SURVEY OF SINGAPORE'S INVESTMENT ABROAD
- PORTFOLIO INVESTMENT & OTHER FOREIGN ASSETS/LIABILITIES

EXPLANATORY NOTES

SECTIONS TO BE COMPLETED

Section A: Portfolio Investment

- **Quoted/ Unquoted Equities (Effective interest held is < 10%)**

Includes	Excludes
1. Ordinary shares 2. Stocks 3. Voting preference shares 4. Shares/units in mutual funds 5. Units trusts 6. Depository receipts (see ***note 3*** in this Section) denoting ownership of equity securities issued by non-residents	1. Non-voting preference shares (which should be reported under long-term debt securities) 2. Equities that are managed by local fund managers, nominee or custodians 3. Equities issued by companies located overseas but traded in the Singapore Stock Exchange (SGX)

- **Short-term Debt Securities (<= 1 yr)**

Includes	Excludes
1. Treasury bills 2. Banker acceptance 3. Negotiable certificates of deposit with original maturities of one year or less 4. Promissory notes etc	1. Derivatives 2. Debt securities managed by local fund managers, nominee or custodians

- **Long-term Debt Securities (> 1 yr)**

Includes	Excludes
1. Treasury bonds 2. Zero coupon bonds 3. Mortgage backed bonds 4. Collateralized mortgage obligations 5. Stripped bonds 6. Eurobonds 7. Floating rate notes 8. Bearer depository receipts and 9. Non-voting preference shares	1. Derivatives 2. Debt securities managed by local fund managers, nominee or custodians 3. Long term debt securities issued by overseas affiliates

Section B: Properties and Other Fixed Assets Held Abroad

Includes	Excludes
1. Properties and other fixed assets outside Singapore	1. Fixed assets of overseas branches/ subsidiaries /associates

Section C: Other Foreign Assets

Includes	Excludes
1. Deposits placed abroad with non-resident banks 2. Long-term loans (>1yr) granted to non-resident banks 3. Short-term loans (<=1yr) granted to non-resident banks 4. Long-term loans (>1yr) granted to non-residents 5. Short-term loan (<=1yr) granted to non-residents 6. Trade receivables from non-residents 7. Financial lease granted to non-residents 8. Repurchase agreement and securities lending to non-residents 9. Margin accounts 10. Others, eg miscellaneous accounts receivable from non-residents	1. Deposits placed abroad with ACUs in Singapore 2. Operating leases from right-of-use assets under FRS116 3. Loans granted to overseas branches, subsidiaries and associated companies which should be reported in Direct Investment in Overseas Affiliates

Section D: Other Foreign Liabilities

Includes	Excludes
1. Deposits of non-resident non-bank customers 2. Trade payables to non-residents 3. Financial lease granted from non-residents 4. Repurchase agreement and securities lending from non-residents 5. Margin accounts	1. Operating leases from right-of-use assets under FRS116

Section E: Financial Derivative Contracts with Foreign Counter Parties

Includes	Excludes
1. Forwards 2. Futures 3. Options and Warrants 4. Swaps 5. Other derivatives contracts	1. Investments 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 or subsidiaries 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:
   a. **Non-Resident Direct Investors (Code H)** are non-residents that own at least 10 per cent of your company's ordinary share capital or voting power. These shares can be held directly or indirectly by the investor.
      i. If your establishment is a branch, your overseas Head Office is the **Non-Resident Direct Investor (Code 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 (Code O)**.
   b. **Non-Resident Branches, Subsidiaries, Associates and other Affiliates** refer to non-resident entities which your company owns at least 10 per cent of its share capital or voting power.
   c. **Other Non-Resident Related Entities in the Same Group (Code 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 (Code O)** refer to other overseas entities that are not related to your company.

SECTION A : PORTFOLIO INVESTMENT

Quoted / Unquoted Equities

1. **Equities** cover all instruments and records acknowledging, after the claims of all creditors have been met, claims to the residual values of enterprises.

2. **Market Value of Equities**

For **Quoted Equities**, they should be reported using the market price on their main stock exchange prevailing at the dates specified.

For **Unquoted Equities**, if market value is not available, please estimate the market value using:
a) recent transacted prices;
b) directors' evaluation; or
c) net asset value of the overseas company to value the shares.

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 prices.

3. **Depository Receipts** are certificates that represent ownership of securities held by a depository, e.g. American Depository Receipts (ADR) or Bearer Depository Receipts (BDR). They should be allocated to the country of residence of the issuer of the original (or underlying) security and not to the residency of the financial intermediary that issues the receipts. Financial intermediaries should not report holdings of any non-resident securities against which depository receipts have been issued and sold.

Debt Securities

4. **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.

5. **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, etc; or

d) for deep discount or zero coupon securities, the issue price plus amortization of the discount.

6. **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.

7. **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.

SECTION C & D : OTHER FOREIGN ASSETS / LIABILITIES

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. **Trade Receivable From/Payable To** consists of claims and liabilities arising from the direct extension of credit by suppliers and buyers for goods and services transactions and advance payments for work that is in progress (or to be undertaken) and associated with such transaction. It excludes loans to finance trade e.g. factoring.

5. **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. All securities acquired or sold under such arrangements should be reported here and not under Portfolio Investment. Securities acquired under such arrangements and subsequently sold to a third party should be reported separately as a negative holding.

6. **Margin Accounts** are used for the payments of cash or deposits of collateral that cover actual or potential obligations incurred through Derivative Contracts.

7. **Others** includes miscellaneous accounts receivable from non-residents, overseas club memberships, gold bars held at overseas financial institutions etc.; does not include trade receivables.

SECTION E : FINANCIAL DERIVATIVE CONTRACTS WITH FOREIGN COUNTER PARTIES

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. They are broadly classified into the various contract types. The various contract types are:

   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. Market Value of Financial Derivative Contracts:

Derivative contract positions should be reported at market value for the reference dates specified, or their nearest proxy as follows:

Options & Warrants	Forwards, 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.

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.

Section 1E(a) Net Asset position with foreign counter parties

1. Derivative contracts are reported in a net asset position if the market value of the closing position is positive at those reporting dates.

2. Transactions are reported in Section 1E(a) as transactions in assets if the contracts had a positive market value at the time of the transaction. Derivative contracts in a net liability position at the beginning and the end of a reference period, and transactions in them, and transactions in contracts with a negative market value at the time of the transaction, are reported in Section 1E(b) of the form.

Note:
- When contracts switch from a net liability to a net asset position during the year, the net liability position should be extinguished by recording an entry in the **other changes** field in Section 1E(b) and a net asset position created by recording an entry in the **other changes** field in Section 1E(a).
- 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.

Section 1E(b) Net Liability position with foreign counter parties

1. Derivative contracts in a net liability position with non-residents are contracts where the market value of the opening and closing positions is negative at those reporting dates.

2. Transactions are reported as transactions in liabilities if the contracts had a negative market value at the time of the transaction. Derivative contracts in a net asset position at the beginning or end of the reference period, and transactions in contracts with a positive market value at the time of the transaction, are reported in Section 1E(a) of the form.

Note:
- When contracts switch from a net asset to a net liability position during the year, the net asset position should be extinguished by recording an entry in the **other changes** field in Section 1E(a) and a net liability position created by recording an entry in the **other changes** field in Section 1E(b).