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Manual for the report on  
**Foreign Equity Holdings (FEH)**

Statistics Division  
De Nederlandsche Bank

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Version control:

Version	Publication date	Changes
1.0	16-11-2020	Initial version
1.01	8-2-2021	Updated website links

# Foreign Equities Holdings

The FEH replaces sub form 1 (HK1) of the SE9005 Yearly report of equity holdings, which was previously submitted in e-Line DNB. The other parts of the SE9005 (HK1 and HK2) have moved to the DRA-OFK report. Contrary to the SE9005, the FEH will have to be submitted via the Digital Reporting Platform (abbreviated to the Dutch acronym 'DLR'). Reporting will start from reporting period 2020, with a due date of 30th of April 2021. This report will take place on a yearly basis until the start of a new reporting framework, currently scheduled to be launched for the reporting period 2022.

## ***Reporting access***

Access to DLR is secured through eHerkenning, a login and verification system managed by third parties. Information about eHerkenning can be found here:

<https://www.eherkenning.nl/>

For detailed information about DLR, please see the website below:

<https://www.dnb.nl/en/login/dlr/>

Once access to DLR is acquired, the FEH report can be submitted either as an Excel template or as an XBRL file. Templates and source files for both file types are available on the FEH website below:

<https://www.dnb.nl/en/login/dlr/statistical-reporting/banks/foreign-equity-holdings-feh/>

If you have any remaining questions after reading this manual, please contact us at [monrap@dnb.nl](mailto:monrap@dnb.nl).

## ***Purpose of the form***

The Foreign Equity Holdings (FEH) report is a yearly survey for the domestic banking sector. For a complete overview of yearly developments in the own foreign investments by the Dutch banking sector and holdings of foreign entities in Dutch banks, the main stocks and flows must be submitted per participation. This report is necessary to compose the balance of payments and international investment position. In addition, this information is used by Statistics Netherlands (CBS) for the compilation of the Foreign Affiliates Statistics (FATS). The FATS provide (structural) information about foreign subsidiaries and branches of Dutch corporations (such as the number of subsidiaries and branches). The legal basis for the FEH report is provided by the Foreign Financial Relations Act (Wfbb).

## ***Scope of the FEH report***

The general specifications of the FEH are as follows:

Report: Foreign Equities Holdings

Subject: Own direct foreign equity holdings and holdings of foreign parent institutions.

Reporting population: All banks (S.122)

Consolidation: Domestic MFI

Granularity: Individually by counterparty

Frequency: Annual

Submission deadline: April 30th

The FEH covers holdings that provide the investor with 10% or more of the voting rights in the enterprise, on both the asset and liability side of the reporting agent's balance sheet. The 10% boundary is in line with the criteria on influence and control described in BPM6 (*Balance of Payments and International Investment Position Manual*, edition 6<sup>1</sup>)

### *Special cases*

- Joint ventures have to be reported as equity in the event that the participation interest exceeds 10%. The value of the joint venture has to be reported pro rata (i.e. in proportion to the percentage interest in the joint venture). Ideally, the valuation is made on the basis of the net asset value. If this is not available, historical cost or the equity method (i.e. historical cost plus accumulated undistributed profits) may be used.
- The working capital provided by the reporting institution to foreign entities that do not have independent legal status (offices and branches) also has to be classified as equity and at the same time be reported under "of which: working capital for foreign branches". Any negative working capital also has to be reported as equity and as a negative item on the asset side of the balance sheet in both rows.

Working capital consists chiefly of the funds used by a business in order to remain operational in

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<sup>1</sup> <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

the short term (e.g. equity and long-term resources obtained from the parent for these purposes). Resources (whether short or long term) obtained from the parent or other corporations for funding the main business of the branch (e.g. granting loans, buying securities and derivatives) does not count as working capital.

- Cross-holdings (equity held by the reporting institution in a foreign parent) have to be reported as equity. Subordinated and perpetual loans are not considered equity but loans or deposits. Convertible and hybrid bonds are considered debt securities unless and until they are converted to equity securities.
- Provisions are included in the total value of the equity holding. This also applies to loan loss provisions. While these represent expected losses, the losses have not yet been incurred and therefore they are not subtracted from the current value of the equity.

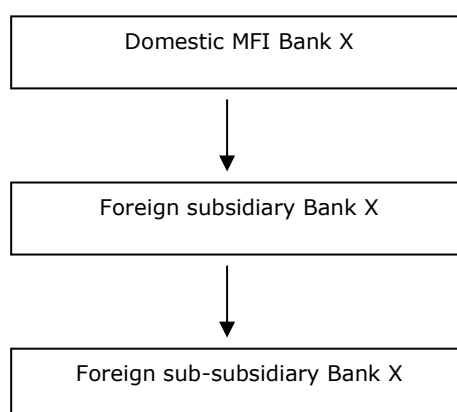
## **Consolidation**

The FEH report is gathered on a consolidated basis. The consolidation consists of a main reporting MFI institution and included domestic residents active in the MFI sector. Foreign participations, subsidiaries, branches etc. are excluded from the consolidation, as they are the subject of the report. Also excluded are domestic residents active in other sectors. These are neither part of the consolidation nor the subject of this report.

Data must be reported on holdings of own foreign participations and branches abroad of the domestic banking operations of the reporting entity and on holdings by foreign parent organisations in the reporting entity. Data is reported for each individual holding.

Holdings which involve investment in or by a Dutch counterparty must not be reported in the FEH. In other words, only holdings of the reporting entity in foreign entities or holdings of foreign entities in the equity of the reporting entity may be reported.

All direct foreign holdings or branches must be reported on a consolidated basis (i.e. including the figures of any subsidiaries), pro rata of the percentage stake in the foreign holding.



Reporting entity X should report on the foreign subsidiary in Sub form 1 (own direct foreign holdings), and not separately on the foreign sub-subsidiary (an indirect subsidiary). However, the figures of the foreign sub-subsidiary must be consolidated in the figures of the foreign subsidiary.

## ***Report contents***

The FEH report consists of three sets of information, which are gathered in three tables in the Excel template:

- TOC: Table of Contents
- T01.01: Information on own direct foreign equity holdings (Asset side)
- T02.01: Information on holdings of foreign parent institutions (Liability side)

The contents of these tables will be described below.

## ***TOC: Table of Contents***

You must use the TOC (Table of Contents) table in your report to provide certain general information.

To ensure a correct reporting period, you must enter the closing date of the reporting period as 'period end'.

You identify your institution using an identifier that we provide to you or that you know yourself. There are four different identifiers: Legal Entity Identifier (LEI), Register of Institutions and Affiliates Database (RIAD), Dutch Chamber of Commerce (KVK) and DNB internal system (MDM). Each identifier has its own "scheme", which refers to the DNB database in which the identifier is stored. The following combinations of identifier and scheme are possible:

- LEI: <http://standards.iso.org/iso/17442>
- Kvk: <http://www.dnb.nl/kvk>
- RIAD: <http://www.dnb.nl/riad>
- MDM: <http://www.dnb.nl/mdm>

Reporters already using the more generic <http://www.dnb.nl/> scheme may continue using that approach.

The "Currency" entry field should always read "EUR".

The "Language" entry field should always read "en".

You should also indicate on the TOC tab (bottom section) which forms you have filled out and which ones you have not. Do to so, enter the value "positive" or "negative" in the "required" column. Enter "positive" for forms in which you report information. Enter "negative" for forms in which you report no information. The forms for which "negative" has been entered will not be included in the validation of your report. Failure to meet the above requirement will result in a "filing indicator" error message.

Next, enter all relevant data into the forms for which you entered "positive" on the TOC tab. If you use the Excel template to submit you report, the decimal sign used (period or comma) depends on the convention used by your Excel version. Please make sure not to make any changes to the file structure, i.e. do not remove, add or hide any columns or cells. When filling out several lines it is important to first copy the top line, in order to apply the proper cell formatting and validation lists. If the file structure is changed in any way, the file can no longer be converted into XBRL format.

## ***Description of tables T01.01 and T02.01***

The data tables of the FEH consist of:

- T01.01: Information on own direct foreign equity holdings (Asset side)
- T02.01: Information on holdings of foreign parent institutions (Liability side)

The description of the table columns is provided below. Similar columns in T01.01 and T02.01 are combined for brevity.

*Name of foreign branch or subsidiary (for T01.01) / Name of foreign investor (for T02.01)*

The official name of the foreign counterparty should be reported here. This is a typed field.

*Country of counterparty*

The country where the foreign counterparty is established should be selected here from the list of countries provided. Only the direct holding should be considered when determining the country of establishment.

*Branch or subsidiary (T01.01 only)*

State here whether the participation in question is a branch or a subsidiary. This information is important for compiling the FATS statistics. The distinction between branch and subsidiary follows the FATS definition, where a branch is a local unit that does not constitute a separate legal entity. Subsidiaries, in contrast, *are* separate legal entities. For certain types of entities, such as joint ventures, it may depend on the legal foundation whether it is considered a branch or a subsidiary.

*Equity as a percentage*

The percentage stake in the equity of the foreign subsidiary/branch (T01.01) or by the foreign investor in the own equity (T02.01) is reported here. This corresponds to the position at the end of the reference period.

*Position at the beginning of the year / Position at the end of the year*

The value of the participation should be stated here, pro rata to the percentage stake. The position at the beginning of the year should be equal to the position at the end of the preceding year. If the holding is in the form of listed shares, the position in the stock market value of the enterprise must be reported. If the holding is in a form other than listed shares, a valuation method should be used that represents the market value of the participation as closely as possible. Preferred methods include Own Funds at Book Value (OFBV), net asset value, or a recent transaction price. See the Balance of Payments Manual<sup>2</sup>, paragraph 7.16, for a discussion of these and other methods. In the rest of this manual the term 'net asset value' is used to describe the value of the participation as calculated for statistical purposes.

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<sup>2</sup> <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

*Purchases by investor (transaction value) / Sales by investor (transaction value)*

All investments and divestments by the investor should be reported here, stated at the market price at the time of transfer of ownership. The market price is the price for which the holding was purchased or sold. Purchases and sales (investments and divestments) should be reported gross (it is not permitted to net off purchases and sales).

If the actual price of the transaction is not known, it should be approximated in the following way:

- In the case of listed shares: based on the market value of the shares;
- In the case of unlisted shares: based on the (stake in) the net asset value of the enterprise.

The following should also be included as purchases or sales:

- Capital contributions into or capital withdrawals from equity holdings (purchase/sale);
- Hedging of losses (informal capital contribution) of equity holdings (purchase);
- Contribution to or withdrawal of working capital in a branch (purchase/sale);
- Refunds of share capital (sale);
- Conversion of loans, debt securities, dividends and current account into shares (purchase);
- Dividends received from non-recurring gains from profit reserves accrued earlier (sometimes referred to as 'superdividends') (sale).

*Realised profit or loss*

This column is used to report the operational profit or loss accruing to the participation. The profit should be reported net of tax, exclusive of extraordinary income and expenditure and before profit appropriation. Extraordinary income and expenditure should be reported under 'Price changes and other changes'. Items that should be reported under extraordinary income and expenditure include a non-recurring large gain from the sale of an equity holding or a non-recurring major write-down of an equity holding. For equity holdings of less than 100%, the realised profit should be reported on a pro rata basis. The realised profit or loss may deviate from the profit or loss according to accounting guidelines. This is because realised profit or loss on financial assets and liabilities have to be reported in the column 'Price changes and other changes' and not as realised profit or loss. Examples of realised and unrealised profits and losses on financial assets include fluctuations in the price of debt securities and shares, changes in the value of derivatives and write-offs on loans. Although this method of calculating profit and loss differs markedly from national and international accounting guidelines, reporting entities are requested to use the statistical method described above.

*Declared dividend*

This column is used to report the gross dividend (before deduction of dividend tax) that has accrued to the participation during the reporting period (both interim and final dividends). This includes both dividend payments that have been fulfilled, as well as outstanding commitments for dividend payment. Declared dividend must relate exclusively to profits from operating activities. Dividend paid from extraordinary income or from profit reserves built up earlier (often referred to as 'superdividend') may not be reported as declared dividend, but must be entered under 'Sales' because dividend paid from extraordinary income is regarded as a divestment in the equity holding. The time of recording for the declared dividend in the FEH is when the shares go "ex dividend". This is the date when the dividend is excluded from the share price, because the holder on that date is entitled to receive the dividend.



### Exchange rate changes

If foreign subsidiaries or branches are held in foreign currencies, changes in the value of those subsidiaries and branches due to fluctuations in the exchange rate during the past year should be reported as exchange rate changes. For equity holdings by foreign investors in the capital of the reporting entity there will only be exchange rate changes if the participation is denominated in a foreign currency.

For calculation of the exchange rate changes it is advised to use the following formula<sup>3</sup>:

Opening position in foreign currency \*  $\left( \left( \text{end of year exchange rate} \frac{\text{foreign currency}}{\text{EUR}} \text{ in year t} \right) - \right.$

$\left. \left( \text{end of year exchange rate} \frac{\text{foreign currency}}{\text{EUR}} \text{ in year t} - 1 \right) \right)$

$+ (\text{purchases by investor} - \text{sales by investor} + \text{realised profit or loss} - \text{declared dividend}) *$

$\left( \left( \text{end of year exchange rate} \frac{\text{foreign currency}}{\text{EUR}} \text{ in year t} \right) - \left( \text{average exchange rate} \frac{\text{foreign currency}}{\text{EUR}} \text{ in year t} \right) \right)$

There are a few caveats with this formula. Firstly, you may deviate from the general formula if a different calculation is available in your own bookkeeping system. Secondly, for the "average exchange rate" used for the calculation of transaction based exchange rate effects, please use the most applicable. Ideally this is based on the actual exchange rates at the time of the transactions (weighted by the size of the individual transactions), or otherwise the general mean of the exchange rate in the reference year. Also note that you use the correct exchange rate (foreign currency/EUR), which might be the inverse of a more commonly used one. See the example below for a simple case calculation for a foreign holding in USD.

Example:

Period	USD/EUR average rate	USD/EUR end rate	End position in USD	Net transactions in USD	End position in EUR	Net transactions in EUR
t-1		0,80	1000		800	
t	0,85	0,90	1500	500	1350	425

Exchange rate changes due to position =  $1000 * (0,90 - 0,80) = 100$

Exchange rate changes due to transaction =  $500 * (0,90 - 0,85) = 25$

Total exchange rate changes =  $100 + 25 = 125$

### Price changes and other changes

Price changes and other changes include all changes in the net asset value of the participation which are not caused by purchases and sales, exchange rate movements or profit reserves (realised profit or loss minus declared dividend). Price changes and other changes also include all changes in the working capital provided to branches that are not caused by withdrawals and contributions, exchange rate movements or retained profits.

<sup>3</sup> All transactions in the second part of the formula are denominated in foreign currency.

A few specific examples are given below of instances which should be reported under 'Price changes and other changes'.

If the value of a participation changes due to realised and unrealised profits or losses on financial assets and liabilities of the participation, this change should be reported in the column 'Price changes and other changes'. Examples of realised and unrealised profits and losses on financial assets include fluctuations in the price of debt securities and shares, changes in the value of derivatives and write-offs on loans. When a profit or loss to the equity holding is reported in the appropriate column, realised and unrealised profits or losses on financial assets and liabilities should not be included in that figure. Although this method of calculating profit and loss differs from national and international accounting guidelines, reporting entities are requested to use the statistical method described above.

If an equity holding is sold during the year, the difference between the sale price (market value) and the net asset value must also be reported under 'Price changes and other changes'. This difference constitutes the sale result (and falls outside the definition of 'realised profit or loss'). The example below illustrates the sale of an equity holding and the way in which it should be reported.

An equity holding is sold for €15 million. The net asset value is €5 million.														
Position at the beginning of the year	+	Purchases by investor	-	Sales by investor	+	Realised profit or loss	-	Declared dividend	+	Exchange rate changes	+	Price changes and other changes	=	Position at the end of the year
5		0		15		0		0		0		10		0

The sales result of '10' is reported in the column 'Price changes and other changes', resulting in a final position of '0'.

If an equity holding is purchased during the year, the difference between the net asset value and the purchase price (market value) must be reported under 'Price changes and other changes'.

An equity holding is purchased for €15 million. The net asset value is €5 million.														
Position at the beginning of the year	+	Purchases by investor	-	Sales by investor	+	Realised profit or loss	-	Declared dividend	+	Exchange rate changes	+	Price changes and other changes	=	Position at the end of the year
0		15		0		0		0		0		-10		5

If the sale price achieved during a transaction is below the net asset value (negative sales result), or if the purchase price turns out to be lower than the net asset value (positive purchase result), the sign (+ or -) of the reported value under 'Price changes and other changes' in the above examples changes.

The net asset value ignores any goodwill of an equity holding. As price changes and other changes relate only to changes in the net asset value, changes in the goodwill cannot be reported under 'Price changes and other changes'.

If a reporting entity has acquired a minority interest in a listed enterprise during the year through the (gradual) acquisition of shares, the reporting entity must treat the stake in the share capital of the enterprise as an equity holding if 10% (or more) of the voting rights have been acquired. If the status of a position changes from a regular shares holding to a participation, monthly reporting agents should report the entire transaction that takes the voting share to and over 10% as a transaction on 9007HK3, as well as any following transaction. In case of a prior position, monthly reporting agents must then report this as a reclassification amount in 9007HK1. In the FEH this latter amount should also be reported in the column "price changes and other changes". In case of a sale of a position to below 10% of the voting rights, the same is true in reverse order, so that the position is reclassified once the share drops below 10%.

The shareholding in another enterprise grows, changes in nature and is classified as an equity holding in an enterprise. The prior value of the position is € 5 million, and the purchase is € 10 million.														
Position at the beginning of the year	+	Purchases by investor	-	Sales by investor	+	Realised profit or loss	-	Declared dividend	+	Exchange rate changes	+	Price changes and other changes	=	Position at the end of the year
0		10		0		0		0		0		5		15

If a reporting entity issues listed shares, only the portions of the holding that exceed 10% of the share capital held by external investors should be reported as equity (own funds). The reporting entity in question will generally not be readily able to ascertain when an investor (gradually) acquires an equity holding in the reporting entity through the purchase of listed shares. The register maintained by the Netherlands Authority for the Financial Markets (AFM) of substantial shareholdings and special control rights pursuant to the articles of association is an important source for identifying holdings in the share capital of the reporting entity. If such a situation arises, the new equity (own funds) must be reported under 'purchases by the investor'.

If working capital received (from a foreign head office) by the reporting entity (or the equity of the branch) changes for reasons other than purchases or sales (e.g. gains or losses on the assets of the branch), these changes should be reported in the column 'Price changes and other changes'.

## **Consistency with other reports and validation rules**

It is important for the compilation of the Dutch balance of payments to have a full and complete picture of the statistical movements in a balance sheet item. To this end the amounts reported in the FEH are checked for internal consistency (=reconciliation) as well as for consistency across various reports.

### *Relationship with monthly and quarterly reports (forms 9001 and 9007) and MSR T05*

Banks report stock and/or flow data on their (foreign) subsidiaries and foreign holdings in their capital on a monthly or quarterly basis. Certain data on forms 9001, 9007 and MSR T05 should be consistent with information in the FEH report.

- *Position at the end of the year* The information on the position in foreign holdings and/or foreign equity (equity capital of associates) on form 9001 for the reference month of December must in

principle correspond with the closing position in foreign equity holdings and/or foreign equity (holdings of foreign parent institutions) in the FEH.

- *Purchases and sales by the investor* The total amount of all purchases and sales of foreign equity holdings that the reporting entity has made during the year and reported in form 9007HK3 on a monthly basis (separately for both the asset side and liability side), has to be the same as the total amount of purchases and sales (covering all individual equity holdings) on the FEH forms.
- *Declared dividend* The sum of all declared dividend paid and received by the reporting entity during the year and reported monthly on form 9007HK3 (separately for both the asset side and liability side), must correspond with the sum of all dividends declared (on all individual equity holdings) on the FEH forms.
- *Price changes and other changes* The sum of all price changes and other changes observed by the reporting entity during the year and reported monthly on form 9007HK1 need not by definition correspond with the sum of all price changes and other changes (on all individual equity holdings) on the FEH forms. This is because realised profits (or losses) and declared dividends must be reported separately on the FEH forms, which means that retained profits do not appear under price changes and other changes.
- *Listed shares foreign equity holdings* All data columns of MSR T05.01 and T05.03 on listed shares direct investments (assets and liabilities) should be consistent with foreign equity holdings on the FEH forms if the latter are in the form of listed shares. This will mean that listed shares information on subsidiaries on FEH T01.01 should correspond to direct investments on MSR T05.01 (excluding own holdership), and listed shares information on FEH T02.01 should correspond to incoming direct investments on MSR T05.03.

#### Reconciliation

Below the reconciliation calculation of the FEH is provided, as well as relating reporting forms:

Reconciliation of columns:														
Position at the beginning of the year	+	Purchases by investor (transaction value)	-	Sales by investor (transaction value)	+	Realised profit or loss	-	Declared dividend	+	Exchange rate changes	+	Price changes and other changes	=	Position at the end of the year
Relationship with other reports:														
FEH/9005HK1 T-1 end of year position		9007HK3		9007HK3				9007HK3						9001

If the above relationships in stocks, transactions, declared dividend and price changes and other changes are insufficiently clear, DNB will contact the reporting entity to seek clarification and, if necessary, resubmission of reports.

#### Validation rules

When the FEH report is submitted in DLR, an internal consistency check will be performed based on certain validation rules. For this report these 'assertions' are all of the type 'blocking'. This means that if a report

does not conform to the validation rules, the submission will not be accepted, and the reporting obligation is not fulfilled. The validation rules are as follows (equal for both T01.01 and T02.01):

- Equity holding as a percentage is mandatory when positions, transactions and/or value changes are reported, and vice versa.
- Position at the beginning of the period plus/minus transactions and value changes must be equal to the position at the end of the period.
- Purchases by investor and/or sales by investor must be greater than or equal to 0.
- Equity holding as a percentage must be between 0 and 100 (inclusive).
- The name of the foreign affiliate should consist of at least one and at most 3999 characters.

The technical details for these assertions can be found in the 'Annotated templates and assertions' of this report, located on the FEH web page:

<https://www.dnb.nl/en/login/dlr/statistical-reporting/banks/foreign-equity-holdings-feh/>