

STATE BANK OF PAKISTAN
Core Statistics Department

Guidelines for Coordinated Portfolio Investment Survey (CPIS)

**Holdings of Equities and Debt Securities Issued by unrelated* Non-Residents
As on June /December**

Purpose of Collection

This survey collects information on portfolio investment made by residents of Pakistan abroad (holding's in equities and debt securities issued by unrelated nonresidents) bi annually as on June 30 and December 31. The data from the survey is used in the compilation of Pakistan's balance of payments and international investment position statistic. The survey is conducting in coordination with other countries to facilitate international data comparability.

Confidentiality

The completed forms will remain confidential to the State Bank of Pakistan.

What to Report

The survey should be completed in accordance with the reporting instructions provided. If there are any queries regarding these instructions, please contact Joint Director, International Investment Position Division, Core Statistics Department, State Bank of Pakistan Karachi. Phone: 021-32454937 and Email: muhammad.nawaz4@sbp.org.pk .

Explanatory Notes:

Note 1. Who must report?

- Form I is to be filled by all companies whether they have investment or not.
- Form II has to be filled by those companies who are resident in Pakistan and have portfolio investment in a non-resident entity (own equity less than 10% or debt securities issued by non-resident entity) as on June 30/December 31.

Note 2. What must report?

All entities who receive either of the forms must return the respondent identification section (Form I) within 15 days of receipt of the forms even those entities indicating that they are exempt from completing Form II.

Those respondents meeting the criteria above (See Note 1) must return the completed survey forms (Form II) within 15 days. Respondents unable to meet the reporting schedule should contact Director, Core Statistics Department, State Bank of Pakistan, Karachi. Phone 021-99221565 & Email: Nadeem.Hanif@sbp.org.pk to request an extension.

Note 3. Residence

The reporting unit for this form is a resident of Pakistan that is, an individual, enterprise, or other organization domiciled in Pakistan. It includes branches and subsidiaries of nonresident enterprises if the branches or subsidiaries domiciled in Pakistan.

* Unrelated Non- resident is one who has no Direct Investment in your enterprise, for detail please see note. 6 & 4.

Domiciled is defined as the center of economic interest of the entity, for instance, where an enterprise engages in production. Corporations legally registered in Pakistan are considered to be resident even if they have no “physical presence”. A nonresident of Pakistan is any individual, enterprise, other organization domiciled in a country other than Pakistan. Branches and subsidiaries of Pakistani enterprises domiciled in other jurisdictions are regarded as nonresidents of Pakistan.

The securities are classified by the jurisdiction of residence of the issuer of the securities. The residence of an enterprise can be taken where it is legally incorporated or, in the absence of legal incorporation, where it is legally domiciled. The country of residence of the issuer may differ from the currency of issue, the place of issue, or the country of the guarantor of the security. When a party (such as the parent company or a government) guarantees (either explicit or implicit) some securities, and even if the funds raised are used by the guarantor, the residence of the issuer of the security should be used, not the residence of the guarantor. ***Securities issued by international organizations*** should be shown under the separate name for international organizations, rather than to include under the country in which the organization is located.

Note 4. Definition of equities and long – and short-term debt securities

A security is defined as an instrument that is traded or tradable. Examples of equities, long-term debt securities, and short-term debt securities are given below. This survey covers only securities issued by unrelated nonresident entities. See Note 6 to determine whether an entity is related. If you have any questions about how to classify an instrument, please contact Joint Director, International Investment Position Division, Core Statistics Department, State Bank of Pakistan Karachi. Phone: 021-32454937 and Email: muhammad.nawaz4@sbp.org.pk.

Equity securities cover all instruments and records acknowledging, after the claims of all creditors have met, claims to the residual values of enterprises.

Equity securities include:

- Ordinary Shares.
- Stocks.
- Participating Preference Shares;
- Depositary Receipts (e.g. American depositary receipts) denoting ownership of equity securities; issued by Non-Residents (see Note 8)
- Shares/Units in Mutual Funds and Investment Trusts;
- Equity Securities that have been sold under repurchase agreements(see Note 7), and
- Equity Securities that have been “lent” under a securities lending arrangement (see Note 7)

Equity securities exclude:

- Non-Participating Preference Shares (but include these instruments under long-term debt securities);
- Rights, options, warrants, and other derivative instruments;
- Equity Securities that have been bought under repurchase agreements (see Note 7); and
- Equity Securities that have been acquired under a securities lending arrangement (see Note 7).

Long-term debt securities cover bonds, debentures, and notes that usually give the holder the unconditional right to a fixed cash flow or contractually determined variable money income and have an original term to maturity of more than one year.

Long-term debt securities include:

- Bonds such as treasury, zero coupon, stripped (see Note 9), deep discounted, currency linked (e.g., dual currency), floating rate, equity related (e.g. convertible bonds), and Eurobonds;

- Asset-backed securities such as mortgage backed bonds and collateralized mortgage obligations (CMO);
- Index-linked securities (e.g., property index certificates);
- Non-Participating preference shares;
- Floating Rate Notes (FRN) such as Perpetual Notes (PRN), Variable Rate Notes (VRN), structured FRN, reverse FRN, collared FRN, step-up recovery FRN (SURF), and range/corridor/accrual notes;
- Euro Medium Term Notes (EMTN);
- Schuldscheine (German) notes;
- Bonds with optional maturity dates, the last of which is more than one year after issue;
- Debentures;
- Negotiable Certificates of deposits with contractual maturity of more than one year;
- Other long-term debt securities;
- Bearer depositary receipts denoting ownership of debt securities issued by nonresidents (Note 8);
- Debt securities that have been sold under repurchase agreements (see Note 7); and
- Debt securities that have been “lent” under a securities lending arrangement (see Note 7);

Long-term debt securities exclude:

- Derivative instruments;
- Loans;
- Trade credit and accounts receivable;
- Money market instruments (e.g., treasury notes, bankers’ acceptances, negotiable certificates of deposit with contractual maturity of one year or less, note issuance facilities, revolving underwriting facilities and promissory notes), including short term debt securities;

Short-term debt securities cover only market instruments, such as bills, commercial paper, and bankers’ acceptances that usually give the holder the unconditional right to receive a state, fixed sum of money on a specified date and have *an original term to maturity of one year or less*.

Short-term debt securities include:

- Treasury bills and notes;
- Bankers’ acceptances;
- Commercial and financial paper;
- Certificates of deposit with contractual maturity of one year or less;
- Short-term notes issued under note issuance facilities or revolving underwriting facilities and promissory notes (such short-term notes are included even though the underlying facility [the contingency] may be for more than one year because the notes themselves are of a short-term nature),
- Debt securities that have been sold under repurchase agreements (see Note 7); and
- Debt securities that have been “lent” under a securities lending arrangement (see Note 7)

Short-term debt securities exclude:

- Derivative instruments;
- Loans; and
- Trade credit and accounts receivable.

Financial derivatives are excluded because they are not classifying as securities, but as a separate type of instrument. Record the value of the underlying security separately from any derivative that may held in relation to it; however, if a security has an embedded derivative, do not attempt to separate the security from the embedded security. Include the value of such a security, including the embedded financial derivative in your submission.

Note 5. Valuation

Market value should be used to report all holdings of securities. Do not report the face value of the security as the market value.

Equity securities should be reported at market prices converted to Rupee using the exchange rate prevailing at June 30/December 31 of respective year.

For enterprises listed on a stock exchange, the market value of your holding of equity securities should be calculated using the market price on the main stock exchange prevailing at June 30/December 31 of respective year.

For unlisted enterprises if a market value is not available at June 30/December 31, estimate the market value of your holding of equity securities by using one of the following:

- Recent transaction price;
- Directors' valuation; or
- Net asset value (net asset value is equal to total assets, including intangibles, less non equity liabilities and the paid-up value of nonvoting shares; assets and liabilities should be recorded at current, rather than historical, value).

Debt securities should be recorded using one of the market valuation methods listed below in descending order of preference and converted to rupees, using the exchange rate prevailing at June 30/December 31 of respective year.

- A quoted traded market price at June 30/December 31 of reporting year.
- The present value of the expected stream of future payments or receipts associated with the securities;
- For unlisted securities, the price used to value securities for accounting or regulatory purpose;
- For deep discount or zero coupon securities, the issue price plus amortization of the discount, or for debt instruments issued at a premium, the issue price less the amortization of the premium.

Note 6. Exclusion of securities issued by related enterprises

Securities (whether equities or debt) issued by a nonresident enterprise that is related to the resident owner of those securities **should be excluded** from this report. Related nonresident enterprises are enterprises in which an enterprise **group** has an equity interest of 10 percent or more or where a nonresident has more than 10 percent or more holdings in your group. Ownership should be measured in terms of ordinary shares of voting stock of incorporated enterprises or equivalent beneficial interest in unincorporated enterprises. Where such a relationship exists, exclude all securities (debt and equities).

The only exception is if the nonresident entity that issued the security and the resident owner of the security are affiliated financial intermediaries – banks for instance. In these circumstances, securities issued by related enterprises other than equity or permanent debt, should be included in this report.

Note 7. Treatment of securities involved in repurchase and securities lending arrangements

A repurchase agreement (repo) is an arrangement involving the sale of securities at a specified price with a commitment to repurchase the same or similar securities at a fixed price on a specified future date. A reverse repo is the same transaction seen from the other side; that is, an agreement whereby a security purchased at a specified price with a commitment to resell the same or similar securities at a fixed price on a specified future date. Securities (or stock or bond) lending is an arrangement whereby the ownership of a security is transferred in return for collateral, usually another security, under the condition that the security or similar securities will revert to its original owner at a specified future date.

- Securities acquired under reverse repurchase agreements or securities borrowing arrangements are to exclude from the form.
- Securities sold under repurchase agreements or “lent” under securities lending arrangements are to be *included* in the form.
- Securities acquired under reverse repurchase or securities borrowing arrangements and subsequently sold to a third party should report as a negative holding, namely, a short position.
- Valuations of securities under repurchase or securities lending arrangements should be at *market value* as at June 30/ December 31 of respective year.

Note 8. Treatment of depositary receipts

Depositary receipts, which denote ownership of equity or debt securities issued by Non-Residents – for instance, American Depositary Receipts (ADRs) or Bearer Depositary Receipts (BDRs) – should attributed to the country of residence of the issuer of the security underlying the depositary receipt. Financial intermediaries should not report holdings of any securities against which depositary receipts have issued and sold; however, if a depositary receipt has issued before the financial institution arranging the issue has acquired the underlying securities, that financial institution should report a negative holding in the underlying security.

Note 9. Treatment of stripped securities

Stripped Securities (Strips) are securities that have transformed from a principal amount with periodic interest coupons into a series of zero coupon securities, with the range of maturities matching the coupon payment dates and the redemption date of the principal amount.

- If strips remain the direct obligation of the original issuer, then the residence of the issuer of the strips remains the same as for the original security. Dealers who request that a settlement or clearinghouse create from an existing security issued by a nonresident should not report ownership of the underlying security after the strips have created.
- If strips have created and issued by an entity in its own name, then the security should classified according to the residence of the issuer of the strips. In turn, such an issuer of strips should report its ownership of the underlying securities if a nonresident issued them.

Strips with an original maturity of less than one year classified as money market instruments and thus, if identifiable, should reported as short-term debt securities.

Note 10. Asset-backed securities

In reporting the market value of holdings of asset-backed securities, the respondent must be aware of the possibility of early partial redemption of principal. The market value of the principal amount outstanding at June 30/December 31 of respective year, should be reported; if principal has repaid, this market value will not be the same as the original face value revalued at end period market prices.

Note 11. Name of the Issuing Institution/Sector:

The name of the issuing institution along with the sector must report in the given column. The issuing sectors have classified as General Government, Monetary Authority, Banks, Other Financial Institutions, and Other Sectors.