



National Bank  
of Ukraine

# Estimation of round tripping transactions for 2010-2023

National Bank of Ukraine  
Statistics and Reporting Department  
2024



## Core points

### Purpose

The estimation of volume of *round tripping transactions* (involves funds from an resident entity being invested in an entity in a second economy, that are then invested in another resident entity) based on available statistical data by:

- identifying whether the UCP is a resident \*;
- redistribution of FDI flows by the countries of the UCP.

The estimation of the volume of round-tripping transactions was carried out

- by sectors of the economy – banks and other sectors;
- by instruments - equity other than reinvestment of earnings and loans from direct investors.

Time period: Y2010 – Y2023.



An investor (company or individual) is considered to be the **ultimate control investor (UCP)** if it is at the head of a chain of companies and directly or indirectly controls all the enterprises in the chain without itself being controlled by another investor.

## Core points

### Results

- Volume of *round tripping* transactions (where UCP is resident) during 2010 – 2023 were estimated at \$10.9 billion, representing 24.3% of the FDI inflow in Ukraine\* (\$44.9 billion).
- The biggest volume of *round tripping* transactions were registered during 2010 – 2013 on average at the level of 32.7% of the total volume of FDI, and 89% of such investments were directed to enterprises of the real sector.
- In 2014 – 2015 there was net outflow of funds from Ukraine due to *round tripping* transactions which is connected with political changes in the country, as well as the beginning of hostilities in the East.
- From 2016 to 2021, there was a gradual increase in the net inflow of funds under *round tripping* transactions from 3.8% in 2016 to 68.5% in 2021 of the FDI inflow.
- In 2022, net outflow of funds from these transactions (-0.6 billion US dollars) was associated with the beginning of the full-scale invasion of Russian troops into Ukraine in February 2022, which sharply complicated the economic situation in the country and critically reduced its investment attractiveness.
- In 2023, the main foreign investors in the corporate segment were companies that already had facilities in Ukraine at the time of the full-scale invasion of the Russian Federation. The net inflow of FDI in Ukraine in 2023 amounted to \$1.1 billion, and at the same time there was an increase in the volume of *round tripping* transactions to the level of \$0.4 billion (38.1% of FDI inflow to Ukraine in 2023).
- The largest volumes of *round tripping* transactions were routed through Cyprus, Netherlands, Switzerland and Austria.



\* - excluding the reinvestment of earnings

# Data Sources for Estimation of Round Tripping

## Sources

- Data of 1PX, 2PX files «Bank/enterprise data on financial transactions with nonresident» for determining the FDI inflows in form of cash;
- Data on FDI loans obtained from nonresidents (file 4PX);
- Official web-sites of relevant enterprises on ownership structure;
- Information on relevant enterprises' ultimate controlling parent (UCP);
- the Ministry of Justice of Ukraine web-site: unified state register of legal entities, individual entrepreneurs and community groups;
- Enterprise`s annual reports, financial statements;
- NBU` information on the ownership structure of Ukrainian banks.

## Methodology

- Balance of payments and international investment position manual. – Washington, D.C.: International Monetary Fund, 2009;
- OECD benchmark definition of foreign direct investment: fourth edition – OECD 2008;
- Balance of payments and international investment position compilation guide. – Washington, D.C. : International Monetary Fund, 2014;
- The coordinated direct investment survey guide. – Washington, D.C. : International Monetary Fund, 2015

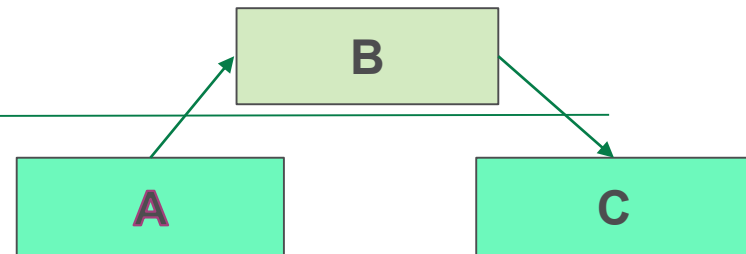
# Incentives for *round tripping*

## Definition

- **Round tripping** refers to the channeling abroad by residents of local funds and the subsequent return of these funds to the local economy in the form of direct investment

“Transit” country

Ukraine

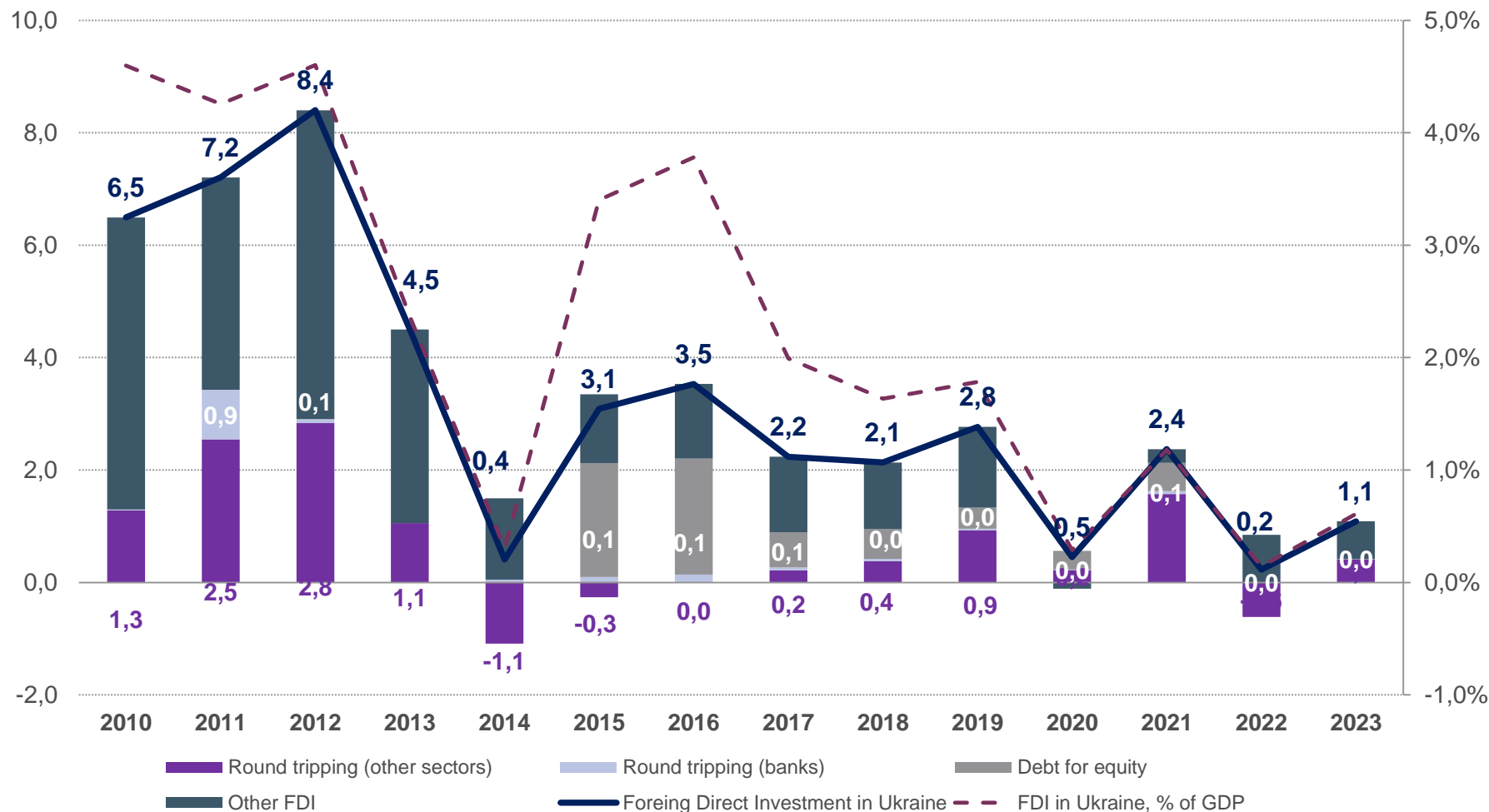


## Main incentives

- Property right protection
- Tax and fiscal advantages; use of preferential policies to attract FDI
- Expectations on exchange control and exchange rate: round-tripping for greater flexibility in foreign exchange management.
- Accessing better financial services

# Round tripping transactions in FDI net inflow for 2010-2023

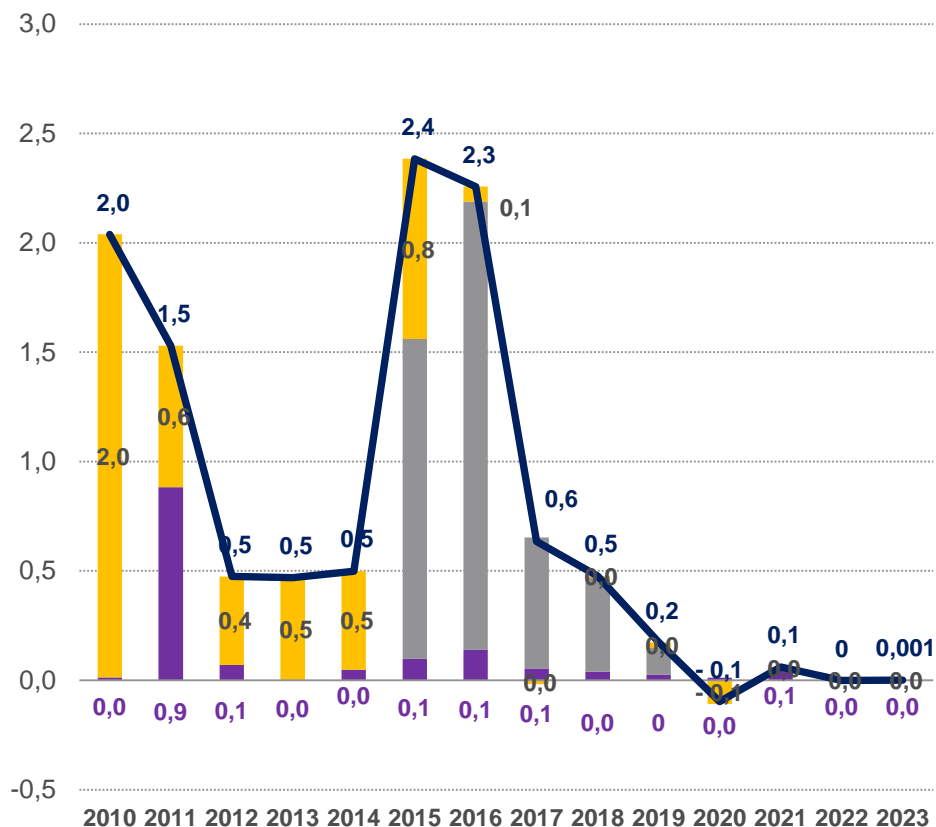
Foreign Direct Investments in Ukraine\*, billion USD



\* - excluding the reinvestment of earnings

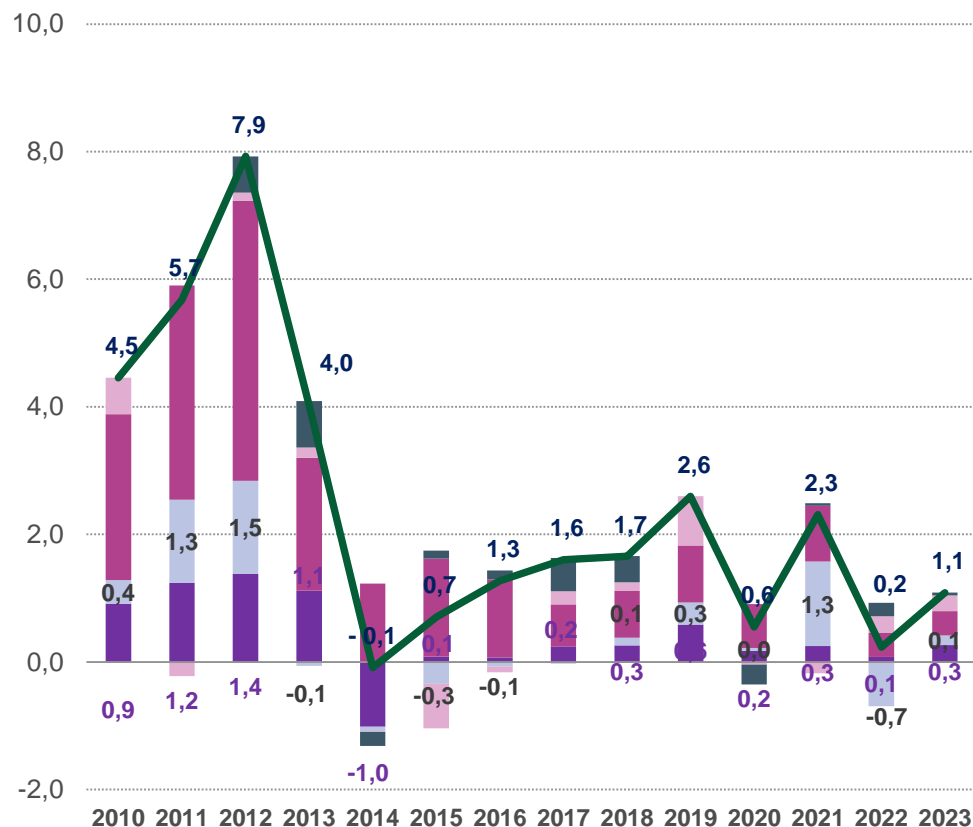
# The largest volume of *round tripping* transactions were observed in real sector ( in average 28% of FDI inflow)

## FDI in banking sector, billion USD



- Other FDI
- Debt for equity
- Round tripping
- Foreign Direct Investment in banking sector (total)

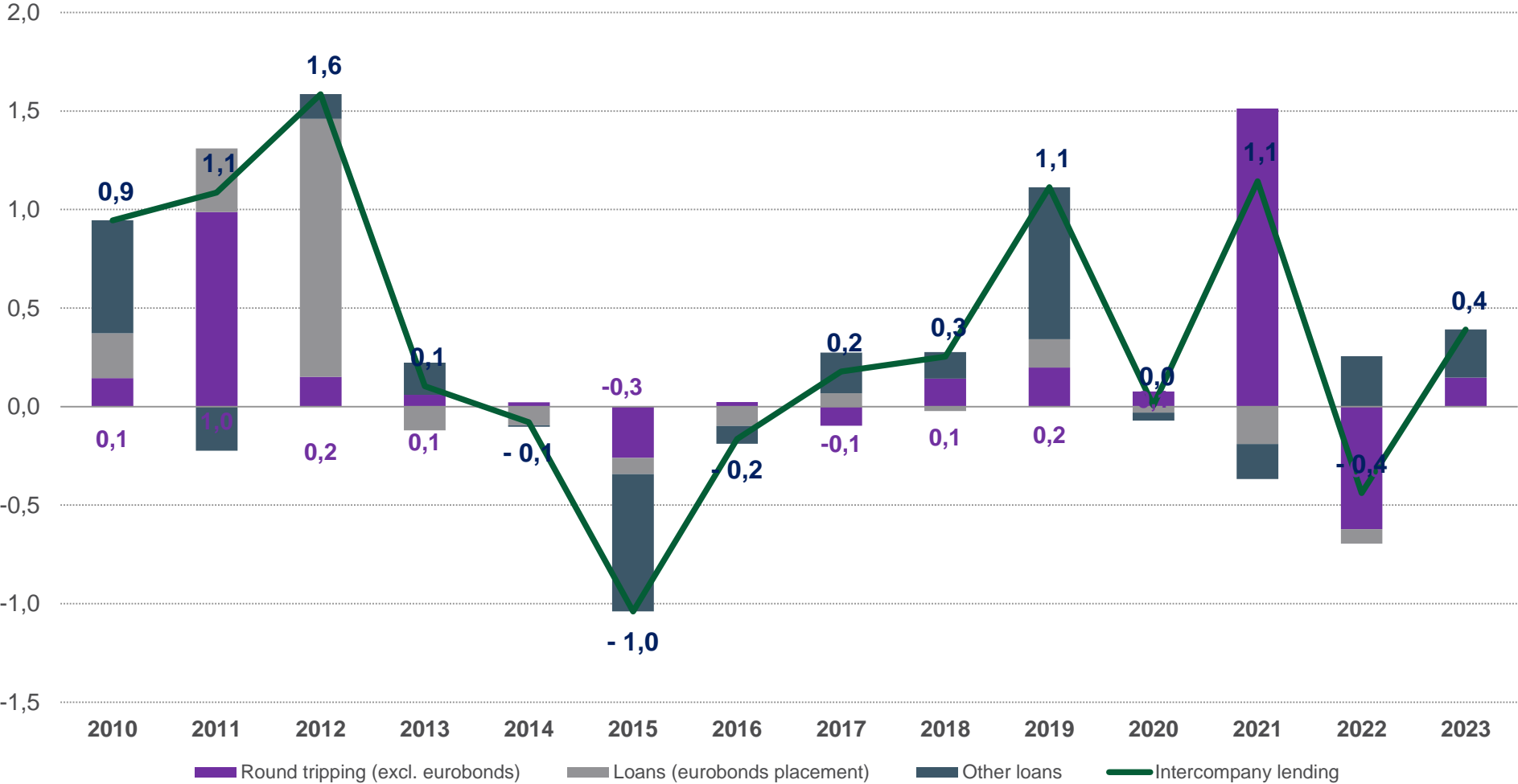
## FDI in real sector, billion USD



- Trade credits
- Intercompany lending
- Equity
- Round tripping (intercompany lending)
- Round tripping (equity)
- Foreign Direct Investment in real sector (total)

# In 2010-2012 and in 2019, 2021, 2023 net inflow on loans from direct investors was formed mainly due to *round tripping* transactions

Intercompany lending, other sectors, billion USD

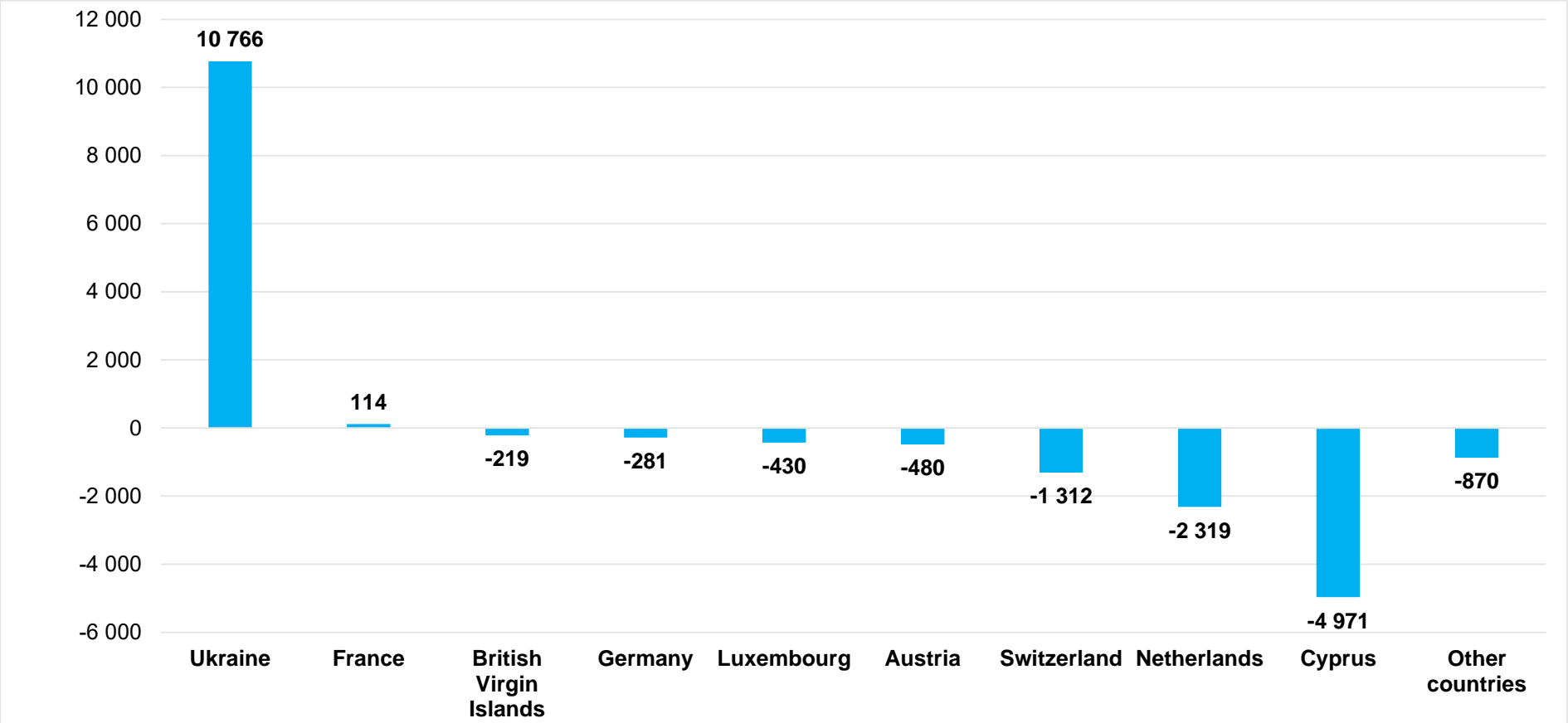


\* - include loans financed through Eurobond placement



# Round tripping transactions were routed mainly through Cyprus, Netherlands, Switzerland and Austria

Redistribution of FDI inflow for 2010-2023 by ultimate investing countries (vs immediate investment countries), million USD





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# *Appendix*

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## Estimates of *round tripping* transactions

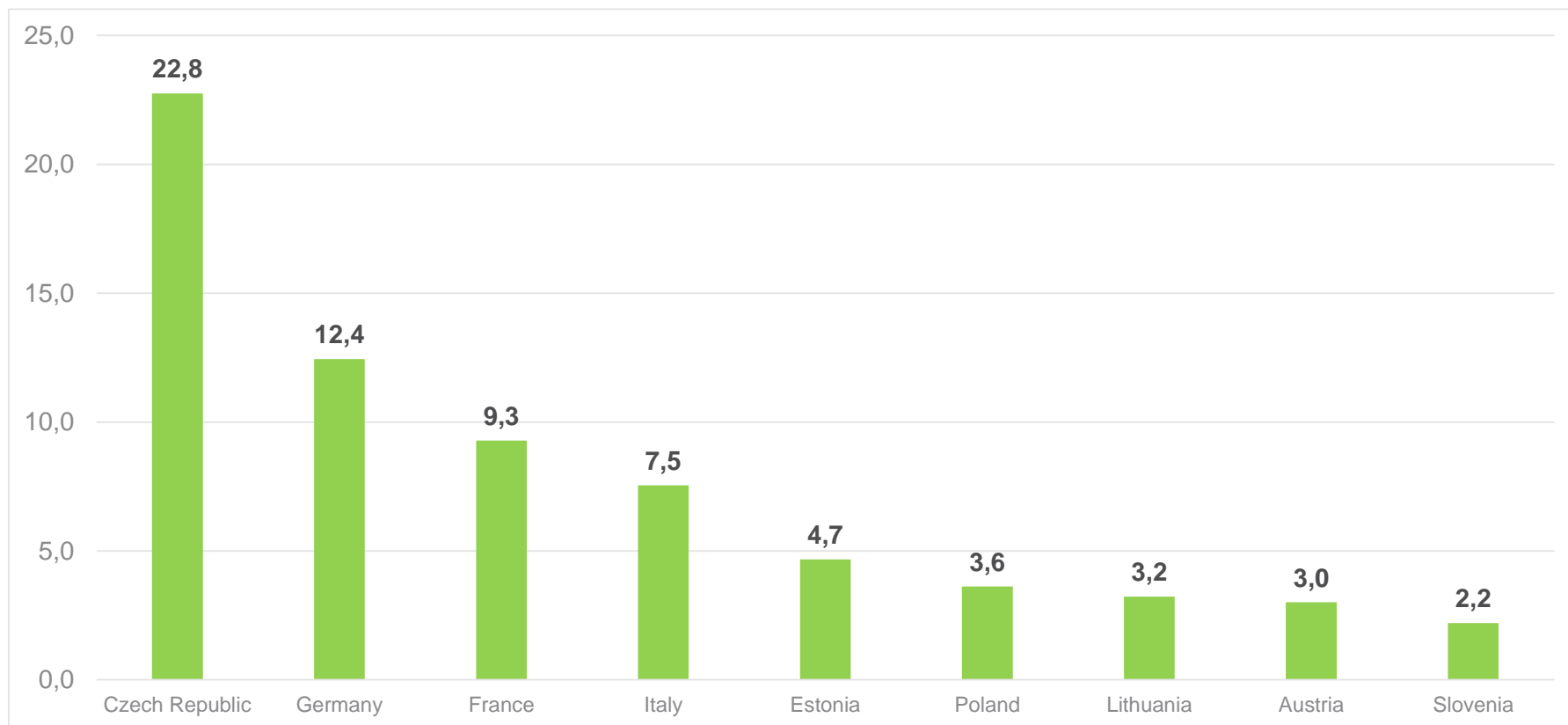
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>FOREIGN DIRECT INVESTMENT in UKRAINE (without reinvestment of earnings) (1.+2.) \$ mln</b>	6 495	7 207	8 401	4 499	410	3 088	3 529	2 237	2 135	2 767	452	2 371	230	1 087
banks	2 039	1 529	475	469	499	2 384	2 257	635	477	173	-98	61	-1	1
other sectors	4 456	5 678	7 926	4 030	-89	704	1 272	1 602	1 658	2 594	550	2 310	231	1 086
<b>Round tripping, \$ mln</b>	1 296	3 429	2 908	1 055	-1 038	-162	134	270	419	956	230	1 623	-615	414
banks	13	883	71	0	49	99	139	54	40	26	11	50	0	1
other sectors	1 283	2 546	2 837	1 055	-1 087	-261	-5	216	379	930	219	1 573	-615	413
<b><i>Round tripping, % of total value</i></b>	<b>20</b>	<b>48</b>	<b>35</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>3,8</b>	<b>12,1</b>	<b>19,6</b>	<b>34,6</b>	<b>50,9</b>	<b>68,5</b>	<b>-</b>	<b>38</b>
<i>banks</i>	1	58	15	0	10	4	6	8	8	15	-11	82	0	100
<i>other sectors</i>	29	45	36	26	-	-	-	13	23	36	40	68	-	38

## Estimates of *round tripping* transactions by instruments

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>1. Equity other than reinvestment of earnings, \$ mln</b>	<b>5 550</b>	<b>6 121</b>	<b>6 248</b>	<b>3 668</b>	<b>712</b>	<b>4 003</b>	<b>3 550</b>	<b>1 535</b>	<b>1 472</b>	<b>1 659</b>	<b>760</b>	<b>1 186</b>	<b>461</b>	<b>651</b>
banks	2 039	1 529	475	469	499	2 384	2 257	635	477	173	-98	61	-1	1
other sectors	3 511	4 592	5 773	3 199	213	1 619	1 293	900	995	1 486	858	1 125	462	650
<b>Round tripping, \$ mln</b>	<b>924</b>	<b>2 119</b>	<b>1 448</b>	<b>1 116</b>	<b>-965</b>	<b>181</b>	<b>208</b>	<b>299</b>	<b>300</b>	<b>614</b>	<b>183</b>	<b>301</b>	<b>80</b>	<b>267</b>
banks	13	883	71	0	49	99	139	54	40	26	11	50	0	1
other sectors	911	1 236	1 377	1 116	-1 014	82	69	245	260	588	172	251	80	266
<b>Round tripping, % of total value</b>	<b>17</b>	<b>35</b>	<b>23</b>	<b>30</b>	<b>-</b>	<b>5</b>	<b>6</b>	<b>19</b>	<b>20</b>	<b>37</b>	<b>24</b>	<b>25</b>	<b>17</b>	<b>41</b>
banks	1	58	15	0	10	4	6	8	8	15	-	82	0	100
other sectors	26	27	24	35	-	5	5	27	26	40	20	22	17	41
<b>2. Debt instruments, \$ mln</b>	<b>945</b>	<b>1 086</b>	<b>2 153</b>	<b>831</b>	<b>-302</b>	<b>-915</b>	<b>-21</b>	<b>702</b>	<b>663</b>	<b>1 108</b>	<b>-308</b>	<b>1 185</b>	<b>-231</b>	<b>436</b>
<i>of which</i> Intercompany lending	945	1 086	1 585	103	-80	-1 039	-164	178	254	1 113	6	1 144	-439	391
<b>Round tripping*, \$ mln</b>	<b>372</b>	<b>1 310</b>	<b>1 460</b>	<b>-61</b>	<b>-73</b>	<b>-343</b>	<b>-74</b>	<b>-29</b>	<b>119</b>	<b>342</b>	<b>47</b>	<b>1 322</b>	<b>-</b>	<b>147</b>
<b>Round tripping, % of total value</b>	<b>39</b>	<b>1,2 times</b>	<b>92</b>	<b>-</b>	<b>91</b>	<b>33</b>	<b>45</b>	<b>-</b>	<b>47</b>	<b>31</b>	<b>7,8 times</b>	<b>1,2 times</b>	<b>1,6 times</b>	<b>38</b>

\* - include loans financed through Eurobond placement

## Share of *round-tripping* in inward FDI stocks in selected countries, %

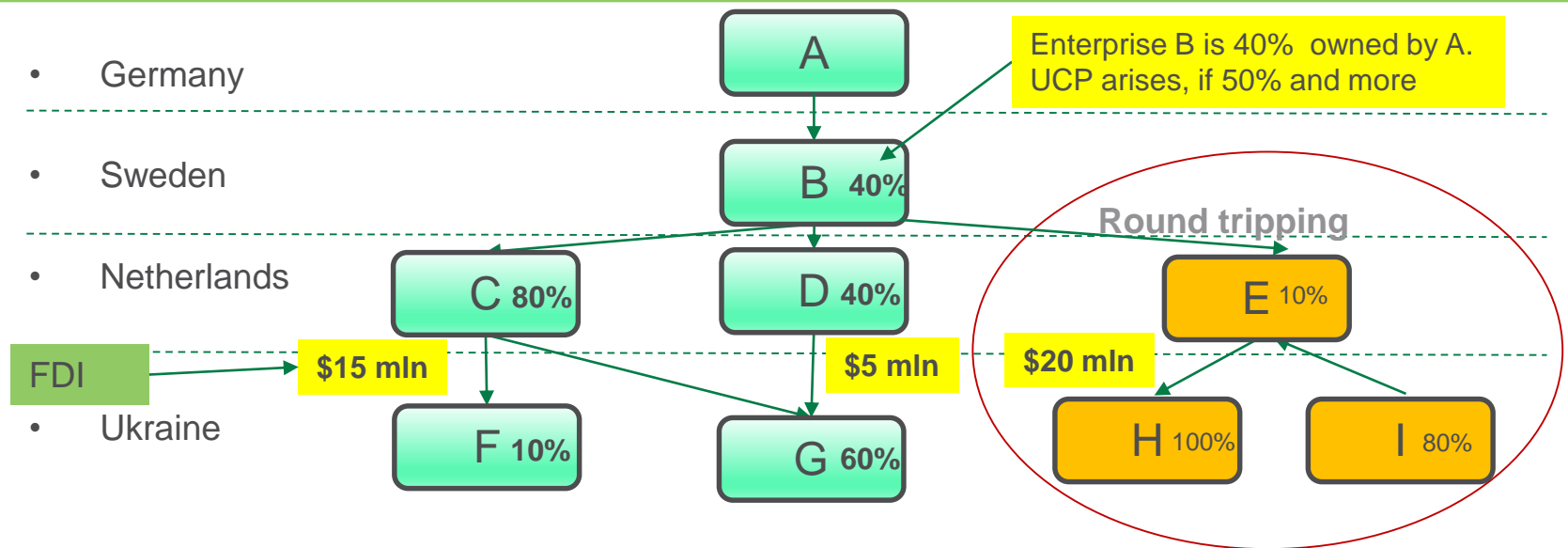


Source: OECD FDI statistics database, FDI inward positions by partner countries (ultimate investor or ultimate host):

Germany – available data as of the end of Y2021;

Czech Republic, France, Italy, Estonia, Poland, Lithuania, Austria and Slovenia – as of the end of Y2022.

# An illustration of the reallocation of FDI positions to the ultimate investing country\*



According to the standard presentation by country (on an immediate investor basis Ukraine would show \$40 mln (15+5+20) of inward FDI positions from Netherlands. According to the supplemental presentation of inward positions by UIC (Ultimate investing country) :

**\$15 mln** investment from C into F would be relocated to Sweden, as enterprise B is the ultimate investor in enterprise F (as the UCP of enterprise C);

**\$5 mln** investment from D into G would remain allocated to Netherlands as enterprise D is the ultimate investor in enterprise G (no enterprise exerts control over enterprise D, so enterprise D is its own UCP);

**\$20 mln** investment from E into H would be reallocated to Ukraine as enterprise I is the ultimate investor in enterprise H (as the UCP of enterprise E). It is **Round tripping**.

***! Redistribution of investments by country UCP does not lead to a change in the total amount of FDI.***



\* OECD benchmark definition of foreign direct investment: fourth edition – OECD 2008, Annex 10