

TERHAD



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA



**Training to Labuan Offshore Entities
on Compilation of
International Investment Position (IIP) Report**

September 2012

1. Equity Capital:

A/L	Definition	Form D1a Exposures with Affiliated Enterprises and Subsidiaries/Branches	Form D1b Exposures with Parent Co, Head office, Direct Investors
Assets	<ul style="list-style-type: none"> ✓ Defined as ownership of 10 percent or more of the ordinary shares or voting power or equivalent, and with effective voice in management of the entity. ✓ Also take into account the lasting interest in an enterprise. 	<ul style="list-style-type: none"> ✓ Applicable to Malaysian company having equity holdings in affiliated enterprises, subsidiaries and branches abroad 	<ul style="list-style-type: none"> ✓ Applicable to foreign owned companies in Malaysia which having equity holdings in their parent co, head office and direct Investors abroad ✓ Most likely <u>not applicable</u> to Labuan companies
Liabilities	<ul style="list-style-type: none"> ✓ Excluding non-participating RPS. 	<ul style="list-style-type: none"> ✓ Applicable to Malaysian companies having affiliated enterprises, subsidiaries and branches abroad, in which the affiliated enterprises, subsidiaries and branches having equity holdings in its parent in Malaysia ✓ Most likely <u>not applicable</u> to Labuan companies 	<p>Applicable to:-</p> <ul style="list-style-type: none"> ✓ Subsidiaries or branches of foreign owned entities in Malaysia ✓ Malaysian companies having foreign shareholders of more than 10%

2. Retained Earnings

Company’s accumulated profit/loss that has not been paid to shareholders as dividends but instead reinvested in the company. Retained earnings for the reporting quarter shall reflect the proportion to equity held by investor.

A/L	Definition	Form D1a Exposures with Affiliated Enterprises and Subsidiaries/Branches	Form D1b Exposures with Parent Co, Head office, Direct Investors
Assets	<ul style="list-style-type: none"> ✓ Companies with subsidiaries/ associates/ branch abroad must report this under '<u>Claims on affiliated enterprise</u>' worksheet. ✓ The profit/loss is reported in debit column and dividend received is reported in credit column. ✓ Losses to be indicated with -ve sign under debit 	<ul style="list-style-type: none"> ✓ Applicable to Malaysian company having equity holdings in affiliated enterprises, subsidiaries and branches abroad 	<ul style="list-style-type: none"> ✓ Applicable to foreign owned companies in Malaysia which having equity holdings in their parent co, head office and direct Investors abroad ✓ Most likely <u>not applicable</u> to Labuan companies
Liabilities	<ul style="list-style-type: none"> ✓ Companies with non-resident shareholders must report this under '<u>Liabilities to direct investors</u>' worksheet. ✓ The profit/loss is reported in credit column and dividend paid to foreign shareholders is reported in debit column. ✓ Losses to be indicated with -ve sign credit 	<ul style="list-style-type: none"> ✓ Applicable to Malaysian companies having affiliated enterprises, subsidiaries and branches abroad, in which the affiliated enterprises, subsidiaries and branches having equity holdings in its parent in Malaysia ✓ Most likely <u>not applicable</u> to Labuan companies 	<p>Applicable to:-</p> <ul style="list-style-type: none"> ✓ Subsidiaries or branches of foreign owned entities in Malaysia ✓ Malaysian companies having foreign shareholders of more than 10%

3. Loans

Term loans, financial leases, overdraft / revolving credit facilities, other loans and advances.

A/L	Form D1a Exposures with Affiliated Enterprises and Subsidiaries/Branches	Form D1b Exposures with Parent Co, Head office, Direct Investors	Form OT Exposures with Non-Related Non-Residents
Assets	<ul style="list-style-type: none"> ✓ Loans extended by REs to their affiliated enterprises, subsidiaries and branches abroad ✓ Applicable to <u>non-bank</u> REs only 	<ul style="list-style-type: none"> ✓ Loans extended by REs to their parent company, head office and direct investors abroad ✓ Applicable to <u>non-bank</u> REs only 	<ul style="list-style-type: none"> ✓ Loans extended by REs to non-related non-residents abroad ✓ To report aggregate data by country and currency ✓ <u>Banking institutions</u> to report all loans extended to non-residents, including claims to related entities
Liabilities	<ul style="list-style-type: none"> ✓ Credit facility obtained from non-residents affiliated enterprises/ subsidiaries/ branches 	<ul style="list-style-type: none"> ✓ Credit facility obtained from non-residents parent company / head office / direct investors 	<ul style="list-style-type: none"> ✓ Credit facility obtained from non-related non-residents (eg: loans obtained from financial institutions) ✓ To report aggregate data by country and currency ✓ <u>Banking institutions</u> to report all loans drawdown from non-residents, including liabilities to related entities

4. Portfolio Investments

i. Equity Securities

Include listed and non-listed equity securities, unit trusts and transferable subscription rights.

A/L	Definition	Form Pla End Investors	Form P1b Custodians
Assets	✓ Comprise equity securities <u>issued by non-residents</u> ;	✓ REs' own holdings of equity securities abroad	✓ REs act as custodian in managing holdings of equity securities issued abroad for resident clients
Liabilities	✓ Comprise equity securities <u>issued by residents</u> in domestic capital market;	✓ Non-residents holding of REs' listed shares in Malaysia ✓ Most likely not applicable for Labuan entities	✓ REs act as custodian in managing holdings of equity securities issued in Malaysia for non-resident clients

ii. Debt Securities

Refer to bonds and notes (bonds, debentures and any similar debt securities with original tenure of more than one year) and money market Instruments or negotiable instruments with original tenure of less than or equal to one year.

A/L	Definition	Form Pla End Investors	Form P1b Custodians
Assets	✓ Debts securities <u>issued by non-residents</u> in domestic / international capital market	✓ REs' own holdings of debt securities abroad	✓ REs act as custodian in managing holdings of debt securities abroad for resident clients
Liabilities	✓ Comprise debt securities <u>issued by residents</u>	✓ Non-residents holding REs' debt securities in Malaysia ✓ Most likely not applicable for Labuan entities	✓ REs act as custodian in managing holdings of debt securities for non-resident clients in Malaysia

5. Trade credit

- i. Purchases /sales transactions that are on **credit terms** are reported as trade credit;
- ii. **Sales** of goods to its customers abroad and its sales proceeds are reported in **financial assets** as debit and credit respectively; and
- iii. **Purchases** of goods from abroad and its settlement are reported as credit and debit respectively in the **financial liabilities**.

A/L	Form D1a Exposures with Affiliated Enterprises and Subsidiaries/Branches	Form D1b Exposures with Parent Co, Head office, Direct Investors	Form OT Exposures with Non-Related Non-Residents
Assets	✓ Trade credits extended by REs to their affiliated enterprises, subsidiaries and branches abroad;	✓ Trade credits extended by REs to their parent company, head office and direct investors abroad	<ul style="list-style-type: none"> ✓ Trade credits extended by REs to non-related non-residents abroad ✓ To report aggregate data by country and currency
Liabilities	✓ Trade credits obtained from non-residents affiliated enterprises, subsidiaries and branches to REs	✓ Trade credits obtained from non-residents parent company, head office and direct Investors to REs	<ul style="list-style-type: none"> ✓ Trade credits obtained from non-related non-residents to REs ✓ To report aggregate data by country and currency

6. Financial derivatives

- i. Financial contract between REs and non-related counter-party;
- ii. Recorded based on net worth of the financial instrument (record gain as asset and loss as liability);
- iii. To be reported in aggregate by purpose code, country and currency;
- iv. To be reported mark-to-market value.

7. Deposits

- i. Generally, transactions by non-banks entities are reported in financial assets reflecting placement and withdrawal of deposits by residents abroad as non-financial institutions do not accept deposits from counter-party.
- ii. Applicable for both Assets and Liabilities for Banking Institutions only

A/L	Form D1a Exposures with Affiliated Enterprises and Subsidiaries/Branches	Form D1b Exposures with Parent Co, Head office, Direct Investors	Form OT Exposures with Non-Related Non-Residents
Assets	<ul style="list-style-type: none"> ✓ Deposits placed by REs with their affiliated enterprises, subsidiaries and branches abroad; ✓ Not applicable to non-bank REs 	<ul style="list-style-type: none"> ✓ Deposits placed by REs with their parent company, head office and direct investors abroad ✓ Not applicable to non-bank REs 	<ul style="list-style-type: none"> ✓ Deposits placed with non-resident abroad ✓ To report aggregate data by country and currency ✓ <u>Banking institutions</u> to report all deposits placed with non-residents, including claims to related entities
Liabilities	<ul style="list-style-type: none"> ✓ Deposits placed by non-residents affiliated enterprises, subsidiaries and branches to REs ✓ Not applicable to non-bank REs 	<ul style="list-style-type: none"> ✓ Deposits placed by non-residents parent company / head office / direct investors to REs ✓ Not applicable to non-bank REs 	<ul style="list-style-type: none"> ✓ Deposits placed by non-residents ✓ To report aggregate data by country and currency ✓ <u>Banking institutions</u> to report all deposits placements by non-residents, including liabilities to related entities

8. Investment Income

- i. Refers to any **income receivable** from non-resident counterparty from the ownership of financial asset vis-à-vis non residents and any **income payable** to non-resident counterparty as a result of liabilities to non-residents
- ii. Profit and loss and dividend from direct investment have to be reported in Retained Earnings (see 4.1.2.2.)

Data Items	Example		Assets	Liabilities
Deposits	Interest accrued	Bank	REs' owned placement abroad	Placement by non-resident customers
		Non-Bank		Not applicable
Loans	Interest accrued	Bank	Loan extension by REs to non-residents	Borrowing by REs from non-residents
		Non-Bank		
Equity Securities	Dividend accrued	Bank	<ul style="list-style-type: none"> ✓ REs holdings equity securities issued by non-residents ✓ REs acted as custodian to resident clients 	REs acted as custodian to non-resident clients
		Non-Bank	<ul style="list-style-type: none"> ✓ REs holdings equity securities issued by non-residents 	Not applicable
Bonds and Notes	Interest / coupon accrued	Bank	<ul style="list-style-type: none"> ✓ REs holdings debt securities issued by non-residents ✓ REs acted as custodian to resident clients holding debt securities issued by non-residents 	<ul style="list-style-type: none"> ✓ Non-resident holding debt securities issued by REs ✓ REs acted as custodian to non-resident clients
		Non-Bank	<ul style="list-style-type: none"> ✓ REs holdings debt securities issued by non-residents 	Non-residents holding debt securities issued by REs
Rental		Bank / Non-Bank	Income from renting of property to non-residents	Not applicable

Training to Labuan Offshore Entities on International Investment Position (IIP) Quarterly Report

By
Bank Negara Malaysia
Labuan Financial Services Authority

September 2012



Equity Capital

(For foreign owned entities)

Equity capital defined as ownership of **10 percent or more** of the ordinary shares or voting power or equivalent, and with effective voice in management of the entity. It also take into account the lasting interest in an enterprise.

	Opening Position	Credit (Inflow)	Debit (Outflow)	Price Change	Other Change	Closing Position
Financial Assets (Malaysian investment abroad)	Opening	Liquidation or divestment	Outflow of funds for equity acquisition abroad	<ul style="list-style-type: none"> Provision for diminution in value of inv. (assets only) Changes in other capital reserves 	Change of Asset/Liability position which does not involve actual cash flow	Closing
Financial Liabilities (Foreign direct investment in Malaysia)	Opening	Inflow of funds for equity investment in Malaysia	Liquidation or divestment	<ul style="list-style-type: none"> Movement of share price in the quarter (applicable mainly for companies listed in stock exchange) 		Closing

Retained Earnings

(For foreign owned entities)

Reinvested earnings are the direct investor's share of the undistributed earnings of the DI enterprise

Profits - **Increase** the value of an investor's financial investment in an enterprise

Losses - **Decrease** the value of an investor's financial investment in an enterprise

	Opening Position	Credit (Inflow)	Debit (Outflow)	Price Change	Other Change	Closing Position
Financial Assets (Malaysian investment abroad)	Opening	Dividend received / remitted to Malaysia	Profit/loss for the quarter after tax ^{2/}	Provision for diminution in value of inv.	<ul style="list-style-type: none"> Realized/unrealized gain/loss on foreign exchange Revaluation of fixed assets Gain/Loss resulting from disposal of assets/liabilities 	Closing
Financial Liabilities ^{1/} (Foreign direct investment in Malaysia)	Opening	Profit/loss for the quarter after tax ^{2/}	Dividend paid to non-resident shareholder			Closing

^{1/}Applicable for:

- Foreign-owned companies (MNCs)
- Malaysian companies with foreign partner/shareholder

^{2/} To indicate **negative** sign for **losses**

(Current profit or loss after tax after deducting items defined under Price and Other Change)

Loans

Financial assets created through the direct lending of funds by a lender to a borrower through an arrangement

	Opening Position	Credit (Inflow)	Debit (Outflow)	Closing Position
Financial Assets	Opening	Loan repayment / prepayment	Loan extension	Closing
Financial Liabilities	Opening	Loan drawdown	Loan repayment / prepayment	Closing

Trade Credits ^{1/}

Claims or liabilities arising from:

- direct extension of credit by suppliers for transactions in **goods and services**, and
- advance payments by buyers for **goods and services** and for work in progress (or to be undertaken)

	Opening Position	Credit (Inflow)	Debit (Outflow)	Closing Position
Financial Assets (Export)	Opening	Export proceeds received	Value of goods exported	Closing
Financial Liabilities (Import)	Opening	Value of goods imported	Settlement for import of goods	Closing

^{1/} Not applicable to Banking Institutions

Equity Securities

- Equity securities are instruments acknowledging the holder's claim to the residual value or residual income of the issuing enterprise after the claims of all other creditors have been met
- Equity securities defined as ownership of **less than 10 percent** of the ordinary shares or voting power or equivalent

	Opening Position	Credit (Inflow)	Debit (Outflow)	Price Change	Other Change	Closing Position
Financial Assets	Opening	Sale of securities	Purchase of securities	Movement of share price in the quarter	Corporate actions <u>Examples:</u> <ul style="list-style-type: none"> • Bonus issue • Delisting • Merger 	Closing
Financial Liabilities^{1/}	Opening	Purchase of securities	Sale of securities			Closing

Bonds and Notes

- Debt securities issued with **an original maturity of more than one year**
- Give the holder the unconditional right to a fixed money income or contractually determined variable money income
- Payment of interest being **independent** of the earnings of the debtor
- Included among bonds and notes:
 - Asset-backed securities
 - Collateralised debt obligations

	Opening Position	Credit (Inflow)	Debit (Outflow)	Closing Position
Financial Assets	Opening	Receipt for proceeds from bond redemption	Payment for bond subscriptions	Closing
Financial Liabilities	Opening	Receipt for proceeds from bonds issued to non-residents	Payment to non-resident holders upon bond redemption	Closing

Money Markets

- Debt securities issued with **an original maturity of one year or less**
- Give the holder the unconditional right to receive a stated fixed sum of money on a specified date
- Payment of interest being **independent** of the earnings of the debtor
- Examples of money market instruments:
 - Treasury bills
 - Commercial and financial papers
 - Bankers acceptances

	Opening Position	Credit (Inflow)	Debit (Outflow)	Closing Position
Financial Assets	Opening	Receipt for proceeds from bond redemption	Payment for bond subscriptions	Closing
Financial Liabilities	Opening	Receipt for proceeds from bonds issued to non-residents	Payment to non-resident holders upon bond redemption	Closing

Deposits

Currency and deposits consists of:

- Notes and coins, exclude commemorative coins
- Transferable deposits
- Other deposits

Transferable deposits consist of deposits that are:

- exchangeable on demand at par and without penalty or restriction
- directly usable for making payments by cheque, giro order, direct debit/credit, or
- other direct payment facility

	Opening Position	Credit (Inflow)	Debit (Outflow)	Closing Position
Financial Assets	Opening	Withdrawal	Placement	Closing
Financial Liabilities	Opening	Placement	Withdrawal	Closing