



Highlights of GAO-08-946, a report to the Committee on Banking, Housing, and Urban Affairs, U.S. Senate

Why GAO Did This Study

Sovereign wealth funds (SWF) are government-controlled funds that seek to invest in other countries. With new funds being created and many growing rapidly, some see these funds providing valuable capital to world markets, but others are concerned that the funds are not transparent and could be used to further national goals and potentially harm the countries where they invest.

GAO plans to issue a series of reports on various aspects of SWFs. This first report analyzed (1) the availability of publicly reported data from SWFs and others on their sizes and holdings internationally, and (2) the availability of publicly reported data from the U.S. government and other sources on SWFs' U.S. investments. GAO reviewed foreign government disclosures, Department of the Treasury (Treasury) and Department of Commerce (Commerce) reporting, and private researcher data to identify SWFs and their activities. GAO also analyzed information from international organizations and securities filings.

Treasury and Commerce commented that GAO's report provides timely and useful contributions to the SWF debate; SEC noted that U.S. securities requirements apply to all large investors, including SWFs.

Future GAO reports will address laws affecting SWF investments, SWF governance practices, and the potential impact of SWFs and U.S. options for addressing them.

To view the full product, including scope and methodology, click on [GAO-08-946](#). For more information, contact Yvonne Jones at (202) 512-8678 or jonesy@gao.gov or Loren Yager at (202) 512-4128 or yagerl@gao.gov.

SOVEREIGN WEALTH FUNDS

Publicly Available Data on Sizes and Investments for Some Funds Are Limited

What GAO Found

Limited information is publicly available from official government sources for some SWFs. While some have existed for decades, 28 of the 48 SWFs that GAO identified have been created since 2000, primarily in countries whose foreign exchange reserves are growing through oil revenues or trade export surpluses. GAO analysis showed that about 60 percent of these 48 SWFs publicly disclosed information about the size of their assets since the beginning of 2007, but only about 4 funds published detailed information about all their investments—and some countries specifically prohibit any disclosure of their SWF activities. Although the International Monetary Fund (IMF) currently collects data on countries' international financial flows, GAO found that only 13 countries separately reported their SWF holdings in public IMF documents. IMF plans to issue new reporting guidance in 2009 that asks countries to voluntarily report the size of their SWF holdings in their international statistics. While this could increase the transparency of SWFs, its success depends on the extent to which countries participate. In the absence of official national or international public reporting, much of the available information about the value of holdings for many SWFs is from estimates by private researchers who project funds sizes by adjusting any reported amounts to reflect likely reserve growth and asset market returns. For the funds GAO identified, officially reported data and researcher estimates indicated that the size of these 48 funds' total assets was from \$2.7 trillion to \$3.2 trillion. Some researchers expect these assets to continue to grow significantly.

U.S. government agencies and others collect and publicly report information on foreign investments in the United States, but these sources have limitations and the overall level of U.S. investments by SWFs cannot be specially identified. From surveys of U.S. financial institutions and others, Treasury and Commerce reported that foreign investors, including governments, private entities, and individuals, owned over \$20 trillion of U.S. assets in 2007, but the amounts held by SWFs cannot be specifically identified from the reported data because either the agencies do not obtain specific investor identities or the agencies are precluded from disclosing individual investor information. GAO found that as many as 16 of the 48 SWFs reported some information on their U. S. investments. One reported all U.S. holdings, but others only identified a few specific investments or indicated that some of their total assets were invested in the United States. Some SWF investments can be identified in U.S. securities filings, under a requirement for disclosure of investments that result in aggregate beneficial ownership of greater than 5 percent of a voting class of certain equity securities. At least 8 SWFs have disclosed such investments since 1990. GAO analysis of a private financial research database identified SWF investments in U.S. companies totaling over \$43 billion from January 2007 through June 2008, including SWF investments in U.S. financial institutions needing capital as a result of the 2007 subprime mortgage crisis. Additional U.S. reporting requirements would yield additional information for monitoring the U.S. activities of SWFs, although some U.S. officials have expressed concerns that they could also increase compliance costs for U.S. financial institutions and agencies and could potentially discourage SWFs from making investments in U.S. assets.