, LA, LB, LC, LI, LK, LR, LS, LY, MA, MD, ME, MG, MH, MK, ML, MM, MN, MO, MP, MR, MS, MU, MV, MW, MX, MY, MZ, NA, NC, NE, NF, NG, NI, NO, NP, NR, NU, NZ, OM, PA, PE, PF, PG, PH, PK, PN, PS, PW, PY, QA, RS, RU, RW, SA, SB, SC, SD, SG, SH, SL, SM, SN, SO, SR, ST, SV, SY, SZ, TC, TD, TF, TG, TH, TJ, TK, TL, TM, TN, TO, TR, TT, TV, TW, TZ, UA, UG, UM, US, UY, UZ, VA, VC, VE, VG, VI, VN, VU, WF, WS, YE, ZA, ZM, ZW, Z8, C4

Activity Total activity BUS (sum of NACE sections C to K excluding J)

²⁵ For delivery of variables 16130, 22110 and 22120 please see II.3.1.1.

II.3.1.1 Characteristics

The characteristics to be delivered are defined in Section 2 of Annex 1 of the FATS-R. The definitions are the same as defined in the Annex to Commission Regulation (EC) No 2700/98 of 17 December 1998 concerning the definitions of characteristics for SBS.

The following characteristics are to be delivered yearly, starting from the year of entry into force of the FATS-R:

- *Number of enterprises* (11 11 0),
- *Turnover* (12 11 0),
- *Production value* (12 12 0),
- *Value added at factor cost* (12 15 0),
- *Total purchases of goods and services* (13 11 0),
- *Purchases of goods and services purchased for resale in the same condition as received* (13 12 0),
- *Personnel costs* (13 31 0),
- *Gross investment in tangible goods* (15 11 0) and
- *Number of persons employed* (16 11 0).

If the *Number of persons employed* is not available, the *Number of employees* (code 16 13 0) should be compiled instead. Member States are however encouraged to send this variable on a voluntary basis, as it is used for the calculation of some ratios, e.g. wage adjusted labour productivity, which are important for the analysis of the data.

For NACE Rev.1.1 section J only the number of enterprises, turnover and the number of persons employed (or the number of employees instead) should be compiled. For NACE Rev. 1.1 division 65 turnover will be replaced by production value.

The following characteristics are to be delivered every second year and for NACE sections C, D, E and F:

- *Total intra-mural R&D expenditure* (22 11 0) and
- *Total number of R&D personnel* (22 12 0).

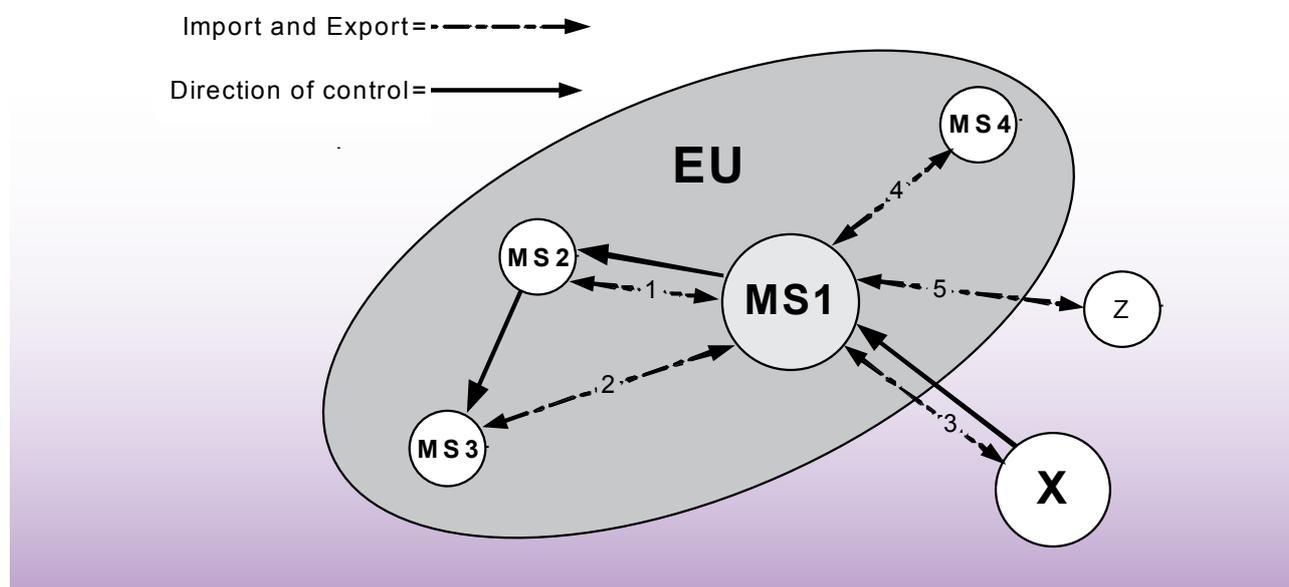
The first reference year should be 2007. If the total amount of turnover or the number of persons employed in a division of NACE Rev. 1.1 Sections C to E represent, in a Member State, less than 1% of the Community total, the information necessary for the compilation of statistics relating to characteristics 22 11 0 and 22 12 0 need not to be collected for the purposes of this Regulation. If necessary for Community policy requirements, the Commission may, in accordance with the procedures laid down in Article 10(2) of this Regulation, request ad-hoc collection of this data.”

The definitions can be seen from chapter I.3, characteristics.

Member States providing the variables export and import and intra-group exports and imports in the frame of the pilot studies 2006 or on a voluntary basis should also use the definition in I.3. Below are some specifications for the compilation of these variables for inward FATS given.

Figure II.3 below provides an overview of the most typical trade links of a foreign affiliate. It illustrates which trade flows are relevant for inward FATS data compilation as per the definitions in section I.

Figure II.3 Overview of relevant export and import transactions of a foreign affiliate for inward FATS



Intra-group trade:

The intra-group trade of the foreign affiliate located in MS1 includes the export and import flows with MS2 (1), MS3 (2) and X (3). It is important to note that also the trade between units of the same enterprise group which are not directly linked to each other (2) are included. While enterprises may have more difficulties identifying trade links between units belonging to the same group but which are only indirectly linked to each other through the chain of control, it is, nonetheless important make them aware that also export and import transaction between these partners would be relevant for intra-group trade.

Total exports and imports:

Total exports and imports of the foreign affiliate located in MS1 include all trade transaction between MS1 and the enterprises located in MS2(1), MS3(2), MS4(4), X(3) and Z(5). Apart from the transactions between MS1 and MS4(4) and between MS1 and Z(5) all other exports and imports of MS1 represent intra-group trade relations in this example.

In practice reporting units might find it difficult to account for all intra-group trade transactions, in particular between the affiliate in question and other affiliates that are only very indirectly linked to it. As a consequence compilers should request from reporting units additional metadata information as to the scope of the intra-group trade linkages covered (e.g. if only trade transactions between the affiliate and the UCI are covered this should be documented accordingly).

As for the compilation of the foreign affiliate trade data, compilers may have different options at hand on how to collect the relevant data.

In the case of inward FATS, exports and imports of goods may be readily available in trade statistics, whereas exports and imports of services can be obtained in balance of payments statistics. This option has the advantage of allowing consistency between the different statistical domains and does not impose any additional burden upon respondents. The

main difficulties may arise when different entities are responsible for the compilation of the different sets of data and confidentiality constraints limit or forbid the exchange of individual and non-anonymised data. Administrative sources, like the VAT database, may also be available sources to inward FATS compilers, as long as it is possible to confirm the quality and accuracy of this data. However, the possibility to effectively use the information from national foreign trade and BoP statistics to compile Inward FATS foreign affiliate trade variables crucially depends on the presence and maintenance by Member States of a trade register based on the trade operator identification code, and it is also conditional to the possibility to link this information to the main business register. This operation can be done by most EU member states for trade in goods (or at least for INTRASTAT trade). It should be also noted that legal problems can prevent national institutes that are compilers of FATS statistics, to have access to information maintained by other Institutions.

In case none of these options are readily available to FATS compilers, the only option may be to conduct a specific survey to collect the necessary data or to add these variables to existing surveys, like the SBS surveys. It should be noted that, besides the increased response burden upon respondents, exports and imports are not usually individualised in the companies' set of accounts which may create difficulties in collecting this data.

Valuation

It should be noted that intra-group trade (total and by sector) and total trade of affiliates under foreign control as well as a given country's overall trade must be comparable. Therefore, while it might be unavoidable that information on FATS trade variables are collected with the help of different sources, it is important to stress the need for harmonisation of this data on the basis of a common indicator. As explained in section I of this manual, the trade indicators should be reported to EUROSTAT in the form of f.o.b. values. This implies that compilers may have to transform and estimate f.o.b. values to be reported to EUROSTAT, if they are unable to compile the data based on this indicator directly. In fact, in practice it might prove more efficient compilers ask for indicators that more readily available from reporting units and their accounts such as the SBS-based indicators of "turnover" and "total purchase of goods" For instance, information on exports and imports of goods obtained from foreign trade statistics are usually expressed in F.O.B/C.I.F values and in keeping with the definition of special trade, while intra-group exports and imports are more likely to be compiled by the enterprises on the basis of their accounting system.

As mentioned before this manual explicitly allows the compilation of the indicators (total exports and imports of goods, total exports and imports of services, intra-group exports and imports of goods and intra-group exports and imports of services on the basis of whatever compilers see as the most appropriate indicators. However, when reporting to EUROSTAT these values should be harmonised on the basis of the F.O.B. value.

Geographical and activity breakdowns

For the geographical and activity breakdowns the provisions of annex I and III of the FATS-R apply. This implies that data is compiled on industrial activity basis and not on a product basis. The latter might be a useful classification for analytical purposes; however in practical terms it would be extremely difficult to compile this information. This holds in particular true for the intra-group trade transaction which might be subject to transfer pricing, a fact that companies are unlikely to be transparent about.



Avoiding systematic measurement errors

In addition to the factors that may cause systematic biases of the data as mentioned in section I of this manual, measurement errors may also be caused by the fact that enterprises face problems to break down information on trade in goods and services from more aggregated figures that include other typologies of international transactions. As it is well known from BoP, international transactions can be classified into two main groups of accounts: current and financial accounts. In particular, the current account include: goods and services, income, and current transfers. As a result, while it is easy to identify and measure the exchange of goods, it is usually more complex for firms filling in the questionnaire to discriminate between purely financial (capital movement) and “real services” transactions. In addition exchange of goods and services should be distinguished from income and marginally current transfer transactions. To alleviate this problem, reporting units should be provided with a simple definition of goods and services should be added as an explanatory note to the questionnaire.

The following codes should be used for the foreign trade variables:

- *Imports of goods: IMPG*
- *Imports of services: IMPS*
- *Exports of goods: EXPG*
- *Exports of services: EXPS*
- *Intra-group imports of goods: IMPIG*
- *Intra-group imports of services: IMPIS*
- *Intra-group exports of goods: EXPIG*
- *Intra-group exports of services: EXPIS*

II.3.1.2 Geographical breakdown

The country codes are the same as in the BoP Vademecum, which covers all individual countries of the world. List B covers all countries of the world. There are same aggregates requested in list A, which are also consistent with the BoP Vademecum.

- **A1** is the World total (all entities including compiling country), which should be consistent with the SBS values. A1 is the sum of Z9 and A2.
- **Z9** is the rest of the World (excluding compiling country) or the total of foreign-controlled enterprises. Z9 is the sum of V1 and V2.
- **A2** includes all nationally-controlled enterprises.
- **V1** is the aggregate EU-27 or Intra EU-27. This aggregate excludes A2, enterprises controlled by the compiling country.
- **Z7** is the aggregate for equally-shared control of UCIs of more than one Member State. Z7 should be included in V1.
- **V2** is the aggregate Extra EU-27 and covers all extra-EU countries of the world. For dataset 1G it covers all Extra EU-27 countries, of which data for 14 extra-EU countries should be provided separately, and Z8 and C4.
- **C4** is the aggregate for all Offshore Financial Centres, the list of countries can be seen from list A. C4 should be included in V2.
- **Z8** is the aggregate for all “Extra EU-27 not allocated”, namely for all Extra EU-27 enterprises for which the country of residence of the UCI is not known but it is known that the UCI is resident outside the EU. Z8 should be included in V2.

The aggregates A1, Z9, A2, V1, V2, C4, Z7 and Z8 should cover the same values for both data sets 1G and 1G2.

Please note that the comments regarding inclusion and exclusion of territories in List B (Table II.2) also apply for List A (Table II.1).

Table II.1 List A (geographical breakdown FATS-R, Annex III, level 2-IN)

Code	Country / aggregate
A1	World total (all entities including compiling country)
Z9	Rest of the World (excluding compiling country)
A2	Controlled by the compiling country (nationally-controlled enterprises)
V1	EU-27 (Intra EU-27) excluding compiling country
BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
GR	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovak Republic
FI	Finland
SE	Sweden
UK ²⁶	United Kingdom
Z7	Equally-shared control of UCIs of more than 1 Member State
V2	Extra EU-27
Of which:	
AU	Australia
CA	Canada
CH	Switzerland
CN	China
HK	Hong Kong
IL	Israel
IS	Iceland
JP	Japan
LI	Liechtenstein
NO	Norway
NZ	New Zealand
RU	Russian Federation
TR	Turkey
US	United States
Z8	Extra EU-27 not allocated
C4	Offshore Financial Centres: AD+AG+AI+AN+BB+BH+BM+BS+BZ+CK+DM+GD+GG+GI+HK+IM+JE+JM+KN+KY+LB+LC+LI+LR+MH+MS+MV+NR+NU+PA+PH+SG+TC+VC+VG+VI+VU+ WS

²⁶ Please use UK instead of GB

**Table II.2 List B (geographical breakdown FATS-R, Annex III, level 3)**

Code	Country	Aggregate / Comment
A1		World total (all entities including compiling country)
Z9		Rest of the World (excluding compiling country)
A2		Controlled by the compiling country (nationally-controlled enterprises)
V1		EU-27 (Intra EU-27) excluding compiling country
Z7		Equally-shared control of UCIs of more than 1 Member State
V2		Extra EU-27
Z8		Extra EU-27 not allocated
C4		Offshore financial centres
AD	Andorra	
AE	United Arab Emirates	Abu Dhabi, Dubai, Sharjah, Ajman, Umm al Qaiwain, Ras al Khaimah and Fujairah
AF	Afghanistan	
AG	Antigua and Barbuda	
AI	Anguilla	
AL	Albania	
AM	Armenia	
AN	Netherlands Antilles	Includes Bonaire, Curaçao, Saba, St. Eustatius and Southern part of St. Martin
AO	Angola	Includes Cabinda
AQ	Antarctica	
AR	Argentina	
AS	American Samoa	
AT	Austria	
AU	Australia	
AW	Aruba	
AZ	Azerbaijan	
BA	Bosnia and Herzegovina	
BB	Barbados	
BD	Bangladesh	
BE	Belgium	
BF	Burkina Faso	
BG	Bulgaria	
BH	Bahrain	
BI	Burundi	
BJ	Benin	
BM	Bermuda	
BN	Brunei Darussalam	
BO	Bolivia	
BR	Brazil	
BS	Bahamas	
BT	Bhutan	
BV	Bouvet Island	
BW	Botswana	
BY	Belarus	
BZ	Belize	
CA	Canada	
CC	Cocos (Keeling) Islands	
CD	Congo, the Democratic Republic of	
CF	Central African Republic	
CG	Congo	
CH	Switzerland	
CI	Côte d'Ivoire	
CK	Cook Islands	
CL	Chile	
CM	Cameroon	
CN	China	
CO	Colombia	
CR	Costa Rica	
CU	Cuba	
CV	Cape Verde	
CX	Christmas Island	
CY	Cyprus	
CZ	Czech Republic	

Code	Country	Aggregate / Comment
DE	Germany	Includes Helgoland, excludes Büsingen and Büttenhardt Höfe (customs free zones belonging to the customs territory of Switzerland)
DJ	Djibouti	
DK	Denmark	Excludes Faroe Islands (FO) and Greenland (GL)
DM	Dominica	
DO	Dominican Republic	
DZ	Algeria	
EC	Ecuador	Includes Galapagos Islands
EE	Estonia	
EG	Egypt	
ER	Eritrea	
ES	Spain	Includes Balearic Islands, Ceuta and Melilla and Canary Islands, excludes Andorra (AD)
ET	Ethiopia	
FI	Finland	
FJ	Fiji	
FK	Falkland Islands	Malvinas
FM	Micronesia, Federated States of	Caroline Islands except Palau, includes Yap, Chuuk, Pohnpei, Kosrae
FO	Faroe Islands	
FR	France	Includes France metropolitan (FX), Principality of Monaco (MC), Overseas Departments: French Guyana (GF), Martinique (MQ), Guadeloupe (GP) - Grande Terre, Basse Terre, Marie Galante, Les Saintes, Iles de la Petite Terre, Désirade, Saint Barthélémy and Northern St Martin -, Réunion (RE), Territorial collectivities: Mayotte (YT), Saint Pierre et Miquelon (PM), excludes Overseas Territories (French Polynesia (PF), New Caledonia (NC), Wallis and Futuna Islands (WF), Andorra (AD).
GA	Gabon	
GD	Grenada	Includes Southern Grenadines Islands
GE	Georgia	
GG	Guernsey	
GH	Ghana	
GI	Gibraltar	
GL	Greenland	
GM	Gambia	
GN	Guinea	
GQ	Equatorial Guinea	
GR	Greece	
GS	South Georgia and the South Sandwich Islands	
GT	Guatemala	
GU	Guam	
GW	Guinea-Bissau	
GY	Guyana	
HK	Hong Kong	
HM	Heard Island and McDonald Islands	
HN	Honduras	Includes Swan Islands
HR	Croatia	
HT	Haiti	
HU	Hungary	
ID	Indonesia	
IE	Ireland	
IL	Israel	
IM	Isle of Man	
IN	India	Includes Amindivi Island, Laccadive Island, Minicoy Island, Andaman Islands, Nicobar Islands and Sikkim
IO	British Indian Ocean Territory	Includes Chagos Archipelago
IQ	Iraq	
IR	Iran, Islamic Republic of	
IS	Iceland	
IT	Italy	Excludes San Marino (SM) and the Holy See (VA)
JE	Jersey	
JM	Jamaica	



Code	Country	Aggregate / Comment
JO	Jordan	
JP	Japan	
KE	Kenya	
KG	Kyrgyzstan	
KH	Cambodia (Kampuchea)	
KI	Kiribati	
KM	Comoros	Includes Anjouan, Grande Comore, Mohéli
KN	St Kitts and Nevis	
KP	Korea, Democratic People's Republic of (North Korea)	
KR	Korea, Republic of (South Korea)	
KW	Kuwait	
KY	Cayman Islands	
KZ	Kazakhstan	
LA	Lao People's Democratic Republic	
LB	Lebanon	
LC	Saint Lucia	
LI	Liechtenstein	
LK	Sri Lanka	
LR	Liberia	
LS	Lesotho	
LT	Lithuania	
LU	Luxembourg	
LV	Latvia	
LY	Lybian Arab Jamahiriya	
MA	Morocco	Includes Occidental Sahara
MD	Moldova, Republic of	
ME	Montenegro	
MG	Madagascar	
MH	Marshall Islands	
MK	Macedonia, the Former Yugoslav Republic of	
ML	Mali	
MM	Myanmar	
MN	Mongolia	
MO	Macau	
MP	Northern Mariana Islands	Includes Mariana Islands except Guam
MR	Mauritania	
MS	Montserrat	
MT	Malta	Includes Gozo and Comino
MU	Mauritius	Includes Rodrigues Island, Agalega Islands and Cargados Carajos Shoals (St Brandon Islands)
MV	Maldives	
MW	Malawi	
MX	Mexico	
MY	Malaysia	Includes Peninsular Malaysia and Eastern Malaysia (Sabah, Sarawak and Labuan)
MZ	Mozambique	
NA	Namibia	
NC	New Caledonia	Includes Loyalty Islands (Maré, Lifou and Ouvéa)
NE	Niger	
NF	Norfolk Island	
NG	Nigeria	
NI	Nicaragua	Includes Corn Islands
NL	Netherlands	Excludes Netherlands Antilles (AN) and Aruba (AW)
NO	Norway	
NP	Nepal	
NR	Nauru	
NU	Niue	
NZ	New Zealand	Includes Antipodes Islands, Auckland Islands, Bounty Islands, Campbell Island, Kermadec Islands, Chatham Islands and Snares Islands. Excluding Ross Dependency (Antartica)
OM	Oman	Includes Kuria Muria Islands
PA	Panama	Includes former Canal zone
PE	Peru	

Code	Country	Aggregate / Comment
PF	French Polynesia	Includes Marquesas Islands, Society Islands (including Tahiti), Tuamotu Islands, Gambier Islands and Austral Islands. Also Clipperton Island.
PG	Papua New Guinea	Includes Bismarck Archipelago, Louisiade Archipelago, Admiralty Islands, Northern Solomon Islands (Bougainville, Buka, Green), d'Entrecasteaux Islands, Lavongai, Trobriand Islands, New Britain, New Ireland, Woodlark and associated Islands
PH	Philippines	
PK	Pakistan	
PL	Poland	
PN	Pitcairn	Includes Henderson, Ducie and Oeno Islands
PS	Palestinian Territory, Occupied	
PT	Portugal	Includes Acores and Madeira, excludes Macau (MO)
PW	Palau	
PY	Paraguay	
QA	Qatar	
RO	Romania	
RS	Serbia	
RU	Russian Federation	
RW	Rwanda	
SA	Saudi Arabia	
SB	Solomon Islands	Includes Southern Solomon Islands, primarily Guadalcanal, Malaita, San Cristobal, Santa Isabel, Choiseul
SC	Seychelles	Includes Alphonse, Bijoutier, St François Islands, St Pierre Islet, Cosmoledo Islands, Amirantes, Providence, Aldabra, Farquhar and Desroches, Mahé, Silhouette, Praslin (including La Digue), Frégate, Mamelles and Récifs, Bird and Denis, Plate and Coëtivy
SD	Sudan	
SE	Sweden	
SG	Singapore	
SH	St Helena	Includes Ascension, Gough Island, Inaccessible, Nightingale Islands and Tristan da Cunha Islands
SI	Slovenia	
SK	Slovakia	
SL	Sierra Leone	
SM	San Marino	
SN	Senegal	
SO	Somalia	
SR	Suriname	
ST	Sao Tome and Principe	
SV	El Salvador	
SY	Syrian Arab Republic	
SZ	Swaziland	
TC	Turks and Caicos Islands	
TD	Chad	
TF	French Southern Territories	Includes Kerguelen, Amsterdam and Saint Paul Islands, Crozet Archipelago
TG	Togo	
TH	Thailand	
TJ	Tajikistan	
TK	Tokelau	
TM	Turkmenistan	
TN	Tunisia	
TO	Tonga	
TP	Timor-Leste	Includes the exclave of Oecussi
TR	Turkey	
TT	Trinidad and Tobago	
TV	Tuvalu	
TW	Taiwan, Province of China	Includes Separate customs territory of Taiwan, Penghu, Kinmen and Matsu
TZ	Tanzania, United Republic of	Includes Tanganyika, Zanzibar Island and Pemba
UA	Ukraine	
UG	Uganda	



Code	Country	Aggregate / Comment
UK ²⁷	United Kingdom	Excludes Channel Islands - Guernsey and Jersey - (XG) and the Isle of Man (XI), Anguilla (AI), Montserrat (MS), the British Virgin Islands (VG), the Turks and Caicos islands (TC), and the Cayman islands (KY).
UM	United States Minor Outlying Islands	Baker, Howland, and Jarvis Islands, Johnston Atoll, Kingman Reef, Midway Islands, Palmyra Atoll and Wake Island
US	United States	Includes Puerto Rico (PR) and Navassa
UY	Uruguay	
UZ	Uzbekistan	
VA	Holy See (Vatican City State)	
VC	St Vincent and the Grenadines	Includes Northern Grenadines Islands
VE	Venezuela	
VG	Virgin Islands, British	
VI	Virgin Islands, US	
VN	Viet Nam	
VU	Vanuatu	
WF	Wallis and Futuna	Includes Alofi Island
WS	Samoa	
YE	Yemen	Includes North Yemen and South Yemen, Perim, Kamaran, Socotra and associated Islands
ZA	South Africa	
ZM	Zambia	
ZW	Zimbabwe	

II.3.1.3 Activity breakdown

II.3.1.3.1 Requested level of detail

The classification of economic activities NACE Rev. 1.1 (in due course, as the activity breakdown for inward FATS will be switched to NACE Rev. 2 the manual will be amended so as to present the relevant correspondence tables) allocates the statistical units in the classes where the units have their principal activity. The classification of the foreign affiliates should be consistent with the classification of the enterprise in SBS to ensure that comparisons between foreign-controlled enterprises and the whole economy can be made.

The business economy should be a sum of all NACE Sections covered by activity breakdown level 3, namely C to K excluding J. The reason for the inclusion of NACE section J is that only three variables are requested for this section and that the definitions for the requested variables differ from the other sections.

Table II.3 Requested activity breakdown (FATS-R, Annex III, level 3)

NACE Rev. 1.1	Description
BUS	Sum of sections C to K excluding J
Section C	Mining and quarrying
Section D	Manufacturing
Subsection DA	Manufacture of food products, beverages and tobacco
15	Manufacture of food products and beverages
16	Manufacture of tobacco products
Subsection DB	Manufacture of textiles and textile products
17	Manufacture of textiles
18	Manufacture of wearing apparel; dressing and dyeing of fur
Subsection DC	Manufacture of leather and leather products

²⁷ Please use UK instead of GB.

NACE Rev. 1.1	Description
19	Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear
Subsection DD	Manufacture of wood and wood products
20	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
Subsection DE	Manufacture of pulp, paper and paper products; publishing and printing
21	Manufacture of pulp, paper and paper products
22	Publishing, printing and reproduction of recorded media
Subsection DF	Manufacture of coke, refined petroleum products and nuclear fuel
23	Manufacture of coke, refined petroleum products and nuclear fuel
Subsections DG	Manufacture of chemicals, chemical products and man-made fibres
24	Manufacture of chemicals and chemical products
Subsection DH	Manufacture of rubber and plastic products
25	Manufacture of rubber and plastic products
Subsection DI	Manufacture of other non-metallic mineral products
26	Manufacture of other non-metallic mineral products
Subsection DJ	Manufacture of basic metals and fabricated metal products
27	Manufacture of basic metals
28	Manufacture of fabricated metal products, except machinery and equipment
Subsection DK	Manufacture of machinery and equipment n.e.c.
29	Manufacture of machinery and equipment n.e.c.
Subsection DL	Manufacture of electrical and optical equipment
30	Manufacture of office machinery and computers
31	Manufacture of electrical machinery and apparatus n.e.c
32	Manufacture of radio, television and communication equipment and apparatus
33	Manufacture of medical, precision and optical instruments, watches and clocks
Subsection DM	Manufacture of transport equipment
34	Manufacture of motor vehicles, trailers and semi-trailers
35	Manufacture of other transport equipment
Subsection DN	Manufacturing n.e.c.
36	Manufacture of furniture; manufacturing n.e.c.
37	Recycling
Aggregates according to the following NACE breakdown (divisions, groups, classes)	
HIT	High-technology: 244 + 30+ 32 + 33 + 353 (' <i>Manufacture of pharmaceuticals, medicinal chemicals and botanical products</i> ' + ' <i>Manufacture of office machinery and computers</i> ' + ' <i>Manufacture of radio, television and communication equipment and apparatus</i> ' + ' <i>Manufacture of medical, precision and optical instruments, watches and clocks</i> ' + ' <i>Manufacture of aircraft and spacecraft</i> ')
MHT	Medium-high-technology: 241+242+243+245+246+247+29+31+34+352+354+355 (' <i>Manufacture of basic chemicals</i> ' + ' <i>Manufacture of pesticides and other agro-chemical products</i> ' + ' <i>Manufacture of paints, varnishes and similar coatings, printing ink and mastics</i> ' + ' <i>Manufacture of soap and detergents, cleaning and polishing preparations, perfumes and toilet preparations</i> ' + ' <i>Manufacture of other chemical products</i> ' + ' <i>Manufacture of man-made fibres</i> ' + ' <i>Manufacture of machinery and equipment n.e.c.</i> ' + ' <i>Manufacture of electrical machinery and apparatus n.e.c.</i> ' + ' <i>Manufacture of motor vehicles, trailers and semi-trailers</i> ' + ' <i>Manufacture of railway and tramway locomotives and rolling stock</i> ' + ' <i>Manufacture of motorcycles and bicycles</i> ' + ' <i>Manufacture of other transport equipment n.e.c.</i> ')
MLT	Medium-low-technology: 23+25+26+27+28+351 (' <i>Manufacture of coke, refined petroleum products and nuclear fuel</i> ' + ' <i>Manufacture of rubber and plastic products</i> ' + ' <i>Manufacture of other non-metallic mineral products</i> ' + ' <i>Manufacture of basic metals</i> ' + ' <i>Manufacture of fabricated metal products, except machinery and equipment</i> ' + ' <i>Building and repairing of ships</i> ')

NACE Rev. 1.1	Description
LOT	Low-technology: 15+16+17+18+19+20+21+22+36+37 (' <i>Manufacture of food products and beverages</i> ' + ' <i>Manufacture of tobacco products</i> ' + ' <i>Manufacture of textiles</i> ' + ' <i>Manufacture of wearing apparel; dressing and dyeing of fur</i> ' + ' <i>Tanning and dressing of leather; manufacture of luggage, handbags, saddlery, harness and footwear</i> ' + ' <i>Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials</i> ' + ' <i>Manufacture of pulp, paper and paper products</i> ' + ' <i>Publishing, printing and reproduction of recorded media</i> ' + ' <i>Manufacture of furniture; manufacturing n.e.c.</i> ' + ' <i>Recycling</i> ')
Section E	Electricity, gas and water supply
40	Electricity, gas, steam and hot water supply
41	Collection, purification and distribution of water
Section F	Construction
45	Construction
451	Site preparation
452	Building of complete constructions or parts thereof; civil engineering
453	Building installation
454	Building completion
455	Renting of construction or demolition equipment with operator
Section G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods
50	Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel
50F	501+ 502 + 503 (' <i>sale of motor vehicles</i> ' + ' <i>maintenance and repair of motor vehicles</i> ' + ' <i>sale of motor vehicle parts and accessories</i> ')
504	Sale, maintenance and repair of motorcycles and related parts and accessories
505	Retail sale of automotive fuel
51	Wholesale trade and commission trade, except of motor vehicles and motorcycles
511	Wholesale on a fee or contract basis
512	Wholesale of agricultural raw materials and live animals
513	Wholesale of food, beverage and tobacco
514	Wholesale of household goods
515	Wholesale of non-agricultural intermediate products, waste and scrap
518	Wholesale of machinery, equipment and supplies
519	Other wholesale
52	Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods
521	Retail sale in non-specialized stores
522	Retail sale in food, beverages and tobacco in specialized stores
523	Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles
524	Other retail sale of new goods in specialized stores
525	Retail of second-hand goods in stores
526	Retail sale not in stores
527	Repair of personal and household goods
Section H	Hotels and restaurants
55	Hotels and restaurants
551	Hotels
552	Camping sites and other provision of short-stay accommodation
553	Restaurants
554	Bars
555	Canteens and catering
Section I	Transport, storage and communication
60	Land transport; transport via pipelines
601	Transport via railways
602	Other land transport

NACE Rev. 1.1	Description
603	Transport via pipelines
61	Water transport
62	Air transport
63	Supporting and auxiliary transport activities; activities of travel agencies
63F	631+ 632 ('Cargo handling and storage' + 'Other supporting transport activities')
633	Activities of travel agencies and tour operators; tourist assistance activities n.e.c.
634	Activities of other transport agencies
64	Post and telecommunications
641	Post and courier activities
642	Telecommunications
Section J	Financial intermediation
65	Financial intermediation, except insurance and pension funding
66	Insurance and pension funding, except compulsory social security
67	Activities auxiliary to financial intermediation
Section K	Real estate, renting and business activities
70	Real estate activities
71	Renting of machinery and equipment without operator and of personal and household goods
71F	711 + 712 ('Renting of automobiles' + 'Renting of other transport equipment')
713	Renting of other machinery and equipment
714	Renting of personal and household goods n.e.c.
72	Computer and related activities
721	Hardware consultancy
722	Software consultancy and supply
723	Data processing
724	Database activities
725	Maintenance and repair of office, accounting and computing machinery
726	Other computer related activities
73	Research and development
74	Other business activities
74F	741+742+743+744 ('Legal, accounting, book-keeping and auditing activities; tax consultancy; market research and public opinion polling; business and management consultancy; holdings' + 'Architectural and engineering activities and related technical consultancy' + 'Technical testing and analysis' + 'Advertising')
74G	745 +746+747+748 ('Labour recruitment and provision of personnel' + 'Investigation and security activities' + 'Industrial cleaning' + 'Miscellaneous business activities n.e.c.')

II.3.1.3.2 Recommendation for NACE section J

The requested data for NACE section J (financial intermediation) and the three divisions are included in Annex 1 of the SBS-R which represents the horizontal perspective of the enterprise statistics. Annexes 2 to 7 of the SBS-R are reflecting the vertical perspective of sector specific statistical systems.

Economic activity data on NACE section J are also collected within the SBS Framework, but the collection of these data faces several difficulties: the definitions and contents of the variables and the approaches to collecting statistics may differ in the Member States. Thus, only three variables are collected for NACE section J (see chapter II.3).

In the SBS-R, NACE J is regulated in three annexes.

- Annex 5, insurance, includes division 66 except for class 66.02. This means that non-life insurance enterprises, life assurance enterprises, specialist reinsurance enterprises, Lloyd's underwriters and composite insurance enterprises are included.



- Annex 6, credit institutions, includes NACE classes 65.12, other monetary intermediation, and 65.22, other credit granting.
- Annex 7, pension funds, includes NACE class 66.02, pension funding.

For each of the annexes a methodological manual exists that helps to collect the data (see bibliography).

No methodological manual exists for Group 65.2, other financial intermediation, and division 67, activities auxiliary to financial intermediation, which are also part of the data delivery according to Annex 1 of the SBS-R. However, the working group “Financial Annexes to the SBS Regulation” agreed on definitions which can be seen from Annex I.

According to the FATS-R, data for the section J and for the three divisions 65, 66 and for 67 should be delivered. Due to the fact that the definitions are different and that turnover is replaced by production value for credit institutions, the following box gives an overview of the deliverables.

Box II.9 Recommendation for data delivery for NACE section J	
Section J	Number of enterprises, turnover and number of persons employed (or number of employees instead)
Division 65	Number of enterprises, number of persons employed (or number of employees instead) and production value
Division 66	Number of enterprises and number of persons employed (or number of employees instead) and turnover
Division 67	Number of enterprises and number of persons employed (or number of employees instead), turnover

II.3.2 METADATA

Box II.10 Metadata in SDDS

Metadata should be provided by Member States for each data delivery in the SDDS format. This format will be the basis for the metadata information provided by EUROSTAT. It will ensure that users can compare the data. Metadata information should be sent to EUROSTAT in the structure given below.

EUROSTAT’s dissemination of Inward FATS data will be accompanied by metadata information in the SDDS format. SDDS was established by the IMF in 1996 and is used since October 2004 in EUROSTAT, majority of Member States as well as in total 57 countries of the world.

Member States should provide the necessary metadata information for their country in a structure that enables EUROSTAT to have comparable Member States’ metadata information. The following structure should be used.

Metadata information for Inward FATS

Country:

Compiling institution:

Reference year

Contact details: *Please add the name of the contact person and contact details.*

Name:

E-mail address:

Telephone number:

Fax number:

Postal address:

Latest update: *Please add the date of delivery of data and metadata.*

Date of data delivery	
Date of delivery of metadata	

1. Statistical concept, Methodology	<i>Please report any deviations from the definitions or recommendations of the FATS-R and Manual, in particular regarding the implementation of the UCI concept. Are there any major changes in the methodology compared to the last data delivery?</i>
2. Data sources used	<i>Please give information regarding the data sources used (e.g. surveys, statistical registers, administrative sources).</i>
3. Techniques of data collection	<i>Please give information regarding your data collection method techniques (e.g. census, sample survey) and possible cut-off thresholds.</i> 3.1 Techniques of data collection 3.2 Cut-off threshold
4. Definition of indicators	<i>Please add deviations from the definitions of characteristics and the allocation of values.</i> 4.1 Definitions 4.2 Allocation of values
5. Coverage	<i>Please add deviations from the FATS-R and FATS Recommendations Manual (e.g. coverage of active unit, problems with NACE section J, problems in comparability of Z9 and A1).</i> 5.1 Statistical coverage 5.1.1 Statistical unit 5.1.2 Target population 5.2 Activity coverage 5.3 Geographical coverage
6. Accounting conventions	6.1 Reference period <i>Please specify if data relates to the calendar year of fiscal or accounting year.</i> 6.2 Recording of transactions <i>Please specify differences (e.g. monetary data is not provided in EUR)</i>



7. Limitation in comparability of the data	<i>Please add all kind of information regarding possible limitations of comparability between Member States and over time.</i> 7.1 Grossing-up 7.2 Non-response 7.3 Special cases 7.4 Any other special warning
8. Revision policy	<i>Please add information regarding possible revisions of data (Why are they necessary and when would you send them?)</i>
9. Future plans	<i>Please add information regarding your future plans (e.g. collection of additional variables, advance notice of major changes in methodology).</i>
10. Please attach a copy of the questionnaire used for data collection, if any (if possible english version)	

II.4 DATA SOURCES

There are different ways to collect data, registers, statistical surveys or administrative sources. Using data from - already existing - administrative sources also helps to reduce the response burden on businesses.

According to the experiences of the Member States participating in the pilot studies in the framework of SBS, there are several data sources that can be used to identify the country of UCI. If existing or possible, the statistical information about enterprises can be combined from the various sources via an enterprise code number.

As many difficulties in the national production of FATS do not concern the methodological guidelines as such, but the possibilities for implementing them correctly in the Member States, Member States will be encouraged to exchange their data collection experience and to share the lessons learnt in the past. Such an exchange of good practice would have the potential to help improve data quality considerably at national and EU level. Co-operation between the National Statistical Institutes and the Central Banks is recommended for providing data on inward FATS and ensuring the compatibility of published data. This is also important for gaining data on NACE section J.

II.4.1 POSSIBLE DATA SOURCES FOR THE GEOGRAPHICAL BREAKDOWN

Box II.11 Recommendation of data for the geographical breakdown

The main statistical register to be used is the Business Register. It is the legal framework in the EU for business registers and includes information on foreign control and foreign ownership of legal units on a harmonised basis.

Other statistical registers, for example enterprise group²⁸ registers or registers on foreign-controlled enterprises could be used in addition, if available.

Only if the necessary information is not available from the Business Register, the surveys, adding questions to existing surveys, administrative or any other sources like private databases, annual reports, media or information from chambers of commerce should be used.

Difficult cases should be clarified by contacting the enterprise.

²⁸ According to the SU-R the enterprise group is defined as “an association of enterprises bound together by legal and/or financial links. A group of enterprises can have more than one decision-making centre, especially for policy on production, sales and profit. It may centralise certain aspects of financial management and taxation. It constitutes an economic entity, which is empowered to make choices, particularly concerning the units that it comprises.”

II.4.1.1 Statistical registers

II.4.1.1.1 Business Register for statistical purposes (BR)

The main source of allocating to the UCI is the BR. The BR-R is currently being revised. According to its Article 1 “Member States shall set up for statistical purposes one or more harmonised registers, as a tool for the preparation and co-ordination of surveys, as a source of information for statistical analysis of the business population and its demography, for the mobilisation of administrative data and for the detection and construction of statistical units.”

Using the BR is generally quicker and cheaper than conducting a survey. There is a considerable degree of harmonisation of statistical BRs in Member States. The BR-R sets standards for coverage of activities, units and variables, thus helping to assure a certain level of data quality, particularly as regards comparability.

Under the BR-R, Member States are required to hold data on the enterprise, a harmonised statistical unit that removes the impact of different legal and organisational infrastructures. The forthcoming new BR-R has been revised and covers now more links of control and ownership. It should be considered as the “key” to FATS.

Statistical BRs are themselves generally built from a number of different sources. The administrative sources generally include tax registers (e.g. for value added tax, corporation tax or income tax), compulsory registration systems (e.g. for limited liability businesses or those quoted on stock markets), social security sources and other public or private sector data holdings. The statistical sources generally comprise returns from various surveys.

The choice of sources is left to the Member States under the principle of subsidiarity, though the minimum standards set out in the Regulation must be complied with.

FDI information could be linked to the BR, but in many countries legal limitations prevent the linking of FDI information with the BR. Other sources have to be used for the identification of foreign ownership or control. The following characteristics are to be stored in the BR according to the forthcoming new BR-Regulation:



Box II.12 Information required by the forthcoming BR-R

Control of legal units: The resident control links can be recorded either top-down (1.11a) or bottom-up (1.11b). Only the first level of control, direct or indirect, is recorded for each unit (the whole chain of control can be obtained by combining these).

- 1.11a: Identity number(s) of resident legal unit(s), which are controlled by the legal unit
- 1.11b: Identity number of the resident legal unit, which controls the legal unit
- 1.12a: (a) Country(ies) of registration, and (b) identity number(s) or, name(s), address(es)
- 1.12b: Conditional - VAT number(s) of non-resident legal unit(s), which are controlled by the legal unit
- 1.13a: (a) Country of registration, and (b) identity number or, name, address
- 1.13b: Conditional - VAT number of the non-resident legal unit, which controls the legal unit

Ownership of legal units:

The resident ownership can be recorded either top-down (1.14a) or bottom-up (1.14b). *The recording of the information and the threshold used for the shareholding are subject to the availability of this information in the administrative sources. The recommended threshold is 10 % or more of direct ownership*

- 1.14a: (a) Identity number(s), and (b) shares (%) of resident legal unit(s) owned by the legal unit.
- 1.14b: (a) Identity number(s), and (b) shares (%) of resident legal unit(s), which own(s) the legal unit
- 1.15(a): Country(ies) of registration, and (b) identity number(s) or, name(s), address(es) and VAT number(s), and (c) shares (%) of non-resident legal unit(s) owned by the legal unit
- 1.16(a): Country(ies) of registration, and (b) identity number(s) or, name(s), address(es), and VAT number(s), and (c) shares (%) of non-resident legal unit(s), which own(s) the legal unit

Multinational enterprise groups

- 4.13: Identity number of the global group head (UCI), if the group head (UCI) is resident (equals the identity number of the legal unit, which is the group head). If the global group head is non-resident, its country of registration, and optionally: its identity number or name and address.

The following variables which are optional until transmission of information on multinational groups has been established (this will be decided by comitology):

- 4.11: Identity number of the global group
- 4.12a: Name of the global group
- 4.12b: Optional: Country of registration, postal, electronic mail and web site addresses of the global head office

II.4.1.1.2 Enterprise group register

Some Member States have an enterprise group register held by government institutions, e.g. the Central Bank, that can be used to find the country of UCI. Other Member States are using private registers of enterprises group. The information about foreign control or ownership is often based on annual reports. Problems might occur because the annual reports are often lagging behind the reference year.

EUROSTAT aims at creating a Community register of multinational enterprise groups until 2008 and is currently testing the operability. It is aimed that this register will cover direct control as well as indirect and cumulated links of control and

ownership between legal units being located in different countries and belonging to enterprise groups. This register, once operational, will help to facilitate the data collection for inward FATS.

II.4.1.1.3 Register on foreign enterprises

Another source could be a register on foreign-owned enterprises. These registers can be used to check if there is foreign influence or as an indicator that the enterprise is foreign owned. In a second step, the allocation of the UCI could be made by using other sources.

II.4.1.2 Surveys

A new survey or adding a question in ongoing survey could be used to allocate to the UCI. The question could be added e.g. to the surveys that are used in some Member States to collect SBS to analyse and identify the chain of ownership to the top. Questions could be added also to existing surveys, e.g.

- Annual Services Enquiry: This survey is in some Member States basis to collect SBS for the services' sector.
- Annual Industrial Survey: This survey is in some Member States basis to collect SBS for manufacturing industries.
- Annual Foreign Direct Investment survey
- Annual Account Statistics
- System of Enterprise Economic Accounts as an indicator of existence of a control relationship when the enterprise is not recorded in the database
- Investment statistics
- Employment statistics
- Statistics on enterprise demography



Example of a questionnaire:

The information given shall refer to the ownership for calendar year 20xx.

- Are 10% of the voting shares or more owned by a foreign owner?
Yes, since year _____. → Please respond to question No. 2
No.

- Please specify the share of voting rights in % and the owning countries:

	Share of voting rights in %	Country
Majority owner:		
Minority owner:		
Minority owner:		
Minority owner:		

- Who is the Ultimate Controlling Institutional Unit (UCI) and in which country is he situated?

The ultimate controlling institutional unit is the enterprise which is not majority-owned by another enterprise. The country refers to the country where the UCI is situated. In case of more than one owning company (e.g. joint venture), the location of all countries should be included.

Name of UCI:	Country

II.4.1.3 Administrative sources

Administrative sources are containing information that is not primarily collected for statistical purposes. The most common used source for statistical purposes is sources related to taxation systems such as Value Added Tax (VAT), personnel income tax or to compulsory business registration systems, often administered by chambers of commerce.

Administrative sources can be used wherever they are not already included in the Statistical BR to find information on ownership and the UCI. Access to administrative data sources is legally allowed according to article 16 of Council Regulation (EC) No. 322/97 of 17 February 1997 on Community Statistics²⁹: “In order to reduce the burden on respondents, and subject to paragraph 2 the national authorities and the Community authority shall have access to administrative data sources, each in the fields of activity of their own public administrations, to the extent that these data are necessary for the production on Community statistics. The practical arrangement and the limits and conditions for achieving effective access shall be determined where necessary by each Member States and the Commission in their respective spheres of competence.”

²⁹ OJ L 52, 22.2.1997, p. 5.

II.4.1.4 Other sources

II.4.1.4.1 Private databases

Access to private databases could be bought which cover information on the UCI. It should be noted that the methodology used is not always consistent with this FATS recommendations manual, but the information could be used a basis for further investigation of the chain of control.

II.4.1.4.2 Annual reports

In addition, annual reports with published accounts could be used. If not all links to the mother company are known the annual reports could be used to get information of the first foreign owner as a starting point.

II.4.1.4.3 Media research

Specialised news media, including newspapers and business magazines could be used as they often contain articles on multinational enterprises and enterprise links. Search engines on the intranet could also bring information needed.

II.4.1.4.4 Chambers of commerce

Chambers of commerce very often collect information about joint ventures and other forms of co-operation of their members.

II.4.1.4.5 Follow-up

To clarify difficult cases the enterprise should be contacted by mail or telephone. This is especially necessary for enterprises with a high impact on the compiling countries' economy.

II.4.2 POSSIBLE DATA SOURCES FOR THE ECONOMIC CHARACTERISTICS

Box II.13 Recommendation for data sources for economic data

It is recommended to use SBS as a source.

As the definitions for economic characteristics for inward FATS (FATS-R, Annex 1, Section 2) are consistent with SBS and already available in all Member States, SBS is recommended as database.

If FDI Statistics are used, often only the variables number of enterprises, turnover and number of employees (which can be used as a proxy for the number of persons employed according to the FATS-R) are available. Consistency with the definition should be assured and the deviations reported the metadata of the Member States (see annex).

II.5 CUT-OFF THRESHOLDS

Box II.14 Recommendation for cut-off thresholds

It is recommended to have no cut-off threshold. It should however be reported in the metadata if there is a threshold or not.

In the SBS-pilot studies on the collecting of inward FATS the participating Member States used different data sources to collect FATS data. These data sources and surveys are often not exhaustive. As the thresholds normally cut the small enterprises, it can be assumed that we lose a lot of information in terms of enterprises but less in terms of impact in the economy as foreign-controlled enterprises are rather big than small enterprises.

But different thresholds in different Member States are leading to reduced comparability between the data. 4 of the 13 Member States who have provided Inward FATS data in the framework of the SBS pilot studies have no threshold. The other Member States used thresholds, but they are based on different characteristics:

- Employment in enterprise of 20 persons employed (3 Member States), in one Member State this is combined with turnover threshold of € 0.7 million
- Foreign Investment of at least € 1,3 million (1 Member State)
- Balance Sheet total of € 3 million (1 Member State)
- Employment in enterprise groups (60 employees)
- Threshold for non-financial enterprises with a balance sheet total of €11.4 million (1 Member State)
- Smaller companies from sectors beside banks and insurance companies are not covered (1 Member State)
- Combination of €75 000 nominal capital and 10% of nominal capital (1 Member State)

Our aim is to have no threshold in all countries. Further work on this area is needed to assess the possibilities in the different countries. At present, if a threshold is applied, the country should report the threshold in the metadata and should use methods for grossing up to the total in order to have comparable data sets.

II.6 DATA TRANSMISSION

II.6.1 DATA TRANSMISSION GUIDELINES

II.6.1.1 Deadline

Box II.15 Deadline for data delivery

Section 5 of Annex I of the FATS-R defines that the results shall be transmitted within 20 month from the end of the reference year.

Example: Data for reference year 2007 should be transmitted until 31.8.2008.

II.6.1.2 Record structure

The technical format for the transmission of inward FATS will be defined in a Commission Regulation. The technical format is the same that has been laid down for the transmission of SBS³⁰. The standardisation of the data transmission aims at facilitating work both for data compiling institutes and EUROSTAT.

Data should be sent as a set of records of which a large part describes the characteristics of the data (country, reference year, economic activity, geographical breakdown, etc.). The data itself is a number which can be linked to flags and explanatory footnotes used for example to describe aggregations of NACE Rev. 1.1 codes. Confidential data should be sent with the true value being recorded in the value field and a flag indicating the nature of the confidential data being added to the record.

In order to be precise about the nature of the data, it is necessary to distinguish the following special cases:

- **data equal to zero** (coded '0'): real or rounded values of zero only;
- **missing data** (coded 'M'): this is data which is currently missing but the Member State shall supply it when available;
- **data not available**: this is data which is not collected in a Member State. In this case the corresponding record should not be sent.

By default, if an entire dimension (a variable, a NACE code, etc.) is not collected then the corresponding records will not exist except for those which are missing because they form part of a regrouping of NACE codes. This is why it is important to distinguish data which is really missing by supplying a record (one per missing item) in which the data value is coded as 'M', and data which is really equal or rounded to zero by supplying the corresponding records in which the data value is set to 0.

³⁰ Commission Regulation 2702/98 concerning the technical format for the transmission of SBS, OJ L344, 18.12.98, p. 81.

Records are made up of fields of variable length separated by semi-colons (;). The maximum expected length is shown in the table for information. All fields are described in detail in the descriptions of the fields (3.) for the inward FATS breakdown to be provided mandatory according to the FATS-R. For the pilot studies additional information (codes) will be given to participants. In order from left to right the fields are:

Table II.4 Record for inward FATS

No.	Field	Type	Maximum length	Values / Comments																																																																
1	Series	A	3	1G for dataset 1, 1G2 to dataset 2																																																																
2	Reference year	A	4	2003, in four characters																																																																
3	Territorial unit	A	2	<p>Corresponds to the code of the declaring country for national series. The code is based on the NUTS03 code.</p> <table border="1"> <thead> <tr> <th>Country</th> <th>Codes</th> <th>Country</th> <th>Codes</th> </tr> </thead> <tbody> <tr> <td>Belgium</td> <td>BE</td> <td>Malta</td> <td>MT</td> </tr> <tr> <td>Czech Republic</td> <td>CZ</td> <td>Netherlands</td> <td>NL</td> </tr> <tr> <td>Denmark</td> <td>DK</td> <td>Austria</td> <td>AT</td> </tr> <tr> <td>Germany</td> <td>DE</td> <td>Poland</td> <td>PL</td> </tr> <tr> <td>Estonia</td> <td>EE</td> <td>Portugal</td> <td>PT</td> </tr> <tr> <td>Greece</td> <td>GR</td> <td>Slovenia</td> <td>SI</td> </tr> <tr> <td>Spain</td> <td>ES</td> <td>Slovak Republic</td> <td>SK</td> </tr> <tr> <td>France</td> <td>FR</td> <td>Finland</td> <td>FI</td> </tr> <tr> <td>Ireland</td> <td>IE</td> <td>Sweden</td> <td>SE</td> </tr> <tr> <td>Italy</td> <td>IT</td> <td>United Kingdom</td> <td>UK</td> </tr> <tr> <td>Cyprus</td> <td>CY</td> <td>Bulgaria</td> <td>BG</td> </tr> <tr> <td>Latvia</td> <td>LV</td> <td>Romania</td> <td>RO</td> </tr> <tr> <td>Lithuania</td> <td>LT</td> <td>Iceland</td> <td>IS</td> </tr> <tr> <td>Luxembourg</td> <td>LU</td> <td>Liechtenstein</td> <td>LI</td> </tr> <tr> <td>Hungary</td> <td>HU</td> <td>Norway</td> <td>NO</td> </tr> </tbody> </table>	Country	Codes	Country	Codes	Belgium	BE	Malta	MT	Czech Republic	CZ	Netherlands	NL	Denmark	DK	Austria	AT	Germany	DE	Poland	PL	Estonia	EE	Portugal	PT	Greece	GR	Slovenia	SI	Spain	ES	Slovak Republic	SK	France	FR	Finland	FI	Ireland	IE	Sweden	SE	Italy	IT	United Kingdom	UK	Cyprus	CY	Bulgaria	BG	Latvia	LV	Romania	RO	Lithuania	LT	Iceland	IS	Luxembourg	LU	Liechtenstein	LI	Hungary	HU	Norway	NO
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4	Size class	A	2	Code 30 for 'total'																																																																



No.	Field	Type	Maximum length	Values / Comments																						
5	Economic Activity	A	4	<p>NACE Rev. 1.1 code: e.g. mining and quarrying is coded as C, manufacture of food products and beverages is coded as 15, hotels as 551.</p> <p>Non-standard aggregates should be indicated in the ‘Aggregation of NACE codes’ field.</p> <p>A number of standard aggregates are foreseen by the FATS-R and should be coded as follows:</p> <table border="0"> <thead> <tr> <th>Economic activity standard aggregates</th> <th>Code</th> </tr> </thead> <tbody> <tr> <td>Business Economy</td> <td>BUS</td> </tr> <tr> <td>24.4+30+32+33+35.3</td> <td>HIT</td> </tr> <tr> <td>24.1+24.2+24.3+24.5+24.6+24.7+29+31+34+35.2+35.4+35.5</td> <td>MHT</td> </tr> <tr> <td>23+25+26+27+28+35.1</td> <td>MLT</td> </tr> <tr> <td>15+16+17+18+19+20+21+22+36+37</td> <td>LOT</td> </tr> <tr> <td>50.1+50.2+50.3</td> <td>50F</td> </tr> <tr> <td>63.1+63.2</td> <td>63F</td> </tr> <tr> <td>71.1+71.2</td> <td>71F</td> </tr> <tr> <td>74.1+74.2+74.3+74.4</td> <td>74F</td> </tr> <tr> <td>74.5+74.6+74.7+74.8</td> <td>74G</td> </tr> </tbody> </table> <p>Data providers are however asked to provide ALL higher levels of the NACE Rev.1 classification possible. Dots in the NACE codes should be suppressed.</p>	Economic activity standard aggregates	Code	Business Economy	BUS	24.4+30+32+33+35.3	HIT	24.1+24.2+24.3+24.5+24.6+24.7+29+31+34+35.2+35.4+35.5	MHT	23+25+26+27+28+35.1	MLT	15+16+17+18+19+20+21+22+36+37	LOT	50.1+50.2+50.3	50F	63.1+63.2	63F	71.1+71.2	71F	74.1+74.2+74.3+74.4	74F	74.5+74.6+74.7+74.8	74G
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74.5+74.6+74.7+74.8	74G																									
6	FATS identification	A	2	Code 30 for the country of the ‘Ultimate Controlling Institutional Unit’ (UCI).																						
7	Country of UCI	A	2	Code corresponding to the country where the UCI is resident. The codes for each individual FATS controller and the aggregates to be used are specified in II.3.1.2.																						

No.	Field	Type	Maximum length	Values / Comments																										
8	Characteristics	A	5	<p>Characteristics code. The codes laid down in the SBS Regulation have 5 characteristics.</p> <p>Definition of the requested variables should be in accordance with the definitions in I.3.3. If the definition of variables deviates from the SBS framework, they should be stated in the methodological note, along with the full details of the definition used.</p> <table border="0"> <thead> <tr> <th>Characteristics title</th> <th>Code</th> </tr> </thead> <tbody> <tr> <td>Number of enterprises</td> <td>11110</td> </tr> <tr> <td>Turnover</td> <td>12110</td> </tr> <tr> <td>Production value</td> <td>12120</td> </tr> <tr> <td>Value added at factor cost</td> <td>12150</td> </tr> <tr> <td>Total purchases of goods and services</td> <td>13110</td> </tr> <tr> <td>Purchases of goods and services purchase for resale in the same condition as received</td> <td>13120</td> </tr> <tr> <td>Personnel costs</td> <td>13310</td> </tr> <tr> <td>Gross investment in tangible goods</td> <td>15110</td> </tr> <tr> <td>Number of persons employed</td> <td>16110</td> </tr> <tr> <td>Number of employees</td> <td>16130</td> </tr> <tr> <td>Total intra-mural R&D expenditure</td> <td>22110</td> </tr> <tr> <td>Total number of R&D personnel</td> <td>22120</td> </tr> </tbody> </table> <p>Exceptions:</p> <ol style="list-style-type: none"> 1) Characteristics 22110 and 22120 for NACE sections C, D and E only. If the total amount of turnover or the number of persons employed in a division of NACE Rev. 1.1 Section C to F represent, in a Member States, less than 1% of the Community total, the information necessary for the compilation of statistics relating to characteristics 22110 and 22120 need not to be collected for the purposes of this Regulation. 2) For NACE REV. 1.1 section J: 11110 and 16110 (or 16130 instead) to be calculated as aggregate of divisions 65, 66 and 67; 12110 to be calculated as aggregate of divisions 66 and 67 3) For NACE REV. 1.1 division 65: 11110, 16110 (or 16130 instead), 12120 4) For NACE REV. 1.1 divisions 66 and 67: 11110, 16110 (or 16130 instead), 12110 	Characteristics title	Code	Number of enterprises	11110	Turnover	12110	Production value	12120	Value added at factor cost	12150	Total purchases of goods and services	13110	Purchases of goods and services purchase for resale in the same condition as received	13120	Personnel costs	13310	Gross investment in tangible goods	15110	Number of persons employed	16110	Number of employees	16130	Total intra-mural R&D expenditure	22110	Total number of R&D personnel	22120
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9	Data value	A	12	<p>Numeric value of the data (negative values are preceded by a minus sign) expressed as a whole number without decimal places. Monetary data is expressed in thousands of EUR (for countries members of the Euro-zone) or in thousands of national currency units (KNC), non-monetary data in units (UNIT).</p> <ul style="list-style-type: none"> • An 'M' should be used if the data is not sent because it is missing; • A '0' should be used for real or rounded values of zero only; • if <i>data is not available</i> (not collected in a Member State) the corresponding record should not be sent. 																										



No.	Field	Type	Maximum length	Values / Comments																				
10	Quality flag	A	1	<ul style="list-style-type: none"> R: revised data refers to data which are sent for a second (or more) time and are corrections of data which have been previously sent; M: updated data, concerns data which was not previously available and was coded as missing in the data value field (see above) but has since become available; P: provisional data should be used in order to indicate that it is likely that the data being transmitted may be corrected; A blank space shall be used for all other data. 																				
11	Confidentiality flag	A	1	<p>Member States are asked to clearly indicate confidential data using the flags listed below:</p> <ul style="list-style-type: none"> A: data is confidential because of too few enterprises; B: data is confidential because one enterprise dominates the data; C: data is confidential because two enterprises dominate the data; D: data is confidential data due to secondary confidentiality. A blank space indicates non-confidential data 																				
12	Dominance	N	3	A numeric value less than or equal to 100. This indicates the percentage dominance of one or two enterprises which dominate the data and make it confidential. The value should be rounded to the nearest whole number: e.g. 90.3 becomes 90, 94.50 becomes 95. This field should only be used when the confidentiality flags B or C are used in the previous field.																				
13	Aggregation of NACE codes	A	40	Optional field with label explaining that the data corresponds to a non-standard aggregation of several NACE codes. For example, 521+522. Correct NACE codes should be transmitted even if they contain an aggregation of several NACE codes. No new codes should be used. Economic activity standard aggregates should not be indicated in this field.																				
14				This field should be left empty.																				
15				This field should be left empty.																				
16				This field should be left empty.																				
17	Units of data values	A	4	<p>Optional field with codes for indicating if non-standard units have been used. The correct implementation of field 9 makes it unnecessary to use this field.</p> <table border="0"> <thead> <tr> <th>Units</th> <th>Code</th> </tr> </thead> <tbody> <tr> <td>Units</td> <td>Unit</td> </tr> <tr> <td>Thousands</td> <td>1 000</td> </tr> <tr> <td>Millions</td> <td>MIO</td> </tr> <tr> <td>National currency in units</td> <td>NC</td> </tr> <tr> <td>National currency in thousands</td> <td>KNC</td> </tr> <tr> <td>National currency in millions</td> <td>MNC</td> </tr> <tr> <td>EUR in units</td> <td>EUR</td> </tr> <tr> <td>EUR in thousands</td> <td>KEUR</td> </tr> <tr> <td>EUR in millions</td> <td>MEUR</td> </tr> </tbody> </table>	Units	Code	Units	Unit	Thousands	1 000	Millions	MIO	National currency in units	NC	National currency in thousands	KNC	National currency in millions	MNC	EUR in units	EUR	EUR in thousands	KEUR	EUR in millions	MEUR
Units	Code																							
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EUR in millions	MEUR																							

NB: A=Alphanumeric, N=Numeric

If possible, STADIUM should be used to send the inward FATS data. If countries are not already using STADIUM, the data sets to the following e-mail address: ESTAT-SBS-DATA@ec.europa.eu



The **data set identification sheet** on the following page should be annexed if send by e-mail.

The Ediflow codes are:

- For series 1G: SBSFATS_1GA1_A
- For series 1G2: SBSFATS_1GB1_A



eurostat - G1

DATA SET IDENTIFICATION SHEET

1. Correspondents' identification:

Country: Organisation:

Your name (person to contact in case of technical problem):

Phone: Fax e-mail:

Your contact person in EUROSTAT:

2. Domain:

Mandatory SBS – regulation data		Pilot studies foreseen in the regulation		Voluntary based data collection linked to the Regulation	
Annex 1 (common module):	[]	FATS	[x]	Credit institutions	[]
Annex 2 (industry):	[]	Pension funding	[]	Business services	[]
Annex 3 (distributive trade):	[]	NACE Rev.1 65.2	[]	<i>Demography of</i>	
Trade: Turnover by product (variable 18 21 0)	[]	NACE Rev.1 67	[]	• enterprises	[]
Annex 4 (construction):	[]	Distributive trade:		• local units	[]
Annex 5 (insurance):	[]	Co-operation agreements, trading forms, etc.	[]	Structural Funds	[]
		Other (specify)	[]	Other (specify)	[]

3. Data series characteristics:

Series code	Series name (voluntary)	Reference period	New	Revised

4. Other useful information concerning data set:

.....

.....

.....

Date Signature

SOME EXAMPLES OF RECORDS FOR INWARD FATS:**(1) For dataset 1G:****Example 1:**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Series	Reference year	Territorial unit	Size class	Economic Activity	FATS identification	Country of UCI	Characteristics	Data value	Quality-flag	Confidentiality flag	Dominance	Aggregation of NACE code				Units of data values
1G	2005	DE	30	HIT	30	FR	12150	70394		B	95					

Data for 2005 for Germany. The NACE code HIT contains the aggregation 24.4+30+32+33+35.3 for variable 12150, value added at factor cost, for France as the country where the ultimate controlling institutional unit is resident. One enterprise dominates the data and represents 95,3% of value added.

1G;2005;DE;30;HIT;30;FR;12150;70394;;B;95;;;;;

Example 2:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Series	Reference year	Territorial unit	Size class	Economic Activity	FATS identification	Country of UCI	Characteristics	Data value	Quality-flag	Confidentiality flag	Dominance	Aggregation of NACE code				Units of data values
1G	2007	NL	30	601	30	US	11110	103				601=601+602				

Data for 2007 for the Netherlands. The Ultimate Controlling Institutional Unit is resident in the United States. The NACE code 601 contains the aggregation of codes 601+602 for variable 11110.

1G;2007;NL;30;601;30;US;11110;103;;;601=601+602;;;;;

Example 3:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Series	Reference year	Territorial unit	Size class	Economic Activity	FATS identification	Country of UCI	Characteristics	Data value	Quality-flag	Confidentiality flag	Dominance	Aggregation of NACE code				Units of data values
1G	2005	SI	30	BUS	30	A1	11110	45189								

Data for 2005 for Slovenia for the total activity and the aggregate A1, which includes all enterprises resident in Slovenia, whether under foreign control or not, and should be consistent with SBS.

1G;2005;SI;30;BUS;30;A1;11110;45189;;;;;;;

**Example 4:**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Series	Reference year	Territorial unit	Size class	Economic Activity	FATS identification	Country of UCI	Characteristics	Data value	Quality flag	Confidentiality flag	Dominance	Aggregation of NACE code				Units of data values
1G	2006	PL	30	D	30	A2	16110	23111	R							

Revised number of persons employed for 2006 for Poland for NACE section D. The aggregate A2 includes all enterprises which are controlled by enterprises resident in Poland.

1G;2006;PL;30;D;30;A2;16110;23111;R;,,,,,;

(2) For dataset 1G2:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Series	Reference year	Territorial unit	Size class	Economic Activity	FATS identification	Country of UCI	Characteristics	Data value	Quality flag	Confidentiality flag	Dominance	Aggregation of NACE code				Units of data values
1G2	2006	FR	30	BUS	30	PH	12110	20000								

Turnover for reference year 2006 for France. The code for the economic activity is always BUS for Business Economy. The country codes are according to geographical breakdown level 3, in this example PH for the Philippines.

Some records are duplicated for series 1G and 1G2 for the NACE aggregate FATS and geographical codes which are foreseen in both data sets, only the series code will be different. Please send both records twice.

II.6.2 QUALITY CHECKS

There are some quality checks to be made before sending the data to EUROSTAT. Data set 1G2 has been introduced in the FATS-R to reduce the burden for the data compilers, as they do not have to deliver the full NACE breakdown for all countries of world. EUROSTAT needs however the requested activity breakdown for the 14 most important partner countries, and for all geographical aggregates.

It is therefore important to note that V2 can not be calculated in data set 1G2, as not all extra-EU 27 countries are listed there. Data compilers attention should be drawn to the fact that 2 of the 14 in FATS-R level 2-IN listed countries (Hongkong and Liechtenstein) are already included in C4, the aggregate for the offshore financial centres.

A2 should be used if the UCI is resident in the data compiling Member State. There should be no records with the compiling country's codes used for the country of UCI. The own country code should be used for the territorial unit only.

The extent to which globalisation has taken place in an economy is often measured by the share of foreign-controlled enterprises (Z9) in the whole economy (A1), e.g. measured in terms of value added. It is important to ensure that the numerator and denominator are comparable. If the aggregate A1 is taken from SBS the definitions should be the same as for SBS (which is the main source for inward FATS).

Data for the same geographical (e.g. A1) and activity (e.g. BUS) breakdown should be consistent in both data sets 1G and 1G2.

There are three relations between variables which are obvious mistakes, whilst the seven others are possible but should be explained by Member States in the methodological notes.

The aggregation of higher NACE codes is obvious from activity breakdown level 3. It should be noted that some special aggregates are foreseen in the FATS-R which are not available from SBS.

Box II.16 Recommendation for aggregation rules and quality checks

Characteristics

To be corrected:

1. 16130/16110<1
2. 11110/16110<1
3. 22120/16110<1

To be checked:

1. 12150/12110<1
2. 13310/12150<1
3. 13110/12120<1
4. 13320/13310<1
5. 12170/12150<1
6. 12150/12120<1
7. 22110/12150<1

Geographical breakdown

Aggregation

1. $A1(1G, 1G2) = A2 + Z9$
2. $Z9(1G, 1G2) = V1 + V2$
3. $A1(1G, 1G2) = A2 + V1 + V2$
4. $V1(1G, 1G2) = \sum \text{all Member States (without compiling country A2)} + Z7$
5. $V2(1G) \geq AU+CA+CH+CN+IL+IS+JP+NO+NZ+RU+TR+US+C4+Z8$
6. $V2(1G2) = \sum \text{all extra-EU 27 countries FATS-R level 3} + Z8$
7. No records for 'country of UCI' = 'territorial unit'

Consistency between data sets 1G and 1G2 for NACE aggregate BUS

1. $A1(1G) = A1(1G2)$
2. $A2(1G) = A2(1G2)$
3. $Z9(1G) = Z9(1G2)$
4. $V1(1G) = V1(1G2)$
5. $V2(1G) = V2(1G2)$
6. $Z7(1G) = Z7(1G2)$
7. $Z8(1G) = Z8(1G2)$
8. $C4(1G) = C4(1G2)$
9. 14 level 2-IN extra-EU countries: $1G = 1G2$

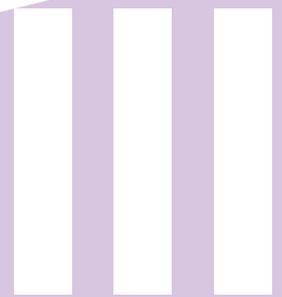


Box II.16 Recommendation for aggregation rules and quality checks (continued)

Activity breakdown

1. Consistency of A1 with corresponding data in SBS Annexes 1A, 2A, 3B and 4A
2. Consistency of 1G and 1G2 for activity breakdown BUS for all corresponding records
3. $BUS(1G, 1G2) = C+D+E+F+G+H+I+K$
4. $D(1G) = DA+DB+DC+DD+DE+DF+DG+DH+DI+DJ+DK+DL+DM+DN$
5. $D(1G) = HIT+MHT+MLT+LOT$
6. $E(1G) = 40+41$
7. $F(1G) = 45 = 451+452+453+454+455$
8. $G(1G) = 50+51+52$
9. $50(1G) = 50F+504+505$
10. $51(1G) = 511+512+513+514+515+518+519$
11. $52(1G) = 521+522+523+524+525+526+527$
12. $H(1G) = 55 = 551+552+553+554+555$
13. $I(1G) = 60+61+62+63+64$
14. $60(1G) = 601+602+603$
15. $63(1G) = 63F+633+634$
16. $64(1G) = 641+642$
17. $J(1G) = 65+66+67$
18. $K(1G) = 70+71+72+73+74$
19. $71(1G) = 71F+713+714$
20. $72(1G) = 721+722+723+724+725+726$
21. $74(1G) = 74F+74G$

Outward FATS



III.1 DEFINITIONS

III.1.1 STATISTICAL UNIT

There are a number of definitions stemming from other already established legislation which should be applied when defining the population of the statistical units in Member States. These definitions are summed up in the text boxes below.

Box III.1 Definition of *statistical unit* for Outward FATS

The statistical unit for the module *outward FATS* is defined in annex II of the FATS-R, section 1:

The *statistical units* are the enterprises and all branches abroad that are controlled by an institutional unit resident in the compiling economy, according to the definitions contained in Article 2.

Article 2 of the FATS R quotes the SUR: “enterprise”, “local unit” and “institutional unit” shall each have the same meaning as in Regulation (EEC) No 696/93.” *on the statistical unit for the observation and analysis of the production system in the Community.*

Paragraph 7.17 of the BRRM explains the link between legal unit and enterprise:

Usually, an enterprise uses a single legal unit as its legal basis. But that is not always so: sometimes, several units combine to carry on a business activity. The usual forms that such associations take need to be analysed.

Box III.2 Definition of *legal unit*

According to the definition of SUR (which is also used in the BRRM) *legal units* include:

- **Legal persons** whose existence is recognised by law independently of the individuals or institutions which may own them or are member of them.
- **Natural persons** who are engaged in an economic activity in their own right.

The legal unit always forms, either by itself or sometimes in combination with other legal units, the legal basis for the statistical unit *enterprise*.

As can be seen from the BRRM paragraph 7.7:

A *legal unit* is the principal legal basis for a single enterprise (on national territory), although exceptions may be allowed for enterprises in the public administration sector.

Only legal units that, at any time during a given reference period, are economically active or are part of a chain of control of active legal units should be taken into account.

Box III.3 Definition of *branches*

Branches are defined in article 2 of the FATS-R.

“Branches” shall mean local units not constituting separate legal entities, which are dependent on foreign-controlled enterprises. They are treated as quasi-corporate enterprises within the meaning of point 3(f) of subsection B (Institutional unit/Explanatory notes) of the Annex to Regulation (EEC/ No 696/93);

It should be specified that in the case of outward FATS, “branches” refers to units that are owned by resident investors of foreign origin.

III.1.2 TARGET POPULATION OF STATISTICAL UNITS**Box III.4** Recommendations for *target population*

The *target population* is composed by all affiliates located in extra-EU countries that are controlled by an institutional unit resident in an EU Member State.

Combining the definitions of article 2 of the FATS R, of section 1 of that regulation’s annex II, and the requirements as to the geographical breakdown that are limited to extra-EU affiliates (see section 4 of Annex II and Annex III), the target population is composed by all affiliates located in extra-EU countries that are controlled by an institutional unit resident in an EU Member State. It is recognized that for national statistical institutes it is not always easy to apply the term “institutional unit” in practice given that they lack information on physical persons.

In outward FATS statistics the target population of statistical units is composed by non-resident units. The population of reporting units differs from the population of statistical units. In all practical applications known so far, the reporting units are the resident parents controlling affiliates abroad. Consequently, regardless of the approach used to identify the target population, either by compiling information from the available public registers or by basing it on existing FDI surveys, the population of reporting units for outward FATS will always be, by definition, a subset of the population of reporting units for outward FDI statistics.³¹

It is imperative for a number of users, most notably the ECB but also different Commission services, to be able to analyse trends for sub-groups of Member States, most importantly the EURO zone. The geographical breakdown for outward FATS data as foreseen in the FATS-R does not include foreign affiliates located in EU-Member States. Therefore, Member States are not obliged as per the regulation to compile intra-EU outward FATS data. Nonetheless, given the keen interest on the user side for this information, Member States are asked to compile this information on a *voluntary* basis. The UCI-principle should, in principle, ensure that the additional costs incurred by including intra-EU foreign affiliates be kept to a minimum. The extension of the reporting on the geographical breakdown by this voluntary component would be limited to the other 26 Member States.

³¹ FDI statistics typically include investments with a foreign ownership share of 10% or more, while for FATS only majority ownerships of more than 50% are considered. Therefore, the target population for FDI statistics should be larger than that for outward FATS.



III.1.3 TARGET POPULATION OF REPORTING UNITS

Box III.5 Recommendations for identifying reporting units

To identify the relevant population of reporting units and to unambiguously associate the statistical units to them Member States should apply the “*Ultimate Controlling Institutional unit approach*” (UCI). All Member States should follow this approach.

Control can be direct or indirect (article 2 of the FATS R). Consequently, a given affiliate (enterprise or branch) X located in an extra-EU country (figure III.1) may be controlled directly by a unit resident in MS3 and indirectly by a unit resident in MS2, which in turn is controlled by the first unit in MS1. This chain of indirect ownerships can be extended *ad libitum*. Thus, it is not uncommon that, as described in figure III.1, a unit in MS1 exerts indirect control over a foreign affiliate X by directly controlling a unit in MS2 and, its indirect ownership of MS3.

This manual suggests the “EU-UCI” approach as the basis for identifying the population of the reporting units in Member States. This implies that Member States report data on affiliates located outside the EU that are controlled directly or indirectly by parent companies resident in the EU which are not controlled by any other entity resident in the EU or elsewhere outside the EU (*EU-UCI approach*). In the example (figure III.1), only MS1 (in which the EU-UCI is located) would report data for all affiliates W, X, Y and Z while other Member States would not report data.

In principle, it should be much easier to identify the relevant UCIs for outward FATS than for inward FATS, as in the case of outward FATS they would be located on the territory of the compiling country. However, as with all other alternative approaches- there is a risk of inaccuracy in form of either under-reporting or double-counting. In figure III.1 this might occur if compilers in MS2 and MS3 erroneously identify enterprises on their territory to be the UCI of affiliate X (or compilers in MS4 assuming that affiliates Y and Z are controlled by a UCI in MS4). In this case, if all Member States involved reported data on X, the EU aggregate would be inflated by double counting, resp. triple-counting of the characteristics related to the activity of X³². However, given that compilers would have a maximum of information at hand to verify the control structure of the enterprises located within their jurisdiction this risk should be manageable. Bar a limited number of exceptions where clarifying the control relationships within an enterprise group might require coordination between two or more Member States, the definitions of “UCI” and “institutional unit” as presented in section I of this manual should be sufficient enough to allow for a clear identification of UCIs.

It should be noted that the EU-UCIs which are controlled by yet another UCI outside the EU are to be excluded from the target population. Thus, if in figure III.1, MS1 would be itself controlled by an entity located outside the EU, the entire chain-of-control should not be considered. This approach provides for more clarity. It also facilitates comparability of the data with FATS data from non-EU partner countries. It ensures that no enterprise and the chain of control it commands is counted twice (once as UCI in Europe and, simultaneously, as the UCI of the non-EU country.)

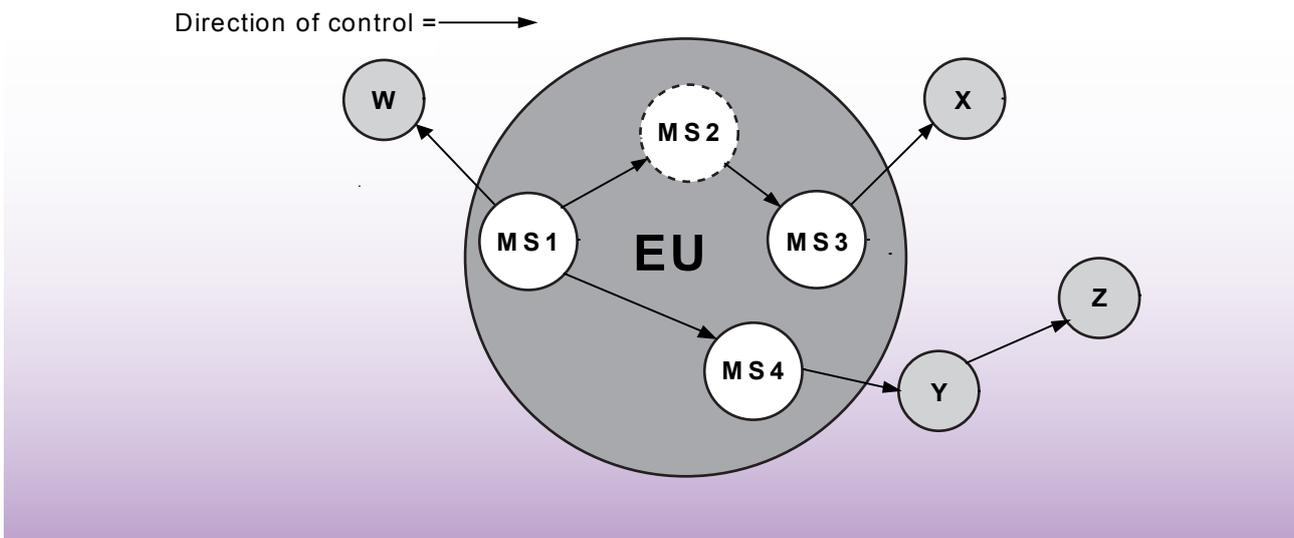
A word on the *Extended Immediate Control Approach (EICA)* which was presented as an alternative to the UCI in earlier versions of this manual:

According to this approach data on affiliate X would be compiled by MS3 (figure III.1), while that of affiliates Y and Z by MS4 and that of W by MS1 (all this holding true in absence of any SPEs in the chain of control). This approach has a number of merits as detailed before. Most notably, it is designed to avoid double-counting or under-reporting of the

³² See also §§ 292-296 of the HEGI for a similar though not identical problem.

affiliates outside the EU. However, its lack to cope in a satisfying way with Special Purpose Entities (SPEs) which may be placed in the middle of a control chain and the difficulties it entails for calculation sub-EU aggregates such as for the EURO-zone are serious impairments to its usefulness as a basis for compiling EU outward FATS data.

Figure III.1 Example for comparing the *EU-UCI* and the *Extended immediate control* approaches



Limiting the target population of statistical units to affiliates located outside the EU that are directly controlled (*immediate control approach*) would avoid this problem. However, the results in terms of coverage would be of low quality and would not meet the requirements of article 2 of the FATS R.

III.2 SPECIAL CASES

III.2.1 GENERAL ASPECTS

There are scenarios in which allocating an affiliate to a particular Member State is more difficult than in the standard case. This is typically the case when majority ownership of an affiliate cannot be attributed to one company alone.

These cases typically require a more in-depth analysis of control- and ownership information. Typical examples are cases where the ownership of a foreign affiliate in a third country can be shared between different shareholders resident in different countries. These special cases can be grouped in two broad categories:

- cases of equally share control of an affiliate between 2 different partners, such as *joint ventures (50/50)* and
- cases of *multiple minority ownership* of affiliates abroad in which a company resident in the EU may exercise control without having majority ownership.

The challenges in all of these cases is not only that they require more information on the part of the compiling authority to take the appropriate decisions, but also that a cooperation and an information exchange with national authorities from other EU countries is indispensable to ensure the quality of the data compiled. Obviously this cooperation has to take place within the limits set by the relevant legislation in Member States. However, Member States are asked to fully exhaust the possibilities for cooperation provided in the current legal frameworks, both, with EU and non-EU-authorities.

Box III.6 Recommendations for compiling outward FATS data in the case of *equally-shared control and multiple minority ownerships*

The indicators should be attributed to one country only.

In the case of the involvement of more than one EU – parent firm, coordination between the relevant national statistical authorities is indispensable.

In cases of multiple minority ownership where two or more enterprises from different EU-countries control a foreign affiliate, indicators should be attributed to the country of the investor who owns the highest relative share among the controlling investors. This information may be retrieved through specific questions in survey questionnaires.

In cases where minority shares are equal, the dominant owner might be difficult to ascertain. Therefore, in addition to ownership information, information about control structures should be collected from the parent firms involved as well as from other sources such as officially filed company reports or the business register of the host country of the affiliate. Examples for such relevant information are also presented in the MSITS:

- If one owner's interest in the affiliate is held directly and the other owner's interest is indirect, the affiliate generally would be classified in the country of the owner holding the direct interest.
- If one of the foreign owners is a government entity, then the country of that Government would probably be considered the country of the owner.
- If one of the foreign owners is a holding company or is located or incorporated in a tax haven country, then the country of the other owner would probably be considered the country of owner.

III.2.2 EQUALLY SHARED CONTROL

III.2.2.1 50-50 - Joint Ventures

There are, in fact, three different scenarios to be considered in this context:

- Firstly, a foreign affiliate in a non-EU country is co-owned by a national entity and an EU-based business, both controlling 50% of the voting rights.
- Secondly, a foreign affiliate in a non-EU country is co-owned by two business, one from an EU Member State and one from a third (non EU) country both controlling 50% of the voting rights.
- Finally, a foreign affiliate in a non-EU country is co-owned by two businesses that are based in different in EU Member States, both controlling 50% of the voting rights.



Figure III.2 50-50 Joint Venture Scenario No 1

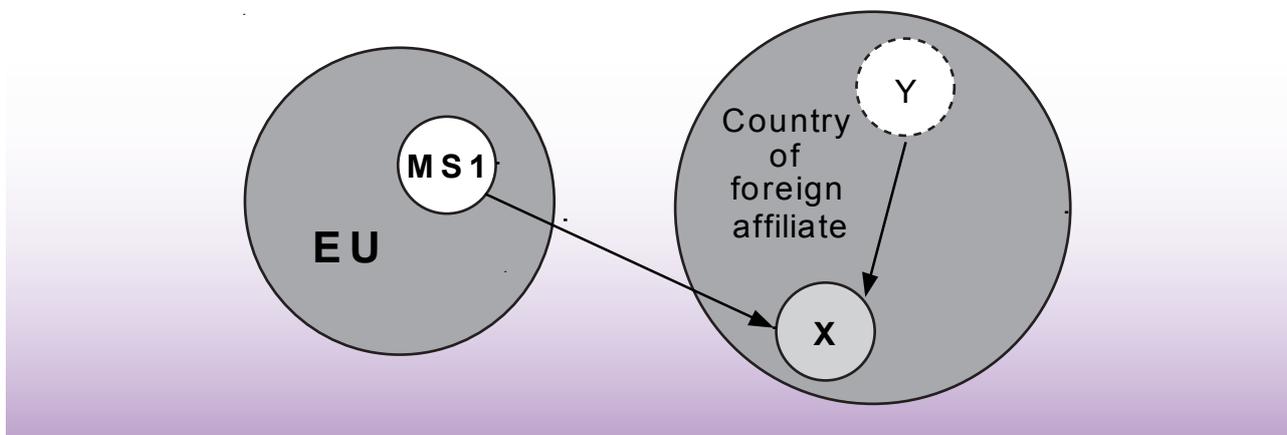


Figure III.3 50-50 Joint Venture Scenario No 2

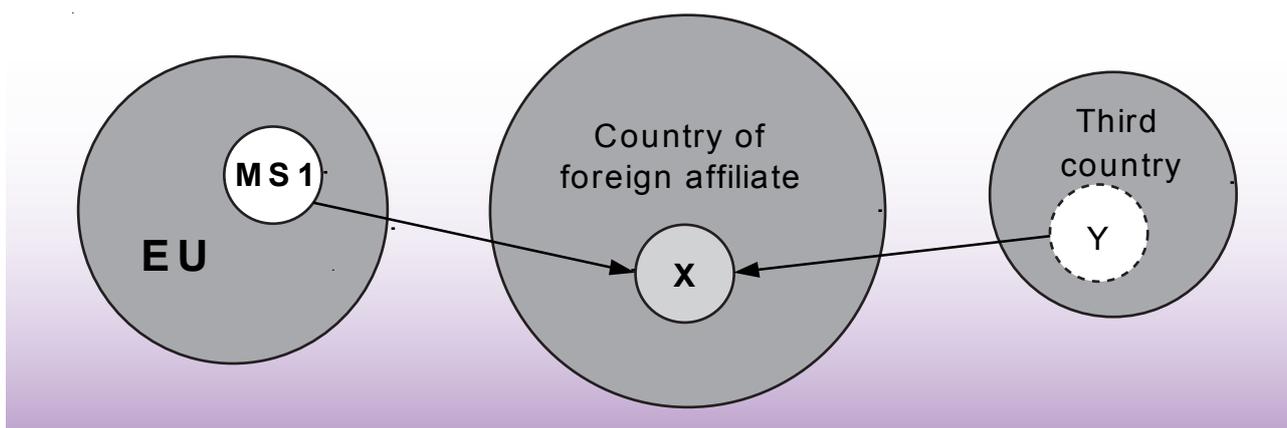
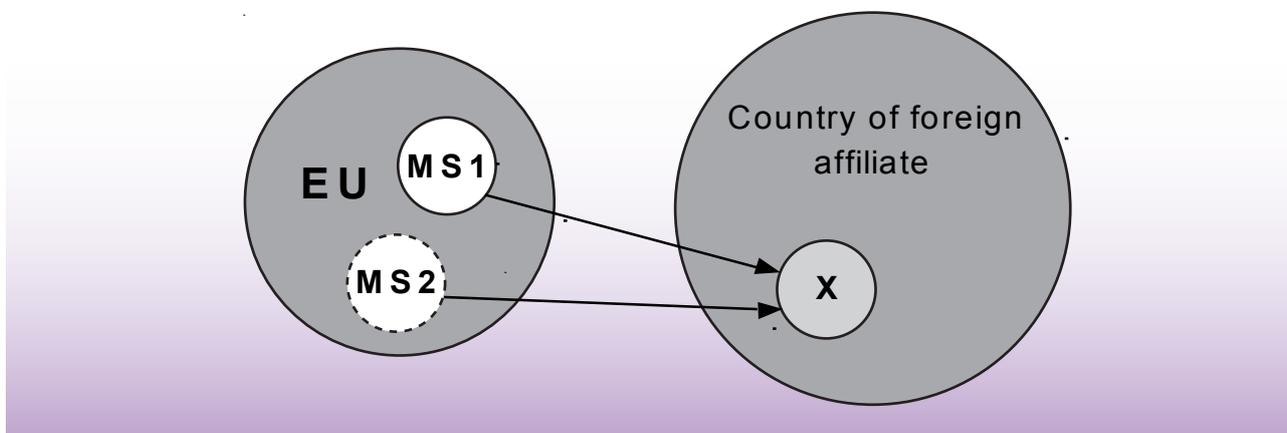


Figure III.4 50-50 Joint Venture Scenario No 3



The first two scenarios (figure III.2 and figure III.3) are similar. The main challenge in these cases is to determine, if the EU partner is actually controlling the affiliate in the sense outlined in part I of this manual. If he does, the foreign affiliate has to be considered for the outward FATS collection. The relevant sources for this information could be the companies themselves as well as the relevant investment laws and regulations of the country where the affiliate is established.³³

The third case (figure III.4) comes with an additional complication. In the case of two businesses from different EU Member States co-owning an affiliate in a third (non-EU) country, the question arises which of the two national authorities involved should report the affiliate. Without coordination between the two, there would be the risk of double-counting. It is key for ensuring the proper aggregation of FATS data sets from member states that they detail in their metadata reports to EUROSTAT the relevant cases and how they were resolved.

III.2.2.2 Other forms of Equally-Shared ownership

Apart from cases of 50-50 shared control, there are also scenarios conceivable where ownership is equally-shared among more than 2 companies. These would be cases with three (1/3:1/3:1/3), four (1/4:1/4:1/4:1/4) or even more owners. It is obvious that these cases would be even rarer than the 50:50 ones. Also, in principle the same provisions apply in the case of 50:50. However, the larger number of owners paves the way also for some additional constellations:

- In the case of three owners of an affiliate, two of those companies might come from the same EU Member State in which case their home country would be in-charge of compiling the data for the affiliate. In the case all owners come from different Member States, it is essentially a case of multiple minority ownerships and the provisions as detailed in section II.2.3 apply.
- In the case of four owners, three of them might come from the same country in which case their home country would be in-charge of compiling the data for the affiliate. In the case all owners come from different Member States, it is essentially a case of multiple minority ownerships and the provisions as detailed in section II.2.3 apply.

III.2.3 MULTIPLE MINORITY OWNERSHIP

This case assumes that there is not a single dominant owner with a share in the company large enough to control it alone. This implies that the maximum share of voting assets any owner of the company may have is less than 50%. There are also different scenarios to consider here:

- Firstly, two or more national owners with minority share combine for a controlling stake of more than 50% of the affiliate's capital.
- Secondly, two or more owners from the same EU Member State with minority shares that combine together for a controlling stake of more than 50% of the affiliate's capital. In addition parent firms either from other EU countries or third countries might or might not have a stake in the affiliate.
- Thirdly, two or more owners from more than one EU Member State with minority shares that combine together for a controlling stake of more than 50% of the affiliate's capital.

³³ In the case of scenario 1, it is permissible to assign the affiliate to the domestic owner and to not consider it for the population of relevant statistical units for the outward FATS data compilation, if no evidence can be found that the limitation to 50% ownership of the foreign (EU) partner is forced upon this entity due to national laws outlawing majority ownerships of foreigners in domestic businesses or similar legal or quasi-legal provision of the host country. If evidence of such legal provisions can be found that effectively prevent the foreign party to a Joint venture to take a majority stake, compilers are asked to further investigate which partner effectively has the control over the joint entity.



Figure III.5 Multiple Minority Ownership, Scenario No 1

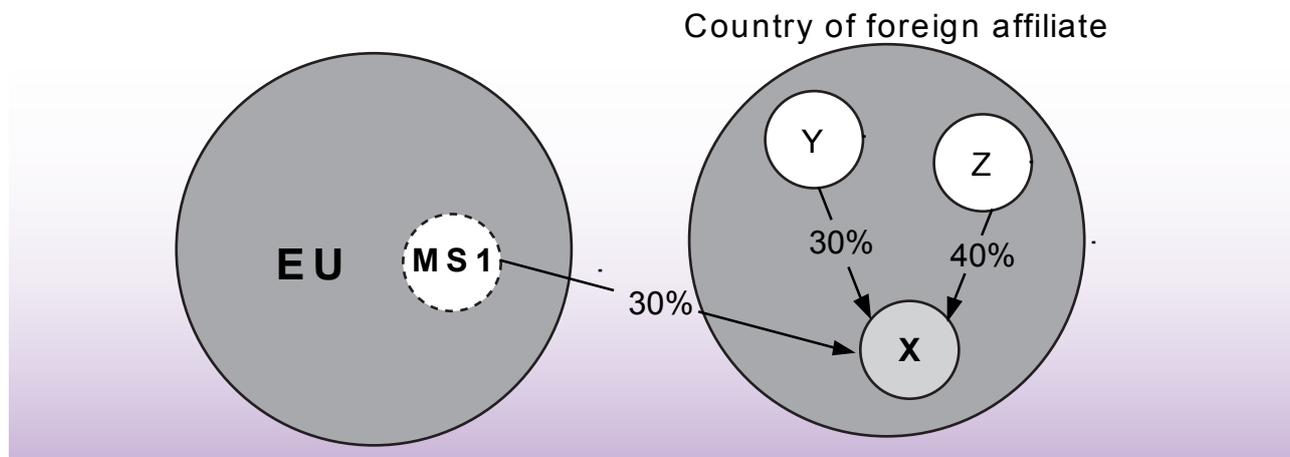


Figure III.6 Multiple Minority Ownership, Scenario No 2

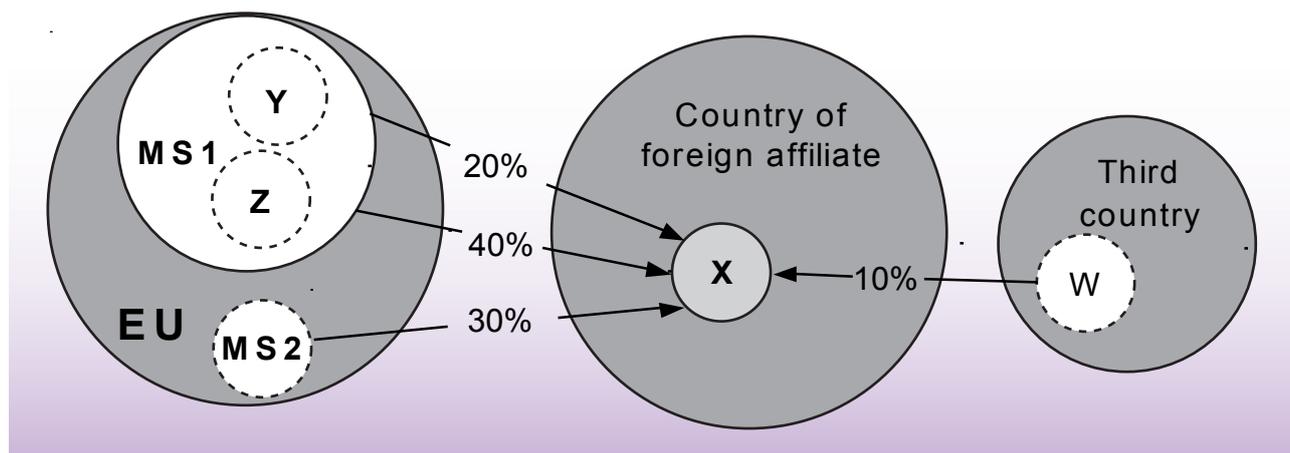
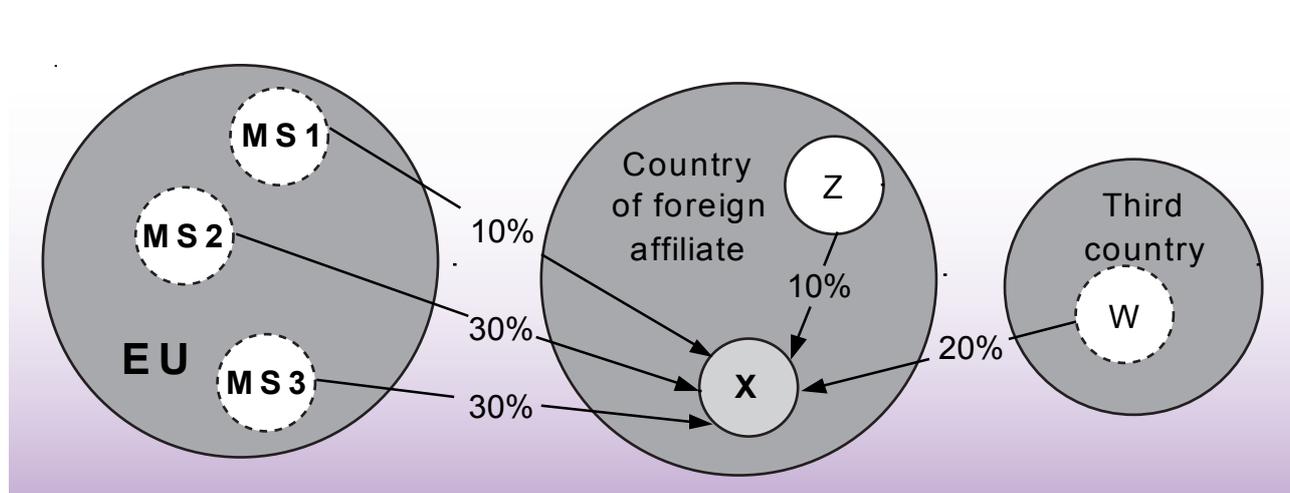


Figure III.7 Multiple Minority Ownership, Scenario No 3



The first case (figure III.5) is not relevant for the collection of FATS data. Notwithstanding additional information that affiliate which would reveal that the EU- minority shareholders effectively control the firm despite the majority share being in the hand of national parties, it should be assumed that EU- parents firm with a stake in the affiliate do not control it.

The second case (figure III.6) is relevant for the outward FATS data compilation. In the case of two or more firms from the same EU-country combining for a majority share in voting rights exceeding 50%, the data for the foreign affiliate should be compiled by the home country of those parent firms.

The third scenario (figure III.7), involving firms from more than one EU country, is more complex. In that case, the data should be accounted for by the member country from which the company or companies originate(s) that hold(s) the largest minority share. In case the minority shares of parent companies from different EU-member countries are equally large, say each controlling 30% of total assets, the national statistical authorities of the Member States involved should in consultation with each other identify the dominant minority shareholder and the home country to which the foreign affiliates should be allocated to. Incidentally, the same applies to the case where at least one of the dominant minority shareholders comes from a non-EU Member States. In that case cooperation has to be sought with the relevant statistical authorities of that country. Moreover, it is key for ensuring the proper aggregation of FATS data sets from member states that they detail in their metadata reports to EUROSTAT the relevant cases and how they were resolved.

III.2.4 NATURAL PERSONS AS OWNERS

Box III.7 Recommendations for treatment of *natural owners*

Natural owners should be treated no different from incorporated entities.

A specific difficulty in the case of individuals may occur if the nationality of the individual does not coincide with its place of residence. In this case, there are, in principle, two options as regards the allocation of the data: to the country of which the individual is a national or the country of residence. To be consistent with BoP statistics and in particular with foreign direct investment statistics, the data of the foreign affiliate should be allocated to the place of residence of the individual. This approach would also ensure comparability with FATS statistics from other non-EU sources, most notably the United States, which follow the same principle. As for holding companies set up by natural persons the provisions detailed in section II.2.4.1 apply.

III.3 DELIVERABLES

III.3.1 GENERAL REMARKS

Member States should compile data on the characteristics given in the Table III.1 according to Annex II of the FATS-Regulation.

Table III.1 List of characteristics according to the FATS-R

SBS code	Title	Code for data transmission
12 11 0	Turnover	TUR
16 11 0	Number of persons employed ³⁴	EMP
11 11 0	Number of enterprises	ENT
13 31 0	Personnel costs	PEC
12 15 0	Value added at factor cost	VAC
15 11 0	Gross investment in tangible goods	GIT
	Exports of goods and services	EXP
	Import of goods and services	IMP
	Intra-group export of goods and services	EXPI
	Intra-group import of goods and services	IMPI

Of those characteristics the first three – turnover, number of persons employed and number of enterprises – are mandatory as per the FATS-R. For all others compilation will start by way of a voluntary pilot phase.

In table III.2 two additional variables are listed: Total intra-mural R&D expenditure and Total number of R&D personnel which are more and more sought after by users. The table contains also a subset of exports and imports characteristics mainly for two reasons:

- In case a Member State is not able to provide a requested trade characteristic in its entirety (EXP, IMP, EXPI or IMPI), for data transmission purposes of the codes in the table III.2 the one should be chosen which comes closest to describing the compiled value. For instance, if a Member State instead of compiling exports of goods and services ascertains only exports of goods, the code EXPG instead of EXP should be chosen. In addition, this deviation should be notified in the metadata.

³⁴ If the number of persons employed is not available, the number of employees (code 16 13 0) should be compiled instead.

- In case a Member State collects more detailed information on foreign trade than is requested in the FATS-R, EUROSTAT would appreciate transmission of this information choosing the most suitable code of the Table III.2. For instance, if a Member State is able to distinguish between Exports of goods and Exports of services, the following three characteristics could be provided: EXPG, EXPS as well as EXP representing the sum of the two.

Table III.2 List of characteristics

SBS code	Title	Code for data transmission
22 11 0	Total intra-mural R&D expenditure	RDE
22 12 0	Total number of R&D personnel	RDP
	Exports of goods	EXPG
	Exports of services	EXPS
	Import of goods	IMPG
	Import of services	IMPS
	Exports of goods and services to the EU	EXPEU
	Exports of goods to the EU	EXPGEU
	Exports of services to the EU	EXPSEU
	Exports of goods and services to the rest of world	EXPRW
	Exports of goods to the rest of world	EXPGRW
	Exports of services to the rest of world	EXPSRW
	Import of goods and services from the EU	IMPEU
	Import of goods from the EU	IMPGEU
	Import of services from the EU	IMPSEU
	Import of goods and services from the rest of world	IMPRW
	Import of goods from the rest of world	IMPGRW
	Import of services from the rest of world	IMPSRW
	Intra-group imports of goods	IMPIG
	Intra-group imports of services	IMPIS
	Intra-group exports of goods	EXPIG
	Intra-group exports of services	EXPIS
	Intra-group exports of goods and services to the controlling unit in the compiling country	EXPICC
	Intra-group import of goods and services from the controlling unit in the compiling country	IMPICC
	Intra-group exports of goods and services excluding controlling unit	EXPINC
	Intra-group import of goods and services excluding controlling unit	IMPINC



Box III.8 Recommendations for *allocation of variables*

Total values of variables should be allocated:

- **geographically** – to the country of residency of the affiliate abroad;
- **by activity** – to the main activity of the affiliate abroad.

Box III.9 Recommendations for *units of measurement of individual characteristics*

As for the reporting of individual characteristics it should be noted that:

- *Turnover, Exports of goods and services, Import of goods and services, Intra-group export of goods and services, Intra-group import of goods and services, Value added at factor cost, Personnel costs and, Gross investment in tangible goods and Total intra-mural R&D expenditure* – should be expressed **in thousands of currency units**. Countries provide the data either **in national currency or in EUR**. National currency is converted in EUR on the basis of EUR exchange rates.
- *Number of persons employed* is expressed simply **in the numerical value** of the numbers of persons reported to be employed by a given foreign affiliate. *Total number of R&D personnel* is also expressed in the numerical value of all persons employed directly on Research & Development by a given foreign affiliate.
- *Number of enterprises* is expressed simply **in the numerical value** of the numbers of foreign affiliates recorded for the parent company

It should be noted that the list is a subset of the variables listed in §§ 4.46-4.68 of chapter 3 of the MSITS. Variables mentioned in the MSITS also include *Output, Assets, Net worth, Net operating surplus, Taxes on income, Research and development expenditures*.

The OECD Handbook refers less specifically to derived indicators on the activity of foreign affiliates abroad, such as: relative shares in employment and sales between the resident parent companies and affiliates abroad; Herfindahl indexes on the geographic concentration of affiliates.

III.3.2 DATA

III.3.2.1 Specific characteristics

III.3.2.1.1 Number of enterprises

The *Number of enterprises* is a characteristic that in principle results from counting the units in the target population, although in practice there can be problems of collection when the information is supplied by a resident parent on the activity of many affiliates abroad. The respondent may tend to group e.g. affiliates located in the same foreign country as a single enterprise. In terms of statistics produced this characteristic may be used to derive useful indicators.

Box III.10 Recommendations for compiling *Number of enterprises*

All subsidiaries that qualify as foreign affiliates according to the definition set out in Art. 2 of the regulation on the structure and activities of foreign affiliates should be counted as separate units. In case an EU company majority-controls more than one foreign affiliate in the same non-EU country, the number of foreign affiliates recorded for the parent company should be the total number of foreign affiliates controlled by the parent in that particular host country.

III.3.2.1.2 Turnover, Number of Persons Employed and Personnel costs

Characteristics of higher priority that are relatively easy to collect are *Turnover*, *Number of Persons Employed* and *Personnel costs*. Statistics on turnover of foreign affiliates abroad are highly needed by the Commission for the implementation of the GATS as concerns the GATS's *third mode of delivery*. Statistics on employment provide information on the impact of direct investment abroad in terms of employment and are naturally complemented by information on personnel costs in foreign affiliates abroad.

These three characteristics are easy to collect because the underlying concepts in business accounting and in statistics are similar. However, in particular turnover has some limitations as analytical indicator of the activity of foreign affiliates abroad. In general, differently from value added, turnover is affected by the extent of vertical integration of the activity. Nonetheless, even if it is for some kinds of activities, notably banking and trade, a particularly weak indicator, its compilation is important as there is no better variable to measure the size of an affiliate's business operations.

III.3.2.1.3 Gross investment in tangible goods and value-added

Gross investment in tangible goods and *Value added* require more of an effort to collect from information available to resident direct investors on their affiliates abroad. However, these variables are collected in the US survey on affiliates abroad. There is a clear analytical interest for many users in having this information, which justifies their inclusion in the pilot studies in order to assess.

III.3.2.1.4 Imports and exports (total and intra-group)

Imports and exports (total and intra-group) are also very important variables, needed among other things, in trade negotiations. A particular challenge is breaking down the trade variables into intra-group trade and trade with third parties. Restricting compilation to only the total exports and imports might lead to statistical results which misrepresent the trade flows as they occur in reality.

In fact, there are a number of ways through which double-counting may occur when trade flows of affiliates of transnational corporations are compiled. One obvious and not uncommon example is the case of a parent company distributing all its products via a wholesale arm established in a foreign country. In such a case, recording turnover of affiliates abroad *and* exports of the resident parent without knowledge of the intra-group component (i.e. imports of the affiliates from the parent company), leads to the wrong conclusion that the total supply abroad in the sense of the GATS (exports plus sales of the affiliates) is the sum of the two components. The OECD Handbook on Economic Globalisation Indicators lists a number of further cases where double-counting may occur (OECD, 2005, chapter V, pp. 191/para. 634pp).

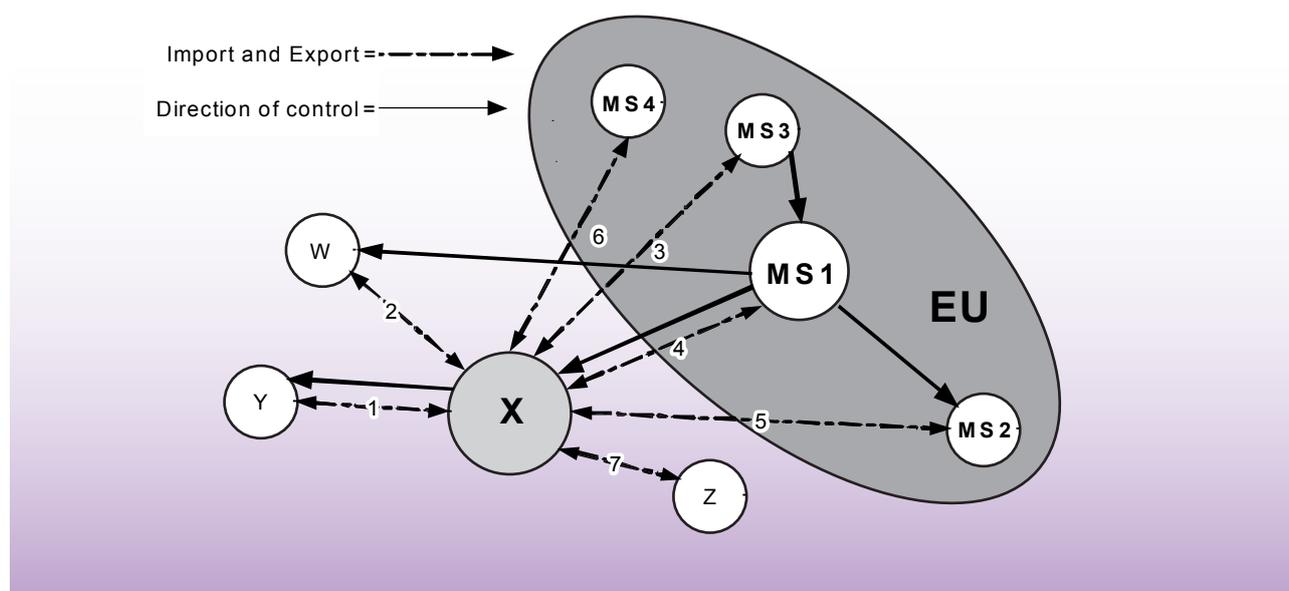
From the point of view of the ECB, knowledge of intra-group imports and exports is important for analysing inflationary pressures through (i) import prices and their developments and (ii) the exports and the corresponding foreign demand



addressed to the Euro area. In both cases it is assumed that intra-group transactions do not necessarily develop in the same way as arm's-length deals determined by market prices. Since the price-setting in intra-group deals might deviate significantly from market prices, knowledge of the importance of intra-group trade in relation to the overall trade volume of the EU may therefore provide important additional information for a better risk assessment with regard to price stability within the EU. Moreover, non-price factors affecting trade and competitiveness may be of particular importance when traditional econometric models for trade become less responsive to data, as currently occurs at the Euro area and at some countries' level.

Figure III.8 below provides an overview of the most typical trade links of a foreign affiliate. It illustrates which trade flows are relevant for outward FATS data compilation as per the definitions in section I.

Figure III.8 Overview of relevant export and import transactions of a foreign affiliate for outward FATS



Intra-group trade:

The intra-group trade of the foreign affiliate X, includes the export and import flows with the enterprises of the same group located in MS1 (4), MS2 (5) and MS3 (3). In addition, it also includes trade between other group affiliates located outside the EU, namely with Y(1) and W (2). It is important to note that also the trade between units of the same enterprise group which are not directly linked to each other (2,3 and 5) are included. While enterprises may have more difficulties identifying trade links between units belonging to the same group but which are only indirectly linked to each other through the chain of control, it is, nonetheless, important to make the reporting units aware that also the export and import transactions between these partners also qualify for intra-group trade.

In practice reporting units might find it difficult to account for all intra-group trade transactions, in particular between the affiliate in question and other affiliates that are only very indirectly linked to it. As a consequence compilers should request from reporting units additional meta-data information as to the precise scope of the intra-group trade linkages

covered (e.g. if only trade transactions between the affiliate and the UCI have been included this should be documented accordingly; please also refer to section III.3.1. for this).

Total exports and imports:

Total exports and imports of the foreign affiliate X include all trade transaction between X and the enterprises located in MS1, MS2, MS3, MS4, as well as with the enterprises W, Y and Z outside the EU. Export and imports between X and the enterprise located in MS4 (6) as well as the affiliate Z (7) represent the only extra-group trade relations in this example.

Concerning data collection, trade characteristics represent a bigger challenge to compilers than those mentioned before. Generally speaking, export and import variables, including intra-group ex- and imports, need to be collected directly from the enterprises since this information is not included in other statistical or administrative sources. Only to a limited extent, Extrastat information might be helpful. The collection of information on intra-group exports and imports represents a major task for respondent enterprises. This can be linked both to the limited availability of information at the foreign affiliate level and to the peculiar nature of the variable requested. In particular, information on intra-group international trade is considered by enterprises particularly sensitive, especially with respect to the transfer price policy adopted by the international enterprise group. The aggregated nature of intra-group variables should mitigate the relevance of this problem. A useful source for the production of statistically sound estimates of intra-group exports and imports can be found within the standard documentation that enterprises belonging to enterprise group (thus including foreign affiliates) are due to compile for administrative purposes. In particular, the description of consolidation criteria reported in the annexes of the consolidated balance sheet reports detail information on intra-group exchanges with respect to resident and non-resident companies belonging to the same international group.

Geographic and activity breakdowns

For the geographic and activity breakdowns the provisions of annex II and III of the regulation on FATS apply. This implies that data is compiled on industrial activity basis and not on a product basis. The latter might be a useful classification for analytical purposes, in particular since other trade statistics are organised by product categories; however in practical terms it would be extremely difficult to compile this information. This holds in particular true for the intra-group trade transaction which might be subject to transfer pricing, a fact that companies are unlikely to be transparent about.

In addition to the compilation of total foreign affiliate imports and exports, EUROSTAT suggests that Member States compile data also on total foreign affiliate imports and exports broken down by goods and services. For the distinction of goods and services the definition of the ESA1995 applies (see section I). The activity breakdowns referred to in annex III of the regulation on FATS apply.

Avoiding systematic measurement errors

The provisions mentioned in sections I and II on this issue apply.



III.3.2.2 Geographical Breakdown

As specified in the FATS-R (Annex II, Section 3) three data sets are to be delivered. Data shall be provided with the detail by country of location and by activity of the foreign affiliate specified in Annex III. The detail by country of location and kind of activity shall be combined as follows:

Box III.11 The detail by country of location and activity

“1”	- Level 1 of the geographical breakdown combined with Level 2 of the activity breakdown.
“2”	- Level 2-OUT of the geographical breakdown combined with level 1 of the activity breakdown.
“3”	- Level 3 of the geographical breakdown combined with data on total activity only.

All three levels of geographical breakdown requested in FATS-R are given in the Table III.3. The country codes are the same as in the Balance of Payments Vademecum that covers all individual countries of the world.

Table III.3 Levels of geographical breakdown requested by the FATS_R

Level 1	Level 2-OUT	Level 3	CODE
		Andorra	AD
		United Arab Emirates	AE
		Afghanistan	AF
		Antigua and Barbuda	AG
		Anguilla	AI
		Albania	AL
		Armenia	AM
		Netherlands Antilles	AN
		Angola	AO
		Antarctica	AQ
	Argentina	Argentina	AR
		American Samoa	AS
	Australia	Australia	AU
		Aruba	AW
		Azerbaijan	AZ
		Bosnia and Herzegovina	BA
		Barbados	BB
		Bangladesh	BD
		Burkina Faso	BF
		Bahrain	BH
		Burundi	BI
		Benin	BJ
		Bermuda	BM
		Brunei Darussalam	BN
		Bolivia	BO
Brazil	Brazil	Brazil	BR
		Bahamas	BS
		Bhutan	BT
		Bouvet Island	BV
		Botswana	BW
		Belarus	BY



Level 1	Level 2-OUT	Level 3	CODE
		Belize	BZ
Canada	Canada	Canada	CA
		Cocos (Keeling) Islands	CC
		Congo, the Democratic Republic of the	CD
		Central African Republic	CF
		Congo	CG
Switzerland	Switzerland	Switzerland	CH
		Côte d'Ivoire	CI
		Cook Islands	CK
	Chile	Chile	CL
		Cameroon	CM
China	China	China	CN
		Colombia	CO
		Costa Rica	CR
		Cuba	CU
		Cape Verde	CV
		Christmas Island	CX
		Djibouti	DJ
		Dominica	DM
		Dominican Republic	DO
		Algeria	DZ
		Ecuador	EC
	Egypt	Egypt	EG
		Eritrea	ER
		Ethiopia	ET
		Fiji	FJ
		Falkland Islands (Malvinas)	FK
		Micronesia, Federated States of	FM
		Faroe Islands	FO
		Gabon	GA
		Grenada	GD
		Georgia	GE
		Guernsey	GG
		Ghana	GH
		Gibraltar	GI
		Greenland	GL
		Gambia	GM
		Guinea	GN
		Equatorial Guinea	GQ
		South Georgia and the South Sandwich Islands	GS
		Guatemala	GT
		Guam	GU
		Guinea-Bissau	GW
		Guyana	GY
Hong Kong	Hong Kong	Hong Kong	HK
		Heard Island and McDonald Islands	HM
		Honduras	HN
	Croatia	Croatia	HR
		Haiti	HT
	Indonesia	Indonesia	ID
	Israel	Israel	IL



Level 1	Level 2-OUT	Level 3	CODE
		Isle of Man	IM
India	India	India	IN
		British Indian Ocean Territory	IO
		Iraq	IQ
		Iran, Islamic Republic of	IR
	Iceland	Iceland	IS
		Jersey	JE
		Jamaica	JM
		Jordan	JO
Japan	Japan	Japan	JP
		Kenya	KE
		Kyrgyzstan	KG
		Cambodia (Kampuchea)	KH
		Kiribati	KI
		Comoros	KM
		St Kitts and Nevis	KN
		Korea, Democratic People's Republic of (North Korea)	KP
	Korea, Republic of (South Korea)	Korea, Republic of (South Korea)	KR
		Kuwait	KW
		Cayman Islands	KY
		Kazakhstan	KZ
		Lao People's Democratic Republic	LA
		Lebanon	LB
		Saint Lucia	LC
	Liechtenstein	Liechtenstein	LI
		Sri Lanka	LK
		Liberia	LR
		Lesotho	LS
		Libyan Arab Jamahiriya	LY
	Morocco	Morocco	MA
		Moldova, Republic of	MD
		Montenegro	ME
		Madagascar	MG
		Marshall Islands	MH
		Macedonia, the Former Yugoslav Republic of	MK
		Mali	ML
		Myanmar	MM
		Mongolia	MN
		Macao	MO
		Northern Mariana Islands	MP
		Mauritania	MR
		Montserrat	MS
		Mauritius	MU
		Maldives	MV
		Malawi	MW
	Mexico	Mexico	MX
	Malaysia	Malaysia	MY
		Mozambique	MZ
		Namibia	NA



Level 1	Level 2-OUT	Level 3	CODE
		New Caledonia	NC
		Niger	NE
		Norfolk Island	NF
	Nigeria	Nigeria	NG
		Nicaragua	NI
	Norway	Norway	NO
		Nepal	NP
		Nauru	NR
		Niue	NU
	New Zealand	New Zealand	NZ
		Oman	OM
		Panama	PA
		Peru	PE
		French Polynesia	PF
		Papua New Guinea	PG
	Philippines	Philippines	PH
		Pakistan	PK
		Pitcairn	PN
		Palestinian Territory, Occupied	PS
		Palau	PW
		Paraguay	PY
		Qatar	QA
		Serbia	RS
Russian Federation	Russian Federation	Russian Federation	RU
		Rwanda	RW
		Saudi Arabia	SA
		Solomon Islands	SB
		Seychelles	SC
		Sudan	SD
	Singapore	Singapore	SG
		St Helena	SH
		Sierra Leone	SL
		San Marino	SM
		Senegal	SN
		Somalia	SO
		Suriname	SR
		Sao Tome and Principe	ST
		El Salvador	SV
		Syrian Arab Republic	SY
		Swaziland	SZ
		Turks and Caicos Islands	TC
		Chad	TD
		French Southern Territories	TF
		Togo	TG
	Thailand	Thailand	TH
		Tajikistan	TJ
		Tokelau	TK
		Timor-Leste	TL
		Turkmenistan	TM
		Tunisia	TN
		Tonga	TO
	Turkey	Turkey	TR



Level 1	Level 2-OUT	Level 3	CODE
		Trinidad and Tobago	TT
		Tuvalu	TV
	Taiwan, Province of China	Taiwan, Province of China	TW
		Tanzania, United Republic of	TZ
		Ukraine	UA
		Uganda	UG
		United States Minor Outlying Islands	UM
United States	United States	United States	US
	Uruguay	Uruguay	UY
		Uzbekistan	UZ
		Holy See (Vatican City State)	VA
		St Vincent and the Grenadines	VC
	Venezuela	Venezuela	VE
		Virgin Islands, British	VG
		Virgin Islands, U.S.	VI
		Viet Nam	VN
		Vanuatu	VU
		Wallis and Futuna	WF
		Samoa	WS
		Yemen	YE
	South Africa	South Africa	ZA
		Zambia	ZM
		Zimbabwe	ZW
Offshore Financial Centres	Offshore Financial Centres		C4
Extra EU-27	Extra EU-27		V2
Extra EU-27 not allocated	Extra EU-27 not allocated	Extra EU-27 not allocated	Z8

There are three aggregates of economic zones requested in all levels of geographical breakdown, which is also consistent with Balance of Payments Vademecum.

Table III.4 Contents of economic zones

Code	Label	Content
C4	Offshore financial centres	AD + AG + AI + AN + BB + BH + BM + BS + BZ + CK + DM + GD + GG + GI + HK + IM + JE + JM + KN + KY + LB + LC + LI + LR + MH + MS + MV + NR + NU + PA + PH + SG + TC + VC + VG + VI + VU + WS
V2	Extra EU-27	Covers all extra EU countries = Total world – EU-27
Z8	Extra EU-27 not allocated	Aggregate of all Extra EU-27 affiliates for which the country of residency is not known.

As explained in the III.1.2 “Target population of statistical units”, Member States are not obliged as per the regulation to compile intra-EU outward FATS data. Nonetheless, given the keen interest on the user side for this information, Member States are asked to compile this information on a *voluntary* basis. The Table III.5 contains all EU Member States.

Table III.5 Levels of geographical breakdown asked on a voluntary basis

Level 1	Level 2-OUT	Level 3	CODE
	Belgium	Belgium	BE
	Bulgaria	Bulgaria	BG
	Czech Republic	Czech Republic	CZ
	Denmark	Denmark	DK
	Germany	Germany	DE
	Estonia	Estonia	EE
	Ireland	Ireland	IE
	Greece	Greece	GR
	Spain	Spain	ES
	France	France	FR
	Italy	Italy	IT
	Cyprus	Cyprus	CY
	Latvia	Latvia	LV
	Lithuania	Lithuania	LT
	Luxembourg	Luxembourg	LU
	Hungary	Hungary	HU
	Malta	Malta	MT
	Netherlands	Netherlands	NL
	Austria	Austria	AT
	Poland	Poland	PL
	Portugal	Portugal	PT
	Romania	Romania	RO
	Slovenia	Slovenia	SI
	Slovakia	Slovakia	SK
	Finland	Finland	FI
	Sweden	Sweden	SE
	United Kingdom	United Kingdom	GB

III.3.2.3 Activity Breakdown

The classification of economic activities NACE Rev. 1.1 allocates the statistical units in the classes where the units have their principal activity (in due course, as the activity breakdown for outward FATS will be switched to NACE Rev. 2 the manual will be amended so as to present the relevant correspondence tables). For the classification of the affiliates abroad



the activities codes used in the Balance of Payments framework should be applied for data transmission to EUROSTAT. Table III.6 gives an overview of requested levels of activities breakdown in the FATS-R and the correspondent code used by EUROSTAT in the Balance of Payments framework.

Table III.6 Levels of activity breakdown requested by the FATS-R

Level 1	Level 2			
		Code	NACE Rev. 1.1	Corresponding NACE classes
TOTAL ACTIVITY	TOTAL ACTIVITY	9994	Sec C to O (Excluding L)	
MINING AND QUARRYING	MINING AND QUARRYING	1495	Sec C	10.10-14.50
	Extraction of petroleum and gas	1100	Div 11	11.10-11.20
MANUFACTURING	MANUFACTURING	3995	Sec D	15.11-37.20
	Food products	1605	Subsection DA	15.11-16.00
	Textiles and wearing apparel	1805	Subsection DB	17.11-18.30
	Wood, publishing and printing	2205	Subsection DD& DE	20.10-22.33
	Total textiles & wood activities	2295		
	Refined petroleum products & other treatments	2300	Div 23	23.10-23.30
	Manufacture of chemicals & chemical products	2400	Div 24	24.11-24.70
	Rubber and plastic products	2500	Div 25	25.11-25.24
Petroleum, Chemicals, Rubber & Plastic products	TOTAL petroleum, chemicals, rubber & plastic products	2595		
	Metal products	2805	Subsection DJ	27.10-28.75
	Mechanical products	2900	Div 29	29.11-29.72
	TOTAL metal & mechanical products	2995		
	Office machinery and computers	3000	Div 30	30.01-30.02
	Radio, TV, communication equipments	3200	Div 32	32.10-32.30
Office machinery, computers, RTV, communication equipment	Total machinery, computers, RTV & communication equipment	3295		
	Motor vehicles	3400	Div 34	34.10-34.30
	Other transport equipment	3500	Div 35	35.11-35.50
Vehicles, other transport equipment	TOTAL vehicles & other transport equipment	3595		
ELECTRICITY, GAS AND WATER	ELECTRICITY, GAS AND WATER	4195	Sec E	40.10-41.00
CONSTRUCTION	CONSTRUCTION	4500	Sec F	45.11-45.50
TOTAL SERVICES	TOTAL SERVICES	5095		

Level 1	Level 2			
		Code	NACE Rev. 1.1	Corresponding NACE classes
TRADE AND REPAIRS	TRADE AND REPAIRS	5295	Sec G	50.10-52.74
	Sale, maintenance and repair of motor vehicles and motor cycles; retail sale of automotive fuel	5000	Div 50	50.10-50.50
	Wholesale trade and commission trade, except motor vehicles and motor cycles	5100	Div 51	51.11-51.70
	Retail trade, except of motor vehicles and motor cycles; repair of personal and household goods	5200	Div 52	52.11-52.74
HOTELS AND RESTAURANTS	HOTELS AND RESTAURANTS	5500	Sec H	55.11-55.52
TRANSPORTS, COMMUNICATION	TRANSPORTS, STORAGE & COMMUNICATION	6495	Sec I	60.10-64.20
	Transport and storage	6395	Div 60, 61, 62, 63	60.10-63.40
	Land transport; transport via pipelines	6000	Div 60	60.10-60.30
	Water transport	6100	Div 61	61.10-61.20
	Air transport	6200	Div 62	62.10-62.30
	Supporting and auxiliary transport activities; activities of travel agencies	6300	Div 63	63.11-63.40
	Post and telecommunications	6400	Div 64	64.11-64.20
	Post and courier activities	6410	Group 64.1	64.11-64.12
	Telecommunications	6420	Group 64.2	64.20
FINANCIAL INTERMEDIATION	FINANCIAL INTERMEDIATION	6895	Sec J	65.11-67.20
	Financial intermediation, except insurance and pension funding	6500	Div 65	65.11-65.23
	Insurance companies, pension funds	6600	Div 66	66.01-66.03
	Activities auxiliary to financial intermediation	6700	Div 67	67.11-67.20
	REAL ESTATE ACTIVITIES	7000	Sec K, Div 70	70.11-70.32
	RENTING OF MACHINERY AND EQUIPMENT WITHOUT OPERATOR AND OF PERSONAL AND HOUSEHOLD GOODS	7100	Sec K, Div 71	71.10-71.40
COMPUTER & RELATED ACTIVITIES	COMPUTER AND RELATED ACTIVITIES	7200	Sec K, Div 72	72.10-72.60
RESEARCH & DEVELOPMENT	RESEARCH AND DEVELOPMENT	7300	Sec K, Div 73	73.10-73.20
OTHER BUSINESS ACTIVITIES	OTHER BUSINESS ACTIVITIES	7400	Sec K, Div 74	74.11-74.87



Level 1	Level 2			
		Code	NACE Rev. 1.1	Corresponding NACE classes
	Legal, accounting, market research, consultancy	7410	Group 74.1	74.11-74.15
	Legal activities	7411	Class 74.11	74.11
	Accounting, bookkeeping and audit tax consultancy	7412	Class 74.12	74.12
	Market research and public opinion polling	7413	Class 74.13	74.13
	Business and management consultancy activities	7414	Class 74.14	74.14
	Management activities of holding companies	7415	Class 74.15	74.15
	Architectural, engineering and other tech. activities	7420	Group 74.2	74.20
	Advertising	7440	Group 74.4	74.40
	Business activities n.e.c.	7490	Group 74.3, 74.5, 74.6, 74.7, 74.8	74.30 & 74.50-74.87
	EDUCATION	8000	Sec M	80.10-80.42
	HEALTH AND SOCIAL WORK	8500	Sec N	85.14-85.32
	SEWAGE AND REFUSE DISPOSAL	9000	Sec O, Div 90	90.01-90.03
	ACTIVITIES OF MEMBERSHIP ORGANIS. N.E.C.	9100	Sec O, Div 91	91.11-93.05
RECREATIONAL, CULTURAL, SPORTING ACTIVITIES	RECREATIONAL, CULTURAL & SPORTING ACTIVITIES	9200	Sec O, Div 92	92.11-92.72
	Motion picture, radio, television & other entertainment activities	9235	Group 92.1, 92.2, 92.3	92.11-92.34
	News agency activities	9240	Group 92.4	92.40
	Library, archives, museums, other cultural activities	9250	Group 92.5	92.51-92.53
	Sporting and other recreational activities	9275	Group 92.6, 92.7	92.61-92.72
	OTHER SERVICE ACTIVITIES	9300	Sec O, Div 93	93.01-93.05
	Not allocated economic activity	9996		

According to the FATS-R, there are no exceptions foreseen for the *section J* and for the three particular divisions 65, 66 and 67. Due to the fact that the definitions are different for NACE division 65 the turnover is replaced by production value (see more under I.3.3).

Taking into account the interdependency between Outward FATS and Outward FDI and ensuring the comparability of both data sets, Member States are asked to compile two additional activity codes like presented in the Table III.7 on a *voluntary* basis.

Table III.7 Levels of activity breakdown asked on a voluntary basis

Level 1		Level 2		
		Code	NACE Rev. 1.1	Corresponding NACE classes
TOTAL ACTIVITY	TOTAL ACTIVITY	9999	Sec A to Q	01.11-99.00
AGRICULTURE AND FISHING	AGRICULTURE AND FISHING	0595	Sec A, B	01.11-05.02

The Table III.8 summarise requests on the detail by country of location and activity on one hand as per the FATS-R and on other hand as asked on a voluntary basis (see also Box III.11). Both activity and geographical codes highlighted in bold are covered by the FATS-R.

Table III.8 The detail by country of location and activity

Data set No 1		
Country of location	Level 1	BR, CA,CH, CN, HK, IN, JP, RU, US, C4, V2 and Z8
Activity	Level 2	9994, 1495, 1100, 3995, 1605, 1805, 2205, 2295, 2300, 2400, 2500, 2595, 2805, 2900, 2995, 3000, 3200, 3295, 3400, 3500, 3595, 4195, 4500, 5095, 5295, 5000, 5100, 5200, 5500, 6495, 6395, 6000, 6100, 6200, 6300, 6400, 6410, 6420, 6895, 6500, 6600, 6700, 7000, 7100, 7200, 7300, 7400, 7410, 7411, 7412, 7413, 7414, 7415, 7420, 7440, 7490, 8000, 8500, 9000, 9100, 9200, 9235, 9240, 9250, 9275, 9300, 9996, 0595 and 9999
Data set No 2		
Country of location	Level 2-OUT	AR, AU, BR, CA, CH, CL, CN, EG, HK, HR, ID, IL, IN, IS, JP, KR, LI, MA, MX, MY, NG, NO, NZ, PH, RU, SG, TH, TR, TW, US, UY, VE, ZA, C4, V2, Z8, BE, BG, CZ, DK, DE, EE, IE, GR, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE and GB
Activity	Level 1	9994, 1495, 3995, 2595, 3295, 3595, 4195, 4500, 5095, 5295, 5500, 6495, 6895, 7200, 7300, 7400, 9200, 0595 and 9999
Data set No 3		
Country of location	Level 3	AD, AE, AF, AG, AI, AL, AM, AN, AO, AQ, AR, AS, AU, AW, AZ, BA, BB, BD, BF, BH, BI, BJ, BM, BN, BO, BR, BS, BT, BV, BW, BY, BZ, CA, CC, CD, CF, CG, CH, CI, CK, CL, CM, CN, CO, CR, CU, CV, CX, DJ, DM, DO, DZ, EC, EG, ER, ET, FJ, FK, FM, FO, GA, GD, GE, GG, GH, GI, GL, GM, GN, GO, GS, GT, GU, GW, GY, HK, HM, HN, HR, HT, ID, IL, IM, IN, IO, IQ, IR, IS, JE, JM, JO, JP, KE, KG, KH, KI, KM, KN, KP, KR, KW, KY, KZ, LA, LB, LC, LI, LK, LR, LS, LY, MA, MD, ME, MG, MH, MK, ML, MM, MN, MO, MP, MR, MS, MU, MV, MW, MX, MY, MZ, NA, NC, NE, NF, NG, NI, NO, NP, NR, NU, NZ, OM, PA, PE, PF, PG, PH, PK, PN, PS, PW, PY, QA, RO, RS, RU, RW, SA, SB, SC, SD, SG, SH, SL, SM, SN, SO, SR, ST, SV, SY, SZ, TC, TD, TE, TG, TH, TJ, TK, TL, TM, TN, TO, TR, TT, TV, TW, TZ, UA, UG, UM, US, UY, UZ, VA, VC, VE, VG, VI, VN, VU, WF, WS, YE, ZA, ZM, ZW, C4, V2, Z8, BE, BG, CZ, DK, DE, EE, IE, GR, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE and GB
Activity	Total activity	9994 and 9999



III.3.3 META DATA

The set of metadata that should accompany outwards FATS data transmission is very similar to the one for inward FATS:

Metadata information for Outward Foreign Affiliates Statistics (Outward FATS), reference year xxxx

COUNTRY:	
COMPILING INSTITUTION:	

CONTACT DETAILS:

Name:			
E-mail address:			
Telephone number:		Fax number:	
Postal address:			

LATEST UPDATE: *Please add the data of delivery of data and metadata*

1. DATA SOURCES USED	<i>Please provide information regarding data sources used (surveys, statistical registers other internal or external sources).</i>
2. THE ULTIMATE CONTROLLING INSTITUTIONAL UNIT (UCI) APPROACH	<i>Please report any deviations from the definitions or recommendations of the HEGI and FATS Recommendations Manual regarding the concept on UCI approach. Please give a detailed description of the problems occurred. For example SPE cases and difficulties in collecting information on indirect controlled affiliates.</i>
3. TECHNIQUES OF DATA COLLECTION	<i>Please provide information regarding your techniques used (e.g. sampling survey). In the case of thresholds, please specify both, the thresholds for statistical and reporting units.</i>
4. ACCOUNTING CONVENTIONS	<p>4.1 REFERENCE PERIOD</p> <p><i>Please specify if data relates to the calendar year of fiscal or accounting year (and specify deviations from the calendar year). Please specify the date that determines ownership.</i></p> <p>4.2 RECORDING OF TRANSACTIONS</p> <p><i>Please specify differences, for example if monetary data is not provided in EUR.</i></p>

<p>5. COVERAGE</p>	<p>5.1 TARGET POPULATION: STATISTICAL UNITS <i>Please add deviations from the FATS-R and FATS Recommendations Manual, for example if active units are not covered.</i></p> <p>5.2 TARGET POPULATION: REPORTING UNITS <i>Please add deviations from the FATS-R and FATS Recommendations Manual, for example if active units are not covered.</i></p> <p>5.3 ACTIVITY BREAKDOWN <i>Please add deviations from the FATS-R and FATS Recommendations Manual.</i></p> <p>5.4 GEOGRAPHICAL BREAKDOWN <i>Please add deviations from the FATS-R and FATS Recommendations Manual.</i></p>
<p>6. CHARACTERISTICS</p>	<p>6.1 DEFINITIONS <i>Please add deviations from the FATS-R and FATS Recommendations Manual regarding definitions of characteristics.</i></p> <p>6.2 ALLOCATION <i>Please add deviations from the FATS-R and FATS Recommendations Manual regarding allocation of total values of characteristics (geographically and by activity).</i></p>
<p>7. INFORMATION REGARDING LIMITATION IN COMPARABILITY OF THE DATA</p>	<p>7.1 GROSSING-UP <i>Please add information on grossing-up to the whole economy in case of sampling survey or cut – off thresholds.</i></p> <p>7.2 NON-RESPONSE <i>Please describe the treatment of non-response (unit non-response and item non-response). In particular, how are figures for the individual non-responding units/items imputed or constructed?</i></p> <p>7.3 SPECIAL CASES <i>Please give a brief description of the treatment of special cases (equally shared control, multiple minority ownership).</i></p> <p>7.4 ANY OTHER SPECIAL WARNING</p>
<p>8. REVISION POLICY</p>	<p><i>Please add information regarding revisions of data and your intentions to sent revised data to EUROSTAT.</i></p>
<p>9. FUTURE PLANS</p>	<p><i>Please add information on future plans regarding Outward FATS data collection, in particular on compilation of further characteristics etc.</i></p>
<p>10. PLEASE ATTACH A COPY OF THE QUESTIONNAIRE USED FOR DATA COLLECTION (IF POSSIBLE ALSO A TRANSLATION OF IT IN ENGLISH).</p>	

III.4 DATA SOURCES

As with inward FATS (see section II.4), also for outwards FATS there are a number of different information sources available for the development of FATS statistics. The first and foremost are surveys, either in the form of specialised FATS surveys or linked to other, mostly FDI-related, surveys. However, in order to arrive at target group of reporting units a host of additional sources should be used. The relevant sources for compiling outward FATS data may be grouped in 3 different categories:

1. Surveys
2. Statistical Registers
3. Other Sources

These sources are discussed in detail below.

III.4.1 SURVEYS

III.4.1.1 Specific FATS surveys and combined FDI-FATS surveys

Box III.12 Recommendations for data collection methods

Specific surveys dedicated to compiling outward FATS data are most preferred option. They allow to tailor-made the reporting population exactly to the requirements of the FATS compilation.

If specific FATS surveys are not feasible, e.g. due to resource constraints or efforts to minimize the administrative burden on national statistical authorities and enterprises, **combined FDI-FATS surveys**, where FATS questions are added to existing FDI questionnaires, are the next best option.

When it comes to the compilation of the actual variables, surveys remain the backbone of any systematic effort to collect outward FATS data. This implies that there are likely to be links to existing data on foreign direct investment. As the MSITS notes: "Where there are surveys for FATS statistics, registers used in collecting FDI data would typically be used to identify majority-owned affiliates for which FATS variables should be collected. Alternatively, key FATS variables might be added to existing FDI surveys. However, because FDI surveys are conducted more frequently than FATS statistics are compiled (e.g., quarterly) and require a quick turnaround, as well as because FATS statistics are needed for only the majority-owned portion of the FDI universe, separate surveys probably would offer a better solution in most cases."

The MSITS goes on to advise that the link to FDI statistics, "[...] whether implemented through adding questions to existing surveys or through institution of new surveys covering the majority-owned subset of the FDI population, allows for the compilation of outward as well as inward statistics and provides more options for tailoring the data to specific FATS needs. However, the activity classification used in FDI statistics is generally rather aggregated, and it seems difficult to go beyond basic statistical variables, such as turnover and employment, without designing completely new surveys, which might raise concerns about resource availability and respondent burden. [...]"

III.4.1.2 Other surveys

There are a number of other surveys that might be useful to look at as they could help to complete and update the population of the reporting units. Ideally, this information could be used as an add-on to the reporting units already identified with the help of FDI statistics. These additional surveys include reports assembled in the framework of the International Transactions Reporting System (ITRS) which is used in many Member States, investment statistics (e.g. in the form of reports on the financial position of resident enterprises) as well as SBS or annual account statistics. In some Member States, there are also specialised surveys on other economic parameters, such as employment which may also reveal additional information on resident enterprises with foreign affiliates that had not been identified through any of the other surveys.

III.4.2 STATISTICAL REGISTERS

Statistical registers fulfil a crucial function with a view to compiling Outward FATS information through surveys. They form part of the basis for identifying the relevant population for any survey, be it FATS surveys or FDI surveys that are extended to include also FATS-related questions. This is because they may offer compilers important information about ownership of foreign affiliates by the enterprises listed in these registers.

III.4.2.1 National Enterprise Registers

National Enterprise Registers (NERs) maybe relevant sources for the definition of the relevant target group for outward FATS reporting units. Often enterprises have to regularly deposit annual reports and other financial statements with NERs which in turn may include information pointing to the existence of foreign affiliates abroad. The NER should be regularly consulted in the process of updating the population of the reporting units.

III.4.2.2 Business Registers

As with NERs, business registers as such will not help much by way of direct information on the statistical units in question, i.e. foreign affiliates of resident enterprises. Like NERs, Business Registers should be regularly consulted to keep the population of the reporting units updated.

It should be noted, however, that the planned new BR regulation, might turn Business Registers into an even more powerful source of information for Outward FATS data in the future (see box III.13).



Box III.13 Information on the revision of the Business Register for statistical purposes (BR) and its potential implications for outward FATS

As mentioned in section II.4, under the BR-R, Member States are required to hold data on the enterprise, a harmonised statistical unit that removes the impact of different legal and organisational infrastructures. The forthcoming new BR-R has been revised and covers now more links of control and ownership. It should be considered as the “key” to FATS, including outward FATS.

The following directly outward-FATS related characteristics are to be stored in the BR according to the forthcoming new BR-Regulation:

Control of legal units:

The resident control links can be recorded either top-down (1.11a) or bottom-up (1.11b). Only the first level of control, direct or indirect, is recorded for each unit (the whole chain of control can be obtained by combining these).

- 1.11a: Identity number(s) of resident legal unit(s), which are controlled by the legal unit
- 1.12a: (a) Country(ies) of registration, and (b) identity number(s) or, name(s), address(es)
- 1.12b: Conditional - VAT number(s) of non-resident legal unit(s), which are controlled by the legal unit

Ownership of legal units:

The resident ownership can be recorded either top-down (1.14a) or bottom-up (1.14b). *The recording of the information and the threshold used for the shareholding are subject to the availability of this information in the administrative sources. The recommended threshold is 10 % or more of direct ownership*

- 1.14a: (a) Identity number(s), and (b) shares (%) of resident legal unit(s) owned by the legal unit
- 1.15(a): Country(ies) of registration, and (b) identity number(s) or, name(s), address(es) and VAT number(s), and (c) shares (%) of non-resident legal unit(s) owned by the legal unit

Multinational enterprise groups:

- 4.13: Identity number of the global group head (UCI), if the group head (UCI) is resident (equals the identity number of the legal unit, which is the group head). If the global group head is non-resident, its country of registration, and optionally: its identity number or name and address.

The following variables which are optional until transmission of information on multinational groups has been established (this will be decided by comitology):

- 4.11: Identity number of the global group
- 4.12a: Name of the global group
- 4.12b: Optional: Country of registration, postal, electronic mail and web site addresses of the global head office

III.4.2.3 Enterprise group register

Some Member States have an enterprise group register held by government institutions, e.g. the Central Bank, that can be used to identify a company’s network of foreign affiliates. Other Member States are using private registers of enterprises group. The information about control or ownership is often based on annual reports. Problems might occur because the annual reports are often lagging behind the reference year. Also, even if companies are legally obliged to report on affiliates located abroad, seldom the reporting requirements for annual reports stipulate the listing of affiliates beyond the first level.

III.4.2.4 Register on foreign enterprises

Another source could be a register on foreign-owned enterprises in – at least major – non EU partner countries. These registers can be used to complement other efforts to determine whether firms resident in the compiling countries own foreign affiliates in the particular host country. Often such registers are administered by central banks, national investment promotion authorities or other public administration offices dealing with foreign investors.

III.4.2.5 Other Registers and databases

There are also a number of privately-run registers and databases. The names of the most commonly used are well known and can- for legal reasons- not be mentioned in this document. It should be also noted that apart from international databases, there are also in most Member States' country-specific databases covering data for companies only from that particular country.

III.4.3 OTHER SOURCES

III.4.3.1 Other administrative sources

Administrative sources are containing information that is not primarily collected for statistical purposes. The most common used source for statistical purposes is sources related to taxation systems such as Value Added Tax (VAT), personnel income tax or to compulsory business registration systems, often administered by chambers of commerce. Administrative sources can be used wherever they are not already included in the Statistical BR to find information on ownership and the UCI. Access to administrative data sources is legally allowed according to article 16 of Council Regulation (EC) No. 322/97 of 17 February 1997 on Community Statistics³⁵: “In order to reduce the burden on respondents, and subject to paragraph 2 the national authorities and the Community authority shall have access to administrative data sources, each in the fields of activity of their own public administrations, to the extent that these data are necessary for the production on Community statistics. The practical arrangement and the limits and conditions for achieving effective access shall be determined where necessary by each Member State and the Commission in their respective spheres of competence.”

III.4.3.2 Chamber of commerce and other publicly accessible enterprise databases

Chambers-of-Commerce very often collect information about joint venture and other forms of co-operation of their members. In addition, diplomatic missions sometimes also administer list of companies from the countries' they represent.

III.4.3.3 Annual reports

In addition, annual reports with published accounts could be used. Those reports often contain list of foreign affiliates, although they are often confined to the most important ones and do not necessarily provide an exhaustive overview of the company's entire affiliate network.

³⁵ OJ L 52, 22.2.1997, p. 5.



III.4.3.4 Media research

Specialised news media, including newspapers and business magazines, often carry articles which include interesting information about companies' foreign ownerships. A systemic search, including, of course, electronic media and search engines are useful tools to identify relevant information.

III.4.3.5 Follow-up

To clarify difficult cases the enterprise should be contacted by mail or telephone. This is especially necessary for enterprises with a high impact on the compiling countries' economy.

To conclude, even more so than with inward FATS, collaboration between Member States as regards the exchange of experiences with data collection has to be stepped up considerably. Such an exchange of good practice would have the potential to help improve data quality considerably at national and EU level. Co-operation between the National Statistical Institutes and the Central Banks, to the extent that it is permitted under the relevant legislative framework, is recommended for providing data on outward FATS and ensuring the compatibility of published data.

III.5 CUT-OFF THRESHOLDS

In principle, no thresholds should be applied when compiling outward FATS data. All foreign affiliates with the UCI being an EU-based business are relevant.³⁶ In practise, however, thresholds exist in practically all countries that compile outward FATS data. Often these stem from the thresholds of FDI surveys to which FATS data compilation is linked. The existing thresholds as applied in those countries which already compile outward FATS differ quite significantly. If, for technical reasons, thresholds are indispensable, they should, be kept to a minimum. Also, the example for the United States may be considered where firms are asked to report also on affiliates below the threshold. This is, however, restricted to a much more limited data set, but allows the compiling authority to have an idea of the bias caused by the application of the threshold. It might also facilitate updating the survey, as for instance, fast growing smaller firms which soon would turn into major investors are tracked early on in their development. It should be noted, that given the diversity of the thresholds currently in use a standardization of those thresholds on an EU-level would be advantageous.³⁷ However, this is an impossible undertaking given the significant differences in the data compilation practises in the different Member States.

Box III.14 Recommendations for thresholds in the outward FATS data compilation

Thresholds should be avoided when compiling outward FATS data.

However, acknowledging that most Member States would want to continue to use them for practical reasons, they should be kept to a minimum. Regular checks of sub-threshold units are required in order to document and analyse the effect of their exclusion.

³⁶ This is backed up, for instance, by evidence from the United States. Data compiled by the Bureau of Economic Analysis (BEA) demonstrated that even in cases where below-threshold firms might have an overall, a negligible effect, their exclusion might result in a considerable bias as far as some specific dimension of the data are concerned (regions, industries, etc.). Thus, in India, the employment of exempt affiliates of United State parent firms accounted for a remarkably large share --10.9 percent (1999) --of the employment of all Indian Affiliates controlled by of US firms.

³⁷ Member States currently use a variety of indicators to determine cut-off thresholds. In France, for instance, it is turnover (and loans for banks), while in it is Belgium financial assets and in Finland a combination of balance sheet totals and a minimum number of persons employed. Thus, it was found that in India, the employment of below-threshold affiliates accounted for a significant share--10.9 percent--of the employment of all US-controlled foreign affiliates in that country in 1999.

III.6 DATA TRANSMISSION

III.6.1 DATA TRANSMISSION GUIDELINES

For data transmission to EUROSTAT the guidelines as described in the Balance of Payments Vademecum apply (Table III.9). It should be noted that this format may differ from the one used for the transmission of inward FATS data. However, while for some Member States identical transmission formats for inward and outward FATS might be preferable, this is, for technical reasons, not possible.

Table III.9 Data transmission guidelines

What is the deadline?	Data shall be transmitted within 20 months from the end of reference year.										
Which data format?	The data format is Gesmes/TS. For information about the format, please, consult the BOP page on the CIRCA Web site: http://forum.europa.eu.int/Members/irc/dsis/bop/library , then choose “Basic documents” and “Gesmes doc”.										
Where to send data?	<ul style="list-style-type: none"> By e-mail to estat-data@ec.europa.eu. The data file is an attachment, not zipped nor encrypted. It would be preferable if you send the data as a copy to the stadium server by adding the following “Cc” address to your e-mail Cc: estat-bop@ec.europa.eu By using the STATEL software (EUROSTAT product). The data file can be encrypted. 										
How many data files?	Data should be sent using as few datasets as possible. In practice, these should be send in one go.										
Which data set identification?	Each data interchange contains data of a given type. The type of data must be specified in the DSI segment (data set identification) of the message. The valid value for the DSI segment for Outward FATS data: DSI+BOP_FATS_A'										
What about empty cells?	<ul style="list-style-type: none"> Data not available - in this case the corresponding record is not sent. Data equal to zero or less than half of the unit employed (rounding) Real value of zero, coded '0'. 										
How to deal with confidential data?	<p>Accepted flags are the following :</p> <table border="1"> <tr> <td>F</td> <td>Free (optional – no flag is needed)</td> </tr> <tr> <td>N</td> <td>Non-publishable but non-confidential</td> </tr> <tr> <td>C</td> <td>Non-publishable and confidential</td> </tr> <tr> <td>D</td> <td>Secondary confidentiality set by the sender</td> </tr> <tr> <td>S</td> <td>Used by EUROSTAT when treating secondary confidentiality</td> </tr> </table> <p>Be aware that flag C imply a heavy procedure of security as described in the Balance of Payments Vademecum.</p>	F	Free (optional – no flag is needed)	N	Non-publishable but non-confidential	C	Non-publishable and confidential	D	Secondary confidentiality set by the sender	S	Used by EUROSTAT when treating secondary confidentiality
F	Free (optional – no flag is needed)										
N	Non-publishable but non-confidential										
C	Non-publishable and confidential										
D	Secondary confidentiality set by the sender										
S	Used by EUROSTAT when treating secondary confidentiality										

For more detailed information on data transmission guidelines, in particular on dealing with confidential data, please, consult the BoP Vademecum:

<http://forum.europa.eu.int/Public/irc/dsis/bop/library>. Then choose “SDDS BoP Metadata” and “bop_vademecum”.

III.6.2 INTEGRITY RULES FOR DATA TRANSMISSION

There is a set of standard minimum checks for data integrity that should be routinely performed before transmitting the data to EUROSTAT:

In all cases, the sum of the components must be equal to the aggregate (except in case of confidentiality problems). Also, consistency has to be ensured between the geographical and activity breakdowns as defined in Annex II Section 4 of the FATS-R. The following tables III.10 – III.13 comprise of integrity rules specified for each level of detail according to the Box III.11. For the characteristic *12150 Value added at factor cost* only equalities have to be checked.

Table III.10 Integrity rules for the level 2 of the activity breakdown

Code	Integrity rule
1495	> 1100
2295	= 1805 + 2205
2595	= 2300 + 2400 + 2500
2995	= 2805 + 2900
3295	= 3000 + 3200
3595	= 3400 + 3500
3995	> 1605 + 2295 + 2595 + 2995 + 3295 + 3595
5095	> 5295 + 5500 + 6495 + 6895 + 7000 + 7100 + 7200 + 7300 + 7400 + 9200 + 9300
5295	= 5000 + 5100 + 5200
6395	= 6000 + 6100 + 6200 + 6300
6400	= 6410 + 6420
6495	= 6395 + 6400
6895	= 6500 + 6600 + 6700
7400	= 7410 + 7420 + 7440 + 7490
7410	= 7411 + 7412 + 7413 + 7414 + 7415
9200	= 9235 + 9240 + 9250 + 9275
9994	> 1495 + 3995 + 4195 + 4500 + 5095 + 9996

**Table III.11 Integrity rules for the level 1 of the activity breakdown**

Code	Integrity rule	
3995	>	2595 + 3295 + 3595
5095	>	5295 + 5500 + 6495 + 6895 + 7200 + 7300 + 7400 + 9200
9994	>	1495 + 3995 + 4195 + 4500 + 5095 + 9996

Table III.12 Integrity rules for the level 3 of the geographical breakdown

Code	Integrity rule	
C4	=	AD + AG + AI + AN + BB + BH + BM + BS + BZ + CK + DM + GD + GG + GI + HK + IM + JE + JM + KN + KY + LB + LC + LI + LR + MH + MS + MV + NR + NU + PA + PH + SG + TC + VC + VG + VI + VU + WS
V2	=	Sum of all partners of the level 3 (excluding C4)

Table III.13 Integrity rules for the level 1 and the level 2-OUT of the geographical breakdown

Code	Integrity rule	
V2	>	Sum of all partners corresponding of the level 1 or level 2-OUT (excluding C4)

For the data set containing additional trade characteristics apart from mandatory ones, integrity rules given in the Table III.14 should be performed.

Table III.14 Integrity rules for the trade characteristics

Code	Integrity rule	
EXP	=	EXPG + EXPS
IMP	=	IMPG + IMPS
EXP	=	EXPEU + EXPRW
IMP	=	IMPEU + IMPRW
EXPEU	=	EXPGEU + EXPSEU
IMPEU	=	IMPGEU + IMPSEU
EXPRW	=	EXPGRW + EXPSRW
IMPRW	=	IMPGRW + IMPSRW
EXPG	=	EXPGEU + EXPGRW
EXPS	=	EXPSEU + EXPSRW
IMPG	=	IMPGEU + IMPGRW
IMPS	=	IMPSEU + IMPSRW
EXPI	=	EXPIG + EXPIS



Code		Integrity rule
IMPI	=	IMPIG + IMPIS
EXPI	=	EXPICC + EXPINC
IMPI	=	IMPICC + IMPINC
EXPI	≤	EXP
IMPI	≤	IMP

Abbreviations

ABBREVIATIONS

AMNE	Activities of Multinational Enterprises
BoP	Balance of Payments
BPM5	IMF-Manual on Balance of Payments, Version 5
BR	Business Register
BR-R	Business Register Regulation
BRRM	Business Registers Manual
BSDG	Business Statistics Directors Group
EICA	Extended Immediate Control Approach
ESA	European System of Accounts
FATS	Foreign Affiliates Statistics
FATS-R	Regulation on Statistics on Foreign Affiliates
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
HEGI	OECD Handbook on Economic Globalisation Indicators
JWG	Joint Working Group
MSITS	Manual on Statistics in International Trade in Services
NACE	Nomenclature statistique des Activités économiques dans la Communauté Européenne - Statistical classification of economic activities in the European Community
OECD	Organisation for Economic Co-operation and Development
SBS	Structural Business Statistics
SBS-R	Structural Business Statistics Regulation
SNA	System of National Accounts
SPE	Special Purpose Entity
SPE-SHC	Special Purpose Entity-Sub-Holding Company
SUR	Statistical Units Regulation
UCI	Ultimate Controlling Institutional Unit

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Annex

ANNEX

Recommendations for the compilation of NACE group 65.5 and division 67.

Annex 1.a Recommendation for other financial intermediation	
65.2 Other financial intermediation	
Includes financial intermediation other than that conducted by monetary institutions ³⁸	
65.21 Financial leasing	
Includes leasing where the term approximately covers the expected life of the asset and the lessee acquires substantially all the benefits of its use and takes all the risks associated with its ownership. The asset may or may not eventually be transferred.	
Excludes:	
	<ul style="list-style-type: none"> operational leasing, see NACE 71, according to type of goods leased hire/purchase to households for other than professional purposes see NACE 65.22
65.22 Other credit granting	
Includes credit granting other than financial leasing	
	<ul style="list-style-type: none"> Consumer credit granting including hire purchase to households, credit companies, credit card companies, pawn brokers. Mortgage credit includes mortgage banks, housing credit corporations Commercial credit granting includes credit to unincorporated as well as incorporated businesses Long term finance to industry Factoring includes activities of companies active in debt factoring and invoice discounting Credit for export and import Regional development companies and development banks if they mainly grant credits and not hold shares or equity
Excludes:	
	<ul style="list-style-type: none"> activities of bill collecting where the risk of non-payment of the bills is not taken over by the bill collector see NACE 74.84 regional development companies if they mainly hold shares and equity see NACE 65.23

³⁸ As Money Market Funds (MMF) are included in NACE group 65.2 and not in NACE group 65.1 'Monetary intermediation', the latter does not correspond completely with the monetary financial institutions (sub-sectors S.121 + S.122) as defined by national accounts (ESA95) and the ECB. As monetary institutions defined in the NACE nomenclature do not include MMF, there is no need to adapt the annotation of the NACE group 65.2.

Annex 1.a Recommendation for other financial intermediation (continued)	
65.23 Other financial intermediation n.e.c	
Includes other financial intermediation primarily concerned with distributing funds other than by making loans:	
	<ul style="list-style-type: none"> • Mutual/investment funds include closed-end investment trusts, property unit trusts, open-end investment trusts and money market funds
	<ul style="list-style-type: none"> • Securities and derivatives dealers (own account)
	<ul style="list-style-type: none"> • Financial holding companies, meaning holdings that hold a controlling share in the equity of entities belonging to the NACE divisions 65, 66 and 67
	<ul style="list-style-type: none"> • Investment companies investing own funds in shares of other enterprises -mainly as a way of obtaining profits from trading
	<ul style="list-style-type: none"> • Securitisation funds and similar financial vehicles, securitisation is an arrangement involving one party (the originator) selling a portfolio of high-quality assets, such as house mortgages, to a special-purpose vehicle (the issuer), who issues loan notes to finance the purchase
	<ul style="list-style-type: none"> • Venture capital companies
	<ul style="list-style-type: none"> • Development capital companies holding shares/equity in enterprises in order to promote economic or social development; include regional development companies
	<ul style="list-style-type: none"> • Financial intermediaries which receive deposits and/or close substitutes from MFIs only
	<ul style="list-style-type: none"> • Other financial intermediation not mentioned elsewhere
Excludes	
	<ul style="list-style-type: none"> • Financial leasing, see NACE 65.21
	<ul style="list-style-type: none"> • Development capital companies if they mainly grant credits, see NACE 65.22
	<ul style="list-style-type: none"> • Security dealing on behalf of others, see NACE 67.12
	<ul style="list-style-type: none"> • Fund management companies, see NACE 67.12
	<ul style="list-style-type: none"> • Trade, leasing and renting of property, see NACE 70
	<ul style="list-style-type: none"> • Holdings that hold a controlling share in the equity of entities not belonging to the NACE divisions 65, 66 and 67, see NACE 74.15



Annex 1.b Recommendation for Activities auxiliary to financial intermediation	
67 Activities auxiliary to financial intermediation	
This division includes:	
	<ul style="list-style-type: none"> • provision of services involved or closely related to financial intermediation, including insurance and pension funding services, but not themselves involving financial intermediation.
67.1 Activities auxiliary to financial intermediation, except insurance and pension funding	
This group includes all activities involved or closely related to financial intermediation, except for insurance and pension funding.	
67.11 Administration of financial markets	
Includes:	
	<ul style="list-style-type: none"> • operation and supervision of financial markets other than by public authorities, including activities of self regulating institutions
	<ul style="list-style-type: none"> • Activities of stock exchanges, commodity exchanges including exchanges for futures and derivatives and activities of other authorised market places for securities and commodities, including commodity futures contracts
	<ul style="list-style-type: none"> • Activities of clearing and settlement organisations, including registration of financial instruments and financial reporting activities
	<ul style="list-style-type: none"> • providing safekeeping of securities and related administrative services
	<ul style="list-style-type: none"> • administration of financial services
67.12 Security broking and fund management	
Includes:	
	<ul style="list-style-type: none"> • dealing in financial markets on behalf of others (e.g. stock-broking) and related activities. The activities include securities broking, commodity broking, broking in financial derivatives
	<ul style="list-style-type: none"> • fund/portfolio management i.e. managing portfolio assets on behalf of clients including buying and selling securities. The portfolios which are managed include those of investment funds, mutual funds, trusts (whether open-ended or closed end) and those of pension funds and of private persons
Excludes:	
	<ul style="list-style-type: none"> • dealing in markets on own account, see NACE 65.23
67.13 Activities auxiliary to financial intermediation n.e.c.	
Includes activities auxiliary to financial intermediation n.e.c.:	
	<ul style="list-style-type: none"> • Mortgage brokers, credit/loan brokers
	<ul style="list-style-type: none"> • Activities of financial and mortgage advisers, investment advisers
	<ul style="list-style-type: none"> • Independent bank agents
	<ul style="list-style-type: none"> • Representative offices of foreign banks
	<ul style="list-style-type: none"> • Securities issuance
	<ul style="list-style-type: none"> • ‘bureaux’ de change, etc., cash and foreign currency exchange including exchanging money from one currency to another or pay cash by cheque or by card

Annex 1.b Recommendation for Activities auxiliary to financial intermediation (continued)	
	<ul style="list-style-type: none"> • Mutual guarantee companies of which the purpose is to help enterprises (usually SMEs) to obtain bank credits by giving guarantees to credit institutions for the credits they grant these enterprises
	<ul style="list-style-type: none"> • the activities of mergers and acquisition advisers
	<ul style="list-style-type: none"> • supply and operations of electronic payment systems, which do not themselves incur liabilities against the instruments traded
67.2 Activities auxiliary to insurance and pension funding	
Includes activities involved in or closely related to insurance and pension funding other than financial intermediation, but which are not insurance nor pension funding services themselves.	
67.20 Activities auxiliary to insurance and pension funding	
Includes:	
	<ul style="list-style-type: none"> • the activities of brokers, agents and canvassers mediating contracts of insurance, reinsurance and pension funding
	<ul style="list-style-type: none"> • activities of insurance and reinsurance agents and canvassers, i.e. the activity of mediation between one or a number of insurance companies and their customers
	<ul style="list-style-type: none"> • activities of insurance risk and damage evaluators, loss adjusters and actuaries, i.e. activities consisting in calculation of insurance risks and premiums
	<ul style="list-style-type: none"> • activities of insurance and pension consultants i.e. the activity of providing advice and guidance to individuals and enterprises regarding insurance and pension
	<ul style="list-style-type: none"> • other activities auxiliary to insurance and pension funding, n.e.c.