Financial Services Commission
Mauritius

21st COORDINATED PORTFOLIO INVESTMENT SURVEY (CPIS)

(Financial Services other than Banking)

EXPLANATORY NOTES

Guideline/CPIS/Nov17

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 issued by unaffiliated non-residents as at **30 June 2017.** 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

Survey data should be submitted through the Online Data Capture System (ODCS). Use the credentials provided to you to access the System[1]. The survey form can be downloaded from your profile. Once the form is completed, it should be uploaded and submitted electronically through the platform.

The deadline for the submission of completed survey forms is 08 December 2017

Cautionary note

The Survey Forms are neither to be tampered with nor modified. The Survey Forms templates have been specifically designed to allow returns to be compiled in a standardised manner.

[1] Contact the Commission in case you have not received your login credentials

Help available For queries, please contact:

Statistics Unit
Email: cpis_survey@fscmauritius.org
Tel: 403 7000
Fax: 467 7172

Financial Services Commission
FSC House, 54 Cybercity, Ebene

Thank you for your cooperation

Explanatory Notes

Coverage	This survey covers entities licensed by the Commission and owning securities in **unaffiliated enterprises**. All licensees need to report for their own account. **Insurers, Pension Scheme Administrators and CIS Managers need to report additionally on Private Pension Schemes and Investment Schemes** under their respective management / administration. If no securities are held as at **30 June 2017,** please fill-in contact details and submit survey form to the Commission through the ODCS.
Country	The country should be classified according to **the issuer of the security**, not the country of the currency, country of issue, or country of the guarantor, i.e., the target investment country. Depository receipts should be attributed to the country of issuer of the security underlying the depository receipt. **Securities issued by residents of Mauritius should be excluded**.
Concept of residence	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 center of economic interest lies. A non-resident of Mauritius is any individual, enterprise, or other organization domiciled in a jurisdiction other than Mauritius.
Concept of Affiliation	Only securities issued by non-resident enterprises that are **not in direct relationship** to the enterprise being reported upon should be included. **Investment in enterprises that are in direct relationship to yours should be excluded.** Enterprises in a direct investment relationship with each other are called **affiliates** or **affiliated enterprises**. Affiliation is established when the investor has at least 10% of equity interest in the issuer. Hence, a portfolio investment is an investment made in an **unaffiliated** non-resident enterprise; that is the investor has **less than 10% of equity interest** in the non-resident issuer enterprise. (There are exceptions to this rule, please refer to Appendix 1 for determining direct relationship)
Securities to be reported	Securities should be classified by the jurisdiction of residence of the issuer of the securities. The survey form covers securities owned by relevant entities, other than financial derivatives (which should be **excluded**). A security is defined as a tradable instrument.

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. **(i)** **Short-term** is defined as being issued less than one year and payable on demand or with a maturity of one year or less. **(ii)** **Long-term due for receipt within 1 year or less** is defined as being issued more than one year ago and due for receipt within 1 year or less. **(iii)** **Long-term due for receipt more than 1 year** is defined as being issued more than one year ago and due for receipt more than 1 year ***Example:*** if you purchased in July 2007 bonds amounting to USD 10 million with a maturity term 7 years and another purchase of bonds of USD 25 million in July 2007 of maturity 10 years. Total long-term debts at original maturity as at 30 June 2013 will be USD 35 million but on a remaining maturity basis **Long-Term Debt due for payments within 1 year or less** is USD 10 million and **Long-Term Debt due for receipt in more than 1 year** USD 25 million. **Financial derivatives – <u>not to be reported</u>** 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	Market value as at **30 June 2017** should be used to report all **prices** 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 **30 June 2017**. - 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 **30 June 2017.** - For **unlisted enterprises**, if a market value is not available at **30 June 2017,** 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 **30 June 2017:** ▪ a quoted traded market price at **30 June 2017** ▪ 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.
Treatment of securities involved in repurchase and securities lending arrangements	**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. ▪ 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 **30 June 2017.**
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 **30 June 2017** 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

Appendix 1

1. Portfolio Investment

The operational definition of portfolio investment would require that there is **no direct investment relationship** between the two entities and that the financial instrument is either an equity security or a debt security.

2. Direct Relationship

A direct investment relationship may be immediate (i.e., direct) or indirect, and recorded as such, if and only if the two parties to the transaction are resident in different economies. A direct investment relationship once established implies than any transaction (equity or debt) thereafter between the two parties constitute direct investment transactions.

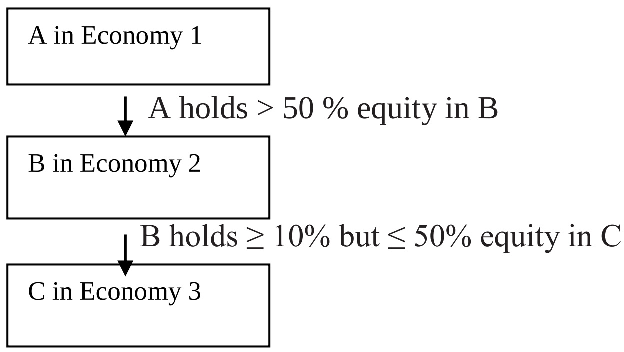
Control is determined to exist if the direct investor owns directly or indirectly **more than 50 per cent** of the voting power in the direct investment enterprise. In this case the direct investment enterprise is a subsidiary of the direct investor.

A significant degree of influence is determined to exist if the direct investor owns **at least 10 per cent but no more than 50 per cent** of the voting power in the direct investment enterprise. Please note that for CPIS purposes, equity holdings of at least 10 per cent is a sufficient condition for an enterprise to qualify as an associate, unlike the conventional accounting definition of at least 20 per cen**t**.

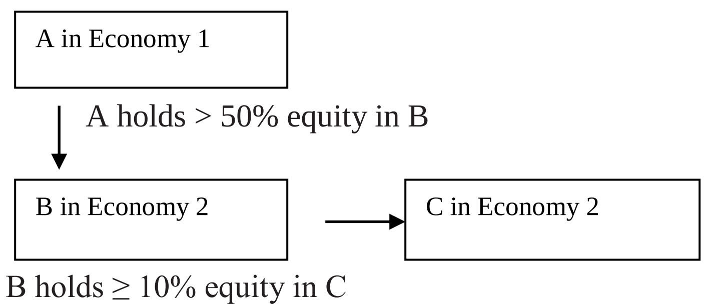
Enterprises in a direct investment relationship with each other are called **affiliates** or **affiliated enterprises**. Affiliates of an enterprise consist of: (a) its direct investor(s), both immediate and indirect; (b) its direct investment enterprises, whether subsidiaries (including branches and other quasi-corporations), associates, and subsidiaries of associates, both immediate and indirect (*excluded are associates of associates considered as unaffiliated enterprises*); and (c) **fellow enterprises**, that is, those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow enterprise controls or influences the other fellow enterprise.

Affiliates are thus identified as being (i) *controlled affiliates*, (ii) *non-controlled affiliates*, or (iii) *non-controlled, non-influenced affiliates*. The following illustrations here below provide examples of affiliation and unaffiliation between entities.

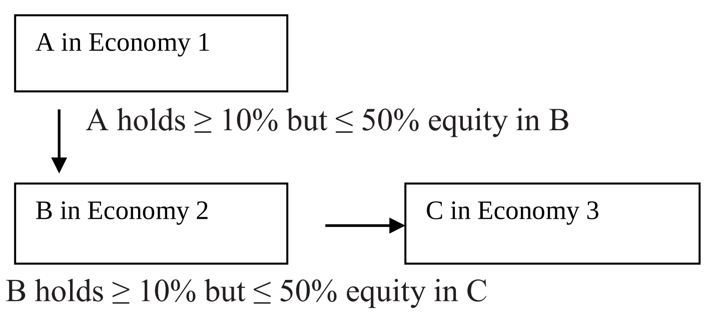
Example of Direct Investment Relationships



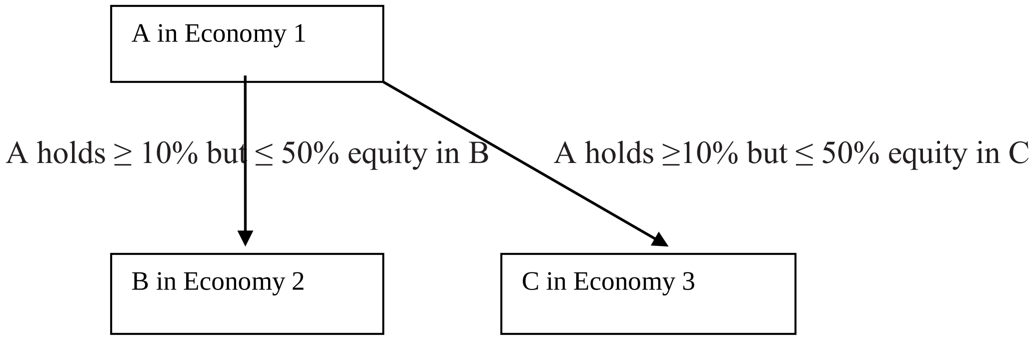
Although A does not hold equity directly in C, A and C are said to be in a direct investment relationship or are affiliates



B and C are **not** in a direct investment relationship because they are residents of the same economy but A is in a direct investment relationship with both B (directly) and C (indirectly).



A and B are affiliated enterprises. B and C are also affiliated enterprises but A and C are **not** affiliated enterprises.



Although A and B are affiliates just like A and C are, B and C are **not** considered affiliated enterprises.

For B and C to be considered affiliated enterprises, A should hold equity of > 50% in either B or C. In this case, a direct investment relationship between B and C is said to exist between non-controlled and non-influenced affiliated enterprises as they have no equity funds invested between them but they have a common direct investor (which could be direct or indirect). **B and C are thus said to be fellow enterprises** (*i.e., they are under the control or influence of the same immediate or indirect investor, but neither enterprise controls or influences the other).* As fellow enterprises, any transaction in debt or equity between B and C would be deemed to have happened between affiliated enterprises.

To summarise, an entity is a direct investor in another entity where the second entity is

(a) An immediate subsidiary of the direct investor;
(b) An immediate associate of the direct investor;
(c) A subsidiary of a subsidiary of the direct investor
(d) A subsidiary of an associate of the direct investor
(e) An associate of a subsidiary of the direct investor

However, no direct investor–direct investment enterprise relationship exists in cases in which the entity is an associate of an associate of the direct investor. In this case, the ability of the investor to influence the management of the entity is considered to have become too diluted to be significant.

The above examples are far from being exhaustive. In doubt, please seek assistance from the Statistics Team of the FSC*.*

3. Reverse investment

A direct investment enterprise may acquire equity or any other claim on its own immediate or indirect direct investor. These transactions may occur as a way of withdrawing investment, or as a way of organizing finance within a transnational group. For example, for an enterprise that borrows on behalf of its parent company and in cases in which treasury functions are concentrated in a subsidiary, the subsidiary may lend money to its direct investor.

Reverse investment is said to arise when a direct investment enterprise lends funds to or acquires equity in its immediate or indirect direct investor, **provided it owns strictly less than 10 per cent** of the voting power in that direct investor. In contrast, if two enterprises each have 10 per cent or more of the voting power in the other, there is not reverse investment, rather there are two mutual direct investment relationships. That is, each enterprise is both a direct investor and direct investment enterprise of the other.