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Review of the first draft of the publication**“Impact of Globalisation on National Accounts:
Practical Guidance”****The treatment of special purpose entities: Country
experiences****Note by the Statistics Netherlands***Summary*

Special purpose entities are daughter companies of foreign multinational enterprises that have been set up in a specific country, often for fiscal reasons. Most of their financial and related income transactions are large and take place with companies in foreign countries. This paper presents country experiences on how special purpose entities have been treated in National Accounts. This paper also examines an special purpose entity classification table which is one result of the work of Eurostat Task Force on the recording of certain activities of multinationals in national accounts.

I. Treatment of Special Purpose Entities in the Netherlands

1. Many Special Purpose Entities (SPEs) have their residence in the Netherlands: at the end of 2008 there were more than 12,000 SPEs recorded in the Netherlands and they accounted for more than 1.6 trillion euros in assets and liabilities on their closing balance sheets in 2007. This amount equals almost three times gross domestic product (GDP). Annex I shows some key figures of SPEs in the Dutch National Accounts (NA).

2. Starting with the major revision of 2001, Statistics Netherlands included SPEs in Dutch NA. Introducing this specific group of companies in NA made it necessary to think of answers to several conceptual questions regarding the treatment of SPEs, because there were no clear guidelines or definitions in international manuals. In order to cope with these questions a project group was set up, consisting of representatives of both Statistics Netherlands (Centraal Bureau voor de Statistiek, CBS) and the Dutch Central Bank (De Nederlandsche Bank, DNB) that collects the data on SPEs. The group was assigned to formulate a decision tree by which SPEs could be detected. In this decision tree, all criteria concerning the definition of Dutch SPEs should be included.

A. Dutch definition of SPEs

3. At the time of the introduction of SPEs in the Dutch NA (Dutch Benchmark Revision 2001) international guidelines provided hardly any details on how to deal with these types of institutions. The 2008 System of National Accounts (2008 SNA) does hold guidelines on the treatment of SPEs.

4. In the Netherlands, a decision tree was introduced on how to define SPEs (see Annex II). In this tree distinction is made between the different SPE types, as defined in The Netherlands. As such, the Dutch definition of SPEs is the outcome of the criteria that are set up and shows many similarities to the recent international guidelines. Here, the different criteria are stated, to which a company has to comply in order to be recorded as an SPE. First of all, only resident entities, which are (in)directly controlled by foreign entities can obtain the SPE status. Therefore the first two criteria are:

1. The institutional unit is a resident entity

5. The SPE project group applied a rather practical criterion on residence in which a resident SPE should be an institutional entity registered at a Dutch Chamber of Commerce and conduct fiscal activities in the Netherlands. The Chamber of Commerce records all corporations with economic activity in the Netherlands and these entities should be described in Dutch NA. By adding the fiscal aspect it is assured a company will only be measured in one country, assuming an entity will normally be liable to tax in only one country (or at least pay taxes for a certain transaction in just one country).

2. The institutional unit is (directly or indirectly) foreign-controlled for more than 50 percent

6. When an entity complies with the first two criteria, it is 'benchmarked' against the criteria of the five different SPEs. For each group a different criterion can be used:

- For the financing and holding companies: do more than 90 percent of total assets (excluding trade credits) and more than 90 percent of liabilities relate to non-resident entities?
- For the royalty and license companies: do more than 90 percent of total returns consist of export of royalty and license fees?

- For factoring companies: do more than 90 percent of returns and costs consist of factoring from and to non-residents?
- For operational lease companies: is more than 90 percent of turnover reached cross-border and does more than 90 percent of liabilities relate to non residents?
- For the Special Purpose Vehicles (SPV) with foreign originator (that are controlled by a resident foundation) the foreign control criterion mentioned above (criterion 2) does not have to be met, because in most cases there is no direct or indirect foreign control. The criterion, if an SPV with foreign originator is identified, to qualify as SPE is almost the same as that of the financing and holding companies: do more than 90 percent of the assets and more than 90 percent of liabilities relate to non-resident entities?

7. If these criteria or questions can be answered positively, one could speak of an SPE. One last escape is introduced in the tree, to ensure no production unit is present within an SPE. If an entity's domestic turnover (of services produced in the Netherlands, no re-exports) exceeds 25 million or more, it is generally not classified as an SPE:

- Domestic turnover of the institutional unit does not exceed 25 million euro.

8. The decision tree, can be used without any problems for the "uncomplicated" cases. However, a foreign company might set up more than one company in the Netherlands. It can build a whole cluster of companies, with a domestic mother being major shareholder in its domestic subsidiaries. This might lead to incorrect definition of SPEs.

9. To come to a correct definition of individual companies within clusters like this, DNB and CBS decided that, when a company cluster is found in the Netherlands, the definition of each individual subsidiary will start at the bottom of the cluster, with the entities that do not have domestic daughter companies themselves. After this, the holding companies directly above these entities are examined and so on until the ultimate mother in the Netherlands can be examined in the tree. There will not be any problems if all entities within the cluster can be defined the same. However, if some entities in the cluster have clear SPE characteristics and others do not, a problem can occur when defining the status of the mother in the Netherlands.

10. The decision tree has proved to work well, especially for the 'simple' cases. It was set up to cover most of the possible SPE companies. For some complicated cases, even when applying the above approach, the tree does not suffice and in those cases it is up to the project group to make a well thought decision on the status of company in question.

11. Basically, problems occur if a (ultimately) foreign controlled domestic entity has subsidiaries in the same country. For cases where no inland subsidiaries exist, the (simple) decision tree can be used without any difficulties. When looking at a company with multiple subsidiaries in the same country, all assets might appear to stay in the Netherlands. But what really happens is that funds are channelled abroad through its SPE daughter(s). To qualify such an entity as a regular production unit would be unfair and wrong. International guidelines suggest looking through these types of entities.

B. Compilation of special purpose entities in Dutch National Accounts

12. In the previous section methods that are used in the Netherlands for detecting and registering SPEs were discussed. This section will touch upon another question posted on the research agenda. It will look at how relevant transactions by SPEs are compiled and recorded in the Netherlands. In addition, the main strengths and weaknesses of the sources and methods are discussed.

13. The question on the research agenda relevant to this section reads: 'How should the relevant transactions be recorded: as service, capital formation, income or financial transaction?' Statistics Netherlands tries to record SPE activities as detailed as possible. With the data that is available it compiles a complete set of NA data, from production account to other non-financial transactions, including interest, dividends, reinvested earnings and capital formation, concluding with the (large) financial transactions in the financial account. Although the available data is currently quite limited (there are, for example, no data on transactions with resident entities) Statistics Netherlands is capable, using several assumptions, to compile the complete data set.

14. The DNB is the institution responsible for the collection of survey data on SPEs. DNB is also responsible for the compilation of the Balance of Payments (BoP), including and excluding SPEs. New Dutch SPEs are obliged to report themselves to DNB. The largest SPEs have to report monthly on their financial and non-financial transactions with non-residents. Once a year they also have to report balance sheet figures. Because only the larger SPEs are questioned on such a regular basis, the reporting SPEs are grossed up to make up for the non-reporting (smaller) SPEs. Biannually benchmarking takes place to make sure no SPEs are missed and the grossing up is of the right size.

15. In compiling a complete set of NA data, several assumptions have to be made to come to a complete data set. This section will touch on some of these assumptions, in which vulnerabilities may lie. In Annex I, a more detailed account is given on the composition of SPE figures in Dutch NA.

16. One of the assumptions made relates to the domestic output of royalties and license fees. The output value of royalty and license fees is determined as the domestic revenues from royalty and licenses and the exports of these services. These are royalty and license fees "produced" by the Dutch SPE itself, so not "re-exported fees". To estimate the latter, it is assumed that all imported fees are directly exported to a mother company. Output by the SPE then consists of domestic sales plus total exports adjusted for "re-exports". Any fluctuation in exports will normally also be reflected in fluctuations in imports. The assumption is made that incidental fluctuations in the gap between imports and exports are the result of acquisitions (or disposals) of royalties or (sub) licenses. When the gap between imports and export shows a sharp rise during one period, the assumption is made that this is caused by an acquisition of non-financial assets. These amounts will be recorded as (negative) gross capital formation. Whether this method is (still) appropriate is currently under investigation. Mostly it is a technical intervention to limit fluctuation in royalty and license production and thus value added by SPEs.

17. Another illustration of vulnerability is formed by estimations of domestic transactions. With regard to the costs of SPEs, BoP information on the imports of SPEs is available. However, there is no data on the domestic costs (among which compensation of employees) made by SPEs. The same problem occurs in the primary income account and to a lesser extent in the financial account. No actual data on domestic transactions is available. Although presumably much smaller than transactions with foreign counterpart sectors, the lack of these data makes the estimation and interpretation of the economic behavior of the SPEs in the resident country much more difficult.

18. BoP information on financial accounts is available, although not as detailed as for non-SPE corporations. Here also, virtually no data on domestic transactions exist. Only data on balance sheets, distinguished between resident and non-resident counterpart sectors, is available (but not in time for the first provisional annual estimate, six months after the end of the reporting year). The latter data give an indication on how domestic financial transactions have developed. For the rest CBS estimates domestic transactions, mostly by extrapolating domestic figures using the development in foreign transactions.

19. To get a better idea of how big transactions with domestic counterparts are, the SPE Project group in the Netherlands has started on a route towards an enlarged questionnaire for SPEs. In this questionnaire SPEs are asked to fill out a complete profit and loss account including domestic as well as foreign transactions. It is expected to be introduced in the questionnaire as of December 2009.

20. Another problem the project group faced, was related to the delineation of the SPE population. SPEs only have to report to DNB. Non-financial corporations have to report to CBS and therefore it is important the relevant populations of both institutions are aligned with each other. Last year CBS and DNB came together to compare their registers and when discrepancies were found, companies were studied more closely to agree on the status of the entity. The SPE decision tree, dealt with in the previous paragraph, proved to be very useful. Now, the populations of DNB and CBS are made consistent. This way, no companies are missed in questionnaires or counted double in different sectors.

21. Because of the strong presence of SPEs in the Netherlands, the DNB and CBS agreed to report statistics both including and excluding SPEs (BoP, Rest of World (RoW) - account). It is strongly recommended to compose statistics, both including and excluding SPEs, because otherwise SPEs can inflate a nation's NA and BoP drastically. Because of limitations in the available source information, strong, and sometimes very strong, assumptions have to be made in the compilation of the relevant NA data. Domestic transactions are not yet covered in the questionnaires filled out by Dutch SPEs and assumptions on domestic flows have to be made. Progress is made however, to enhance the SPE questionnaire in future by asking more details about domestic transactions.

II. Estimation of SPEs Transactions in National Accounts¹

A. SPEs in the production account

22. As explained in section 4, there is not much information on domestic transactions of SPEs. For the production account only data from BoP on trade in goods and services of SPEs are available. There is no information on domestic production or intermediate consumption of SPEs. The estimation of these variables is further complicated by the fact that most SPEs provide financial services to the company group for which no clear commission is paid. This implies that the production value for this type of SPEs should be compiled indirectly.

23. SPEs are engaged in two types of production. The SPEs that hold non-financial assets provide services on the basis of their royalties and licences. The SPEs that act as a financial vehicle or holding company on behalf of their foreign parent company provide financial services.

24. The production value of royalty and licence fees is determined as the domestic revenues from royalty and licences and the exports of these services for the account of the SPEs. Not all exports are regarded as production of the SPE, because part of the export originates from imports. For this type of flows, the SPE is merely a link in the transit of royalty and licence fees on behalf of their parent company. The parent company provides services on the basis of royalties and licences to the SPE, whereas the SPE (on the basis of sublicences) passes these services on to the ultimate customers/users. This part of the imports and exports is regarded as re-exports in the Dutch NA. In the following table the figures for re-exports of SPEs are presented for the years 2001 to 2005 (in million euros).

¹ Excerpt from paper by Zwijsenburg, Recording of Special Purpose Entities in the Dutch National Accounts, 2006

Table 1
Re-export of royalties and licence fees

	2001	2002	2003	2004	2005
Re-export of royalties and licence fees	4,901	4,624	4,418	4,485	3,615

25. These re-exports do not form part of the production or intermediate consumption of SPEs. In addition, part of the imports and exports consist of domestic production and domestic sales. The domestic sales are compiled on the basis of the gap between the exports and imports of services. This gap can be seen as an indicator for the services that are provided by the SPE itself (and that do not originate from the imports of services). Therefore, it can be used to estimate the domestic production of the SPEs.

26. Under the assumption that domestic sales will develop in line with the imports and exports, the gap between imports and exports cannot show too much fluctuation; for the part of the transit trade, the gap between imports and exports (this is the part of services provided by the SPE that is not transferred to the parent company in the form of imports of royalty and licence fees, but is paid out to the parent company in the form of dividends) will be quite stable over time. Any fluctuation in exports will normally also be reflected in fluctuations in imports. Therefore, the assumption was made that incidental fluctuations in the gap between imports and exports are the result of acquisitions (or disposals) of royalties or (sub) licences. When the gap between imports and exports showed a sharp rise during one period, the assumption was made that this was caused by an acquisition of non-financial assets. Instead of recording these amounts as imports or exports of services, these amounts will be recorded as gross capital formation.

27. The calculation of the production value of the financial services provided by the SPE is somewhat more difficult. According to European System of Accounts (ESA95, article 3.63) the production value of financial intermediaries should be measured as total property income received minus total interest paid, excluding the value of any income received from the investment of their own funds. However, because of the introduction of a new method for the compilation of financial intermediation services indirectly measures (FISIM), the measurement of production of financial services has changed. This is not applicable to SPEs though. Because international discussions came to the conclusion that FISIM should not be applied to investment funds and financial holdings, in the Dutch NA SPEs were also excluded from FISIM. Because they only provide services to the worldwide company, they are comparable to holding companies. They are not market producers of these services and therefore FISIM is not applicable to SPEs. Because they are not market producers, it is difficult to make an accurate estimate of the market value of their production. As is the case with other non-market producers, such as investment funds and holdings, it was decided to use the sum of cost approach.

Table 2
Output of SPEs (million euros)

	2001	2002	2003	2004	2005
Domestic production of royalties and licence fees	534	503	555	594	615
Income from hiring services	80	92	96	101	106
Export of royalties and licence fees	645	652	778	871	1,069
Export of financial services	3,545	3,412	3,022	3,559	4,547
Total production	4,804	4,659	4,451	5,125	6,337

28. A third production category is rent. From DNB data for 1985-1992, it appeared that SPEs gain revenues from hiring services. For the years following 1992 a growth rate per year was established for the estimation of the output of the hiring services.

29. In table 2 above the calculation of output of SPEs is shown.

30. With regard to the costs of SPEs, information is available from BoP on the imports of SPEs. In addition, estimates have to be made for domestic costs. Information on domestic costs is available from source data of DNB for the period 1989-1992. On the basis of this information it was calculated that domestic costs equal 46 per cent of the average amount of imports and exports of 'other services' according to BoP. This percentage was confirmed by recent data of DNB on some type of costs (such as office and management costs) and was used in the calculation of domestic costs for all years.

31. Table 3 shows the calculation of intermediate consumption of SPEs.

Table 3

Intermediate consumption of special purpose entities (million euros)

	2001	2002	2003	2004	2005
Domestic intermediate consumption	446	414	442	664	1,164
Imports of financial services	5,236	4,650	4,093	4,374	5,674
Imports of other services	832	792	1,223	1,031	703
Total intermediate consumption	6,514	5,856	5,758	6,069	7,541

B. SPEs in the primary income account

32. Most of the data on the primary income account is derived from the information from BoP. Because SPEs have large cross-border assets and because they are foreign-controlled, in the primary income account there are large cross-border property income flows. Property income flows related to foreign direct investment in particular are substantial. These are interest income, dividends and reinvested earnings. Because data are lacking on domestic flows, estimations have to be made for domestic property income flows on the basis of domestic stock information.

33. In addition to property income flows, compensation of employees also has to be taken into account on the primary income account of SPEs. Because SPEs employ some staff (although for most SPEs this is very limited), estimates have to be made for the wages and social contributions paid by SPEs. Under the assumption that 9.000 SPEs have on average 0.75 employees (who earned 50,000 euro on average in 2002) the total compensation of employees in 2002 was an estimated 338 million euros. For the calculation of the time series an annual growth rate of 7 percent is used, based on the average growth rate of compensation of employees for the sectors S.11, S.12 and S.123/124 in the Dutch NA in the same period.

34. In the estimation method for primary incomes of SPEs corrections were made to the item of reinvested earnings on direct foreign investment. Under the assumption that all SPEs are fully owned by non-resident parent companies, all earnings or losses from the SPE by definition have to be attributed to the RoW account. Part of the earnings or losses will be distributed to the parent company in the form of dividends, and the remaining part will be attributed to the parent company in the form of reinvested earnings. This implies that the reinvested earnings on the uses side is used as a residual.

35. The reinvested earnings on foreign direct investment on the uses side of the SPEs is calculated as follows. First, the profit/loss after taxes of the SPE has to be calculated. This is done by adding up all value added (+), compensation of employees (-), property income received (+), interest income paid (-) and taxes on income (-). Under the assumption that all profits/losses after taxes of the SPE are attributed to the foreign parent company (apart from a very small part of domestic dividend payments), this total profit/loss of the SPE should be equal to the sum of dividends declared (domestic and abroad) and reinvested earnings

abroad. As the figure from BoP on dividends declared is assumed to be more robust than reinvested earnings, and as the estimate for domestic dividend payments is so small, the reinvested earnings paid are determined as a residual. In general, the calculation of reinvested earnings on the uses side of the primary income account of the SPE is shown in Box 1.

Box 1

Calculation of reinvested earnings

<i>Reinvested earnings on direct foreign investment (use) =</i>	
	Value-added
-	Compensation of employees
+	Balance of interest received and interest paid
+	Distributed income received
+	Reinvested earnings received
-	Taxes on income
-	Dividends declared (domestic and abroad)

36. Table 4 presents the results for the transactions on the primary income account derived from the information from BoP and the estimations made for domestic transactions.

Table 4

Primary income account for SPEs (million euro)

	2001	2002	2003	2004	2005
Resources					
Interest	19,645	20,634	18,171	19,685	18,621
Distributed income of corporations	33,044	22,617	28,179	32,877	39,885
Reinvested earnings on direct foreign investment	28,673	9,589	-1,094	7,949	-1,726
Uses					
Compensation of employees	311	344	315	338	338
Interest	18,335	20,557	18,887	19,720	19,471
Distributed income of corporations	17,698	9,682	20,275	19,841	53,559
Reinvested earnings on direct foreign investment	42,021	19,970	3,501	18,526	-19,069

C. Other non-financial transactions of special purpose entities

37. In addition to the transactions already mentioned, SPEs engage in two other types of non-financial transactions, taxes on income and gross capital formation.

38. First of all SPEs, like all other corporations, pay taxes on the basis of their income. There are no data from SPEs on the payments of taxes for recent years. On the basis of information up till 1999 estimates have been made for the tax payments for the recent years.

39. Acquisitions less disposals of intangible fixed assets are the result of incidental gaps between imports and exports of royalties and licences. This has already been explained above (on the calculation of the transactions on the production account of SPEs).

40. Table 5 shows the estimates of taxes on income and on gross capital formation.

Table 5
Estimations of other non-financial transactions of SPEs (million euro)

	2001	2002	2003	2004	2005
Uses					
Taxes on income	1,287	1,090	971	1,142	1,277
Gross capital formation	0	700	785	520	1,123

D. Net lending/net borrowing of SPEs

41. As all profits/losses of the SPE are attributed to the foreign parent company, the net lending/net borrowing of the SPE will, apart from its gross capital formation, equal zero. Under the assumption that all gross capital formation is financed by the foreign parent company via financial transactions, and is not covered by current receipts and expenditures, net lending/net borrowing equals gross capital formation. In table 6 the most important balancing items are presented for SPEs.

Table 6
Balancing items for special purpose entities (million euros)

	2001	2002	2003	2004	2005
Value added (gross)	-1,710	-1,197	-1,307	-944	-1,204
Balance of primary incomes	2,997	2,287	2,278	2,086	2,481
Balance of other non-financial transactions	-1,287	-1,090	-971	-1,142	-1,277
Net lending/net borrowing	0	-700	-785	-520	-1,123

E. Financial accounts and balance sheets

42. For the financial accounts the main data source is also the BoP, which contains much data on cross-border transactions of SPEs. However, just as with the non-financial transactions, the information is not as extensive as on regular corporations. This implies that not all data from BoP can be directly linked to corresponding ESA95-transactions. For some items it was not quite clear which items they consisted of, while for others more information was needed to make a clear breakdown to account them to corresponding ESA95-items. For instance under the item inter-company loans, both short-term and long-term loans are recorded. For NA requirements this item has to be broken down into the two categories mentioned. The same goes for securities other than shares.

43. Table 7 shows the link between the source data from BoP and the corresponding ESA95-items.

Table 7
Linkage scheme between BoP-data on SPEs and ESA95-categories

<i>Source description</i>	<i>ESA95-category</i>
Deposits and bank balances	AF.2 Currency and deposits
Bank loans (liability)	AF.2 Currency and deposits
Bonds (notes and commercial paper)	AF.332 Long-term securities other than shares, excluding financial derivatives
Inter-company loans	AF.41 and AF.42 Short-term and long-term loans
Inter-company short term deposits	AF.41 Short-term loans
Other loans	AF.42 Long-term loans
Participations	AF.51 Shares and other equity, excluding mutual funds shares
Other	AF.7 Other accounts receivable/payable
Accounts payable/receivable - Banks	AF.2 Currency and deposits
Real estate	AF.51 Shares and other equity, excluding mutual funds shares
Reinvested earnings	AF.51 Shares and other equity, excluding mutual funds shares

44. For the financial accounts of SPEs the data from BoP and the International Investment Position (IIP) are converted to ESA-categories in accordance with table 7. Then, the information on domestic positions is added and all items are linked a counterpart sector. Subsequently, the domestic participation and loans are partly consolidated, as some SPEs have participation in other domestic SPEs. Because these positions are reported by one as a liability and by the other as an asset, they have to be consolidated in compiling the sector results for the SPEs. Approximately 95 percent of the total domestic positions of SPEs are related to other domestic SPEs and are therefore corrected. Because it is known that a large part of the domestic loans are also inter-concern positions, these also have to be consolidated in the system of NA. Taking into account the reported domestic positions of SPEs on the asset and liability side, it is determined that approximately 75 percent of the reported loans are inter-concern and should be consolidated.

45. Lastly, as only stock data are available on domestic positions of SPEs, the change in domestic positions has to be broken down into financial transactions and other changes. First, the other changes for the domestic items are estimated. This is done largely on the basis of the other changes with respect to cross-border positions. When these have been corrected for exchange rate changes, the other changes in domestic positions result. The transactions are then derived as a residual.

III. SPEs in Ireland²

A. Country practices on SPEs in Ireland

46. In Ireland we are of the view that these types of entities should be incorporated into the normal statistical collection and compilation systems to the extent that this is possible. To achieve this we have modified the legal basis for the collection of data which is the Statutory Instrument for Balance of Payments and Financial Accounts Order under the Statistics Act (1993). The effect of these modifications is that persons or enterprises operating on behalf of other enterprises or persons are obliged to complete statistical surveys i.e. on behalf of non –physical enterprises (SPEs). In these circumstances the survey is normally completed by service providers to the SPE, either Accountants or Legal Secretaries.

47. A Financial Services Centre has existed in Dublin since the mid 1980s but developed considerable scale during the late 1990s. The vast majority of SPE type activity in Ireland has arisen since the establishment of the Financial Services Centre.

Table 8

SPE type activity is concentrated in the following areas at the Centre

<i>Activity</i>	<i>Description</i>
Insurance	Life and General Insurance both Agency and Captive
Treasury	Agency and Captive and Stand - Alone activities
SPV	Securitisation Vehicules
Asset Financing	including leasing activities

48. There are relatively few holding companies or companies created to hold patents or royalties (see http://www.cso.ie/releasespublications/pr_bop.htm for details of royalty receipts in the BoP statistics for Ireland). Additionally, there are also thousands of Collective Investment Schemes (Mutual Funds) which we do not consider to be SPEs.

² Contributed by the Central Statistics Office (CSO) Ireland

49. The data for SPE activities is collected as part of the general BOP data collection survey system. These surveys have been customised following detailed consultation with respondents to ensure a greater understanding by respondents of the statistical requirements and to facilitate or accommodate the reporting for a number of different types of activities. For example the Current Account data section on the survey form BOP42/43 for Insurance companies is quite different to the BOP44 for Treasury companies, reflecting the very different statutory Profit and Loss account formats for these activities.

50. In general SPEs are surveyed in the same way as any other company, however, for smaller SPEs the frequency of reporting is annual rather than quarterly. This is particularly the case for SPVs because of the nature of securitization i.e. a transfer of assets from an MNC Balance Sheet to an “arms length” entity unconnected with the originating company. Practically all SPV reporting is annual and in some cases aggregated over a number of SPVs. Additionally, the current legislation being finalized by ECB relating to Financial Vehicle Corporations (FVCs) which is another term for SPVs requires the Central Bank to collect data relating to these activities (at least to the extent that they relate to MFI activities), this data will be shared with CSO for BOP statistical purposes.

IV. Treatment of SPEs in Hungary³

A. Characteristics and definition of SPEs

51. There is no international common definition of SPEs. Due to the different regulations existing in different countries, the SPEs settle down for exploiting different benefits. The latest versions of international handbooks (OECD’s BD4⁴ and BPM6⁵ of IMF) include general criteria which may help statisticians with detecting SPE’s.

52. According to the wording of BPM6, since there is no uniform definition, in the countries where they are significant, it is possible to treat them separately on the basis of domestic corporate law or other functional classification which refer to the limited physical presence and the existence of a non-resident owner⁶.

53. According to BD4⁷, an enterprise is usually considered an SPE if it meets the following criteria:

- (a) The enterprise is a legal entity, formally registered with a national authority; and subject to fiscal and other legal obligations of the economy in which it is resident.
- (b) The enterprise is ultimately controlled (>50% of ownership) by a non-resident parent, directly or indirectly.
- (c) The enterprise has no or few employees, little or no production in the host economy and little or no physical presence.
- (d) Almost all the assets and liabilities of the enterprise represent investments in or from other countries.

³ Contributed by the Hungarian Central Statistical Office

⁴ OECD Benchmark Definition of Foreign Direct Investment Fourth Edition, 2008

⁵ IMF: Balance of Payments and International Investment Position Manual, sixth edition (BPM6) Pre publication draft, December 2008. p78 h, Flexible corporate structures with little or no physical presence, p102 Corporations with little or no physical presence, p151 Pass-through funds

⁶ p90 §4.87

⁷ Chapter 6 Special Entities p90, Annex7 Special Purpose Entities p181

- (e) The core business of the enterprise consists of group financing, which is the channeling of funds between non-residents.

54. As they are registered in Hungary, SPEs are regarded as resident enterprises. According to ESA95 and the Decree No. 13/2008 (XI.18.) of the Governor of the National Bank of Hungary (NBH), all units having the centre of economic interest in the economic area of the Republic of Hungary are treated as residents:

- (a) any natural person who, irrespective of nationality, has been normally residing or intends to reside in the territory of the Republic of Hungary for at least one year, excluding the non-Hungarian members and employees of foreign diplomatic and consular representations operating in Hungary and their family members, as well as persons staying in the country for education purposes or medical treatment;
- (b) Hungarian diplomatic and consular representations operating in foreign countries, the Hungarian members or employees of these organizations, and their family members;
- (c) any legal entity and organizations with no legal entity having a registered office or business premises or conducting economic activity in the territory of the Republic of Hungary, including free zones and transit areas.

55. In Hungary, the NBH has been compiling and publishing BoP and related statistics on the stock of financial assets both with and without SPEs since January 2006⁸. As a result of the amendment of the act on corporate tax in November 2002, since January 2003 the off-shore status can not be established and the already existed off-shore companies were obliged to transform into normal businesses.

56. At the time of the discontinuation of the legal status of off-shore companies, two basic types existed in Hungary. In the first case, where Hungarian daughter companies played a passive role of intermediaries of transactions, their income from the transactions with residents was negligible. These units were classified as SPEs if they did not change their profile after they transformed into normal status. In the second case, those former off-shore companies which had performed also non-financial activities (provision of services to resident units ex. trading with property rights) and those which had changed their profile were classified as normal companies.

57. On the basis of information from the VAT and corporate tax records and other sources, the relation of SPEs with the Hungarian economy are limited to administrative costs (office rental and materials, legal and accountancy and financial services), domestic acquisition or imports of goods for representation (entertainment), staff costs and taxes.

58. For the delimitation of the scope of SPEs NBH has been co-operating with the Hungarian Central Statistical Office (HCSO). To set up a register of SPEs, those indicators are used, which can capture the main characteristics of these companies: That these units perform their activities mainly abroad and their connection with the national economy is very limited. The criteria/indicators used in the practice are the followings:

- The share of non-financial assets is very small compared to financial assets. The latter is basically held in the form of shares, long-term loans and securities.
- Their sales are made up primarily of exports and do not exceed 500 million HUF (~2 million Euros).

⁸ For further information on the Hungarian practice, see: ECB: European Union Balance of Payments / International Investment Position Statistical methods May 2007, Hungary p349

- The number of employees is very small (maximum 3 persons).
- Their subscribed capital (capital surplus) is high, which is immediately used for giving loans, acquisition of shares abroad or creating subsidiaries abroad.
- They do not have Hungarian daughter or grand child companies.
- Their material costs are negligible.
- The name of the company refers to the “off-shore type” activity.

59. In practice, some enterprises do not meet all of the above criteria. Therefore the criteria are not applied very strictly, rather as a case by case assessment. The typical cases are:

- The company have no relation with the domestic economy and behaves as typical SPE but has more than three employees.
- The profile of the company is mixed: provision of services abroad and group financing are present at the same time. Furthermore, it does not meet the criteria on the number of employees.
- According to the administrative records, the company provides services, but in fact its activity covers only book keeping and preparation of tax returns for other units.
- The company is trading exclusively licence fees with non-residents. The name of the company refers to the “off-shore type” activity.
- The company has a subsidiary abroad that provides services, but all the activities are recorded in the books of the resident company.

60. In Hungary in 2006 there were around 750 active enterprises which can be grouped into SPEs according to the above definition. At the end of 2008 there were about 609 SPEs resident in Hungary.

61. However, in the meantime their activities and characteristics have changed: In the beginning a typical pattern was FDI equity inflow and direct loan extension to establishment of non-resident branch assigned to extend the loans. Later, directly receiving equity stake in a non resident affiliate, indirectly (through a resident affiliate) having equity stake in a non resident enterprise, setting up a non resident branch and allocating all its businesses into the branch became more common.

62. On the basis of the changing characteristics there is a need to reconsider and refine the SPE criteria that was defined in 2005.

63. The NBH and the HCSO have recently set up a Joint Task Force (TF) to tackle with the need for a broader definition of SPEs, in order to be able to close the retroactive reclassifications of the enterprises (SPEs vs normal enterprises) going back beyond the normal revision period (t-2 years in BOP Statistics). The international criteria set in BD4, BPM6, 2008 SNA, and the experiences of other countries and the EU classification of SPEs will be the basis of reconsideration of definitions to be applied as from 2005.

B. Treatment of SPEs in BoP statistics

64. According to their definition, SPEs perform their activities mainly abroad, they have little relation with the host economy, they play a passive role of intermediaries of transactions, their income from the transactions with residents is negligible.

65. Their activities have no significant effect on the current account balance measured on an accruals basis, only the gross figures. Nevertheless, recording their activities raises difficulties in a number of respects:

- The preliminary annual profit/losses of the non-financial corporation sector remain estimates based on domestic income processes. As there is little relationship between the financial results of these companies and domestic economic processes, in the annual estimate on SPEs it is expected that the net flows on various financial instruments are close to zero. However, a significant portion of revenues originating from abroad (interest receivable and payable etc.) are immediately recorded in the current account, thus their balance becomes distorted.
 - Important economic information can be obtained by disaggregating the current account into the real economic as well as the transfer and income accounts, and by decomposing the income account into interest, dividend and reinvested earnings. The activities of SPEs also cause distortions to these indicators.
 - SPEs channel relatively large funds, therefore, they strongly increase the gross figures of financial accounts. The roles that debt generating and non-debt instruments play in the current account balance are of special importance in terms of financing it. Decision makers, investors and rating agencies treat this information as highly important in regard to the vulnerability of the Hungarian forint and the sustainability of external equilibrium. Consequently, problems arise when the assets and liabilities of an SPE are not in the same instrument category: they may cause distortions to the percentage shares accounted for by debt and non-debt generating financing.
66. On the basis of the definition for SPEs, assumptions are made when compiling BOP:
- SPEs can't have real economic activities: Transactions of goods and services are not accounted for them.
 - As there is little relationship between these companies and the domestic economy, their effect on the current account balance is close to zero.
 - As a result of the above two assumptions, the balance of all income flows (income from foreign direct investments and other investments) is close to zero. In the estimation of property income, the following assumption is made: A forecast is made for profit after taxation on the basis of the average profitability (rate of assets) of the past years and it is corrected by the estimate on interests (using already available data on interest flows) on a way that the effect of all income items on current account balance should equal to zero.
 - The balance of revenues and expenditures within a given period equals to zero (in order to avoid generating NEO by this calculation).
 - Trade credits are not accounted for SPEs, because they are also related to real economic transactions.
 - The net stock of receivables at the end of the year is close to zero. (They do not have real economic transactions, the amounts payable and receivable are in relation with the rest of the world).
67. These assumptions are needed also from a technical point of view in order to compile a consistent BoP data which meets the agreed definition for the SPEs.
68. Any change in the collected data or in the definition of SPEs would result in changes in the above assumptions. In Hungary, currently SPEs are not grouped by types as in the Netherlands, but this could change as a result of the NBH-HCSO Joint TF on SPEs.
69. Presenting the weight of the SPEs in the Hungarian economy the FDI positions and flows selected from IIP and BoP separately for SPEs and for the normal enterprises in Table 9 and 10. The NBH publishes BOP and IIP statistics including and excluding SPEs.

Table 9
Selected external position data

<i>Billion euro</i>	2006	2007	2008	2006	2007	2008
	<i>SPEs excluded</i>			<i>SPEs</i>		
FDI in Hungary (net liability)	62.4	67.8	60.8	29.5	67.6	116.8
Equity and RIE (net liability)	54.7	59.3	56.0	57.4	86.9	107.3
Other capital (net liability)	7.7	8.5	4.8	-27.9	-19.3	9.5
Assets	6.8	10.3	17.9	40.8	35.0	20.7
Liabilities	14.5	18.8	22.7	12.9	15.7	30.2
FDI abroad (net asset)	9.4	11.8	11.1	33.9	78.9	117.3
Equity and RIE (net liability)	9.1	11.1	9.1	32.7	76.8	116.6
Other capital (net liability)	0.3	0.7	1.9	1.2	2.1	0.7
Assets	0.6	1.0	2.5	1.3	2.1	1.1
Liabilities	0.3	0.3	0.6	0.0	0.0	0.4
Net external liabilities (net IIP)	95.1	103.4	106.6	-4.9	-13.5	0.0
Net external debt	38.2	49.1	57.2	-29.6	-23.4	9.1
Net external debt (excl. FDI other capital)	30.8	41.3	54.4	-0.5	-2.1	0.2

Table 10
FDI transactions in BoP

<i>Billion euro</i>	2006	2007	2008	2006	2007	2008
	<i>SPEs excluded</i>			<i>SPEs</i>		
FDI	2.8	1.6	2.5	-1.9	1.8	-1.3
Abroad	-3.1	-2.6	-0.6	-11.8	-46.1	-40.6
Equity and RIE (net liability)	-2.9	-2.5	-0.6	-11.0	-45.2	-41.0
Other capital (net liability)	-0.2	-0.1	0.0	-0.9	-0.9	0.4
Assets	-0.2	-0.1	-0.1	-0.9	-0.9	0.5
Liabilities	0.0	0.0	0.2	0.0	0.0	-0.2
Abroad	5.9	4.2	3.1	10.0	47.9	39.3
Equity and RIE (net liability)	3.1	3.3	3.4	7.2	40.0	19.9
Other capital (net liability)	2.8	0.8	-0.3	2.8	7.9	19.4
Assets	-0.5	-3.7	-2.2	1.2	4.2	1.8
Liabilities	3.2	4.6	1.9	1.5	3.8	17.7

70. The set of FDI stocks excluding SPEs and the SPEs show different trend and weight according to the direction of investment (inward, outward).

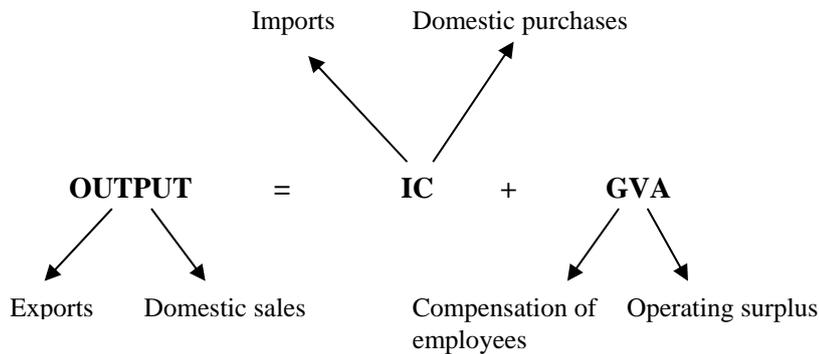
C. The Hungarian GDP calculation for SPEs

71. In Hungary the main data source for GDP calculations of the Non-financial corporation sector (S.11) is the Corporate Tax Database (CTDB).

72. However, for compiling Gross Value Added (GVA) for SPEs Output and Intermediate Consumption (IC) data derived from the tax database turned out not to be reliable. The per capita data for turnover, Output, and GVA do not match to the average values of the corresponding industries. In some cases the companies record the sales of their subsidiaries in the Hungarian Corporate Tax Statement. Usually the high turnover data do not match to the low costs (costs of materials and services, value of goods or services for resale).

73. Because of the above facts the GDP calculation schemes for SPEs had to be different than those for the normal enterprises. The GDP compilation scheme for SPEs, which had been fine tuned for the last couple of years, is presented in Figure 1.

Figure 1
The GDP compilation scheme for SPEs



74. From the definition of the SPEs comes that these companies have little or no transactions with the domestic economy. Their large financial transactions take place with companies in foreign countries, and they are set up mainly for fiscal reasons in Hungary. Among the registered SPEs there are some companies which have only a post-box in Hungary. The economically active ones usually run an office with very limited number of employees.

75. When compiling the Production Accounts it is assumed that these companies to some extent may have exports and/or domestic sales. The data for domestic sales and purchases (maintenance cost of the office) of SPEs are gained from the VAT database where the sales and purchases subject to VAT are listed according to VAT rates.

76. The export and import data come from the external trade statistics. For the compensation of employees the data is derived from the CTDB. The Operating surplus, though not significant, is calculated as a residual item.

77. As the SPEs are mainly involved in international financial transaction, which is outside the boundaries of the production, the GVA figure of SPEs was less than 0,1% of the total GVA of the Non-financial corporation sector (S.11) in 2007 (see table 11).

Table 11
Share of SPEs in gross value added, 2007

<i>SPEs</i>	<i>Non-financial corporations</i>	<i>%National economy, total</i>	<i>%</i>
<i>Output</i>			
68	158860	0.04	214079 0.03
<i>Intermediate consumption</i>			
31	107905	0.03	127509 0.02
<i>Gross value added</i>			
37	50955	0.07	86570 0.04

V. Special purpose entities in Russia⁹

79. The Russian Federal State Statistics Service (Rosstat) is creating a database of enterprise groups using data from statistical register (data on shares in authorized capital of legal units).

⁹ Contributed by the Federal State Statistics Service of Russian Federation (Rosstat)

80. In Russian statistical practice the enterprise group includes a parent and its subsidiaries. Principle of groups is based on participation of one legal unit in authorized capital of other legal units. This could be direct control (share in authorized capital of other legal unit exceeds 50%) or indirect control (ownership of more than 50% of capital through subsidiaries). In Russia 44 thousands of enterprise groups are discovered including 654 groups with foreign parent and 3443 groups with parent established by non-residents.

81. Presently the Rosstat's prepared draft Methodological Recommendations on Creation of Register for Groups of Interlinked Organizations Receiving Direct Investments From Abroad. It aims at identification of these organizations taking into account their shares in daughter and associated companies. The goal is to describe economic links with foreign countries and to identify money flows from abroad.

82. After approval of the Recommendations the Rosstat will elaborate the statistical tools which to be piloted. Following the pilots and necessary improvements the survey will be conducted annually. This will allow maintaining the register with identification characteristics of units, data on parents and foreign subsidiaries, identification characteristics of subsidiaries and associated companies, indicators of authorized capital and also some data characterized links within group and with foreign investor.

83. The survey should reveal enterprise groups with real money flows. Data on foreign parents and subsidiaries will be included into the database of enterprise groups.

84. Creation of database for groups of interlinked organizations receiving direct investments from abroad will allow to estimate actual influence of foreign capital to Russian economy and to obtain information on effectiveness of foreign capital flows within the country over time on regular basis. These data would be used by municipalities for decision-making, by banks, tax and customs authorities, scientists.

85. Now the main problem in identifying multinational groups in Russia is lack of data for parent companies (or other members of groups), which are located abroad. Moreover there are a lot of difficulties due to the following unsettled problems:

- (a) all possible data sources of information about enterprise groups are not defined (only information on official registration is used);
- (b) additional criteria (except of founder's shares in authorized capital) for identification of groups are not determined;
- (c) there is no possibility of identifying groups with using qualitative characteristics, e.g. decision-making;
- (d) there is no methodology of updating information on groups in the database using statistical accounting data;
- (e) set of economic indicators to be included into the database of enterprise groups for updating data and forming lists of units in the group is not determined;
- (f) there is no methodology to define main and secondary types of group's activity, group's number of employees and turnover;
- (g) issues of controllability of units within the group are not studied properly.

[English only]

Annex I

Transactions of Special Purpose Entities in the Netherlands

<i>million euro</i>	2001	2002	2003	2004	2005	2006*	2007*
1. PRODUCTION ACCOUNT							
R Output (basic prices)	4804	4659	4451	5320	6138	5902	6403
U Intermediate consumption (excl. deductible VAT)	6514	5856	5758	6074	6974	6766	6602
Value added (gross)	-1710	-1197	-1307	-754	-836	-864	-199
2.1 INCOME ACCOUNT (GENERATION OF INCOME)							
R Value added (gross)	-1710	-1197	-1307	-754	-836	-864	-199
U Compensation of employees	311	344	315	343	372	363	390
Wages and salaries	252	269	244	262	287	284	307
Employers' social contributions	59	75	71	81	85	79	83
Consumption of fixed capital	987	933	939	930	888	885	852
Operating surplus (net)	-3008	-2474	-2561	-2027	-2096	-2112	-1441
2.2 INCOME ACCOUNT (PRIMARY DISTRIBUTION)							
R Operating surplus (net)	-3008	-2474	-2561	-2027	-2096	-2112	-1441
Property income	81362	52840	45256	60768	65717	69556	62610
Interest	19645	20634	18171	19520	17133	19203	24548
Dividends	33044	22617	28179	32823	41025	57900	71711
Reinvested earnings on direct foreign investment	28673	9589	-1094	8425	7559	-7547	-33649
U Property income	78054	50209	42663	58532	63192	66579	59675
Interest	18335	20557	18887	19671	17264	21568	25858
Dividends	17698	9682	20275	21043	54041	26252	46439
Reinvested earnings on direct foreign investment	42021	19970	3501	17818	-8113	18759	-12622
Primary income (net)	300	157	32	209	429	865	1494
2.3 INCOME ACCOUNT (SECONDARY DISTRIBUTION)							
R Primary income (net)	300	157	32	209	429	865	1494
Social contributions	2	2	2	2	2	2	2
U Current taxes on income and wealth	1287	1090	971	1139	1317	1750	2346
Social benefits (in cash)	2	2	2	2	2	2	2
Disposable income (net)	-987	-933	-939	-930	-888	-885	-852
2.4 INCOME ACCOUNT (USE OF INCOME)							
R Disposable income (net)	-987	-933	-939	-930	-888	-885	-852
U Net saving and capital transfers	-987	-933	-939	-930	-888	-885	-852

Transactions of Special Purpose Entities in the Netherlands (continued)

<i>million euro</i>	2001	2002	2003	2004	2005	2006*	2007*
3.1 CAPITAL ACCOUNTS (CAPITAL TRANSFERS)							
R Saving (net)	-987	-933	-939	-930	-888	-885	-852
U Net saving and capital transfers	-987	-933	-939	-930	-888	-885	-852
3.2 CAPITAL ACCOUNT (CAPITAL ACCUMULATION)							
R Net saving and capital transfers	-987	-933	-939	-930	-888	-885	-852
Consumption of fixed capital	987	933	939	930	888	885	852
U Capital formation (gross)	-	700	785	545	624	1152	-726
Net lending / Net borrowing	-	-700	-785	-545	-624	-1152	726
4. FINANCIAL BALANCE SHEET							
4.1. OPENING BALANCE SHEET							
A Other deposits	18476	21735	21198	25535	27448	32622	32509
Long term bonds	28834	27539	25320	24322	25136	28053	21230
Short term loans	200293	193916	189178	180379	148445	146048	177869
Long term loans	223095	243864	237087	259772	272659	285083	290279
Shares and other equities	433183	529899	522960	570620	600348	689956	777348
Other accounts receivable and payable	18046	26405	28165	23843	22725	21226	23276
Total assets	921927	1043358	1023908	1084471	1096761	1202988	1322511
L Long term bonds	288014	300614	311601	310567	302776	297943	320170
Short term loans	79650	101209	99343	107433	96089	116491	127784
Long term loans	103303	115400	110888	132075	151334	186729	162984
Shares and other equities	457005	526157	499226	523515	498440	568729	673716
Other accounts receivable and payable	15641	18398	24578	19188	16924	15918	20625
Total liabilities	943613	1061778	1045636	1092778	1065563	1185810	1305279
Total net worth	-21686	-18420	-21728	-8307	31198	17178	17232
4.2 FINANCIAL ACCOUNT							
A Other deposits	5994	-419	4283	1115	4389	604	24063
Long term bonds	5625	19	55	1511	2223	-5771	6578
Short term loans	9655	13882	-3622	-28716	-6816	34114	7185
Long term loans	36785	14719	27650	15594	8913	14627	220241
Shares and other equities	132299	2539	59930	14433	35881	99495	41610
Other accounts receivable and payable	6687	1408	-4068	-1086	-1649	1353	-209
Change in assets	197045	32148	84228	2851	42941	144422	299468
L Long term bonds	32297	20132	25428	-5611	-10511	23696	32180
Short term loans	27542	12155	9232	-11848	18060	15374	63959
Long term loans	18737	5438	24609	23452	30932	-18433	145501
Shares and other equities	116263	-9525	31431	-589	6168	120333	60831
Other accounts receivable and payable	2206	4648	-5687	-2008	-1084	4604	-3729
Change in liabilities	197045	32848	85013	3396	43565	145574	298742
Changes in financial net worth	-	-700	-785	-545	-624	-1152	726
Net lending / Net borrowing	-	-700	-785	-545	-624	-1152	726
Statistical discrepancy	-	-	-	-	-	-	-

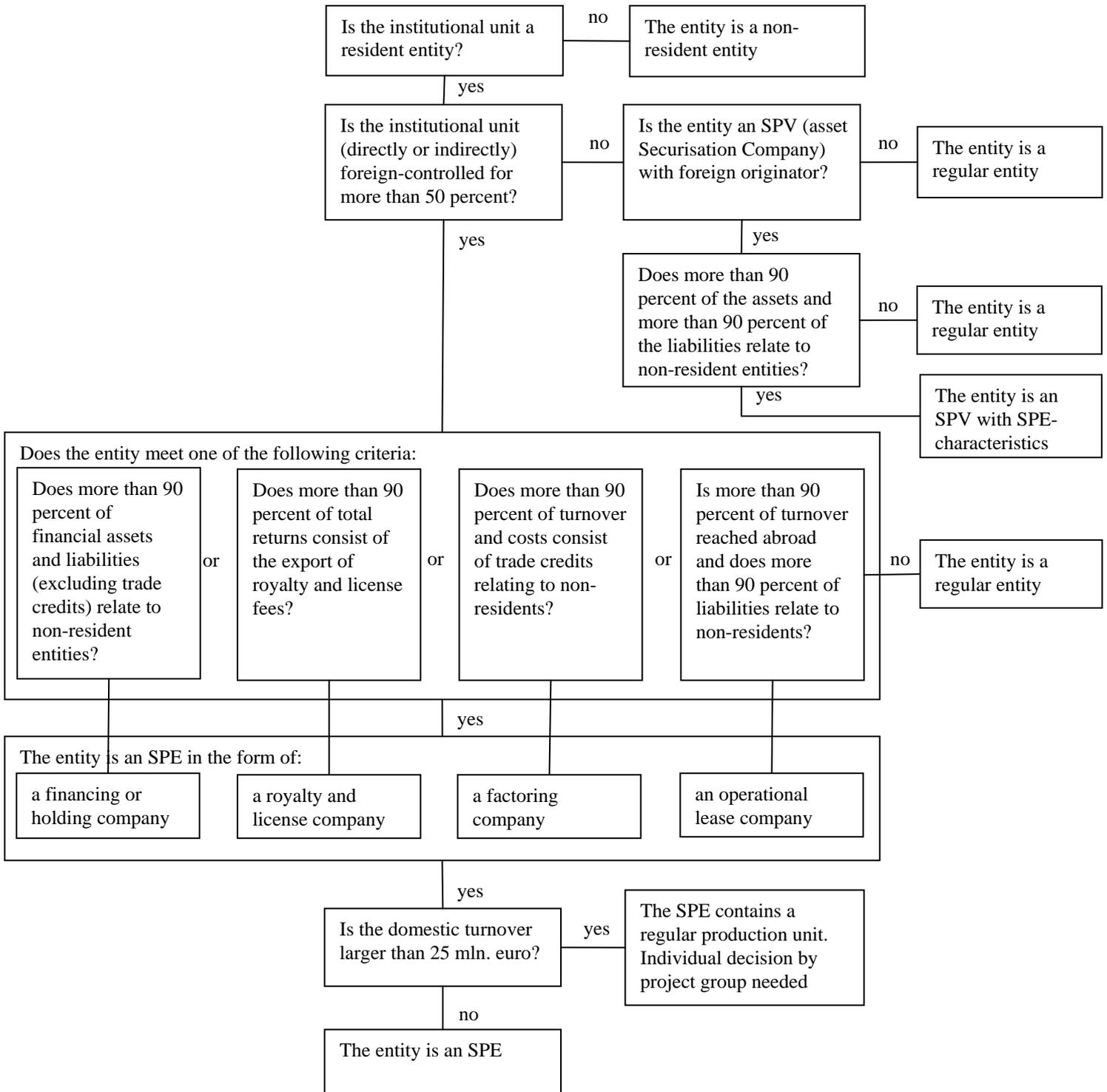
Transactions of Special Purpose Entities in the Netherlands (continued)

<i>million euro</i>	2001	2002	2003	2004	2005	2006*	2007*
4.3 OTHER CHANGES							
A Other deposits	-2735	-118	54	798	785	-717	-779
Long term bonds	-6920	-2238	-1053	-697	694	-1052	-22
Short term loans	-16032	-18620	-5177	-3218	4419	-2293	-678
Long term loans	-16016	-21496	-4965	-2707	3511	-9431	-6686
Shares and other equities	-35583	-9478	-12270	15295	53727	-12103	-25564
Other accounts receivable and payable	1672	352	-254	-32	150	697	536
Total assets other changes	-75614	-51598	-23665	9439	63286	-24899	-33193
L Long term bonds	-19697	-9145	-26462	-2180	5678	-1469	-9546
Short term loans	-5983	-14021	-1142	504	2342	-4081	-283
Long term loans	-6640	-9950	-3422	-4193	4463	-5312	-7397
Shares and other equities	-47111	-17406	-7142	-24486	64121	-15346	21057
Other accounts receivable and payable	551	1532	297	-256	78	103	1035
Total liabilities other changes	-78880	-48990	-37871	-30611	76682	-26105	4866
Total other changes in net worth	3266	-2608	14206	40050	-13396	1206	-38059
4.4 CLOSING BALANCE SHEET							
A Other deposits	21735	21198	25535	27448	32622	32509	55793
Long term bonds	27539	25320	24322	25136	28053	21230	27786
Short term loans	193916	189178	180379	148445	146048	177869	184376
Long term loans	243864	237087	259772	272659	285083	290279	503834
Shares and other equities	529899	522960	570620	600348	689956	777348	793394
Other accounts receivable and payable	26405	28165	23843	22725	21226	23276	23603
Total assets	1043358	1023908	1084471	1096761	1202988	1322511	1588786
L Long term bonds	300614	311601	310567	302776	297943	320170	342804
Short term loans	101209	99343	107433	96089	116491	127784	191460
Long term loans	115400	110888	132075	151334	186729	162984	301088
Shares and other equities	526157	499226	523515	498440	568729	673716	755604
Other accounts receivable and payable	18398	24578	19188	16924	15918	20625	17931
Total liabilities	1061778	1045636	1092778	1065563	1185810	1305279	1608887
Total net worth	-18420	-21728	-8307	31198	17178	17232	-20101

Annex II.

[English only]

Decision Tree on Special Purpose Entities



Annex III.**[English only]****Classification of SPEs in Ireland****Questions**

1. Do you have suggestions for improvement of the methodology on the treatment of SPEs? When we try to separate SPEs from similar type companies that have a physical presence, it seems to be difficult to arrive at a unique solution that could be followed in all countries. At present the Technical Expert Group (TEG) on the Directional Principle which was set up by the Working Group on External Statistics at ECB is also working on arriving at a definition of SPEs and this is proving quite difficult to resolve for these BOP statisticians.

2. Can the described Dutch decision tree on SPEs also be used in other countries for the detection of SPEs? The proposed approach is well thought but it does resemble many similar classification schemes I have seen. In my experience with European discussions on SPEs in particular at ECB Working Group on External Statistics, every time agreement was almost reached on a classification some country would raise an example which would not fit into the proposed scheme. I don't think that the matter was ever resolved satisfactorily.

3. How do you deal with the problems of limited data availability on SPEs? We have adapted our legal framework to allow us access to third parties who do have the data relating to many of these SPEs. As regards the actual reporting, the frequency has in some cases been reduced from quarterly to annual depending on the scale of the SPE. For SPVs we have a particular difficulty which was explained above and this situation will change once the reporting for these entities is taken over by the Central Bank and Financial Services Authority of Ireland as part of Money and Banking Statistics.

4. Next to the described five types of SPEs, do you have indications for other types of SPEs in their countries? The way SPEs are classified in Ireland has been set out in table 1 below. Essentially, we add an extra digit to the 4 digit NACE classifications. This approach doesn't just apply to SPEs as can be seen in the table 1. The main types of SPEs have been given above.

Table 1
Classification of SPEs in Ireland

J Financial intermediation

J65 Financial intermediation, except insurance and pension funding

J651 Monetary intermediation

J6511 Central banking

J6512 Other monetary intermediation

J652 Other financial intermediation

J6521 Financial leasing

J6522 Other credit granting

65221 Consumer credit granting

65222 Treasuries (agency and captive)

65223 Other credit granting services

65224 Standalone Treasuries (BOP 44)

65225 Securitisation Vehicles (SPVs, SPEs, Conduits etc.)

J6523 Other financial intermediation n.e.c.

65231 Money market mutual funds

65232 BOP30 client account reports mainly on behalf of mutual funds

65233 Other mutual funds and SPICs

65234 Own account security trading

65235 BOP30 client account reports mainly on behalf of households and non-financial corporates

65236 BOP30 client account reports not elsewhere specified

65237 Other financial intermediation n.e.c.

J660 Insurance and pension funding, except compulsory social security

J6601 Life insurance

66011 Life insurance (excl. Bop 30 client account)

66012 Life re-insurance

66013 BOP30 client account reports mainly on behalf of life insurance companies

J6602 Pension funding

66021 Pension fund (excl. Bop 30 client account)

66022 BOP30 client account reports mainly on behalf of pension funds

J6603 Non-life insurance

66031 Captive/Agency Non-life Insurance companies(excl. Bop 30 client account)

66032 Other non-life insurance companies(excl. Bop 30 client account)

66033 Non-life re-insurance

66034 BOP30 client account reports mainly on behalf of non-life insurance companies

J67 Activities auxiliary to financial intermediation

J671 Activities auxiliary to financial intermediation, except insurance and pension funding

J6711 Administration of financial markets

J6712 Security broking and fund management

67121 Stockbrokers

67122 Other security broking and fund management

J6713 Activities auxiliary to financial intermediation n.e.c.

J672 Activities auxiliary to insurance and pension funding

67131 Authorised money brokers

67132 Other activities auxiliary to financial intermediation (e.g. trustees, custodians, mortgage brokers, bureaux de change, investment advisers)

Annex IV.

[English only]

SPE classification table by Eurostat

Type	Institutional sector	Activity		Purpose	Valuation of production	
		NACE Rev 1.1	NACE Rev 2			
<i>Ownership of financial assets (Captive financial institutions)</i>						
1a	Holding companies	Other financial intermediaries, except insurance corporations and pension funds (S.123)	65.23 Other financial intermediaries n.e.c.	64.20 Activities of holding companies	Owning subsidiaries, concentration of group profits in favourable countries/jurisdictions, group financing	Sum of costs
1b	Holding companies owning claims on notional units abroad (buildings, natural resources)	Other financial intermediaries, except insurance corporations and pension funds (S.123)	65.23 Other financial intermediaries n.e.c.	64.20 Activities of holding companies	Owning subsidiaries, concentration of group profits in favourable countries/jurisdictions, group financing	Sum of costs
2a	Trusts, funds and similar financial entities	Other monetary financial institutions (S.122)	65.23 Other financial intermediaries n.e.c.	64.30 Trusts, funds and similar financial entities	Return on financial investment with fiscal advantages	Sum of costs
2b	Trusts, funds and similar financial entities	Other financial intermediates (S.123)	65.23 Other financial intermediaries n.e.c.	64.30 Trusts, funds and similar financial entities	Return on financial investment with fiscal advantages	Sum of costs
3	Securisation companies	Other financial intermediates (S.123)	65.23 Other financial intermediaries n.e.c.	64.99 Other financial service activities, except insurance and pension funding n.e.c.	Assets securisation for fund raising	Sum of costs
4	Captive financial leasing companies (usually, for aircrafts and vessels)	Other financial intermediates (S.123)	65.21 Financial leasing	64.91 Financial leasing	Financial leasing within a group (the SPE is not considered the economic owner of the equipment)	Sum of costs
5	Captive insurance and re-insurance companies	Insurance corporations and pension funds (S.125)	66.03 Non-life insurance	65.12 Non-life insurance 65.20 Reinsurance	Insurance and re-insurance within a group	Sum of costs
6	Invoicing companies	Other financial intermediates (S.123)	65.23 Other financial intermediaries n.e.c.	64.99 Other financial service activities, except insurance and pension funding n.e.c.	Invoicing sales of the group worldwide	Sum of costs

SPE classification table by Eurostat (continued)

	Type	Institutional sector	Activity		Purpose	Valuation of production
			NACE Rev 1.1	NACE Rev 2		
<i>Ownership of non-financial tangible assets</i>						
7	Renting of mobile equipments	Non-financial corporations (S.11)	71.00 Renting of machinery and equipment without operator (excl. 71.40)	77.00 Renting of machinery and equipment without operator (excl. 77.20)	Register the ownership of the asset and the rents in low tax jurisdictions	These cases are treated as financial leasing if the SPE is not the economic owner of the asset and they are valued at cost (row 4) If conditions for such treatment are not satisfied, the unit is treated as operational leasing producer and output valued with rentals received
8	Merchanting companies	Non-financial corporations (S.11)	51.00 Wholesale trade and commission trade	46.00 Wholesale trade	Distribution company for a group without goods going through the territory of the SPE	Margin
9	Trading companies	Non-financial corporations (S.11)	51.00 Wholesale trade and commission trade	46.00 Wholesale trade	Distribution company for a group	Margin
<i>Ownership of non-financial intangible assets</i>						
10	Licensing and royalty companies	Non-financial corporations (S.11)	74.8 Miscellaneous business activities n.e.c.	74.90 Other professional, scientific and technical activities	Concentration of group receipts concerning royalties and similar flows received from intellectual property rights and trademarks	Margin
<i>Others</i>						
11	Offices of airline in airport hubs abroad	Non-financial corporations (S.11) if a branch is identified	62.10 Scheduled air transport	51.10 Passenger air transport	Transfer locus used by airline carriers to get passengers to their intended destination	Prorata of airline output if no branch is identified