



Financial Services Commission
Mauritius

**10th COORDINATED PORTFOLIO INVESTMENT SURVEY
2010
(CPIS)
(Financial Services other than Banking)**

EXPLANATORY NOTES

June 2011

Legal authority This survey is conducted pursuant to the powers of the Financial Services Commission (the “Commission”) set out under section 7(2) of the Financial Services Act 2007 (the “Act”) which provides:

In the discharge of its functions under section 6(j), the Commission –

- (a) may require any licensee to furnish such statistical information relating to his business or to the business administered or managed by him for his clients at such intervals and within such time as may be required by the Commission;*
- (b) may, subject to paragraph (c), publish and disseminate any information obtained under paragraph (a) in any aggregate form and figures;*
- (c) shall not publish or disseminate information relating to the individual affairs of any particular client of the licensee.*

Purpose of Survey This survey collects information on asset holdings by residents of Mauritius of securities (please refer to page 4) issued by unrelated non-residents as at December 31, 2010. The data from the survey will be used in the compilation of the balance of payments and international investment position statistics of Mauritius. The data will also assist to monitor the size and the composition of the financial sector of Mauritius. The survey is being conducted in coordination with other jurisdictions to facilitate international data comparability.

Authority The information requested is collected under the authority of the Commission.

Confidentiality The completed forms will be kept confidential by the Commission. However, data will be submitted to the Bank of Mauritius in compliance with the disclosure provisions under Section 83 (3) of the Act. .

Submission of data The Survey Forms may be downloaded from the Commission’s website at www.fscmauritius.org. Once the Survey Forms are completed, they should be submitted electronically through email at: **cpis_survey@fscmauritius.org**

- Form 1 relates to the value of securities owned as at **December 31, 2010**.
- Form 2 refers to the respondent’s details.

The deadline for the submission of Survey Forms is 25 July 2011.

Cautionary note The Survey Forms are not to be tampered with nor modified. The Survey Forms templates have been specifically designed to allow returns to be compiled in a standardised manner.

Help available

For queries, please contact:

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Thank you for your cooperation

Explanatory Notes

Entities to be covered by	<p>This survey covers entities licensed by the Commission and owning securities in unrelated enterprises. Licensees need to report for their account. Entities such as <u>Insurers, Pension Scheme Managers and CIS Managers need to report additionally on Occupational Pension Schemes and Investment Schemes</u> under their respective management / administration. Please refer to the relevant Survey Forms. If no securities are held at December 31, 2010, please enter zeroes in the totals on Form 1.</p> <p>All the assets owned by the licensed entities in Mauritius, regardless of where they are administered from or whether there is a physical presence in Mauritius.</p>
Country	<p>The country should be classified according to <u>the issuer of the security</u>, not the country of the currency, country of issue, or country of the guarantor, i.e., the target investment country.</p> <p>Depository receipts should be attributed to the country of issuer of the security underlying the depository receipt.</p> <p>Securities issued by residents of Mauritius are excluded.</p>
Concept of residence and non-residence	<p>The country of residence of any enterprise is the country where the enterprise is legally incorporated or, in the absence of legal incorporation, where it is legally domiciled, in other words, where its centre of economic interest lies.</p> <p>A non-resident of Mauritius is any individual, enterprise, or other organisation domiciled in a jurisdiction other than Mauritius.</p>
Securities to be reported	<p>Securities should be classified by the jurisdiction of residence of the issuer of the securities. Form 1 covers securities owned by relevant entities, other than financial derivatives (which should be excluded). A security is defined as a tradable instrument.</p>

Definition and classification of securities

In this questionnaire, securities are classified into:

Equities – instruments and records acknowledging, after the claims of all creditors have been met, claims to the residual values of enterprises, such as ordinary shares, stocks, participating preference shares, depository receipts, shares/units in mutual funds and investment trusts.

Debt securities – bonds (treasury, zero-coupon, stripped, currency-linked), debentures, asset-backed securities, index-linked securities, floating-rate notes, bearer depository receipts and notes that usually give the holder the unconditional right to a fixed money income or contractually determined variable money income.

- **Long-term** debt securities are those with an original term to maturity of more than one year
- **Short-term** debt securities are those with an original term of maturity of one year or less.

Financial derivatives – **not to be reported** because they are not classified as securities, but as a separate type of instrument. The value of the underlying security should be recorded separately from any derivative that may be held in relation to it.

Valuation to be at market prices

Market value as at **December 31, 2010** 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 USD using the exchange rate prevailing at **December 31, 2010**.

For **enterprises listed on a stock exchange**, the market value of the holdings of equity securities should be calculated using the market price on their main stock exchange prevailing at **December 31, 2010**.

For **unlisted enterprises**, if a market value is not available at **December 31, 2010**, the market value of the holdings of equity securities should be estimated by using one of the following:

- a 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 non-voting 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 USD, using the exchange rate prevailing at

December 31, 2010:

- a quoted traded market price at **December 31, 2010**;
- 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 purposes;
- for deep-discount or zero-coupon securities, the issue price plus amortisation of the discount; or

- for debt instruments issued at a premium, the issue price less the amortisation of the premium.

Exclusion of securities issued by related enterprises

Only securities issued by enterprises that are unrelated to the owner of those securities (i.e., ‘portfolio investment’) should be included. Securities issued by a non-resident enterprise that is related to the resident owner of those securities **should be excluded** from this survey. The only exception is if the non-resident entity that issued the security and the Mauritian 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 the survey.

Related non-resident enterprises are defined by an equity interest of 10 percent or more.

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, i.e., an agreement whereby a security is 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 be excluded from the survey.
- Securities sold under repurchase agreements or “lent” under securities lending arrangements are to be included in Form 1.
- Securities acquired under reserve repurchase or securities borrowing arrangements and subsequently sold to a third party should be reported as a *negative* holding, namely a short position.
- Valuations of securities under repurchase or securities lending arrangements should be at *market value* as at close of business on **December 31, 2010**.

Treatment of depository

Depository receipts, which denote ownership of equity or debt securities **receipts** issued by non-residents – for instance, American Depository Receipts (ADRs) or Bearer Depository Receipts (BDRs) – should be attributed to the country of residence of the issuer of the security underlying the depository receipt. Institutions should not report holdings of any securities against which depository receipts have been issued and sold. However, if a depository receipt has been 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.

Treatment of stripped securities

Stripped securities (strips) are securities that have been 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 clearing house create strips from an existing security issued by a non-resident should not report ownership of the underlying security after the strips have been created.
- If strips have been created and issued by an entity in its own name, then the security should be 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 they were issued by a non-resident.

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

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 close of business on **December 31, 2010** should be reported; if principal has been repaid, this market value will not be the same as the original face value revalued at end-period market prices.

Guaranteed securities

Even where the security is guaranteed by another party (such as the parent company or a government), whether explicitly or implicitly, and even if the funds raised are for use by the guarantor, the residence of the issuer of the security should be used, not the residence of the guarantor.

For additional information on the CPIS please visit the IMF's website:
www.imf.org/external/np/sta/pi/cpis.htm