
Complex group structures in Switzerland and challenges for Switzerland's external statistics

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Balance of Payments and Swiss Financial Accounts

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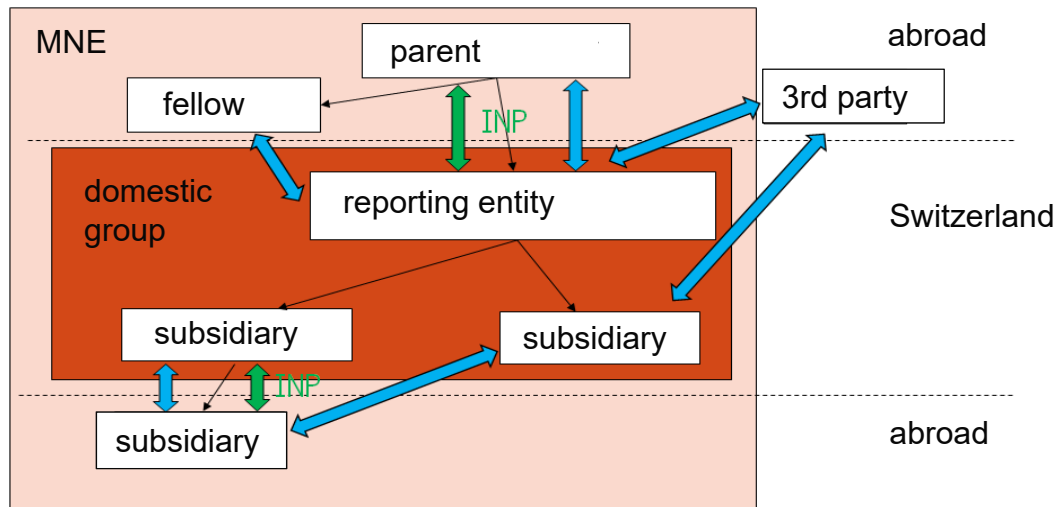


Collection of Swiss cross-border financial linkages

- BOP/IIP section of the SNB runs its own surveys on cross-border financial linkages of enterprises in Switzerland (exception: non-FDI linkages of banks)
- Reason: No other sources available for this data
- Use of the data is purely statistical:
 - Balance of payments (BOP) and International investment position (IIP)
 - Foreign direct investment (FDI)
 - Foreign affiliate trade statistics (FATS)
 - Swiss sector accounts

INV survey system

- Pragmatic approach: Not single enterprises, but the local enterprise group:
 - +) Resources, monitoring
 -) Plausibility, often 'black box' if complex structures are involved
- INV surveys: INP & INQ/INA



Survey population 2018

Number of enterprises in Switzerland:		~ 550,000
of which:	Number of enterprises that are part of an enterprise group: ~ 49,000	
Number of enterprise groups:		~ 25,000
of which:	Number of enterprises that are part of a multinational group (MNE): ~ 29,000	
Number of multinational groups (MNEs):		~ 17,000
of which:	Number of MNEs annually surveyed by the SNB (INP): ~ 1,150	
of which:	Number of MNEs quarterly surveyed by the SNB: ~ 600	

Sources: SNB, STAGRE

Main challenges concerning INV surveys

- **Monitoring**

- Prompt detection of important enterprises or transactions.

- **Size and complexity**

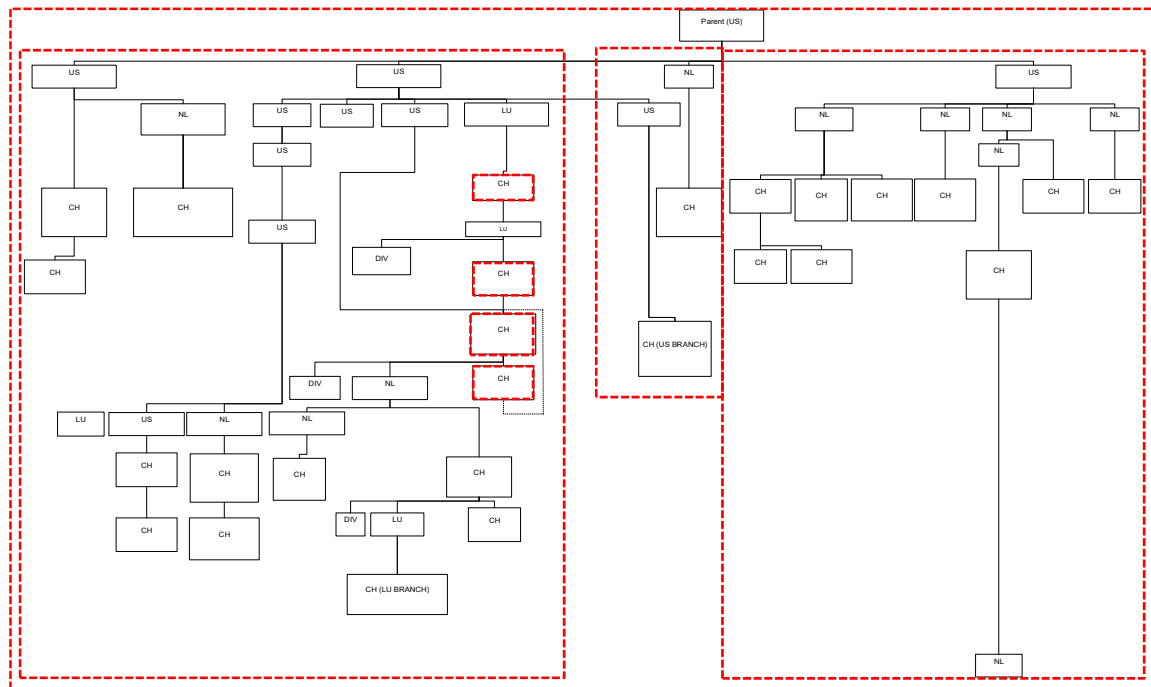
- CH is a small open economy with many MNEs (DC and FC).
- 2018: > 50 enterprise groups with A/L > CHF 10 billion.
- In some cases, highly complex structures.

- **Holdings**

- CH is an important holding location, i.e. harbouring capital without physical presence (PTC).
- 2018: 34% of outward FDI (CHF 500 billion) and 56% of inward FDI (CHF 730 billion) were PTC.
- PTC is typically highly dynamic and mobile.

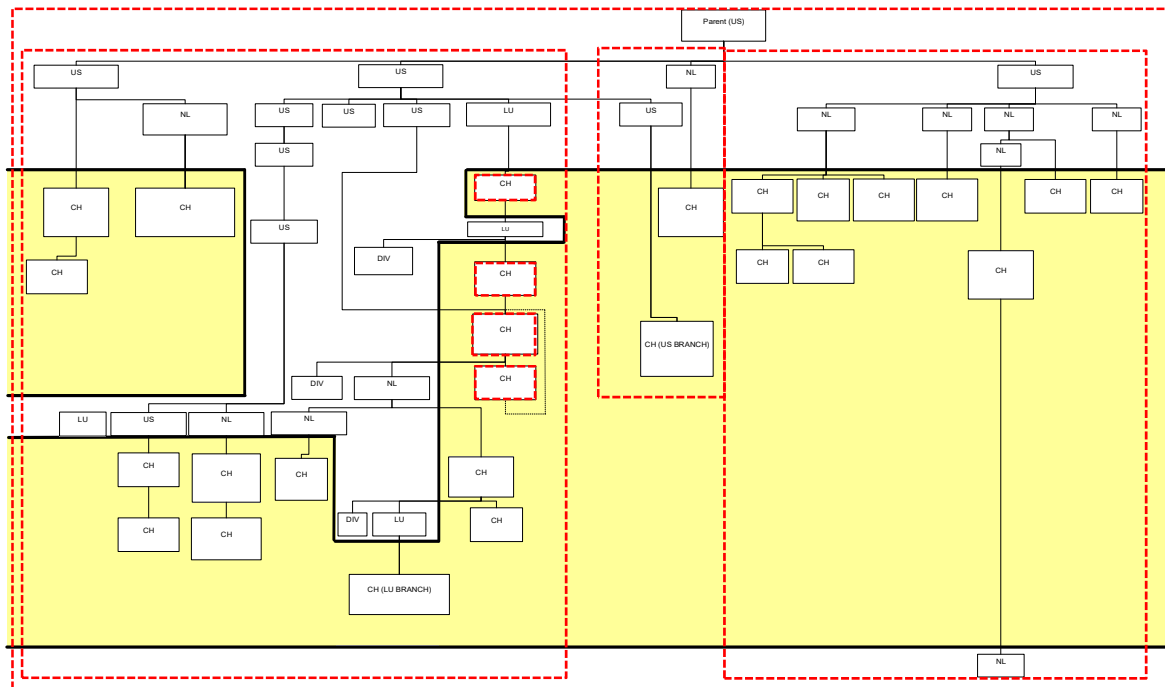
The challenge of complex group structures

- Statistical and corporate accounting use different concepts:
 - Corporate accounting: Group consolidation, business units or financial statements for a single company.



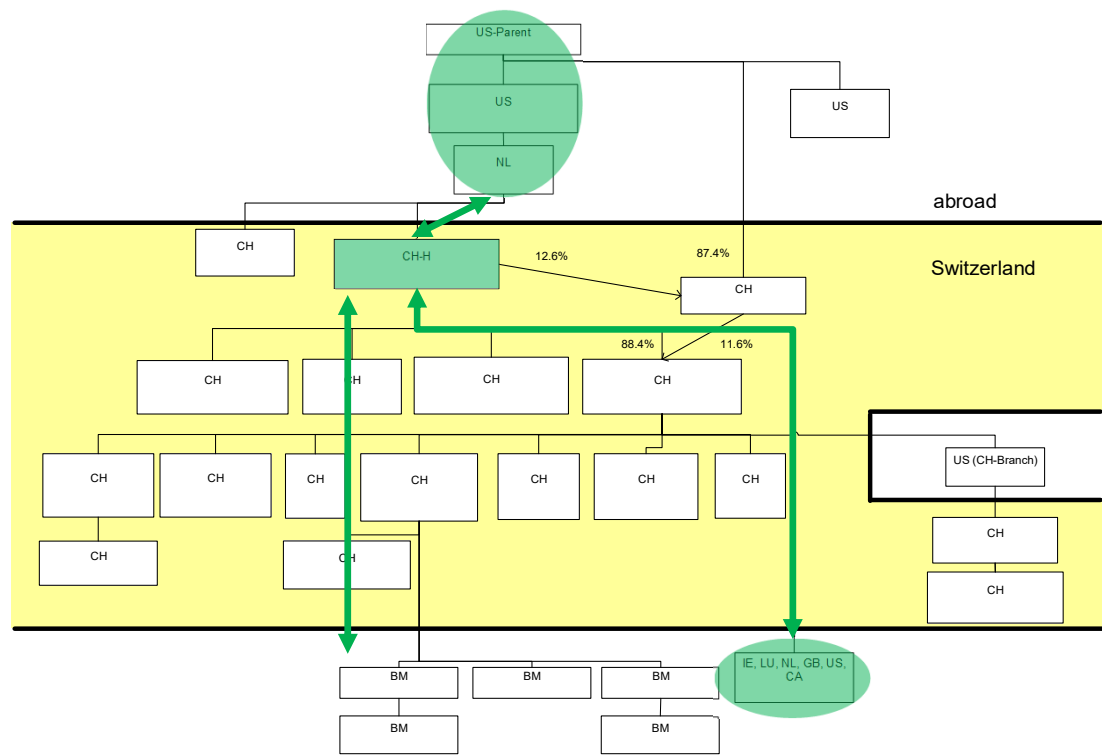
The challenge of complex group structures

- Statistical and corporate accounting use different concepts:
 - Corporate accounting: Group consolidation, business units or financial statements for a single company.
 - BoP: domestic/abroad (yellow) -> requires an 'artificial' consolidation



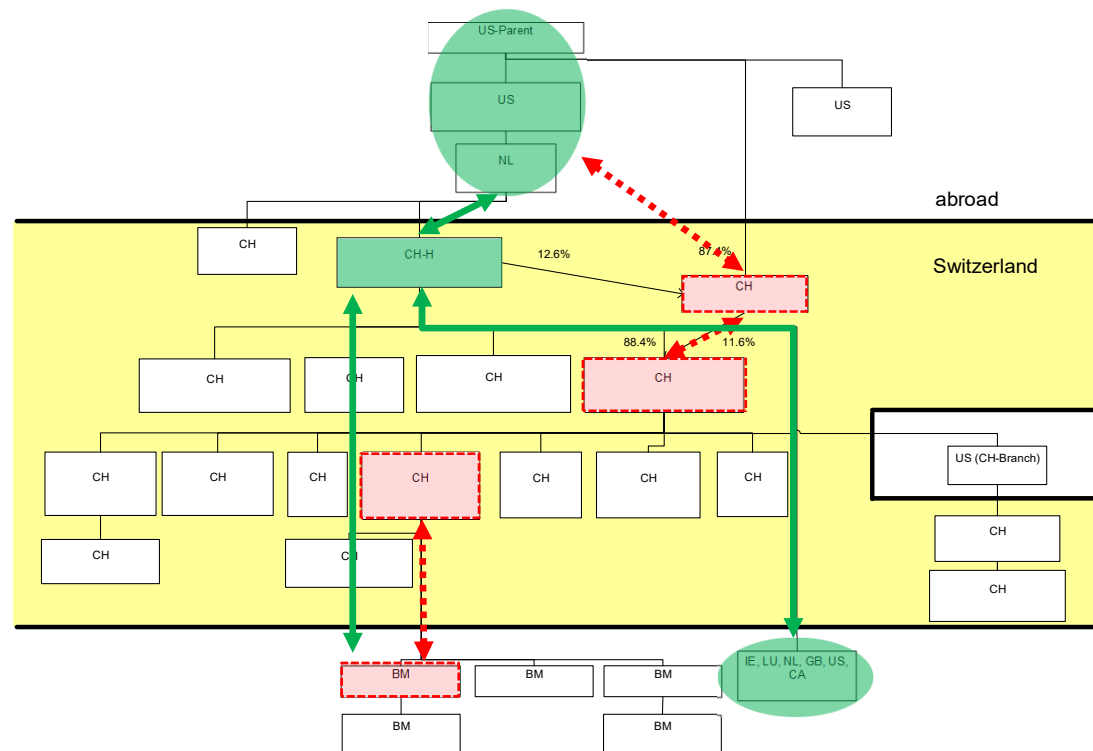
Challenge I: Omitted consolidation

- Case study: CH-H reports IBO/UBO as well as participations abroad correctly; report seems plausible.



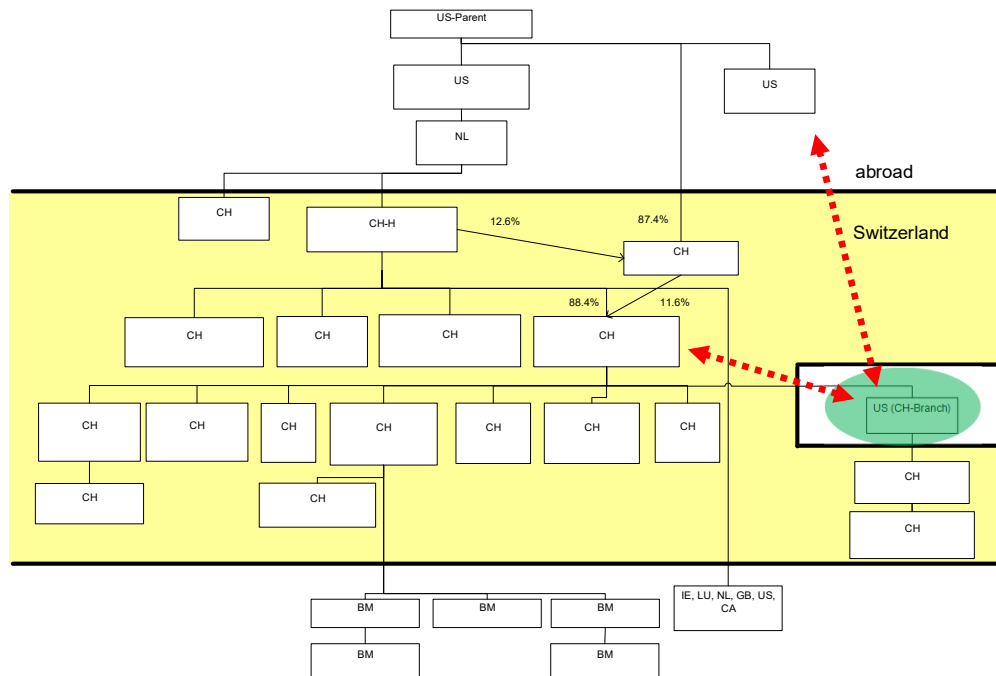
Challenge I: Omitted consolidation

- Case study: CH-H reports IBO/UBO as well as participations abroad correctly; report seems plausible.
- In subsequent years, large transactions take place outside the CH-H; they remain undetected due to non-consolidation.



Challenge II: Branches

- For statistics, the territory of ‘economic activity’ is relevant; whereas reporting usually follows the ‘legal concept’:
 - Cross-border transactions are treated as exclusively domestic transactions and are not reported.
 - Exclusively domestic transactions are reported as cross-border transactions.



How do we deal with these challenges?

- Initial checks of reported data:
 - Comparison with values previously reported
 - Assets vs liabilities in case of capital in transit
 - Stock/flow checks (other changes in volume)
 - Comparison with external data (private databases, SFISO, media)
 - Focus on large cases
 - Frequent contact with reporting enterprises (email/phone)
- Deeper checks of reported data:
 - Mirror data analysis of the aggregate
 - Analysis of the whole MNE / organisation chart of the whole group
 - In cases of doubt, enterprise visits
 - If necessary, special reporting arrangements

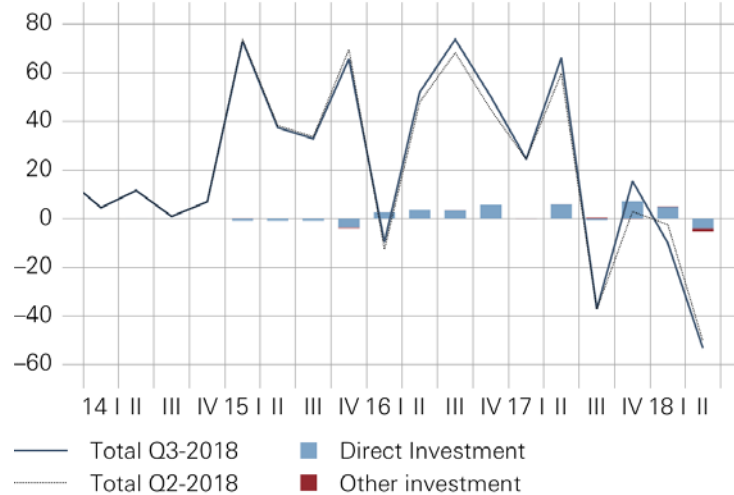
Revisions I

- INV surveys remain the main drivers of BOP revisions.

Q3-2018 REVISIONS OF FINANCIAL ACCOUNT

Net acquisition of financial assets

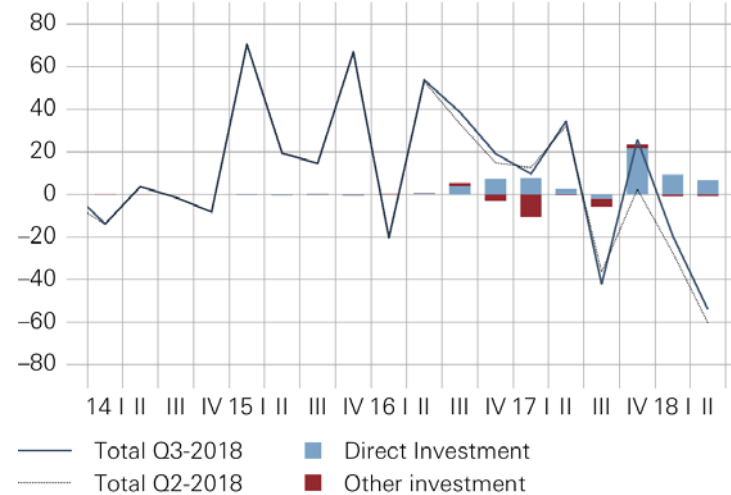
in CHF billion



Q3-2018 REVISIONS OF FINANCIAL ACCOUNT

Net acquisition of financial liabilities

in CHF billion



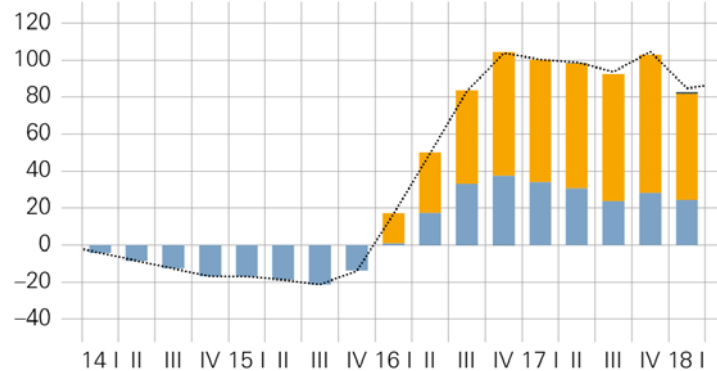
Revisions II

- IIP positions were revised considerably as well; inclusion of newly surveyed FCFH companies.
- Despite their size, revisions are usually to some degree symmetrical (i.e. mostly PTC).

Q3-2018 REVISIONS OF IIP

Assets

CHF billions



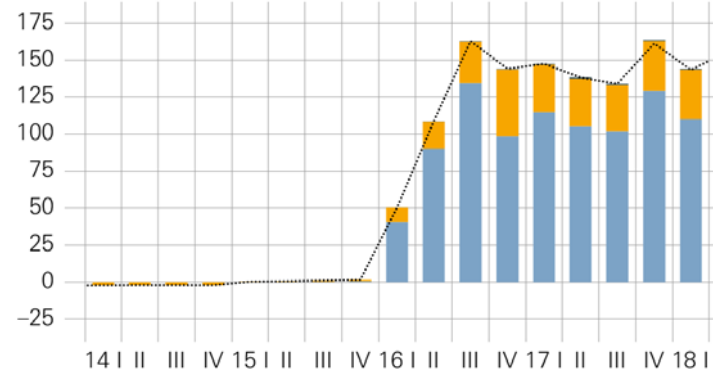
■ Direct investment ■ Derivatives
■ Other investment ⋯ Total Revisions

Source: SNB

Q3-2018 REVISIONS OF IIP

Liabilities

CHF billions



■ Direct investment ■ Derivatives
■ Other investment ⋯ Total Revisions

Source: SNB

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