Foreign Debt and Financial Derivative Transactions Survey
Explanatory Notes

SECTIONS TO BE COMPLETED

SECTION A: Debt Securities

Includes	Excludes
1. Short term debt securities include treasury bills, bankers' acceptance, negotiable certificate of deposits (NCD) with maturity of one year or less, promissory notes and other short-term notes. 2. Long term debt securities include treasury bonds, zero coupon bonds, stripped bonds, Eurobonds, mortgage backed bonds, collateral mortgage obligations, floating rate notes, bearer depository receipts.	1. Debt securities that are issued by your entity, but traded in the Singapore Stock Exchange (SGX) 2. Non-voting preference shares held by Non-Residents

SECTION B: Loans / Financial Lease

Includes	Excludes
1. Loans include loans to finance trade (factoring), bank overdrafts, mortgages, other loans and advances. 2. A financial lease is a contract under which a lessee contracts to pay rentals for the use of a good for most or all of its expected economic life. 3. Repurchase agreement and Securities lending	1. Operating leases from right-of-use assets / lease liabilities under FRS16

SECTION C: Trade Credits

Includes	Excludes
1. Trade receivables due from debtors which consists of claims arising from credit given to the buyers for the goods and services transactions and advance payments for work that is in progress or to be undertaken. 2. Trade payables due to creditors which consists of claims arisings from credit given by suppliers for goods and services transactions and advance payments for work that is in the progress or to be undertaken.	1. Loans to finance trade e.g. factoring

SECTION D: Other Debt Transactions

Includes	Excludes
1. Other amount receivables include hire purchase obligations, accounts receivable and proposed dividends. 2. Other amount payables include hire purchase obligations, accounts payable, tax payables and proposed dividends and arrears.	1. Debt securities 2. Loans 3. Trade receivables/ payables

SECTION E: Financial Derivative Contracts

Includes	Excludes
1. Forwards 2. Futures 3. Options and Warrants 4. Swaps 5. Other derivatives contracts	1. Investments that are managed by local fund managers, nominee or custodians 2. Securities issued or traded in the Singapore Stock Exchange (SGX)

General Definitions

1 **Non-Residents** are defined as:

a Companies and other entities whose permanent or registered address is **outside** Singapore, including overseas branches, subsidiaries, associates or other affiliates of Singapore-registered companies or institutions. Branches or subsidiaries of foreign companies located within Singapore are considered as residents.

b Persons whose main centre of economic interest is **not** in Singapore or whose residence in Singapore do not exceed one year.

2 There are generally four main types of non-residents, as below:

a **Non-Resident Direct Investors (Type H)** are non-residents that <u>own at least 10%</u> of your company's ordinary share capital or voting power directly or indirectly. This includes your company's immediate, intermediate or ultimate holding company.

i. If your establishment is a branch, your overseas Head Office is the **Non-Resident Direct Investor (Type H)**.
ii. If your company is an associate of another Singapore associate of a non-resident investor, please report transactions and positions between your company and non-resident investor under **Other Non-Residents (Type O)**.

b **Non-Resident Branches, Subsidiaries, Associates and other Affiliates (Type S)** refer to non-resident entities which your company owns at least 10% of its share capital or voting power.

c **Other Non-Resident Related Entities in the Same Group (Type R)** refer to non-resident entities which are within the same group and having the same holding entity as your company but are neither direct investors nor branches or affiliates of your company.

d **Other Non-Residents (Type O)** refer to other overseas entities that are not related to your company.

For Section A

1 **Debt Securities** refer to bonds, debentures, notes, etc. that usually give the holder the unconditional right to a fixed money income or contractually determined variable money income.

2 **Market Value of Debt Securities** should be reported using:

a a quoted traded market price;
b the net present value of the expected stream of future payments/receipts associated with securities;
c for unlisted securities, the price used to value securities for accounting or regulatory purposes; or
d for deep discount or zero coupon securities, the issue price plus amortization of the discount.

3 **Asset-Backed Securities** (e.g. mortgaged-back bonds, collateralized mortgage obligations), the market value of the principal amount outstanding should be reported. This value will not be the same as the original face value revalued at end-period market prices if there is partial redemption of the principal.

4 **Stripped securities or bonds** (strips) are securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon securities.

a If strips have been issued by an entity in its own name, then the residency of the issuer is that of the entity that has issued the strips, and the issuing entity should report its holdings of the existing non-resident securities.
b If strips have been created from a non-resident security and remain the direct obligation of the original issuer, then the residency of the issuer remains the same as for the original security.
c Dealers, who request that a settlement or clearing house create strips from an existing non-resident security, should not report their holdings of the underlying non-resident security once the strips have been created.
d Strips with original maturity of less than one year should be classified as short-term debt securities, even though the original security may have maturity of more than one year.

For Section B

1 **Loans** include loans to finance trade (factoring), bank overdrafts, mortgages, other loans and advances.

2 A **financial lease** is a contract under which a lessee contracts to pay rentals for the use of a good for most or all of its expected economic life. The rentals enable the lessor over the period of the contract to recover most or all of the costs of goods and the carrying charges. While there is not a legal change in ownership of the good, under a financial lease the risks and rewards of ownership are, de facto, transferred from the legal owner of the good, the lessor, to the user of the good, the lessee.

3 The debt liability, at the inception of the lease, is defined as the value of the good and is financed by a loan of the same value, a liability of the lessee. The loan is repaid through payment of rentals (which comprise both interest and principal payment elements) and any residual payment (amount outstanding) at the end of the contract (or alternatively, by the return of the good to the lessor).

4 **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. **Securities (or stock) 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 such arrangements and subsequently sold to a third party should be reported separately as a negative holding.

For Section E

1 **Financial Derivative Contracts/Securities** are linked to a specific financial instrument or indicator or commodity, and through which specific financial risks can be traded in financial markets in their own right. Transactions and positions in financial derivatives are treated separately from the values of any underlying items to which they are linked. They are broadly classified into the various contract types:

a **Forwards** - Contracts that represent agreements for delayed delivery of financial instruments or commodities in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified commodity or instrument at a specified price or yield.

b **Futures** - Contracts that represent agreements for delayed delivery of financial instruments in which the buyer agrees to purchase and the seller agrees to deliver, at a specified future date, a specified instrument at a specified price or yield. Such contracts are standardized and are traded on organized exchanges.

c **Options and Warrants** - Contracts that convey either a right or an obligation to buy or sell a financial instrument at a specified price by a specified future date. Options are generally traded on organized exchanges, while warrants are issued directly by companies.

d **Swaps** - Contracts in which two parties agree to exchange payment streams based on a specified notional amount for a specified period. Forward starting swaps should be reported as swaps.

e **Other Derivatives** - Other derivatives contracts not classified in the above categories, e.g. credit derivatives.

2 **Value of Financial Derivative Contracts:**
Derivative contract positions should be reported at market value for the reference dates specified, or their nearest proxy as:

Options & Warrants	Forward, Futures & Swaps
a) Prevailing market prices if traded in financial market; b) Standard pricing model (e.g. Black-Scholes Model) where no comparable market price exists. **Note:** Margin payments on derivative instruments, if any, should be excluded from the market value.	a) Difference between the agreed contract (strike) price(s) and the prevailing, or expected prevailing, market price(s) on the day of settlement, times the principal amount, appropriately discounted; b) Present value of expected future cash receipts less the present value of any associated future cash payments. The interest rate used to discount future cash flows should be the same rate of interest currently available for similar assets and liabilities with similar risk. **Note:** Margin payments on derivative instruments, if any, should be excluded from the market value.

Derivative contracts are reported in a **net asset position** if the **market value of the closing position is positive**, or a **net liability position** if the **market value of the closing position is negative** at the reporting dates.

When contracts switch from a net liability to a net asset position during the year (ie. The market value of the opening position is a liability and the closing position is an asset, or vice versa), the net liability opening position should be extinguished by recording an entry in the \`Other Changes' field in \`Liabilities' and a net asset position created by recording a corresponding entry in \`Assets'.

Data for derivative contracts in a net asset position should be reported separately from data for those in a net liability position and should not be netted off to give a net position for all the contracts held by your company.

3 **Net transactions** for the various financial derivative contract types should be recorded according to the following:

a **Forwards** - Report cash received or paid upon maturity or settlement of forward agreements. Do not report the amount received or paid upon settlement of a forward with a security or other non-cash asset.

b **Futures** - Report the cumulative periodic payment or receipt from an exchange as a result of the change in value of the futures contracts, including the final cash settlement of futures contracts. Do not report the value of futures that proceed to final delivery of the underlying asset.

c **Options and Warrants** - Report premiums paid and received for options and warrants. For exercised options and warrants where settlement is only in cash, report the net payment of cash upon exercise. Do not report the exercise of the option and warrant where securities, commodities, and assets other than cash are purchased or sold, as these should be treated as a transaction in that security or commodity instead of as derivatives.

d **Swaps** - Report the net amount of cash received or paid upon maturity or termination of a swap and any periodic net cash settlement payments under the terms of a swap, including premiums actually paid or received on swaps contracts. Do not report transactions if the ownership of a security, commodity or other non-cash item changes hands without premiums.