



INTRODUCTION TO THE BMD4 AND PROGRESS ON IMPLEMENTATION

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Lima, Peru




Outline

- Key new series
 - Including and excluding resident SPEs
 - Inward investment by Ultimate Investing Country (UIC)
- Progress on Implementation





BMD4: Better Measures of FDI

- MNEs use complex ownership structures
 - Manage global production networks
 - Minimizing tax and regulatory burdens
-  Obscure source and destination of FDI
Inflate FDI statistics
- Two key improvements
 - SPE and non-SPE
 - UIC





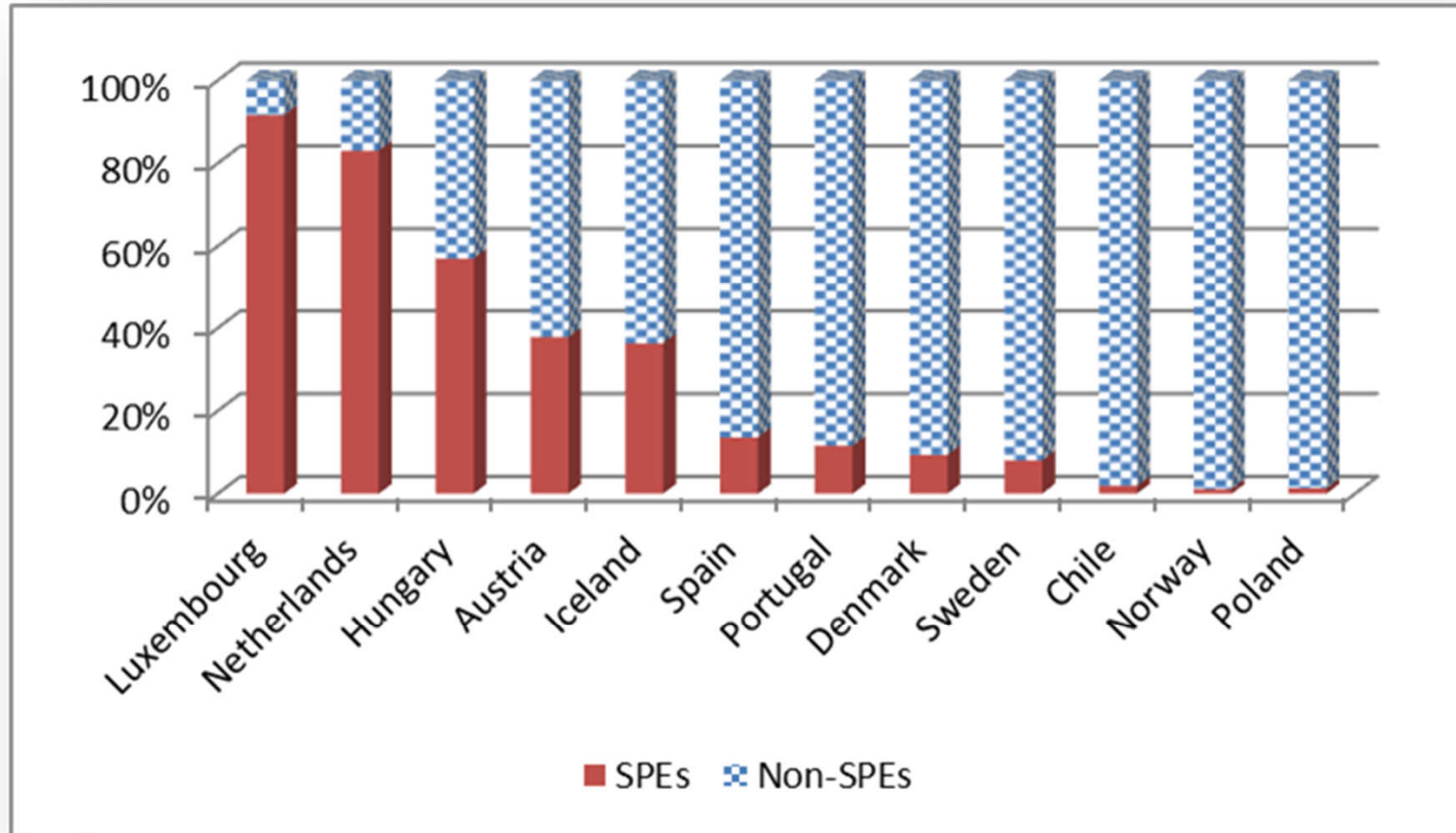
Special Purpose Entities (SPEs)

- SPEs are
 - Legal entities registered with a national authority
 - Ultimately controlled by a foreign resident
 - Have few or no employees, little or no production in the host economy, and little or no physical presence in the host economy
 - Almost all its assets and liabilities are investments in or from other countries
 - Managing and directing play only a minor role.
- Examples include brass plate companies, financing subsidiaries, conduits, holding companies, shelf companies, and shell companies





Importance of SPES for FDI Statistics





SPEs Behave Differently--Hungary

Income on Inward FDI - 2013	
Total FDI Income Payments	
Total income payments	11,930
<i>of which :</i>	
Dividends	6,339
Reinvested earnings	5,426
Net interest payments	165
Payments by SPEs in Hungary	
Total income payments by SPEs	5,408
<i>of which :</i>	
Dividends	2,464
Reinvested earnings	3,531
Net interest payments	-586
Payments excluding resident SPEs	
Total income payments excluding resident SPEs	6,522
<i>of which :</i>	
Dividends	3,876
Reinvested earnings	1,896
Net interest payments	751

Overall, 46% of earnings reinvested

Higher for SPEs: 59%
but SPEs do not have a physical presence in Hungary

Lower for operating affiliates: 33%
May expand capacity in Hungary





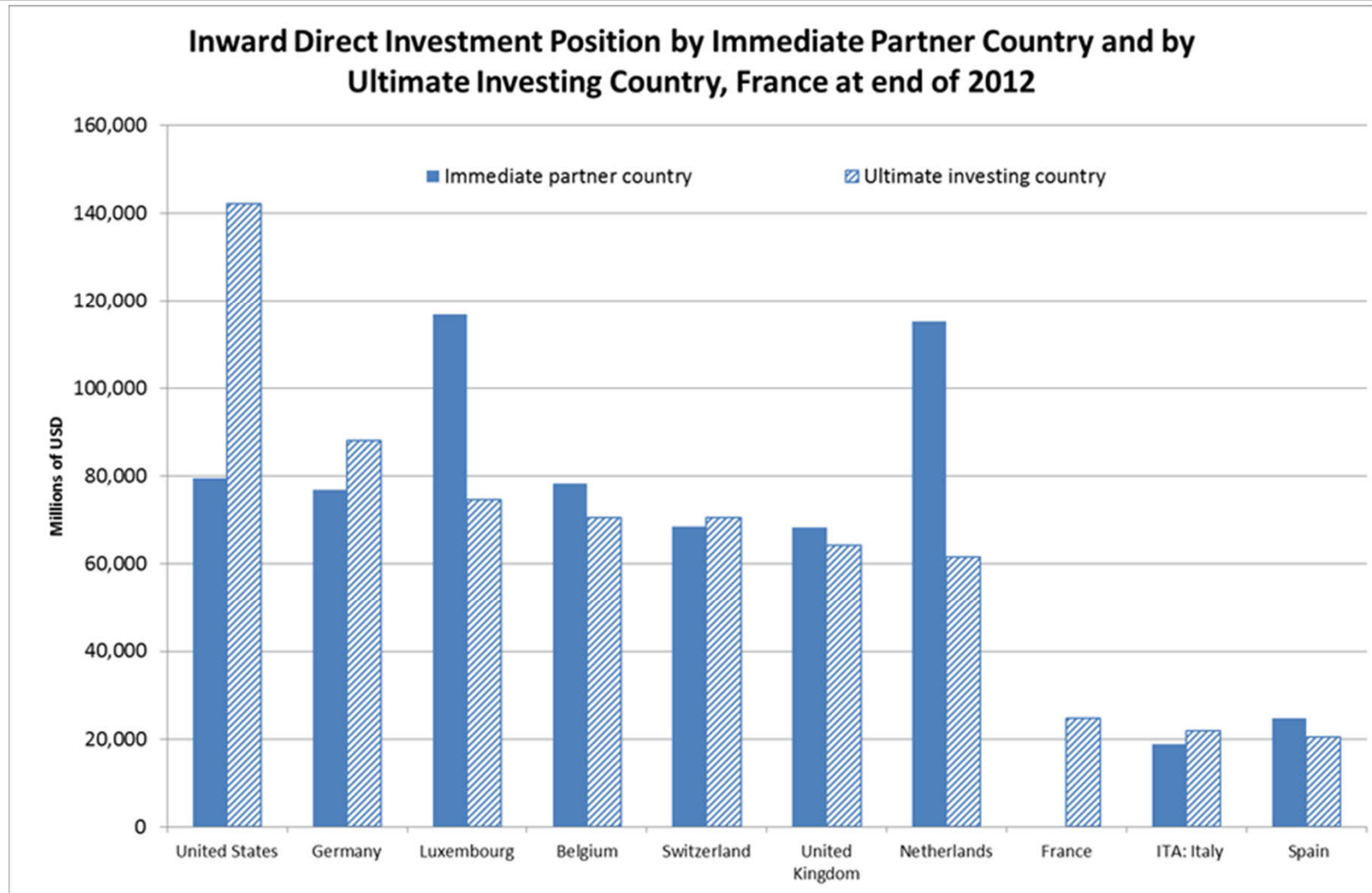
Ultimate Investing Country

- Identify the nationality of the entity that ultimately controls the investment
- Ultimate investor
 - Makes decisions
 - Reaps rewards and bears risks
- Also identifies round-tripping
 - Funds that go abroad and return home as FDI
 - Can be argued this is not really genuine FDI



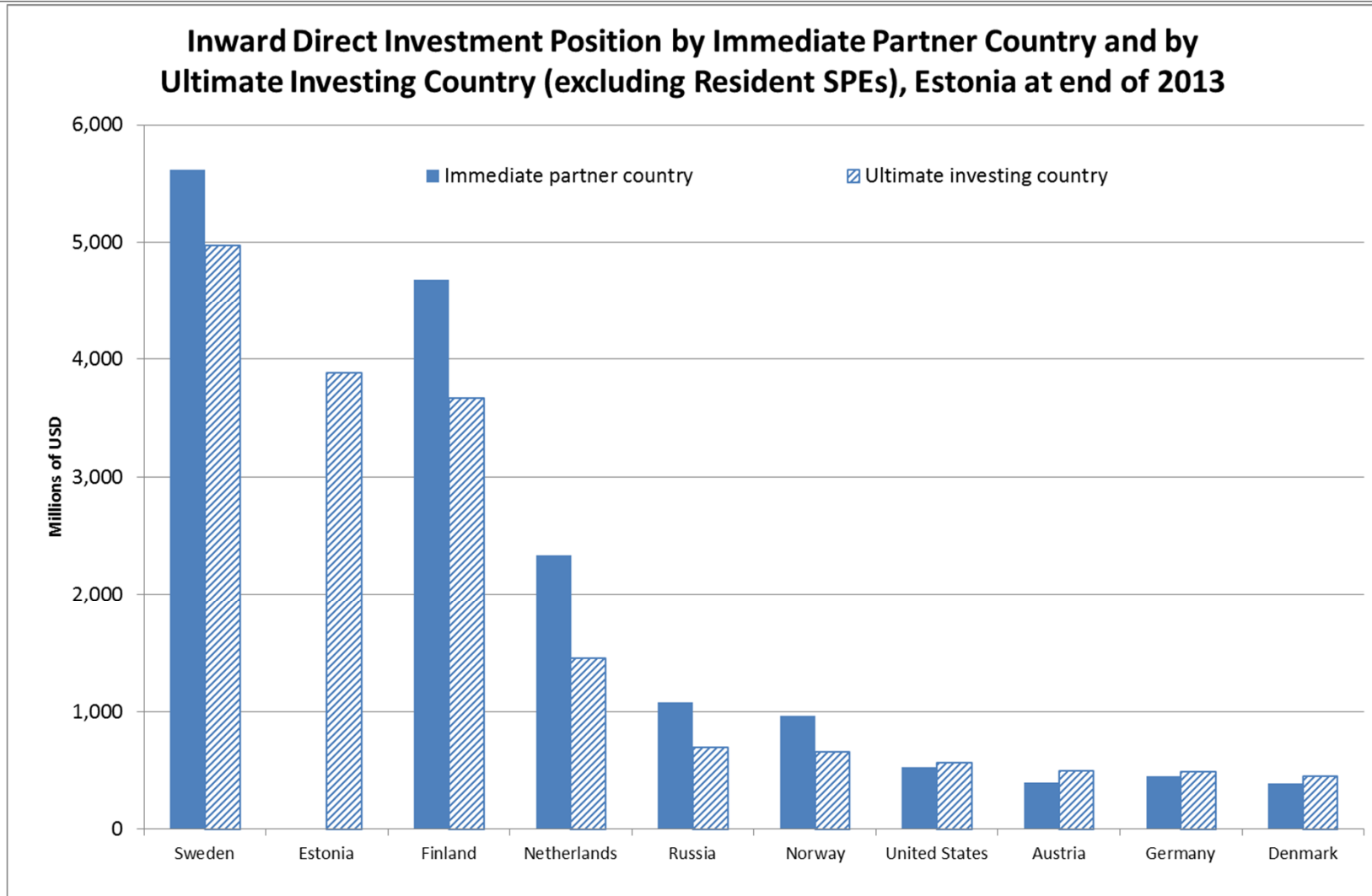


Example for France: Shift in Most Important Investors





Example for Estonia: Round-tripping





First OECD Data Collection of FDI According to BMD4

- As of mid-March 2015:
 - 30 countries have reported FDI statistics according to BMD4
 - 4 countries reported under BMD3 only
- 14 countries reported separate statistics for SPEs
 - 13 said SPEs insignificant or non-existent
 - 7 still looking into the issue
- 6 countries report by ultimate investing country
 - Expect more to report in next couple of years
- New OECD FDI statistics database was released March 16



Implementation Among non-OECD Countries

- Less likely to have implemented
- Because BPM6 and BMD4 are aligned, should report partner country data according to both
- Eurostat countries follow BMD4
- IMF's Coordinated Direct Investment Survey (CDIS)
 - More than 100 respondents
 - However, many countries probably do not follow BMD4
 - For example, no fellow enterprises

