INSTRUCTIONS FOR COMPLETING FORM BOP 42

Point of contact

Balance of Payments Section
Central Statistics Office
Ardee Road
Rathmines
Dublin 6

Tel. 353 1 498 4050 or 498 4027
Fax 353 1 498 4020

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I. INTRODUCTION

Form BOP 42 is intended to cover the activities of Irish companies, Irish captive companies and Irish branches of foreign companies which provide and/or procure non-life insurance/reinsurance services. The information is to be provided by the company's service provider or by the company itself where it is a stand-alone operation.

The notes in this section are intended as guidelines on completing the form and care should be taken to read them before completing it. However, not all situations can be covered in these notes. Please contact us if you need further guidance.

The BOP 42 form is designed to give a summary of all transactions of the non-life company. All changes in assets and liabilities are to be reported including the following:

- Insurance flows in respect of premiums earned, re-insurance, claims payable and related balance sheet positions.

- Ownership and investment into the non-life company by shareholders.

- Operating costs of company including fees; those relating to investment advice, administration, custodian services, commissions, brokerage etc.

- Profits earned and dividends payable.

- Investment assets of the Non-life company in Equities, Bonds and Notes, Bank Deposits etc. in respect of the technical account and non-technical account. Transactions and balance sheet positions, together with related investment income earned, on an accruals basis, are to be reported. Also required are the valuation changes due to market price and exchange rate changes.

II. WHO SHOULD REPORT

Service providers are required to complete the form on behalf of Irish Captive and Agency insurance/reinsurance clients. Stand alone non-life insurance/reinsurance companies are also required to complete the form.

A single form is required covering the aggregate activities of the Irish Agency or Captive operations administered by the respondent. If this is not possible individual forms are acceptable for each captive/agency company.
All entities that receive a copy of the survey forms must respond with a completed return to CSO **within 21 days of receipt of the survey forms.**

III. WHAT SHOULD BE REPORTED

Profit & Loss and Balance Sheet data is to be reported giving a geographical analysis of the flows and positions of assets and liabilities.

1. Categories of investment

For all entities surveyed we require data on investment into the reporting company (Section 5/ the last four tabs of the excel spreadsheet) over the following categories:

- Shareholders holding 10% or more of the non-life company's equity.
- Group companies holding less than 10% of the non-life company's equity.
- Third parties holding less than 10% of the non-life company's equity.
- Investment into the company by your subsidiaries and associates.

and where applicable, investment by the reporting company into any other subsidiaries or branches (Section 3.9/ A_Nn-res-Eq tabs of the excel spreadsheet) over the categories below:

- Investments of 10% or more in **non-resident** companies/branches.
- Investments of less than 10% in **non-resident** group companies/branches.
- Investments of less than 10% in **non-resident** third party companies/branches.
- Investments in your large **non-resident** shareholders (cross holdings).
- Investments in Irish companies/branches not reported for in this return.

Please read the definition of direct investment in Section VI - Definitions of these notes.

2. Reporting currency, exchange rates, units and sign convention

In general respondents are expected to report in Euro (€ millions). <u>Amounts should be rounded to the nearest million provided that this does not cause material inaccuracies</u>. If reporting in Euro is inconvenient please report in your main foreign currency clearly denoting the currency used.

When reporting in Euro, balances denominated in foreign currencies are to be converted at mid-market exchange rates on the balance sheet date, and transactions at actual rates on the date of transaction (if available, otherwise at the average market rate in the period). If a budget exchange rate is used please indicate this rate on the form.

<u>In general, data should be entered as positive numbers. For example: premiums and claims, expenses, dividends, asset and liability balances and decreases in assets or liabilties should all be shown as positive figures. Negative values on derivatives (Section 3.6) can of course exist and should be shown accordingly. Otherwise only in unusual cases will negative figures be appropriate.</u>

3. Period covered

Ideally reports should relate to the calendar period specified. If your accounting period is not as specified and cannot be readily adjusted, you should report for your accounting period ending closest to the specified period and indicate this clearly on your return. It would be very useful if you could give details in a separate note of any major transactions or events which would cause differences between the reported data and calendar period data.

4. Insufficient space on the form

If you do not have enough space on any page for any item please supply a separate schedule showing the required information.

5. Residency / country data

All transactions, assets and liabilities are to be reported on a geographical basis using the country codes indicated in the enclosed list. Particular care should be taken in respect of the following:

- Insurance premiums and claims are to be attributed to the country of residence of the policyholder.
- Securities which are reported as assets are to be attributed to the country of residence of the *issuer* of the securities.
- Securities which are reported as liabilities are to be attributed to the country of the *beneficial owner* of the securities.

Country attribution should be based on where the counterparty is ordinarily domiciled. If there is doubt as to the country of domicile, then, as a general rule, the country of residence of any enterprise can be taken as where it is legally incorporated. In the absence of legal incorporation, the country where its centre of economic activity exists or where it is legally domiciled should be entered.

Irish branches or subsidiaries of foreign companies are considered to be Irish residents. *Securities issued by international organisations e.g. EIB, World Bank, etc. are not to be allocated to the country in which the organisation is located but rather to the individual international organisation code.*

Particular care should be taken when reporting transactions with banks. For example, borrowings from foreign banks which have Irish branches or subsidiaries should be included under country “Ireland” if the liability is carried on the books of the Irish bank.

6. Valuation

Market value should be used to report all holdings of securities. Do not report the face value of the security as the market value. The valuation approach for Equities and Bonds and Notes is set out below:

Valuation of equity securities

Equity securities should be reported at market prices. For companies listed on the stock exchange, the market value of your holding of their equity securities should be calculated using the market price prevailing at open and close of business in the period.

For unlisted enterprises, if market value is not available, estimate the market value of your holding of equity securities by using one of the following:

- a recent transaction price;
- director's valuation; or
- net asset value. (*Net asset value* is equal to total assets, including intangibles, less non-equity liabilities and the paid up value of non-voting shares). Assets and liabilities should be recorded at current, rather than historical value.

Valuation of Bonds and Notes

Bonds and notes should be recorded, excluding accrued interest (clean price basis) using one of the market valuation methods listed below in order of preference and converted to Euro, at the mid-market exchange rate prevailing at the open and close of business in the period:

- a quoted traded market price;
- the net present value of the expected stream of future payments/receipts associated with the securities;
- for unlisted securities, the price used to value securities for accounting or regulatory purposes, etc.; or
- for deep discount or zero coupon securities, the issue price should be used. Accrued interest should be recorded separately, as appropriate, in the Section dealing with 'Income earned but not paid'.

7. Treatment of securities involved in repurchase and securities lending arrangements

- Securities **acquired** under repurchase or securities lending arrangements are to be **excluded** from this form and the related collateralised loan is to be included in *Section 3.5 - Short-term loans*.
- Securities **sold** under repurchase or securities lending arrangements are to be **included** on the appropriate line in *Section 3.6 - Securities and Investments*.
- Securities acquired under repurchase or securities lending arrangements and subsequently sold to a third party should be reported as a **negative** holding, against the original collateralised loan.
- All valuations of securities under repurchase or securities lending arrangements should be at **market value**.

8. Treatment of depositary receipts

Depositary receipts, which denote ownership of equity or debt securities issued by non-residents, for instance, American depositary receipts (ADR) or bearer depositary receipts (BDR), should be attributed to the country of residence of the issuer of the security underlying the depositary receipt.

- Financial intermediaries should not report holdings of any securities against which depositary receipts have been issued and sold.
- If a depositary receipt has been issued before the financial institution arranging the issue has acquired the underlying securities, then that financial institution should report a negative holding in the underlying security.

9. Treatment of stripped securities

Stripped securities (strips) are securities that have been transformed from a principal amount with periodic interest coupons into a series of zero coupon securities, with the range of maturities matching the coupon payment dates and the redemption date of the principal amount.

- For official strips i.e. where an underlying issue has been designated as eligible for stripping and the issuer appoints strip dealers the strips remain the direct obligation of the original issuer, and the residence of the issuer of the strips remains the same as for the original security.

- Entities who request that a settlement or clearing house create strips from an existing security issued should not report ownership of the underlying security once the strips have been created.

- For unofficial strips issued without the authorisation of the original issuer (e.g. where strips have been created and issued by a dealer with a trust or other vehicle holding the original security to back the new stripped securities in the form of a certificate issued by the trust) then the residence of the issuer of the strips is that of the entity that has issued the strips. In turn, such an issuer of strips should report its ownership of the original underlying securities which continue to exist.

- Strips with an original maturity of one year or less are classified as money market instruments.

IV. STRUCTURE OF FORM

Section 1 deals with statistical register information. Section 2 covers the profit and loss data. However, the remaining sections have a common format. It may be useful to become familiar with the elements of this format before completing the form.

Headings on the top of each page

<table>
<tr><td rowspan="3">Country of asset/ liability

One country per line</td><td rowspan="2">Opening value of asset/liability at 01/10/97</td><td colspan="4">Changes during the year</td><td rowspan="2">Closing value of assets/liabilities at 31/12/97

(1+2-3+4+5)=</td><td rowspan="2">Interest Payable/ Earned</td></tr>
<tr><td colspan="2">Transactions</td><td colspan="2">Valuation and other changes</td></tr>
<tr><td>1</td><td>Increases in assets/ liabilities 2</td><td>Decreases in assets/ liabilities 3</td><td>Exchange rate changes 4</td><td>Market price and other changes 5</td><td>6</td><td>7</td></tr>
<tr><td></td><td colspan="7">€m's</td></tr>
</table>

Country of asset/liability. The country of asset is defined as the country of the **issuer** of the security (**not the currency or market of issue**). The country of liability is defined as the country of the creditor. Assets/liabilities with/to international organisations e.g. EIB, World Bank, etc. should be categorised under the appropriate instruments in *Sections 3 and 4* and coded as appropriate for country analysis.

Opening and closing values are to be valued at market prices using mid-market exchange rates ruling at the date in question. For non-equity liabilities/assets market value should **exclude** accrued interest earned but not paid/received (clean price basis). In the case of equity investments, if market price or a recent transaction price is not available, net asset value should be used. Where market prices (or net asset values in the case of equities) cannot be readily determined, price/earnings valuation or other methods of estimating market value are acceptable. The valuation method used should be noted on the form.

Transactions are to be valued at the price at which they are entered in your books i.e. market price excluding accrued interest.

- Transactions involving the conversion of one type of foreign asset or liability for another should be shown as equal and opposite entries in the appropriate lines. An example follows below:

> **Example 1:** An Irish Non-life Company X, converts a bond valued at €100,000,000 issued by a German company Y into 50,000 shares in Y during the quarter. X fund had no other investment in Y. The treatment of interest has been excluded for simplicity.

The entries on BOP42 are:

		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.2	Bonds and notes	Germany	100		100			0	
Section 3.6.1	Equities	Germany	0	100				100	

- Net transactions should not be shown. All transactions should be recorded on a gross basis. However, for some items such as trade payables and receivables this may not be possible. Where payments due have been netted against receipts due from the same or other debtors in a single payment/receipt the gross amounts should be reported on the appropriate lines. Where a single payment covers more than one item separate amounts should be shown under the appropriate headings.

Valuation and other changes (Columns 4 and 5) are changes in the value of your assets or liabilities for reasons other than transactions. Value changes caused by exchange rate changes should be reported in Column 4. Market price changes, revaluations, adjustments because of restatements of opening position compared with the closing position reported in previous forms etc. are to be included in Column 5. An accompanying note describing significant entries would be very helpful in reducing follow-up queries.

Interest is to be recorded on an accruals (i.e. earned) basis (see EXAMPLE 2) throughout the form analysed by country and instrument type. Separate details of related outstanding interest/income at the beginning and end of the period are to be included in *Section 3.7 - Accrued income earned but not paid.*

EXAMPLE 2: (Please note that the example is on an annual basis to clarify the recording principle)
An Irish company places €100,000,000 (translated into US$) on deposit in a US bank on 1st April 1997.
Interest at 12% is paid semi-annually, payable 1st April and 1st October.
Interest earned on the accruals basis for 1997 €9,000,000 (100,000,000 @ 12% * ¾)
Interest Paid on 1st October€6,000,000
Accrued interest outstanding€3,000,000 (1.10.97 - 31.12.97)
To keep this example simple exchange rates have been eliminated.

The entries on BOP42 are:									
		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.6	Cash and Deposits	US	0	100				100	9
Section 3.7	Income accrued but not paid:								
	Bank Deposits		0	9	6			3	
MEMORANDUM		n/a	0	109	6			103	9

Memorandum Questions in Sections 3 and 4 deal with all claims on and liabilities to foreign banks (already included in the earlier categories). It is important to read the definition of foreign bank in Section VI of these notes. The purpose of these questions is to avoid double-counting with aggregate data on international banking statistics supplied by the Bank for International Settlements (BIS) which is used elsewhere in the Balance of Payments compilation. It is appreciated that it may be difficult for you to determine the status of the relevant counterparty.
In case of doubt, please contact this Office.

V. SECTIONS OF THE FORM

SECTION 1 covers Statistical Register Information designed to give details on the captive or agency non-life insurance/reinsurance company (or companies in the case of an aggregate return), or the stand-alone non-life company.

SECTION 2 requests a geographical analysis of the profit and loss data. The analysis required covers both technical account and shareholder information of the companies which provide internationally traded non-life insurance services.

Section 2.1 Premiums earned - gross

Premiums earned-gross should be premiums earned on an accruals basis, gross of reinsurance premiums. This corresponds to:

Gross premiums written +/- Change in the gross provisions for unearned premiums and unexpired risks.

(item I.1.(a) +/- item I.1.(c) *of the Technical Account - Non-Life Insurance Companies Profit and Loss Account format set out in Part I, chapter 2 - Section B of the schedule of E.C. (Insurance Undertakings : Accounts) Regulations 1996)*

Outward reinsurance

Outward reinsurance should be premiums due to the reinsurer on an accruals basis. This corresponds to:

Outward reinsurance premiums +/- change in the provision for unearned premiums, reinsurers share.

(item I.1.(b) +/- item I.1(d) of the Regulations above)

Section 2.2 Claims paid/payable

This item includes all payments made in respect of the current financial period gross of reinsurance.

(item I.4.(a)(aa) of the Regulations above)

Inward reinsurance

This item refers to the reinsurance claims receivable related to the gross claims.

(item I.4.(a)(bb) of the Regulations above)

Section 2.3 Change in insurance reserves

This corresponds with the change in the technical provisions, net of reinsurance.

(Item I.4(b), I.5, I.6 and I.9 in the above regulations)

Section 2.4 Fees payable

This covers all fees payable in respect of fronting fees, commissions, brokerage etc.

(Item I.7(a) and I.7(d) of the Regulations above)

Section 2.5 Fees receivable

This covers all fees receivable in respect of fronting fees, commissions, brokerage etc.

(Item I.7(a) and I.7(d) of the Regulations above)

Section 2.6 Admin. and management fees	This relates to fees payable to the service provider in respect of the calendar period.
Section 2.7 Capital & exchange gains/losses	All capital and exchange gains/losses, realised and unrealised, relating to the technical and non-technical account are to be **excluded from income** and entered separately under this item. **(Items I.3, III.3(c), 3(d), 3a, 5(b), 5(c), 5a, 8 of the Regulations above)**
Section 2.8 Investment income	Investment income earned on technical reserves, on an accruals basis is to be entered here.
Section 2.9 Other income	Any other income should be entered here.
Section 2.10 Other charges	This covers all other types of charges to your P&L such as Deferred Acquisition Costs. **(Items I.7(b), I.8 of the Regulations above)**
Section 2.11 General expenses	This section is to be completed in respect of general expenses incurred and is generally relevant to the stand-alone companies. **(Items I.7(c), 7a, I.8 and III.5(a) of the Regulations above but exclusive of Section 2.5 above)**
Section 2.12 Shareholder information, investment income	A geographical analysis of investment income on an accruals basis in respect of the non-technical account is required. If this data is not directly available please supply your best estimate.
Sections 2.13-2.17	These sections should correspond with the entries on your P&L account for tax, profits, dividends and retained earnings.
SECTION 3	is designed to cover the assets of the non-life company analysed by country.
Section 3.1 Intercompany balances	is to include any non-insurance/reinsurance intercompany balances due from immediate parent, direct and indirect subsidiaries and associated companies and other group companies.
Section 3.2 Debtors	This includes balances due for insurance/reinsurance business written, subdivided between immediate parent, direct and indirect subsidiaries and associated companies and third parties. **(Item E of the Balance Sheet - Assets format set out in Part 1, Chapter 2, Section A of the above regulations).**

Section 3.3 Other Insurance/ reinsurance balances receivable

This covers deferred acquisition costs, deposits with ceding operations, prepaid reinsurance and losses recoverable. ***Also to be included are the reinsurers share of the technical provisions.***

(Item C.IV, D.a and GII of the Balance Sheet-Assets format in the above regulations).

Section 3.4 & 3.5 Loans

Loans made by the non-life company including collateralized loans should be entered in this section.

Long-term refers to loans having an **original maturity** of more than one year - *regardless of the remaining time to maturity.*

Short-term refers to loans and overdrafts having an **original maturity** of one year or less.

Loans are be categorised under four headings:

- loans to your immediate parent
- loans to your direct and indirect subsidiaries and associated companies
- loans to other group companies
- loans to third parties

Section 3.6 Securities and Investments

This section covers the investments of the company in tradable securities, property, unit trusts and cash and deposits. Also required are data on derivatives positions.

Section 3.6.1 Equities

records equity investments valued at market price by country of issuer **(not currency or market of issue)**.

Section 3.6.2 Bonds and notes

Bonds and notes are to be recorded so that details of the capital and interest are shown separately. The capital element is to be recorded at market **prices excluding accrued interest**. The entry under "Interest earned" (column 7) should be interest earned on the accruals basis in the period.

Outstanding interest and the movement in interest are to be entered in *Section 3.7 Accrued income earned but not paid - Bonds and notes*.

Examples 3, 4 and 5 illustrate the treatment of bonds.

Zero coupon and Deep discount bonds (3.6.2)

Zero coupon bonds should be valued at the current market price of the original investment excluding the effect of accrued interest and recorded in *Section 3.6.2 - Bonds and notes*.

The accrued interest that is capitalised over the term of the bond should be recorded as income. Therefore the difference between the issue price and the redemption price is recorded as interest over the term of the zero coupon bond in column 6 "Interest earned" of *Section 3.6.2 - Bonds and notes*.

The outstanding interest accumulating over the term of the bond is to be recorded in *Section 3.7 Accrued income earned but not paid - Bonds and note*s. Other market price changes should be recorded under "Valuation changes" column in *Section 3.6.2*.

Example 3: (Please note that the example is on an annual basis to clarify the recording principle).
An Irish Non-life company buys a 12% US bond on 1st April for €102,000,000 (€100,000,000 market value excluding accrued interest + €2,000,000 accrued interest). Interest at 12% is paid semi-annually, on 31st January and 31st July.
Interest earned on the accruals basis for the year €9,000,000 (€100,000,000 @ 12% for 9 months). Interest Paid on 31st July €6,000,000. Accrued interest outstanding at year-end €5,000,000 (1st August - 31st Dec).
For simplicity the effect of exchange rates has been ignored.

The entries on BOP42 are:									
		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.2	Bonds and Notes	US	0	100				100	9
Section 3.7	Income accrued but not paid:								
	Bonds and Notes		0	11 (9+2)	6			5	

Example 4:
An Irish Non-life company buys a 12% US bond on 1st April for €103,000,000 (€100,000,000 + €3,000,000 accrued interest) and sells it one month later for €104,000,000 (€100,000,000 market value excluding accrued interest + €4,000,000 accrued interest). Interest at 12% is paid semi-annually, on 1st January and 1st July.
For simplicity the effect of exchange rates has been ignored.

The entries on BOP42 are:									
		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.2	Bonds and Notes	US	0	100	100			0	1
Section 3.7	Income accrued but not paid:								
	Bonds and Notes		0	4 (3+1)	4			0	

Example 5: (Please note that the example is on an annual basis to clarify the recording principle)
An Irish Non-life company invests €60,000,000 in a US zero-coupon bond on 1st January which is issued at a discounted price of $60 and will be redeemed at par value i.e. $100, in five years time. The interest rate that applies is 10.75% on a compound basis.
For simplicity the effect of exchange rates has been ignored.

The entries on BOP42 are:										
		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.2	Bonds and Notes	US	0	60				60	6.5
Section 3.7	Income accrued but not paid:								
	Bonds and Notes		0	6.5	0			6.5	

Money market instruments (3.6.3)

Money market instruments should be treated in the same way as conventional bonds or zero coupon bonds as appropriate.

Derivatives (3.6.4)

Over-the-counter and exchange traded derivative contracts, **with the exception of OTC options sold** should be treated as assets. All derivative contracts are to be included in the opening and closing positions at marked-to-market value **not nominal value**. *Contracts with a negative marked-to-market value should be subtracted from contracts with a positive marked-to-market value. These should be included as* **assets** *in* **Section 3.6.4**.

Please note the following:

In relation to exchange traded derivatives:

- If **variation margin** calls result in a payment or receipt of funds, they should be recorded as transactions in derivatives in **Section 3.6.4**. Payments should be entered as "increases in assets"; while receipts as "decreases in assets".
- **Initial margins** and other repayable deposits held as margin accounts should be included as assets in "Cash and bank deposits" ***(Section 3.6.6 of the form)***.
- Any transaction in the underlying instrument or commodity should be excluded from derivatives but included under the appropriate financial instrument heading e.g. equities, bonds etc.

In relation to over-the-counter derivatives:

- For **interest rate swaps** and **forward rate agreements** (FRAs) net interest receipts should be reported as transactions in derivatives and recorded as "decreases in assets" in **Sections 3.6.4**. Net interest payments, which are effectively decreases in liabilities, should be recorded as "increases in assets" in **Sections 3.6.4**.

- For **cross currency interest rate swaps** net interest flows should be treated as transactions in derivatives.

At expiry of the contract, in addition to the net interest flow:

✯ a settlement resulting in a net receipt of currency should also be recorded as a transaction in derivatives in **Section 3.6.4** under "decreases in assets". If the settlement results in a net payment of currency the amount involved should be recorded as a transaction in derivatives in **Section 3.6.4** under "increases in assets"

✯ if a settlement results in an exchange of principals the difference between the principal translated at the exchange rate agreed in the swap contract and at the market rate at settlement should be recorded as a transaction in derivatives as described above.

- For **forward foreign exchange contracts** at expiry the difference between the amounts converted at the contract rate and at the market rate prevailing should be recorded as a transaction in derivatives in **Section 3.6.4**. If this settlement results in a gain this gain should be recorded as "decreases in assets"; losses, which are effectively decreases in liabilities, should be recorded as "increases in assets".

- For **options** purchased the related premium payments should be recorded as transactions in derivatives under "increases in assets" in **Section 3.6.4**.

✯ If the **option** is exercised the net settlement flows should be recorded as transactions in derivatives as "decrease in assets" in **Section 3.6.4**.

✯ Similarly, if the **option** being exercised results in the delivery of the underlying instrument the difference between amounts converted at the strike price and at the market price of the underlying instrument (net settlement) should be recorded also as transactions in derivatives. However, the underlying instrument should be recorded as a transaction in that instrument at market price.

Any transaction in the underlying instrument or commodity should be recorded at market price under the appropriate instrument heading in **Section 3.6 Investments**. See the following examples -

Example 6: An Irish Non-life company purchases a call option on an equity currently trading at 100c from a US Investment house.

The premium is 4c.
The strike price is 110c.
The market price at the expiry date 3 months later is 115c.
The option is for 10,000,000 shares.

The premium is recorded as a transaction in derivatives of €400,000 (10,000,000 X €0.04). The closing position should be entered in column 6 and the changes in the marked-to-market value of the contract over the life of the option are recorded under "Valuation and other changes".

At expiry the Irish Non-life company records a transaction of €(10,000,000 X 0.05) = €500,000, **the difference between the strike price and the market price** under column 3 and the closing position in derivatives is zero. The equities purchased are included at market price under *Section 3.6.1 equities*.

The entries on BOP42 are:

		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.4.3	Derivatives O-T-C Options	US	0	0.4	0.5	0.1		0	0
Section 3.6.1	Equities	US	0	11.5	0			11.5	

Example 7: An Irish Non-life company enters into a forward contract during the quarter to buy $16,000,000 for € at a rate of €1 = $1.60 at the start of the quarter maturing before the quarter end.

At the outset the contract has zero value. Changes in the marked-to-market value of the contract before the quarter end are recorded under "Valuation and other changes".

At the time of delivery the market rate is €1 = $1.50. The Irish Non-life company taking delivery records a transaction under column 3 (an asset position in the foreign exchange forward contract is extinguished) of ($16,000,000/1.6) - ($16,000/1.5) = €667,000.

The entries on BOP42 are:

		Country	1	2	3	4	5	6	7
						€m's			
Section 3.6.4.4	Derivatives Forward contracts	US	0	0	0.7	0.7	0	0	0

Section 3.7 Accrued income - (earned but not paid)

covers outstanding income and the related movements in income by instrument. A geographic analysis is not required.

(Item GI in the Balance Sheet-Assets format set out in the above Regulations)

The data required is:

Column 1 - Income accrued but unpaid at the beginning of the period.
Column 2 - Income purchased and net income earned in the period.
Column 3 - Income sold and income received in the period.
Column 4 - Exchange movements on income in the period.
Column 5 - No entry
Column 6 - Income accrued but unpaid at end of period.

Section 3.8 Other assets

Any other assets including fixed assets should be included and detailed where necessary.

(Item F.I, F.IV and GIII in the Balance Sheet - Assets format set out in the above Regulations)

Section 3.9 Non-resident equity investment by your entity

Covers equity investments made abroad by the Insurance company, analysed by country, and non-consolidated Irish equity investments. Such investments are normally made in a company or branch.

Equity refers to all kinds of participating shares in issue. *Non-participating shares should be reported under Other assets Section 3.7 and noted as Bonds and notes*.

You should report your equity investments including branch capital into companies and branches abroad. You are required to show market value of the investments (or net asset value if market value is not available) categorised under the headings indicated in this section of the form. Columns relating to transactions in equity are meant to cater for capital movements. Please see the definitions of the different type of investment in Section VI of these notes.

You must report this information analysed by country of immediate counterpart. If there are subsidiaries in a number of countries but all are owned through a subsidiary in one country, the consolidated value of all the investments should be attributed to that country.

Increases/decreases in the opening and closing values due to **retained earnings** should be shown under “Market price and other changes”. Your share of the profits of your foreign subsidiaries, associates and branches should be entered in column 7. The corresponding dividends (or branch profits) received should be entered in column 8.

SECTION 4 covers the liabilities of the non-life company, including liabilities to policy holders, loans, derivatives and other accounts payable.

Section 4.1 Technical provisions - gross

Technical provisions for unearned premiums, claims outstanding, provisions for bonuses and rebates should be included in this section. These should be shown gross of reinsurance.

(Item C1(a), C3(a), 4(a), 5, 6(a) in the Balance Sheet - Liabilities format - set out in the above Regulations)

Section 4.2 Creditors arising out of direct and reinsurance operations

All liabilities in respect of balances due are to be included in this section.

(Item G1 and GII in the Balance Sheet - Liabilities format - set out in the above Regulations)

Section 4.3 & 4.4 Long-term and Short-term loans

Long-term refers to loans having an **original maturity** of more than one year - *regardless of the remaining time to maturity*.

Short-term refers to loans and overdrafts having an **original maturity** of one year or less (see definitions).

Loans to be categorised under four headings:

- loans from your immediate parent
- loans from your direct and indirect subsidiaries and associated companies
- loans from other group companies
- loans from third parties.

Section 4.5 Derivatives sold

covers all derivatives sold where a definite liability has been established, this normally only includes options sold/written (see notes above on Section 3.6.4 and also definitions).

Section 4.6 Other accounts payable and accruals

covers all other liabilities such as payables and accruals and deposits received from reinsurers. If these items are substantial a note explaining the nature of the liability would be helpful.

Section 4.7 Accrued income due but not paid

This section covers accrued income due but not paid. It should be completed in the same way as outlined in *Section 3.7* above. A geographical analysis is not required.

SECTION 5 is concerned with the investors into the non-life company.

Section 5.1 requests details of the value of investment at **market value** (Net Asset Value is acceptable if market value is not available) :

- Investment by shareholders holding **10% or more** of the non-life company's equity **(Section 5.1.1).**
- Investment by group companies holding **less than 10%** of the non-life company's equity **(Section 5.1.2)**.
- Investment by third parties holding **less than 10%** of the non-life company's equity **(Section 5.1.3)**.
- Investment into the non-life company by its subsidiaries and associates **(Section 5.1.4)**.

SECTION 6 Summarises the (total) end period balances shown in Section 3 to 5. In many cases the balances of Section 3 will agree, in total, with those of Section 4 and 5. Where they do not agree (for example because Section 5 reflects market values whereas the other sections are based on net asset values) an explanation for the difference should be given.

VI DEFINITIONS

Equity

Equity securities are ordinary shares which give the holder the right to a proportional share of the net assets of the company. Other forms of security which do not have this characteristic even if described as "shares" e.g. non-participating preference shares should be included under *Bonds and notes*.

Include:

- ordinary shares;
- stocks;
- participating preference shares;
- depositary receipts (e.g., American depositary receipts) denoting ownership of equity securities issued, **see these notes Section III.7 (What should be reported)**;
- equity securities that have been sold under repurchase agreements; and
- equity securities that have been lent under a securities lending arrangement **see Section III.6 (What should be reported)**.

Exclude:

- non-participating preference shares (include these under *Bonds and notes*);
- rights, options, warrants, and other derivative instruments;
- equity securities that have been bought under repurchase agreements; and
- equity securities that have been acquired under a securities lending arrangement **see Section III.6 (What should be reported)**.

Bonds and notes - (having an original maturity of more than one year)

Bonds and notes refer to bonds, debentures, notes, etc. that usually give the holder the unconditional right to a fixed money income or contractually determined variable money income and have an original term to maturity of over one year.

Include:

- bonds such as treasury, zero coupon, stripped, **see Section III.8 (What should be reported)**; deep discounted, currency linked (e.g. dual currency), floating rate, equity-related (e.g. convertible bonds), Eurobonds;
- asset-backed securities such as mortgage backed bonds, collateralized mortgage obligations (CMO);
- index-linked securities (e.g., property index certificates);
- non-participating preference shares;
- floating rate notes (FRN) such as perpetual notes (PRN), variable rate notes (VRN), structured FRN, reverse FRN, collared FRN, step up recovery FRN (SURF), range/corridor/accrual notes;
- Euro medium-term notes (EMTN);
- schuldscheine (German) notes;
- bonds with optional maturity dates, the latest of which is more than one year after issue;
- debentures;
- negotiable certificates of deposits with contractual maturity of more than one year;

- other long-term securities;
- bearer depositary receipts denoting ownership of debt securities issued **see Section III.7 (What should be reported)**;
- debt securities that you have sold under repurchase agreements; and
- debt securities that you have lent under securities lending arrangements **see Section III.6 (What should be reported)**.

Exclude:

- derivative instruments;
- loans;
- trade credit and accounts receivable;
- money market instruments (e.g. treasury notes, banker's acceptances, certificates of deposit with contractual maturity of one year or less, note issuance facilities, revolving underwriting facilities, and promissory notes);
- debt securities that you have bought under repurchase agreements; and
- debt securities that you have acquired under a securities lending arrangement **Section III.6 (What should be reported)**.

Asset-backed securities

In reporting the market value of holdings of asset-backed securities, the respondents must be aware of the possibility of early partial redemption of principal. The market value of the principal amount outstanding at open and close of business during the period should be reported; if principal has been repaid, this market value will not be the same as the original face value revalued at end-period market prices.

Money market instruments (with an original maturity of one year or less)

Money market instruments are securitised instruments for which there is an organised secondary market. Money market instruments are generally of shorter maturity than bonds.

Include:

- Bankers acceptances;
- Commercial paper;
- Floating rate notes;
- Negotiable certificates of deposit with a contractual maturity of one year or less;
- Treasury bills and other short term tradable Government debt securities;
- Bonds with an original maturity of one year or less;
- Any other of the debt securities having an original maturity of one year or less.

Derivatives

Financial derivatives are financial instruments that are linked to the price performance of an underlying security, commodity etc. and which involve the trading of financial risk. They should be classified under the relevant headings in the form:

- Interest rate and cross currency swaps;
- Exchange traded - futures and options;
- Over-the-counter options;
- Forwards.

The following are not to be regarded as derivatives:

- **Contingencies such as guarantees and letters of credit.** These are not considered to be financial derivatives as their purpose is not to facilitate the trading of financial risk but rather to make payments under specified conditions.
- **Embedded derivative-like features** of standard financial instruments that are an inseparable part of the underlying instrument are not considered to be financial derivatives for statistical purposes because the risk element cannot be separately traded.
- **A fixed price contract** is not a financial derivative if the main purpose is to deliver an underlying item in exchange for cash (or some other asset). For example, a commercial contract to deliver a commodity is not a derivative unless, like commodity futures, it is traded as a standardised contract on an exchange in a way that financial risk can be traded.

Long-term and short-term loans are in general arranged between an individual or syndicated lender and an individual borrower. As with bonds, long-term means having original maturity of more than one year.

Repurchase and Securities lending arrangements

A *repurchase agreement* (repo) is an arrangement involving the sale of securities at a specified price with a commitment to repurchase the same or similar securities at a fixed price on a specified future date. A *reverse repo* is the same transaction seen from the other side, that is, an agreement whereby a security is purchased at a specified price with a commitment to resell the same or similar securities at a fixed price on a specified future date. *Securities (or stock) lending* is an arrangement whereby the ownership of a security is transferred in return for collateral, usually another security, under the condition that the security or similar securities will revert to its original owner at a specified future date.

Other accounts payable and accruals includes all claims on or liabilities not classified to one of the earlier headings.

Direct Investment and Portfolio Investment

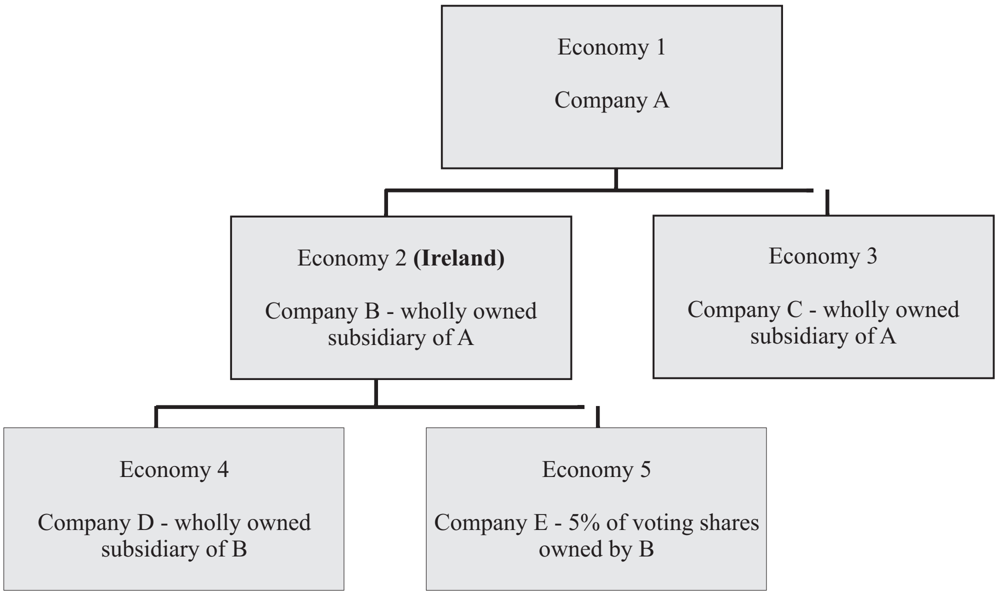
For Balance of Payments purposes, direct investment involves an entity (the direct investor) acquiring an intended long-term interest in another enterprise (the direct investment enterprise). This long-term interest is defined as a holding of at least 10% of the voting share capital. The direct investment relationship can extend to a number of companies in the wider group. Fellow enterprises are defined as those enterprises that are under the control or influence of the same immediate or indirect investor, but neither fellow controls or influences the other fellow enterprise.

Investors not classified as direct investors are "portfolio" investors. Examples are:

(i) an individual with less than 10% holding of the voting shares

(ii) companies in which you hold less than 10% of the voting shares

The diagram and paragraph below illustrate these investment relationships and the reporting categories on the form:



Economy 2 is Ireland and Company B is the Reporting Entity:

- Company A is the immediate parent (direct investor) of Company B. Company B reports its consolidated value to its shareholder, Company A, in Section 5 in the "shareholders with 10% holding or more" category.
- Company D is a direct subsidiary (direct investment enterprise) of Company B. Company B reports the consolidated value of its investment in Company D in Section 3.9.1 in the "investment of 10% or more in non-resident companies/branches" category.
- Company B is a portfolio investor in Company E. Company B reports the consolidated value of its investment in Company E in Section 3.9.2 in the "investment of less than 10% in non-resident companies/branches" category.
- As Company A is the immediate parent (direct investor) of Company B, Company B reports transactions with Company A in the "Intra-group –Part (a)" category in Sections 3 and 4 of the form.
- As Company D is a direct subsidiary (direct investment enterprise) of Company B, Company B reports transactions with Company D in the "Intra-group – Part (b)" category in Sections 3 and 4 of the form.
- Company C is another group company under the control of the same immediate investor but Companies B and C do not control each other (Company C is a fellow company of Company B). Company B reports transactions with Company C in the "Intra-Group – Part (c)" category in Sections 3 and 4 of the form.
- Company B is a portfolio investor in Company E and reports transactions with Company E under the "third party" category in Sections 3 and 4 of the form.

Third parties

All persons, individual or corporate, not classed as direct investors or direct investment enterprises are to be covered under this heading. Examples are:

(i) unconnected shareholders who each control less than ten per cent of the shares;

(ii) government or supra-national agencies;

(iii) the affiliates of other Irish companies.

Profits

Profits for *Balance of Payments purposes* broadly follow the same method of calculation as standard Profit & Loss statements for Profits after tax and minority interests. However, the following should **be excluded:**

- capital and exchange gains/losses, realised or unrealised;
- the write-off of abnormal bad debts and related provisions;
- revaluation gains/losses;
- extraordinary items.

Credit Institutions

Credit institutions are regarded as providers of conventional banking services by the banking authorities in the country concerned.

Irish credit institutions include:

- Irish branches of Irish banks and building societies;
- Irish branches of foreign banks;
- Irish bank subsidiaries of foreign companies (bank and non-bank).

Irish credit institutions exclude:

- foreign branches of Irish banks;
- foreign banks i.e. that are located abroad;
- foreign banking subsidiaries of Irish companies.

Official international agencies such as the European Investment Bank, the World Bank etc. should not be treated as banks.

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