

Summary methodology for the production of quarterly international investment positions

Quarterly position data for **Canada's international investment position** are produced from 1990 onward. Supplementary estimates of portfolio investments in bonds and equities at market value are available from 1990 onward. On the liability side, market value estimates of portfolio investments in Canadian money market are available from 2003 only. Prior to 2003, the market and book value estimates of these instruments are defined as equal.

On the asset side, starting in 2002, estimates of portfolio investments in foreign money market instruments are moved from other investments to portfolio investments and are available at both, book and market values.

Direct investment

Annual surveys of the book value of direct investment form the basis of the benchmark estimates for the year-end positions. Quarterly positions between these benchmarks and for periods subsequent to the latest benchmark data (noted as preliminary) are estimated using quarterly flows at market value adjusted to book value. These flows include reinvested earnings.

Portfolio investment

The Canadian Portfolio Investment Survey (CPIS) provides a benchmark for annual positions at market value for foreign equities and bonds. Market value benchmarks are converted to book values using market value to book value ratios to derive the book value estimates. Quarterly positions between these benchmarks and for periods subsequent to the latest benchmark data (noted as preliminary) are estimated using quarterly flows at market value, in the case of the market value series, and flows adjusted to book value for the series at book value. Quarterly positions at market value are, in addition, adjusted to take into account fluctuations in the prices of the assets.

A detailed system is used to process data on Canadian bonds and both Canadian and foreign money market instruments. Positions are derived on an issue-by-issue basis and can be automatically produced on a quarterly basis. The system generates positions at both, market and book values.

Quarterly positions for Canadian equities at book value are derived using quarterly flows adjusted for market to book valuation. In terms of market value, the book value benchmark for Canadian equities is converted at market value using price to book ratios on a detailed basis. Subsequently, quarterly positions are generated using flows at market value and price changes.

Other investment

Outstanding loans issued by banks and governments are available on a quarterly basis. Loans from other corporations are derived from annual surveys and quarterly flows. Deposits are also available from the banks on a quarterly basis. Official international reserve assets are available on a monthly basis. The other miscellaneous accounts are based on annual surveys adjusted to quarterly positions using quarterly flows.

Currency fluctuations

In addition, outstanding positions for all accounts denominated in foreign currency are re-evaluated each quarter to reflect changes in exchange rates.

Statistical notes

The following notes are a summary version of the sources and methods document for the Balance of Payments and International Investment Position.¹

International investment position

Conceptual framework

Canada's international investment position is the statistical statement that presents the value and composition of the stock of Canadian financial claims on non-residents and Canadian financial liabilities to non-residents at year-end. The Canadian statement is compiled according to international standards and conventions described in the fifth edition of the **Balance of Payments Manual (1993)** of the International Monetary Fund (IMF). These norms are the result of extensive consultations with a group of balance of payments experts, of which Statistics Canada is an active member. Uniformity of concepts among countries and the use of common standards and conventions enhance the comparability of international investment position accounts, a major benefit for data users in this age of globalization.²

Canadian financial assets are owned by Canadian residents and embody future economic benefits from non-residents. They are a store of value, but unlike most non-financial assets, they are not directly employed in productive activity. Instead, they are convertible into cash or other financial instruments. They result from past transactions in financial instruments with non-residents.

Canadian financial liabilities, which are obligations to non-residents, result from past transactions in financial instruments with non-residents, and their settlement may result in the transfers or use of assets, provisions of services or other yielding of economic benefits in the future.³

"Financial liabilities" is a misnomer to the extent that it includes Canadian-issued equity in addition to Canadian debt.

The difference between total financial assets and total financial liabilities is referred to as the net international investment position. Put another way, Canada's net investment position is the difference between what Canada owns (its external assets) and what Canada owes (its external liabilities) to non-residents. Historically, Canada had and still has fewer assets abroad than it has liabilities to non-residents and, hence, shows a net international liability position.

Types of financial assets and financial liabilities

There are three classes of financial assets and financial liabilities in the international investment position: direct investment, portfolio investment and other investment. These three classes largely reflect the nature of the investment in another country. In direct investment, the investor residing in one country has a significant influence on the management of an enterprise residing in another country; this means that direct investment also encompasses investment where there is a substantial influence to the point of having a controlling interest. In portfolio investment, the investor in financial instruments does not have a significant influence on the non-resident

1. *Canada's Balance of International Payments and International Investment Position, Concepts, Sources, Methods and Products, Balance of Payments Division* (Catalogue no. 67-506-XPE www.statcan.ca/english/freepub/67-506-XIE/free.htm).

2. *The international investment position statements of individual countries are published annually in the International Monetary Fund's Balance of Payments Statistics Yearbook, (IMF Publication Services, 700 19th Street NW, Washington DC 20431 USA).*

3. *The Canadian Institute of Chartered Accountants, CICA Handbook, (277 Wellington Street West, Toronto ON M5V 3H2, December 1997), 1000.35.*

issuer of the instruments. In other investment, there is also no influence from the investor's viewpoint, but unlike portfolio investment, there is generally no market to trade the instruments used to carry out the investment.

Valuation of international assets and liabilities

The valuation used for financial assets and liabilities in Canada's international investment position is that recorded in the books of the enterprise in which the investment is made (debtor principle). This is a departure from international standards, which call for market valuation of the international investment position.

To report direct investment at market valuation would entail major difficulties. Businesses do not generally use a market valuation to record their investment in subsidiaries and other affiliated parties in their books, which are the source of data used to compile direct investment. This was recognized by international standards.

The market price measurement cannot always be implemented because of the absence of regular revaluations. For example, balance sheet value is often the only available reported valuation for direct investment. That value might be assigned on the basis of original cost, a more recent revaluation or current value.⁴

As for portfolio investment, the Canadian statistics provide the market valuation of portfolio investments as supplementary information to the official series. Finally, the valuation for other investment can be viewed for all intents and purposes to be a market valuation. Overall, market valuation is available in Canadian statistics, except for direct investment.

Changes in Canada's assets and liabilities arise from financial account transactions, as recorded in the balance of payments and from valuation changes. A major source of valuation change is the exchange rate since the items denominated in foreign currencies are converted using the closing exchange rate at the end of the period of reference. Another source of valuation change arises from the difference between the price at which the transactions occurred and the value at which the claim is recorded in the balance sheet. Since direct investment positions are not currently revalued at market prices, the valuation changes other than exchange rate reflect changes resulting from transaction value to book value, write-ups or write-downs, and reclassification. An example of reclassification would be a common stock initially purchased as a portfolio investment and reclassified to direct investment when the holding increased to 10% or more of that stock.

Relationship to other statistical systems

Relationship to the balance of payments

There is a direct relationship between the financial transactions in the balance of payments and the international investment position.⁵ Financial transactions with non-residents increase or decrease the position with non-residents. For example, the acquisition of external assets increases the asset position, whereas the redemption of an external liability decreases the liability position. While all financial flows affect the position, not all changes in position stem from financial flows. The value of assets and liabilities may change as a result of fluctuations in exchange rates or other revaluations and reclassifications. In other words, while only transactions with non-residents are recorded in the balance of payments, the external assets and liabilities reflect both transactions with non-residents and valuation changes.

The relationship between the current account balance and the net international investment position transits via the capital and financial account.

4. *International Monetary Fund, Balance of Payments Manual, (Fifth edition, IMF Publication Services, 700 19th Street NW, Washington DC 20431 USA, 1993), paragraph 108, 29.*

5. *It should be noted that transactions in non-produced non-financial assets should affect the positions. However, the international standards omit to show the relationship between capital transactions in such assets and the position. In the Canadian series, the transactions in such intangible assets so far have not been significant enough to warrant their classification in position. It is proposed here that the asset and liability resulting from transactions in intangible assets be shown under other investment. See Chapter 19, "Implementation of International Standards," Canada's Balance of International Payments and International Investment Position, Concepts, Sources, Methods and Products.*

The net flow of the capital and financial account is equivalent to the balance in the current account, with the sign reversed.

The international investment position is the result of the cumulation through time of the capital and financial account, with the sign reversed.

Therefore, the cumulation through time of the current account is equivalent to the net international investment position.

However, because of valuation and other changes that are reflected in the position but not in the transactions, there is not a one-to-one relationship between the cumulated current account deficits and the net international investment position.

Relationship to the balance sheet accounts

In the Canadian System of National Accounts, a national balance sheet is derived for all three sectors of the economy: persons and unincorporated business; the corporate sector; and the government sector. The dealings of these three sectors with non-residents are shown as a fourth sector, the 'rest of the world.' While the rest of the world accounts largely correspond to the international investment position accounts, these two sets of accounts differ in two ways: first, the accounts for rest of the world are presented from the non-resident viewpoint, whereas in the international investment position they are presented from a resident viewpoint; second, in the rest of the world accounts, the financial assets and liabilities are presented on a instrument basis and not on a functional basis, as is the case for the international investment position. There may be small differences in classification because of the rearrangement of data such as the treatment of interest payable on bonds classified under bonds in the international investment position and under other claims in the financial flows. However, these differences cancel out at the level of total assets and total liabilities. Overall, there is a complete concordance in the data between the two statements.

Interpretation of the international investment position

Accounting interpretation

The international investment position presents data related to the country's external financial condition as of a specific time, based on accounting concepts and conventions. It is Canada's balance sheet vis-à-vis non-residents. Assets represent expected future economic benefits from abroad to which the country holds the right and which have been acquired through a current or past transaction with non-residents. In the **System of National Accounts 1993**, assets are defined as entities that must be owned by some unit, or units, and from which economic benefits are derived by their owner(s) by holding or using them over a period of time.⁶

In addition, assets represent a certain quantum of abstract economic value which is potentially usable to acquire goods and services.⁷

Liabilities are Canada's obligations to convey assets or perform services to non-residents. They represent the amounts owed to foreign creditors or belonging to foreign equity holders.

Analytical interpretation

The data on the international position reveal the extent to which Canada has, over the years, been both a supplier (external assets) and a receiver (external liabilities) with the rest of the world of financial resources. The difference between the external assets and liabilities provides a measure of the net position that is equivalent to that portion of

6. Eurostat, *International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations and World Bank, System of National Accounts 1993*, (prepared under the auspices of the Inter-Secretariat Working Group on National Accounts, Commission of the European Communities, Brussels/Luxembourg, New York, Paris, Washington, D.C., 1993), paragraph 1.26, 5.

7. *Ibid.*, paragraph 2.24, 20.

the Canadian economy attributable to the rest of the world. Canada has been historically and continues to be in a net liability position.

Direct investment position

Description

Direct investment (asset and liability) allows an investor to have a significant voice in the management of an enterprise operating outside his or her own economy.

For operational purposes in Canada, if an enterprise owns at least 10% of the voting equity in a foreign enterprise, a direct investment relationship is deemed to exist between these two enterprises. The voting equity interest is determined by analysing the whole relationship among enterprises, both domestically and abroad. An enterprise may hold less than 10% interest directly but still have a 10% voting equity interest direct investment relationship through ownership of another enterprise (indirect ownership). Once the direct investment relationship is established among several enterprises, using both direct and indirect ownership, the direct investment itself is measured by the investment between two transactors only. If a Canadian company has a voting ownership interest of at least 10% in a U.S. company, it is referred to as the direct investor and the U.S. company is referred to as the direct investee. It may be that the U.S. direct investee also has claims on the Canadian direct investor, but these claims should be lower than those of the Canadian company.⁸ These liabilities of the Canadian direct investor will be netted against its claims on the U.S. direct investee when presenting the direct investment position. This presentation is referred to as a directional measure of direct investment.

A direct investor can also be the recipient of foreign investment from another foreign company, and if that investment represents 10% or more of the voting equity of the direct investor, the direct investor will be a direct investee of that company. It is important to stress that the notions of direct investor and direct investee are not mutually exclusive. A company can be both a direct investor in a foreign company and a direct investee of another foreign company.

In the Canadian statistics, direct investment is measured as the total value of equity, net long-term claims and, from 1983 onwards, the net short-term claims of non-bank enterprises held by the enterprise across the border.

Valuation

Direct investment position series are valued from the books of the enterprises in which the direct investment is made. This means that Canadian direct investment abroad is measured from the books of the foreign enterprises and not from the books of the resident enterprises having a direct investment abroad. Similarly, foreign direct investment in Canada is measured from the books of the resident enterprises recipient of the direct investment and not from the books of the foreign enterprises.

Differences between book values of direct investments from one period to another arise from the following:

- recording of the transactions at market value in the financial account (but valuation at book value for positions purposes);
- exchange rate fluctuations;
- corporate reorganizations;
- the migration of principal owners; and

8. The international standards indicate that if the mutual holding by two entities is higher than 10%, the direct investment relationship should no longer be treated on a net basis but on a gross basis, that is, both entities would be treated as direct investors in each other. This gross treatment contravenes the directional principle of direct investment and may create serious discontinuities in the series when the equity becomes gradually higher than 10%. The treatment is under review for the Canadian statistics.

- shifts to direct investment, when non-residents increase their ownership to 10% or more of voting interest (or the reverse, when they decrease their ownership to less than 10%).

Distinction between direct investment and control

The notion of direct investment needs to be distinguished from that of foreign control. The International Monetary Fund international standards focus on direct investment, referring only in a vague manner to control.

The concept of direct investment is broader than the System of National Accounts concept of foreign-controlled, as distinguished from domestically controlled, resident enterprises.⁹

However, the reverse is true for **System of National Accounts, 1993**, where the focus is on control.

The System's concept of foreign-controlled resident is linked to the balance of payments concept of direct foreign investment enterprises in that the former is a component of the latter. While the primary distinguishing feature of direct investment in the balance of payments is significant influence or effective voice in the management, the feature for foreign-controlled enterprises in the System is control.¹⁰

Control is defined as the ability to determine general corporate policy by appointing appropriate directors, if necessary. Owning more than half the shares of a corporation is evidently a sufficient, but not a necessary, condition for control. Nevertheless, because it may be difficult to identify those corporations in which control is exercised by a minority of shareholders, it is recommended that, in practice, corporations subject to public or foreign control should normally be confined to those in which governments or non-residents own a majority of the shares. This recommendation is intended only as a practical guideline, however, to which exceptions can be admitted if there is other evidence of control.¹¹

Both direct investment and controlling interests result from ownership in an enterprise. However, direct investment reflects a significant influence in the other enterprise and does not need to be as intense as controlling investment, which entails a "continuing power to determine its strategic operating, investing and financing policies without the co-operation of others in a controlling interest."¹²

To determine direct investment or controlling interest, it is necessary to take into account the full intercorporate structure of enterprises, that is, the ownership relationship that exists among the different entities of an enterprise. This means conceptually viewing all business enterprises and going beyond the Canadian border to take into account the full gamut of foreign and domestic ownership of enterprises.

Data sources

Surveys

Seven questionnaires targetting various aspects of claims are used to compile direct investment data. Questionnaires are annual quasi census, except for two quarterly sample questionnaires.

Administrative sources

A number of administrative sources are used to complement the survey results. The monthly list of Canadian companies with non-resident investments of Investment Canada, a branch of Industry Canada, is used to update the survey mailing list.

9. See *International Monetary Fund, Balance of Payments Manual, (Fifth edition, IMF Publication Services, 700 19th Street NW, Washington DC 20431 USA, 1993), paragraph 360, 86.*

10. *Eurostat, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations and World Bank, System of National Accounts 1993, (prepared under the auspices of the Inter-Secretariat Working Group on National Accounts, Commission of the European Communities, Brussels/Luxembourg, New York, Paris, Washington, D.C., 1993), paragraph 14.154, 341.*

11. *Ibid., paragraph 4.30, 91.*

12. *The Canadian Institute of Chartered Accountants, CICA Handbook, (277 Wellington Street West, Toronto ON M5V 3H2, December 1997), 1590.06.*

Supplementary administrative sources provided by financial institutions to the Bank of Canada and the Office of the Superintendent of Financial Institutions are also used, especially to derive foreign direct investment in Canadian banks. The Canada Customs and Revenue Agency form T-106, filed by Canadian companies on their non-arm's-length transactions with non-resident entities, includes dividends, interest and intercompany claims and liabilities and is used to validate survey results and update the list of potential reporting entities.

Other sources

Financial information published in the financial press (*Globe and Mail*, *National Post*, *Les Affaires* and so on) is systematically analysed and processed against quarterly survey results.

Methods

A system dubbed CASTS processes the survey results from seven questionnaires as well as other administrative and public sources. Procedures ranging from data capture through to validation of data and derivation of flows of capital and year-end positions are applied.

Products

Data accuracy

A major challenge for data quality consists in maintaining acceptable coverage. Although major efforts are made, it sometimes happens that an enterprise that newly conducts direct investment may not be captured.

Canadian direct investment abroad

The data on Canadian direct investment abroad are believed to be reliable. The data are obtained from an annual quasi census survey whose coverage is updated from current information on market developments and validated against administrative data. The coverage is believed to be reasonably complete. The response rate of the quasi census survey was 48% for 2003. Because of its nature, the bulk of direct investment is believed to be concentrated among a relatively small number of enterprises. The survey results confirm this with the 100 largest companies (5% of the coverage) accounting for 80% of the total value of direct investment. For non-responses, the data of the previous year are carried forward in the following year taking into account exchange rates. The series are measured from the books of the ultimate foreign subsidiaries and associates and, as such, do not compare readily with financial flows, which are obtained from the books of the Canadian investor company and which are generally at market value. The data for the most current year are projected and, as such, can be subject to major revisions.

Foreign direct investment in Canada

The data on foreign direct investment are believed to be reliable. The data are obtained from an annual quasi census survey with a response rate of 56% for 2003. Again, the most recent year is projected on the basis of financial flows obtained from a quarterly sample survey and information on market developments (which include corporate reorganizations, exchange rates and other factors). These estimates are also subject to revision when the results of the quasi census survey become available.

Data accessibility

In this publication, data on direct investment positions are shown by major geographical regions (United States, United Kingdom, Other European Union, Japan, Other OECD and Other Countries). Detailed country and industry breakdowns are also available on a cost-recovery basis.

Portfolio investment position

Description

Portfolio investment is a rather passive form of investment conducted to maximize expected value of the portfolio (in the form of income and/or the value of the investment) by diversifying across national borders. This investment comprises instruments that can usually be traded in secondary markets. Cross-border portfolio investment has increased sharply in recent years because of advances in technology and deregulation that led to a greater choice of financial instruments (for example, securitization of previously non-marketable assets and derivative instruments) and better means of valuing financial instruments—a very crucial element for trading.

Portfolio investment consists of investment in stocks, bonds and money market instruments (both Canadian and foreign). Portfolio investment in foreign money market instruments is included in other investment up to 2001, since the Canadian statistics could not split foreign money market instruments from foreign bank deposit liabilities.

Changes in stock levels arise from financial flows, exchange rate fluctuations, write-up or write-downs of investment and classification changes. Investments are reclassified between portfolio and direct investment as ownership shares cross the 10% threshold.

Valuation

To the extent possible, the securities are valued at the book value of the companies that issue the instruments. Investment in stocks is valued on the basis of the shareholder's equity of the company that issued the stocks. The book value of bond and money market instruments is defined as the price at which the security was originally issued plus interest accruals.

The valuation at book value is a departure from the international standards, which call for market valuation. However, market valuation of portfolio investment is provided as supplementary information in the Canadian statistics. It is not used in the official series in order to maintain uniformity among accounts of the international investment position because other accounts of the statement, notably direct investment, are currently available only on a book value basis.

Data sources

Asset positions on foreign securities are compiled from the results of an annual position survey on Canadian holdings of portfolio securities, beginning with the year-end 1997. Previously, the positions were compiled from cumulating flows. The results of the new survey have been integrated for the first time in the 1998 edition of **Canada's International Investment Position**. Liability positions on Canadian securities are largely derived from the cumulation of transactions adjusted by information in positions. For new issues on Canadian securities, the source is administrative data from the Bank of Canada and a number of public sources, supplemented by survey results of major issuers.

Methods

Canadian portfolio investment abroad

An annual survey that began with the reference year-end 1997 was implemented as part of an international effort to improve data on external portfolio investment. This survey measures portfolio holdings in foreign stocks and bonds of Canadian financial institutions by security on an annual basis.

Foreign portfolio investment in Canadian bonds and Canadian and foreign money market

An extensive and detailed system (dubbed BP-2000) is used to process data on Canadian bonds and money market instruments. In the system, each issuer is identified by name, sector (federal government, private company and so on) and industrial classification; each security held is listed with the dates of issue and of maturity, the currency

of issue, interest and retirements. This all-encompassing system processes not only flows but also positions and investment income.

Foreign investment in Canadian equities

The Canadian equities data are updated on a yearly basis, with financial flows reported on monthly surveys of Canadian investment dealers and large Canadian investors. These positions are in turn complemented by data obtained from the positions survey.

Products

Data accuracy

With the implementation in 1997 of the Canadian survey of portfolio investment, the estimates of Canadian holdings of foreign securities are now felt to be most reliable. The response rate of the quasi census survey was 75% for 2003. However, the survey coverage does not include Canadian individuals investing directly in foreign markets. The difficulties of capturing investment by individuals is common to all countries but is not perceived for the time being to result in significant undercoverage in Canadian statistics. This may rapidly change, however, with the increasing ease of online investing.

The data on foreign holdings of Canadian securities are most reliable, except for the geographical allocation of foreign portfolio holders. The geographical breakdown does not always reflect the country of beneficial owner, as the latter may use custodians in other countries. It is expected, however, that the survey results from other countries will help in improving the geographical allocation. The response rate of the quasi census survey for 2003 was 56% for corporations and 61% for governments and their enterprises.

Data accessibility

The data on portfolio positions are presented for bonds, stocks and money market instruments (both Canadian and foreign), in total and for the six geographical areas: United States, United Kingdom, Other European Union, Japan, Other OECD and Other Countries. In addition, a sectorial distribution is provided for Canadian bonds and Canadian money market instruments. For Canadian bonds, the contributors to net change in book value by sector are also provided.

Detailed country, industry, currency and terms to maturity aggregations are also available on a cost-recovery basis.

Other investment position

Description

Other investment position is a residual heterogeneous account that includes all investment other than direct and portfolio investment. It covers loan assets and liabilities, deposit assets and liabilities, official reserve assets and other assets and liabilities.

Loan assets and loan liabilities

Loan assets include Government of Canada loans extended directly to foreign countries and to international organizations. These loans are made, in part, by the issuance of non-interest-bearing, non-negotiable demand notes, which are recorded as other liabilities. The following are also included in this account:

- export loans by agencies of the Government of Canada, such as the Export Development Corporation and the Canadian Wheat Board;
- loans of banks and other businesses; and

- loans made under REPO's involving securities as collateral.

Excluded are loans and subscriptions to the International Monetary Fund (IMF) classified in official international reserves, and subscriptions to international agencies classified as other assets. An offsetting entry in assets is recorded to account for allowances related to

- concessional loans to developing countries that are part of Canada's international development assistance program;
- Canada's net position vis-à-vis subscriptions to the capital of, and loans to, international financial institutions; and
- potential debt or debt service relief measures for financially troubled countries under multilateral agreements.

Also included are some of the provisions set up by Canadian chartered banks on their foreign loans.

Loan liabilities comprise corporate, government and government enterprises borrowing from foreign banks, including syndicate bank facilities, mortgage loans and other loans, such as loans made under repurchase agreements (repos) involving securities as collateral.

Deposit assets comprise deposits abroad of Canadian banks, including gold and silver and short-term interbank claims, and deposit assets of Canadian depositors other than banks.

Deposit liabilities comprise foreign deposits at Canadian banks (including gold and silver and short-term inter-bank liabilities) and exclude bank debentures and the share capital of banks held by non-residents. (Debentures are recorded under portfolio Canadian bonds, the share capital of Schedule I banks under portfolio Canadian stocks and the share capital of Schedule II banks under foreign direct investment in Canada). There are also liabilities of trust companies and of the Bank of Canada.

Official international reserves cover official holdings of foreign exchange and other reserve assets of the Exchange Fund Account, the Minister of Finance (including the position with the IMF), the Receiver General for Canada and the Bank of Canada. Reserve assets comprise monetary gold, special drawing rights (SDRs), reserve position with the IMF, foreign exchange assets (consisting of currency and deposits and securities) and other claims.

Other assets include

- trade receivables and other short-term receivables with unrelated companies and, up to 1983, with related companies of non-bank enterprises (from 1983 onward, short-term inter-company claims of non-bank enterprises are reclassified as direct investment);
- progress payments;
- real estate investment abroad of the personal sector;
- assets held abroad by immigrants;
- Government of Canada subscriptions to international agencies excluding those to the IMF that are classified as official international reserves;
- derivatives; and
- other miscellaneous claims on non-residents.

Other liabilities include

- Government of Canada demand note liabilities;

- trade payables and other borrowings from unrelated companies and, up to 1983, from related companies of non-bank enterprises (from 1983, short-term intercompany liabilities of non-bank enterprises are reclassified under direct investment);
- foreign real estate investments in Canada;
- mortgage liabilities of the personal sector;
- dividends declared but not paid;
- special drawing rights;
- progress payments;
- value of Canadian securities held in nominee accounts for non-residents; and
- other miscellaneous liabilities.

Data sources

On the asset side, loans by the Government of Canada to foreign countries and to international agencies are obtained from administrative data from the Canadian International Development Agency and from the Public Accounts of Canada, for loans by various departments. Loans by government enterprises are obtained from the Export Development Corporation and the Canadian Wheat Board and from the Public Accounts of Crown Corporations. Loans by Canadian banks are obtained from administrative data, submitted to the Bank of Canada. Loans by corporations are obtained from sample surveys. Loans under REPO's and derivatives are compiled from monthly surveys of financial intermediaries.

Loan liabilities include borrowing by Canadian corporations and government enterprises consisting of foreign bank loans, including foreign syndicated bank borrowing, other loans and mortgage loans. These liabilities are obtained from the annual surveys. Repo loans, which involve securities as collateral, are reported by Canadian dealers and brokers. Foreign short-term bank borrowing comes from a combination of foreign banking data and survey data.

Allowances (contra-entry in assets) relate to concessional loans to developing countries that are part of Canada's international development assistance program; to Canada's net position vis-à-vis subscriptions to the capital of, and loans to, international financial institutions; to potential debt or debt service relief measures for financially troubled countries under multilateral agreements. In addition, also included are some of the provisions set up by Canadian chartered banks on their foreign loans.

Both deposit assets and deposit liabilities with Canadian banks are broken down into four categories: Canadian dollar, foreign currency, gold and silver. They are derived from administrative data submitted by Canadian banks to the Bank of Canada and a questionnaire on Gold and Silver Transactions. Deposit assets of Canadian entities other than banks are compiled from foreign banking data obtained from the U.S. Treasury, the Bank of England and the Bank of International Settlements. Foreign deposits, which are from foreign central banks, at the Bank of Canada are derived from administrative data. Foreign deposits of trust companies are derived from a survey.

Official international reserves are obtained from administrative data of the Bank of Canada.

For the rest of **other assets**, data on subscriptions to international agencies are obtained from the Department of Finance, the Canadian International Development Agency and Public Accounts. The deferred assets of Canadian immigrants are derived from administrative data of Citizenship and Immigration Canada. The series on progress payments are derived from the financial press and several known respondents that are surveyed on an occasional basis. Data on derivatives are obtained from a monthly survey of Canadian financial intermediaries. All the other assets are obtained from an annual survey.

For the rest of **other liabilities**, Government of Canada demand note liabilities are derived from administrative data. The data on short-term payables including trade credits are obtained on a preliminary basis from a quarterly sample

and are finalized from the results of the annual census survey. The series on progress payments are derived from the financial press and several known respondents that are surveyed on an occasional basis. The series on prospective migrant liabilities are derived from administrative data of Citizenship and Immigration Canada.

Methods

This account is compiled from survey and administrative data. Administrative data from Citizenship and Immigration Canada are extensively used to compile assets held abroad by immigrants.

Products

Data accuracy

The estimates on loan assets and liabilities are believed to be reliable to the extent that they are obtained from administrative data. The data obtained from survey sources are of acceptable accuracy. The series of short-term borrowings from foreign banks are believed to be acceptable; they are partly derived from foreign banking data.

The estimates of deposits at chartered banks are believed to be most reliable. They are obtained from administrative records. The series on non-bank deposits abroad (inclusive of foreign treasury bills) are believed to be acceptable. The data are largely obtained from foreign banking data and are thus dependent on classifications of residency applied by the reporting financial institutions outside Canada. The data in recent years have shown large unexplained fluctuations. Deposits in other financial institutions are obtained from a questionnaire with a response rate of 89% for 2003.

The estimates on official international assets are most reliable, coming from administrative data whose accounting practices meet balance of payments requirements.

Other assets include various series whose overall quality is believed to be acceptable. Data on subscriptions to international agencies are obtained from administrative sources, which are very reliable. The series on short-term receivables are believed to be reliable. The data are obtained from an annual quasi census survey with a response rate of 56% for 2003. For the most current year, the data are projected from a quarterly sample survey and are therefore subject to revisions when the annual census survey results are available. The series on deferred immigrants' assets are considered acceptable. They are based on administrative records filed by prospective immigrants at the time of visa application. The remaining accounts in this series are acceptable but are not significant in magnitude.

Other liabilities include various series whose overall quality is believed to be acceptable. The series on short-term payables are believed to be reliable. The data are obtained from an annual quasi census survey with a response rate of 56% for 2003. For the most recent year, the data are projected from a quarterly sample survey and are therefore subject to revisions when the annual census survey results are available. Series on official SDR liabilities and Government of Canada demand notes are believed to be most reliable; they come from official records.

Data accessibility

In this annual publication positions in other investment for each of assets and liabilities are published for the six geographical groupings: United States, United Kingdom, Other European Union, Japan, Other OECD and Other Countries. Positions on Canada's official reserves are published by instrument and by currency. Finally, other assets and liabilities are broken down between short-term receivables / payables and other.