

FORM FO: COUNTRY ANALYSIS OF OUTWARD DIRECT INVESTMENT

The primary purpose of this form is to measure and provide a geographical breakdown of outward foreign direct investment. These data are included in the UK balance of payments statistics. Direct investment relationships arise when a direct investor directly owns equity that entitles it to 10 per cent or more of the voting power in the direct investment enterprise.

The form covers foreign direct investment by UK resident reporting institutions in their non-resident subsidiaries and associates (outward direct investment). Equity investment by non-residents in their UK parent where the total investment in the reporting institution is less than 10% of the ordinary shares or voting stock should also be included. These investments are reverse investment and should be shown separately on the form.

A *subsidiary* is a direct investment enterprise in which an investor owns more than 50 per cent of its voting power i.e. it is controlled by the investor. For further clarification on the definition of a subsidiary, refer to part 38, paragraph 1159 of the Companies Act 2006.

An *associate* is a direct investment enterprise in which an investor owns directly at least 10 per cent of the voting power and no more than 50 per cent.

Do not include outward acquisitions or disposals made by a UK subsidiary of yourselves.

There is no requirement to report investment in non-resident branches on this form as branches are deemed not to have any equity.

The form should be completed quarterly by a panel of banks selected by the Bank of England on the basis of their foreign direct investment activity. The reporting population is reviewed periodically, usually annually.

The classifications used in this return are the same as those used in other banking returns; see the General section of the definitions and the classification of accounts guide.

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INVESTMENT VIA UK HOLDING COMPANIES

If any outward direct investments are held through an intermediary holding company in the UK, the holding company should *not* be “looked through” to the non-resident subsidiary or associate. This treatment is consistent with that requested on form PL and BG, where we do not ask you to look through the UK holding company. If you do own any foreign investment through a UK holding company please report on Form BH. If you do not currently report Form BH but have a UK holding company, please contact SRDDPLTEAM@bankofengland.co.uk.

FORM COMPLETION

Report the amounts of equity investment against the country of your non-resident subsidiary or associate. Where there is more than one subsidiary operating in the same country, their figures should be combined. Enter total outward investments in the first row. Transactions in currencies other than sterling should be converted into sterling at the closing middle market spot rate on the day of the transaction. Transactions should be reported at cash values, not at nominal values. Amounts outstanding should be converted into sterling using the closing middle market spot rate on the last day of the reporting period. Where possible, amounts outstanding should be reported at market value. Where market valuation is not possible e.g. for unquoted equity, the best approximation should be used e.g. own funds at book value.

EQUITY CAPITAL AND RESERVES

Equity capital and reserves comprises all shares in subsidiaries and associates (except non-participating, preferred shares) and other investments of an equity nature. Ownership of equity is usually evidenced by shares, share premium, stocks, participations, depository receipts or similar documents. It also includes preferred stocks or shares (with the exception of non-participating preferred shares) that provide for participation in the residual value on dissolution of an incorporated enterprise. They also include any reserves due to the parent, all accumulated retained earnings and capital injections from the parent entity. The reserves element will not normally be reported on the BT as it will be part of the non-resident

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associate or subsidiary own balance sheet.

DEBT INVESTMENT

There is no requirement to report any debt investment (e.g. working capital, loan capital, preference shares, loans, deposits, etc.) as international requirements do not consider these to be direct investment for monetary financial institutions. These data are treated as either portfolio investment or other investment within the balance of payments and are reported on other Bank of England survey forms.

EXCEPTIONAL AND SUPER DIVIDENDS

Exceptional dividend payments or receipts that are made out of accumulated reserves or sales of assets should not be treated as dividends. Such exceptional payments, sometimes called super dividends should be treated as withdrawal/disposal of equity rather than a dividend payment or receipt. The exceptional nature of the payments is normally determined as being disproportionately large relative to the recent level of dividends and earnings. If uncertain whether a dividend is exceptional, please contact SRDDPLTEAM@bankofengland.co.uk.

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UK INVESTMENT IN NON-RESIDENT SUBSIDIARIES AND ASSOCIATES

FO1 – Quoted equity securities: acquisitions

The reporting institution should report the acquisition or additional investment in quoted ordinary shares and other quoted equity of their non-resident subsidiaries and associates. Issues of quoted ordinary shares, capital injections and other quoted equity funded by dividends due to the parent should also be included. Acquisitions should be reported gross and be greater or equal to zero.

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FO2 – Quoted equity securities: disposals

The reporting institution should report the disposal of quoted ordinary shares and other quoted equity of their non-resident subsidiaries and associates. Disposals should be reported gross and be greater or equal to zero.

FO3 – Quoted equity securities: total equity capital and reserves

The reporting institution should include details of all outstanding investments in quoted ordinary shares and other quoted equity of their non-resident subsidiaries and associates regardless of when the investment was originally made. Issues of quoted ordinary shares and other quoted equity funded by dividends due to the parent should also be included. Amounts outstanding should implicitly include the investor's share of cumulative retained earnings and other reserves.

We would expect the quarter on quarter change in FO3 to be broadly similar to the net value of the transactions reported for the quarter in FO1 and FO2 after allowing for changes to the level of retained earnings and revaluation effects.

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FO4 – Unquoted equity securities: acquisitions

The reporting institution should report the acquisition or additional investment in unquoted ordinary shares and other unquoted equity of their non-resident subsidiaries and associates. Issues of unquoted ordinary shares, capital injections and other unquoted equity funded by dividends due to the parent should also be included. Acquisitions should be reported gross and be greater or equal to zero.

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FO5 – Unquoted equity securities: disposals

The reporting institution should report the disposal of unquoted ordinary shares and other unquoted equity of their non-resident subsidiaries and associates. Disposals should be reported gross and be greater or equal to zero.

FO6 – Unquoted equity securities: total equity capital and reserves

The reporting institution should include details of all outstanding investments in unquoted ordinary shares and other unquoted equity of their non-resident subsidiaries and associates regardless of when the investment was originally made. Issues of unquoted ordinary shares and other unquoted equity funded by dividends due to the parent should also be included. Amounts outstanding should implicitly include the

investor's share of cumulative retained earnings and other reserves.

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We would expect the quarter on quarter change in FO6 to be broadly similar to the net value of the transactions reported for the quarter in FO4 and FO5 after allowing for changes to the level of reserves, retained earnings and revaluation effects.

The level of quoted plus unquoted equity capital and reserves (FO3 + FO6) should be the same as that reported in COC2.

NON-RESIDENT SUBSIDIARIES AND ASSOCIATES INVESTMENT IN UK PARENT

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FO7 – Quoted equity securities: acquisitions

The reporting institution should report the acquisition or additional investment in quoted ordinary shares and other quoted equity by their non-resident subsidiaries and associates during the reporting period. Issues of quoted ordinary shares and other quoted equity funded by dividends due from the parent should also be included. The reporting parent institution should only report where the total investment by their subsidiaries or associates is less than 10% of their ordinary shares or voting stock. Acquisitions should be reported gross and be greater or equal to zero.

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FO8 – Quoted equity securities: disposals

The reporting institution should report the disposal of quoted ordinary shares and other quoted equity by their non-resident subsidiaries or associates during the reporting period. Disposals should be reported gross and be greater or equal to zero.

FO9 – Quoted equity securities: total equity capital and reserves

The reporting institution should include details of all outstanding investments in quoted ordinary shares and other quoted equity by their non-resident subsidiaries or associates regardless of when the investment was originally made. Issues of quoted ordinary shares and other quoted equity funded by dividends due from the parent should also be included. Amounts outstanding should implicitly include the investor's share of cumulative retained earnings and other reserves.

We would expect the quarter on quarter change in FO9 to be broadly similar to the net value of the transactions reported for the quarter in FO7 and FO8 after allowing for changes to the level of reserves, retained earnings and revaluation effects.

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FO10 – Unquoted equity securities: acquisitions

The reporting institution should report the acquisition or additional investment in unquoted ordinary shares and other unquoted equity by their non-resident subsidiaries and associates during the reporting period. Issues of unquoted ordinary shares and other unquoted equity funded by dividends due from the parent should also be included. The reporting parent institution should only report where the total investment by their subsidiaries or associates is less than 10% of their ordinary shares or voting stock. Acquisitions should be reported gross and be greater or equal to zero.

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FO11 – Unquoted equity securities: disposals

The reporting institution should report the disposal of unquoted ordinary shares and other unquoted equity by their non-resident subsidiaries or associates during the reporting period. Disposals should be reported gross and be greater or equal to zero.

FO12 – Unquoted equity securities: total equity capital and reserves

The reporting institution should include details of all outstanding investments in unquoted ordinary shares and other unquoted equity by their non-resident subsidiaries or associates regardless of when the investment was originally made. Issues of unquoted ordinary shares and other unquoted equity funded by dividends due from the parent should also be included. Amounts outstanding should implicitly include the investor's share of cumulative retained earnings and other reserves.

We would expect the quarter on quarter change in FO12 to be broadly similar to the net value of the transactions reported for the quarter in FO10 and FO11 after allowing for changes to the level of reserves, retained earnings and revaluation effects.

