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#### Group of Experts on National Accounts

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Item 5 of the provisional agenda

#### **Data sharing to better measure multinational enterprise groups' activities**

## **Globalisation - Overview of European ongoing activities and prioritisation**

**Prepared by Eurostat<sup>1</sup>**

### *Summary*

Because of the challenges posed by multinational enterprises, identification of best practices and international agreements on practical guidelines to foster international comparability are essential to guarantee the reliability and the credibility of official statistics, including the investigation of suitable channels for more information exchange.

At European level, there is close collaboration and regular interaction between national accountants, BOP experts and business statisticians at both managerial and technical levels.

This paper provides an overview of the current European initiatives related to globalisation in the field of macroeconomic statistics and business statistics, including: the Early Warning System, the GNI MNE pilot exercise (GNI pilot), the task force on Integrated Global Accounts and Global Production (IGA), the FIGARO project, the EuroGroups Register (EGR) and European Profiling.

The purpose of the EWS is to ensure early knowledge of important MNE restructuring, to agree treatment among countries concerned, and then to guarantee consistent statistics and coordinated implementation and communication. It is triggered as soon as restructuring of an MNE is known and more than one country is affected.

The GNI MNE pilot exercise was initiated as a response to the measurement challenges posed by MNEs to National Statistical Authorities regarding the provision of good quality and comparable GNI data. The political relevance of GNI figures is extremely high in Europe, since GNI data are used to determine the contribution share of each EU Member States to the EU Budget.

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<sup>1</sup> Prepared by Filippo Gregorini - Eurostat, with contributions from the Eurostat domains in charge of the projects

The IGA project was launched in 2016 to better capture the impacts of economic globalisation on national accounts and balance of payments, by providing horizontal support to the more detailed case-by-case approach in EWS and GNI pilot.

The FIGARO project – run together with the JRC – aimed at producing an experimental database of EU inter-country Supply, Use and Input-Output Tables in line with ESA 2010 methodology. Newly developed methodologies are implemented regarding trade asymmetries and adjustments to national accounts data. Voluntary additional data are welcome. Time series of a balanced view of trade in goods are available on request.

The EGR - the central statistical business register of Eurostat covering MNEs groups operating in Europe – provides a coordination frame to EU and EFTA countries for the production of consistent statistics on globalisation. Eurostat is currently exploring and testing new possible data sources to enrich the EGR (including cooperation with universities and foundations).

European profiling was developed to statistically implement the growing focus on the 'enterprise' in the economic meaning – beyond the purely legal definition of groups. It is based both on dialogue with MNE accountants and the exchange of information between Eurostat and the profilers from different National Statistical Institutes (NSIs).

It is worth mentioning that close and fruitful cooperation and collaboration with national and international bodies, including extensive data exchange via secure communication channels in some cases, is key to success for all the projects discussed in the paper.

## I. Introduction

1. Multinational enterprises (MNEs) pose serious challenges to preserve the reliability and the credibility of official statistics. It is therefore necessary to identify best practices and to agree internationally on practical guidelines for fostering international comparability.
2. Within the European Statistical System (ESS), and given the importance of close collaboration between national accountants, Balance of Payments (BOP) experts and business statisticians, a joint task force of Directors of business and macroeconomic statistics (Joint BSDG/DMES Task Force on globalisation) has been established, and regular interactions also occur in technical level groups.
3. This paper provides an overview of the current European initiatives related to globalisation in the field of macroeconomic statistics and business statistics.
4. The success of all the European initiatives on globalisation crucially depends on cooperation and collaboration between national and international bodies, also through enhanced data exchange. The availability of secure communication channels is therefore essential for the exchange of confidential information.

## II. Early Warning System

5. Unanticipated major restructuring events of MNEs in 2015 and 2016 challenged user perceptions of the quality and consistency of European business statistics and National Accounts.
6. The “Early Warning System” (EWS) was established in 2017<sup>2</sup>, to detect in a timely manner, and being prepared for, restructuring events of MNEs. In particular, the purpose of the EWS is:
  1. to facilitate an early knowledge of restructuring cases across Member States directly concerned with the aim of achieving, to the degree possible, an agreed methodological treatment of the cases by the national data compilers;
  2. to ensure the consistency of European statistics as regards such globalisation events;
  3. to ensure a coordinated timing in the publication of first results and revisions;
  4. to ensure a timely, harmonised and interlinked communication towards users of national and European statistics.
7. The EWS is intended as a clearly structured, light (non-legislative) procedure based on the voluntary cooperation between national data compilers and Eurostat. It crucially relies on a network of national EWS correspondents, coordinated by Eurostat (which ensures the secretariat), who have started working on concrete restructuring cases.
8. ESS countries should trigger the EWS as soon as they learn about the restructuring of an MNE with potential sizeable effects on national and European statistics, without waiting until the impact of a restructuring becomes visible in the statistics. The EWS could also be

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<sup>2</sup> First ideas for an EWS which were discussed in the ESS seminar of February 2017 and at the meeting of the Joint BSDG/DMES Task Force on globalisation in March 2017. A proposal for the EWS was presented to the BSDG at its meeting on 19-20 June 2017 and the DMES at its meeting on 21-22 June 2017. Both the BSDG and the DMES supported the EWS and its timely implementation as a light process.

triggered by information available at European level, for example by Eurostat or the European Central Bank.

9. At present, fourteen restructuring cases have been reported to the EWS, and 18 EU Member States and 2 EFTA Countries have been directly involved in at least one EWS case. Seven cases have been closed, and the other seven are ongoing, i.e. information is being collected and/or the statistical impact is being assessed. Three of the eight ongoing cases are recent and concern a financial services group, an automotive manufacturer, and an electronic goods manufacturer.

N°	MNE INVOLVED	DESCRIPTION	STATUS
1	Online retailer	Former logistics centre become retail traders	CLOSED
2	Online media content seller	Relocation of an unit	CLOSED
3	International restaurant chain	Relocation of an unit	CLOSED
4	Low cost carrier	Set up of affiliate company	Intermediate assessment
5	Social network	Changes to booking of advertisement income	Intermediate assessment
6	Oil and gas (1)	Merger	CLOSED
7	Oil and gas (2)	Acquisition	Open
8	Consumer goods manufacturer	Simplification of management structure	CLOSED
9	Tobacco producer	Setting up of a new factory	CLOSED
10	Financial services group	Moving headquarters	Open
11	Pharmaceutical company	Acquisition	Open
12	Electronic goods manufacturer	Moving headquarters	Open
13	High Technology manufacturer	Transfer of registration of licenses	CLOSED
14	Automotive manufacturer	Relocation of production	Open

10. The individual cases are discussed with the national correspondents of the concerned countries. An anonymised methodological summary note is also drafted for each case in order to build up a repository of cases and their treatment in statistics. The methodological summary notes are available to the EWS network of correspondents<sup>3</sup>.

11. Eurostat has established cooperation with the European System of Central Banks (ESCB) and the European Central bank (ECB), building on the support of the Joint BSDG/DMES Task Force in March 2018, which stressed the importance of enhanced collaboration and of trust and respect of statistical confidentiality.

<sup>3</sup> Eurostat organises regular annual webinars for the EWS national correspondents.

12. To ensure statistical confidentiality, documents related to EWS cases are shared via a dedicated interest group” in the “secure CIRCABC”<sup>4</sup> environment or encrypted emails. In secure CIRCABC, a separate folder for each case has been implemented, with access limited to the actors involved.

13. The National EWS correspondents should ensure the involvement of their respective National Central Bank’s (NCB) statistics department (counterparts) in EWS cases where external statistics, financial statistics or any underlying primary data under their responsibility are affected. Likewise, NCBs should inform national EWS correspondents when they become aware of potential cases. The relevant NCBs and the ECB statistics department are expected to participate fully in any case-specific task forces where external, financial statistics or any underlying statistics under their responsibility are affected. In this sense, the recent discussions on the EWS case concerning a financial service group has shown the beneficial effects of full cooperation between institutions.

14. More cases are expected to be raised during the course of 2019. NSIs and NCBs play a central role in the timely identification of new possible situations that deserve the attention of the EWS. In any case, the EWS will continue to be developed as a light system based on voluntary cooperation and learning by doing.

### **III. GNI-related work on globalisation: MNEs Pilot exercise**

15. To deal with globalisation issues in the context of GNI and ensuring comparable and consistent GNI statistics across all Member States, in February 2018 the European Statistical System Committee (ESSC) decided to launch GNI pilots on multinational enterprises, as proposed by the group of Directors of Macroeconomics Statistics of the ESS (DMES). The objective of the MNE pilots is to achieve by the end of the current GNI verification cycle in December 2019 a reasonable understanding of the reliability of the recording of globalisation issues in GNI data. The ESSC also mandated the BSDG-DMES Joint Task Force to steer the implementation of the pilot exercises and the development to take this work forward.

16. The pilots concern 25 MNEs cases, identified by a dedicated DMES task force in January 2018 on the basis of a GNI questionnaire on globalisation and other available information. The design of the pilot exercise builds on a thorough reflection on priorities, aiming in particular at a balanced coverage of globalisation issues and repartition of work between Member States. The work is conducted in close cooperation with all relevant statistical domains.

17. The practical implementation of the pilots is based on ad hoc guidelines endorsed by the Joint BSDG/DMES Task Force, and the available qualitative/quantitative questionnaire and final reporting template developed by Eurostat. The guidelines present for each stakeholder the roles, responsibilities and the required action steps. The qualitative/quantitative questionnaire are used by the lead country to collect qualitative/quantitative information from partner countries. The reporting template has been designed to harmonise the output of the 25 pilots.

18. The GNI pilots crucially rely on all involved parties’ acceptance to share confidential data between ESS members<sup>5</sup> and National Central Banks on a need to know basis. To

<sup>4</sup> CIRCABC provides a secured working area to share information in the European Commission and among registered users, organised in interest groups.

<sup>5</sup> In December 2017 the DMES agreed on a legal note concerning the Regulation 223/2009, which enables the sharing of confidential data on a voluntary basis between ESS members.

guarantee the confidentiality of all exchanged microdata within the pilots, mechanisms and procedures (“secure CIRCABC”, as for the Early Warning System) for the safe sharing of microdata were elaborated and put in place during 2018 and a Code of Conduct on Micro-Data Sharing in the context of the MNE Pilot Exercise (see Annex) has been finalised in January 2019.

19. The field work of the MNE pilot exercise is scheduled to run between March 2018 and May 2019. The pilot is split in two phases: phase 1 includes MNEs that have already been profiled between 2015 and 2017 and ran until February 2019; phase 2 is looking at MNEs profiled after 2017 and is running until May 2019.

20. Based on a first assessment made in October 2018 on progress made in the pilots, priorities and emerging issue include: achieving and keeping in mind the original mandate and objectives of the exercise; focussing on significant activities of enterprises based on materiality threshold; enhancing participation and cooperation with NSIs & NCBs; confirming and reinforcing relations with business statistics; listing the most prominent issues to be addressed,

- the structure of the Global Enterprise Group (GEG) in the EU (units missing or double counted and the impact on value added)
- economic vs. legal ownership of products and assets
- treatment of IPP / R&D.<sup>6</sup>

21. After the finalisation of the Code of Conduct on Micro-Data Sharing in the context of the MNE Pilot Exercise a follow-up meeting of the GNI MNEs Pilot exercise took place in Luxembourg 13-14 March 2019 where final reports were presented by the Lead Countries of the Phase 1. The big achievement of the finalisation of Phase 1 with draft final reports and a voluntary confidential information sharing on an unprecedented scale between statistical authorities (NSIs and NCBs (also customs authorities in some countries)) of EU Member States have been possible thanks to the framework described above. The final results of the pilot will be analysed in the coming months, taking into account phase 2 cases. Conclusions and recommendations for the future will be developed still this year.

#### **IV. Task Force Integrated Global Accounts**

22. The project "Integrated Global Accounts and Global Production (IGA)" was launched in 2016, with the overall aim to better capture the impacts of economic globalisation on statistics delivered by the accounting frameworks of national accounts and balance of payments. This provides horizontal support to the more detailed case-by-case approach, which may be seen in the Early Warning System or in the GNI-related approach. The work is organised by a dedicated IGA task force.

23. On 16 March 2018, the IGA project organised a seminar on “Economic globalisation: Addressing measurement challenges related to IPPs”. The seminar looked at methodological and conceptual elements of IPPs and gave an overview of the cross-country trade in IPP related services. A panel discussion with the participation of all speakers concluded that a)

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<sup>6</sup> The GNI committee of 21-22 November 2018 took note of the progress made on globalisation and found that the progress report properly covered the extensive number of ongoing issues. Moreover, the GNI committee discussed the code of conduct and concluded that the code was agreed by a large majority of Member States. Further, it was concluded that the current emerging issues document captured well the issues at stake. Finally, Eurostat reiterated the need for a good cooperation between national accounts and business statistics.

as MNEs operate globally, there is a need for sharing relevant data between concerned countries in order to obtain consistent and timely information, b) contact with tax administrations would be beneficial, as they have better picture of the economic activities of the MNEs, c) close cooperation with companies and regular contact with them is essential, and d) although international manuals provide methodological basis, the real-life cases create considerable challenges for the statisticians. Careful investigation is necessary to improve this situation.

24. In the sixth meeting of the IGA task force in October 2018 several topics were discussed and analysed. First of all, there has been a review of country activities under the IGA grants in the area of global production and data quality. EU initiatives aiming at ensuring tax transparency of MNEs have been discussed and cross-border flow of income from BoP and GNI perspectives have been analysed. Moreover, the work done under Eurostat's FIGARO project and the UN Expert Group's work on Handbook on accounting for global value chains has been presented to the task force Members.

25. The mandate of the IGA project expired in December 2018. As the project has created the basis and infrastructure for continued work in the area of economic globalisation, Eurostat has decided to continue the work by taking over some of the elements established during the IGA project and further developing them

26. The agenda of the seventh meeting of the IGA task force, scheduled for 2-3 April 2019, includes presentations from two Member States about the major challenges faced in the treatment of goods for processing and merchanting and some concrete ways to address them. Moreover, purpose, benefits and practical steps in carrying out global value chains studies are to be discussed. Other issues include a discussion on a possible need for an update of the UNECE Guide for measuring global production, identification of factoryless goods producers and Eurostat's business statistics plans related to globalisation.

## V. FIGARO Project

27. In the context of the scientific projects of the construction of multi-regional Input-Output (MRIO) databases, Eurostat – together with the Joint Research Centre of the European Commission – has been developing a project aimed to produce an experimental database of EU inter-country Supply, Use and Input-Output Tables (EU-IC-SUIOTs) in line with ESA 2010 methodology.

28. The EU-IC-SUIOTs serve to support the analyses of the economic, social and environmental consequences of globalisation in the EU by means of studies on competitiveness, growth, productivity, employment, environmental footprints and international trade. FIGARO 2010 tables have been disseminated in April 2018, and the project aims to provide a time series 2010-2018 by the end of 2020.

29. The project allows to address the challenge of trade asymmetries, thanks to access to a consolidated trade data that allow improving the quality of National Accounts in terms of country comparability. The Eurostat team developed a specific methodology to decompose the trade in goods between a Quasi-transit, a Domestic and a Re-export component (QDR methodology). One other important achievement is the treatment of goods sent abroad for processing and merchanting to adjust the balanced view of trade to the national accounts data.

30. A statistical working paper on FIGARO will be available in April 2019, describing in more details the data inputs and the methodology.

31. The whole project for a time series of EU inter-country input-output tables rely very much on voluntary data information, for which we encourage EU countries to continue their cooperation with Eurostat and continue (or start) transmitting voluntary SUT data.

32. Datasets of balance trade in goods data for the period 2010 to 2017 are now available for countries on their request, to investigate its use. Datasets of a time series balance trade in services will be soon available.

## VI. The EuroGroups Register

33. The EuroGroups Register (EGR), the central statistical business register of Eurostat and the EU and EFTA countries' statistical authorities, covers MNE groups operating in Europe. The EGR has been constantly growing in terms of quality and coverage over the years.

34. The data exchange from NSIs to the EGR and from the EGR to NSIs and national central banks is executed via secure communication tools. Data are made available within the European Statistical System and the European System of Central Banks to facilitate the production of globalisation-related statistics (such as SBS, FDI, FATS, etc.). This EGR data was also used for the GNI pilots.

35. The EGR, in its current production system 2.0, has completed successfully four production cycles for reference years 2014 to 2017 and has reached a good level of maturity. The future developments aim at improving:

- the input, process and output quality (in particular the coverage of the MNE groups and availability of the economic characteristics);
- the data exchange and production processes;
- the performance of the IT system.

36. Additional sources of information such as crowdsourcing platforms, web crawling and different open data projects are seen as further opportunities to increase the quality of the EGR. Eurostat is collaborating with Leipzig University to explore the possibility of using DBpedia as additional source for enriching the EGR (DBpedia extracts structured information from Wikipedia).

37. Eurostat also collaborates with the Global Legal Entity Identifier Foundation (GLEIF), that manages the globally unique legal entity identifiers (LEI) as well as on the GLEIF level-2 data on relationships of legal units, with the aim to record the LEIs also in the EGR.

38. Eurostat will continue to explore and test new possible data sources to enrich the EGR and to improve the quality of MNE groups data.

39. Eurostat also aims at strengthening the user interaction and monitoring the use of the EGR by the user domains (FATS, FDI, GNI, etc.). The EGR should e.g. serve as backbone (= main data source) for FATS statistics production. The collaboration with FDI has been intensified, to further investigate the FDI needs and get the EGR used as much as possible. Also, the GNI pilots used the EGR data as basic data source and for quality checking purposes.

40. On 22nd of March 2019, the EGR data on MNE groups for the reference year 2017 has been processed and made available to the users. In the final EGR frame for reference year 2017 the number of more than 121,000 multinational enterprise groups active in Europe has been consolidated.



## VII. European profiling

41. European profiling is a collaboration method among all countries that host on their territory enterprises that are part of a same multinational enterprise group. The NSIs that take part in European profiling of an MNE define and agree on its legal, financial and economic structure and delineate its main economic activities irrespective of geographical borders.

42. European profiling targets the largest and most complex multinational enterprise groups operating in Europe. It seeks a consistent portrayal of these groups both within and across borders, and as such it is based on a top-down approach. This means that profilers start their work from the group as a whole. From there they derive the constituent enterprises based on economic relevance, autonomy and the possibility to collect data.

43. European profiling has been tested by 26 countries in the period 2013-2018. From 2015 onwards, the profiling data has been exchanged through a dedicated secure and collaborative platform developed by Eurostat, i.e. the Interactive Profiling Tool (IPT). In 2018, 26 countries were using the IPT, either following the regular European profiling cycle or testing the tool. In total, by end of 2019, more than 500 multinational groups will be profiled with the European profiling methodology and IPT. The integration of the results of European profiling into the national business registers and the EGR is being developed. A short terms solution will be implemented by 2020.

## VIII. Past and future events

44. At international level, globalisation issues were recently discussed in several international fora, including the OECD 'Joint meeting of the Working Party on Financial Statistics and the Working Party on National Accounts' in November 2018; the 12<sup>th</sup> meeting of the Advisory Expert Group on National Accounts (AEG), also in November 2018, which identified Globalisation as one of the three priority areas for the SNA research agenda (the other ones being Digitalisation and Well-being and sustainability); the DMES meeting in December 2018 and the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) meeting in February 2019.

45. In Europe, Globalisation will be the subject of the 2019 DGINS Conference, scheduled in Bratislava in October, where the heads of the NSIs in the European Statistical System will discuss challenges and strategic answers. At global level, following up the 12<sup>th</sup> AEG meeting, the Intersecretariat Working Group on National Accounts (ISWGNA) has set up a subgroup to address globalisation issues at technical level and to provide guidance.

## ANNEX

### **Code of Conduct on Micro-Data Sharing in the context of the MNE Pilot Exercise**

*final version - January 2019*

#### **1. Introductory note**

- 1.1. This Code of Conduct has been drafted under the umbrella of the European Statistics Code of Practice, as endorsed by the European Statistical System Committee on 16 November 2017. Insofar as National Central Banks are concerned, it applies without prejudice to Council Regulation 2533/98 and the Public Commitment on European Statistics by the ESCB.
- 1.2. The handling of confidential micro-data in the MNE Pilot Exercise, as provided for in this Code of Conduct, does not add any additional requirements to those of the European Statistics Code of Practice. The purpose of this Code of Conduct is to provide clarifying details for the implementation of Principle 5 (on Statistical Confidentiality and Data Protection) of the European Statistics Code of Practice in the MNE Pilot Exercise.

#### **2. Definitions and abbreviations**

- 2.1. MNE: each of the 25 Multinational Enterprise Groups sampled for the MNE Pilot Exercise according to article 3.1.
- 2.2. National coordinator: the body responsible for producing national accounts statistics in a Member State, usually a National Statistical Institute (or in exceptional cases a National Central Bank). The national coordinator is carrying out the pilot work on behalf of a Member State. In particular, the national coordinator is responsible for sharing the micro-data with other Member States and with Eurostat using the micro-data sharing platform.
- 2.3. Affiliates: bodies other than the national coordinator, in a Member State, who are contributing to the production of European Union statistics relevant for the pilot. An affiliate can be a National Central Bank, a National Statistical Institute (in exceptional cases) or other body in that Member State. Affiliates are responsible for sharing micro-data with their national coordinator to enable it to carry out the work of the pilot on behalf of that Member State. They may share micro-data with other Member States and with Eurostat using the micro-data sharing platform.
- 2.4. Eurostat: the Statistical Office of the European Union, which acts as administrator of the Code of Conduct.
- 2.5. ESS: the European Statistical System.
- 2.6. ESCB: the European System of Central Banks.
- 2.7. Micro-data: MNE data collected by the national coordinator or the affiliates through the business statistics, national accounts and balance of payments collection system, or other data sources, that are relevant for the objectives of the MNE Pilot Exercise as described in articles 3.1 and 3.2. In the context of this Code of Conduct, micro-data includes both quantitative and qualitative information.
- 2.8. MDS: Micro-Data Sharing in the MNE Pilot Exercise.

- 2.9. MDS platform: the S-CIRCABC platform which acts as a repository for micro-data sharing between Member States. The micro-data sharing platform is hosted by the Directorate-General for Informatics (DIGIT) of the European Commission and managed by Eurostat.
- 2.10. Code of Conduct: the present document that national coordinators, affiliates and Eurostat agree to abide by in the context of the MNE Pilot Exercise.
- 2.11. GNI: Gross National Income.

### **3. Context and purpose of the Code of Conduct**

- 3.1. In order to achieve by the end of the current GNI verification cycle in December 2019 a reasonable understanding of the reliability of the recording of globalisation issues in GNI data and of the problems involved, Eurostat launched in 2018 the MNE Pilot Exercise. In order to contribute to such a reasonable understanding, a sample of 25 MNEs has been agreed by the national coordinators and Eurostat.
- 3.2. The aim of the MDS is to provide national coordinators and affiliates with the necessary micro-data for the analysis of the current compilation practices for measuring the value added and employment of a given MNE and its distribution within the EU. The secondary objectives will be to look at the research and development performed, location of Intellectual Property Products (IPPs), intra- and extra-MNE trade flows and methodological consistency across Member States for a given MNE, in the context of national accounts and balance of payments.
- 3.3. At their meeting on 8 February 2018 the ESS Committee supported the launch of the MNE Pilot Exercise and underlined its importance for assuring comparable and consistent GNI statistics across all Member States (document ESSC 2018/36/05).
- 3.4. This Code of Conduct is in line with the guidelines concerning the MNE Pilot Exercise adopted by the Joint BSDG/DMES Task Force on Globalisation.
- 3.5. Member States participate in the MDS for the MNE Pilot Exercise on a voluntary basis.
- 3.6. The purpose of this Code of Conduct is to facilitate the implementation of the MDS on a voluntary basis in the context of the MNE Pilot Exercise. This code refers exclusively to the MDS taking place in the context of the MNE Pilot Exercise.
- 3.7. Allowing the voluntary MDS among National Statistical Institutes and Eurostat within the MNE Pilot exercise is provided by Article 21 of Regulation (EC) No 223/2009 of the European Parliament and of the Council of 11 March 2009 on European statistics, complemented in some countries by national regulations as necessary.
- 3.8. In particular, the National Statistical Institutes and Eurostat are bound by Chapter V of Regulation 223/2009 to respect statistical confidentiality. In addition, sharing EGR data for the MNE Pilot Exercise fully respects the Regulation 177/2008 in terms of confidentiality and access to identifiable data.
- 3.9. For the National Central Banks Articles 8 and 8a on statistical confidentiality of Council Regulation 2533/98 apply.
- 3.10. For their work in the context of the MNE Pilot Exercise the National Statistical Institutes and Eurostat commit themselves to adhere to the European Statistics Code of Practice, as adopted by the European Statistical System Committee on 16 November 2017. In particular, National Statistical Institutes and Eurostat are bound by Principle 5 on Statistical Confidentiality and Data Protection to respect statistical confidentiality.

- 3.11. The National Central Banks are bound by the Public Commitment on European Statistics by the ESCB.
- 3.12. The present Code of Conduct sets out the rules to be followed by national coordinators, affiliates and Eurostat when handling micro-data, and defines the procedures to be followed by Eurostat as administrator of the MDS platform, in the context of the MNE Pilot Exercise.

#### **4. The Code of Conduct**

##### **National coordinators**

- 4.1. Are carrying out the pilot work on behalf of a Member State. For this purpose, they coordinate with affiliates in their country to collect relevant micro-data from them so as to achieve the objectives of the pilot.
- 4.2. When coordinating with the affiliates in their country, are responsible to provide them, when requested, with feedback on how the micro-data that the affiliates shared with them was analysed and what qualitative and quantitative results were obtained from the analysis.
- 4.3. Represent a Member State in the context of the MNE Pilot Exercise and act as a point of contact with other Member States and Eurostat.
- 4.4. Agree to share micro-data with other Member States and with Eurostat using the MDS platform.
- 4.5. When sharing and handling shared micro-data agree to follow the rules and practices stipulated in this Code of Conduct.

##### **Affiliates**

- 4.6. Coordinate with their national coordinator so as to achieve the objectives of the pilot.
- 4.7. Within the terms of relevant European and national legislation, agree to share with their national coordinator relevant micro-data to enable it to carry out the work of the pilot on behalf of their Member State.
- 4.8. May share micro-data with other Member States and with Eurostat using the micro-data sharing platform.
- 4.9. When sharing and handling shared micro-data agree to follow the rules and practices stipulated in this Code of Conduct.

##### **Eurostat**

- 4.10. Acts as the administrator of the Code of Conduct.
- 4.11. Manages the MDS platform.
- 4.12. When handling micro-data received from the national coordinators and affiliates via the MDS platform, follows the rules and practices stipulated in this Code of Conduct.

##### **Administration of the Code of Conduct**

- 4.13. The Code of Conduct is administered by Eurostat
- 4.14. For the approval of the Code of Conduct, the following procedure shall be followed:
- each national coordinator will associate the relevant affiliates in their consultation process about the Code of Conduct.
  - the Joint BSDG/DMES Task Force on Globalisation approves the Code of Conduct.

- Eurostat informs all national coordinators in writing of the approval of the Code of Conduct. National coordinators inform affiliates in their country of the approved Code of Conduct.

#### **Description and use of the MDS platform**

- 4.15. To implement the MDS with other Member States, the national coordinators and the affiliates shall use the MDS platform.
- 4.16. All micro-data shared by national coordinators and affiliates with other Member States shall be shared exclusively via the MDS platform.
- 4.17. The MDS platform shall take the form of a private workspace (called Interest group) on S-CIRCABC, named "GNI MNE Pilot".
- 4.18. The Interest Group shall be composed of a "General coordination" folder accessible to all national coordinators (and affiliates if requested by their national coordinator) and 25 MNE folders (numbered from MNE\_01 until MNE\_25), one for each MNE analysed in the pilot and accessible only to national coordinators (and affiliates if requested by their national coordinator) in whose countries the respective MNE is active.
- 4.19. The MDS platform shall be used to:
- upload encrypted files;
  - store files for a period of time as defined in articles 4.39, 4.40 and 4.41;
  - download encrypted files uploaded by other national coordinators, affiliates and/or Eurostat;
  - manage access rights for national coordinators, affiliates and Eurostat.
- 4.20. National coordinators' and affiliates' access to the MDS platform shall be granted and managed by Eurostat as described in article 4.18.

#### **Micro-data handling by national coordinators and affiliates**

- 4.21. The National Statistical Institutes shall use the received micro-data in the MNE Pilot Exercise exclusively for statistical purposes in accordance with Regulation 223/2009 for the analysis of the current measurement of each MNE's activities and their distribution within the EU.
- 4.22. The National Central Banks shall use the received micro-data in the MNE Pilot Exercise exclusively for statistical purposes in accordance with Council Regulation 2533/98, Article 8a (3), for the analysis of the current measurement of each MNE's activities and their distribution within the EU.
- 4.23. National coordinators and affiliates are not allowed to use the micro-data received as a basis for decisions on MNEs.
- 4.24. The term "decisions" in article 4.23 include in particular:
- imposing penalties for erroneous, missing or late reporting;
  - other administrative or judicial sanctions.
- 4.25. The national coordinators and affiliates shall not provide the micro-data supplied to third parties and shall take active measures to prevent third parties from viewing, processing or using the micro-data supplied in their shared form or in processed form, in part or in their entirety.
- 4.26. The national coordinators and affiliates shall ensure that only persons working in the MNE Pilot Exercise have access to the micro-data supplied.

- 4.27. In accordance with Regulation 223/2009, the national coordinators and affiliates shall ensure that the persons stipulated in 4.26 shall observe the confidentiality of micro- data that they will learn about while carrying out the work in the MNE Pilot Exercise. Those persons may be liable in accordance with the applicable national law.
- 4.28. The national coordinators and affiliates shall ensure that the micro-data are protected adequately, both physically and logically.
- 4.29. The national coordinators and affiliates shall upon request demonstrate the measures mentioned in the articles 4.26, 4.27 and 4.28 to the party that supplied the micro-data.

#### **Miro-data handling by Eurostat**

- 4.30. During the storage period defined in article 4.40, the files loaded by national coordinators and affiliates will be stored in the secure environment of the MDS platform. Upon expiry of the storage period, Eurostat shall destroy these files as indicated in article 4.40.
- 4.31. Eurostat shall not ensure back-up of the files loaded by national coordinators.
- 4.32. Eurostat shall not provide the micro-data loaded and stored in the MDS platform to third parties and shall take active measures to prevent third parties from viewing, processing or using them, in part or in their entirety.
- 4.33. Eurostat shall ensure that only EU personnel working on the MNE Pilot Exercise have access to the micro-data.
- 4.34. In line with the rules on statistical confidentiality in Regulation 223/2009, Eurostat shall ensure that the persons stipulated in 4.33 shall observe the confidentiality of micro-data that they will learn about while carrying out the work in the MNE Pilot Exercise. Those persons may be liable in accordance with the applicable national law.
- 4.35. Eurostat shall ensure that the micro-data are protected adequately, both physically and logically.
- 4.36. Eurostat shall upon request demonstrate the measures mentioned in the article 4.33, 4.34 and 4.35 to the party that supplied the micro-data.

#### **Communication with MNEs**

- 4.37. The national coordinators and affiliates may contact units of an MNE who are registered in their own country, based on the micro-data received from another Member State in accordance with this Code of Conduct. Contacts to units of the MNE which are located in the Member State that supplied the micro-data are not permitted.
- 4.38. In the context of the MNE Pilot Exercise the national coordinators, affiliates and Eurostat shall not reveal any micro-data about an MNE to another MNE.

#### **Duration of micro-data storage on the MDS platform**

- 4.39. The storage of interim and final reports is not limited in time.
- 4.40. The storage of micro-data files in the MDS platform is limited to 31 December 2020 the latest, i.e. 19 months after the end of the MNE Pilot Exercise. During this period Eurostat will keep the MDS platform open and accessible to all national coordinators and to those affiliates who have been granted access to the platform according to article 4.18. This delay is granted to deal with any review/rectification of the micro-data, analysis and/or results that national coordinators, affiliates or Eurostat may wish to undertake. Eurostat shall erase the loaded micro-data files and close the MDS platform by the latest on 31 December 2020.

4.41. The personal data of national coordinators and affiliates who have been granted access to the platform according to article 4.18 (names, emails, phone numbers) in possession of Eurostat will also be erased by the latest on 31 December 2020.

**Duration of micro-data storage by the receiving national coordinators and affiliates**

4.42. The storage of the micro-data files uploaded on the MDS platform is limited to 31 December 2020.

4.43. The receiving national coordinators and affiliates shall destroy the micro-data received in accordance with this Code of Conduct by the latest on 31 December 2020. Confirmation of the destruction of the micro-data shall be submitted to Eurostat as the administrator of this Code of Conduct.

**Transfer of rights**

4.44. The parties (national coordinators, affiliates and Eurostat) are not allowed to transfer rights from this Code of Conduct to third parties.

**Duration of the validity of this agreement**

4.45. The agreement is valid until 31 December 2020.

4.46. Without prejudice to article 4.40 Eurostat commits to maintain the IT infrastructure and the MDS platform for the entire duration of the MNE Pilot Exercise and until 31 December 2020.

**Changes to the Code of Conduct**

4.47. Eurostat and each national coordinator may propose amendments to the present Code of Conduct at any time.

The amendments shall be adopted following the procedure described in articles 4.13 and 4.14.

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