Special Purpose Entities (SPEs)[1] Statistics Q3 2018

- ***Total assets within Irish-resident SPEs increased by €22.9bn to €709.6bn in Q3 2018***. A longer-term trend of increasing diversity in business models is still apparent, though there are now signs of a recovery in bank-sponsored SPEs.

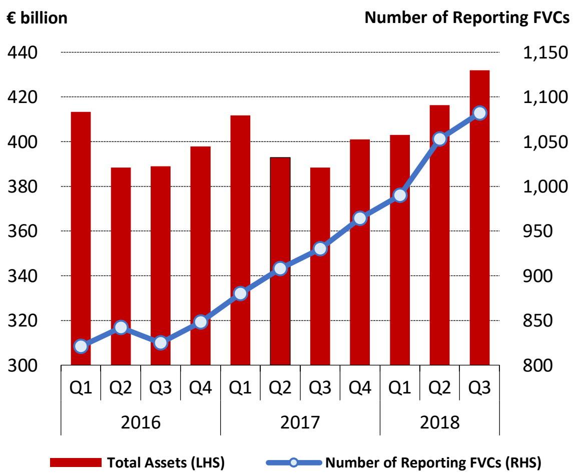
- ***Within Securitisation SPEs, or Financial Vehicle Corporations (FVCs), total assets increased by €15.7bn, to €432.0bn.*** New vehicles engaging in a wide range of activities continue to drive growth, though bank sponsored residential mortgage backed SPEs increased significantly.

- ***Within Non-Securitisation SPEs, or Other SPEs, total assets increased by €7.2bn to €277.6bn.*** Non-Financial Corporations engaged in intra-group financing were the main contributor, though bank sponsored entities increased their share of total assets, breaking a longer-term trend.

[1] Definition of a SPE, a FVC, other SPEs and a sponsor can be found on page 5, in Notes.

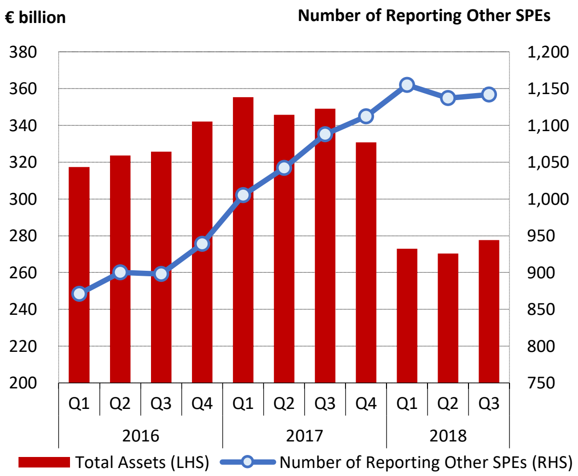
Irish-resident SPEs as a whole saw total assets increase by 3.3 per cent from €686.7bn to €709.6bn, in Q3 2018. This is an indicator of underlying growth in the sector, as the quarter was marked by relatively low exchange rate valuation changes. New vehicles engaging in a wide range of activities are driving this longer-term growth trend.

Within FVCs, the long-term trend of the emergence of smaller vehicles across most categories continued. However the average size of new vehicles was somewhat higher than in previous quarters. In addition residential mortgage backed vehicles expanded strongly for the first time since Q4 2017. Overall, 29 net new vehicles drove a 3.8 per cent increase in total assets from €416.3bn to €432bn (Chart 1).



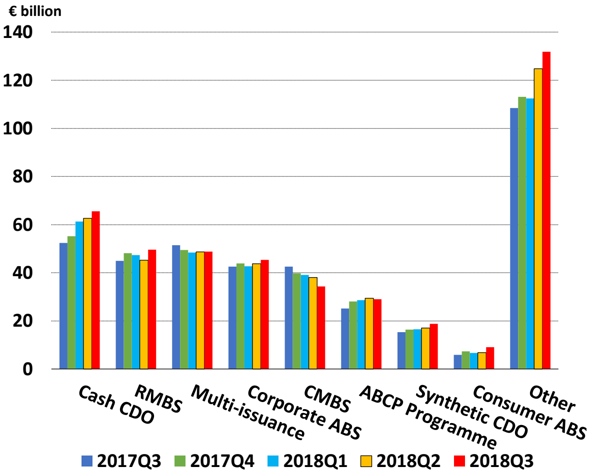
Within other SPEs, most categories expanded, leading to an overall increase in total assets of 2.7 per cent to €277.6bn from €270.4bn (Chart 2). There were just 5 net new vehicles in the quarter where, as in FVCs, the total assets per new vehicle was higher than average. Total vehicles amounted to 1,142 which is just short of a peak of 1,155 in Q1 2018.

Chart 2: Total Assets and Number of Reporting Other SPEs



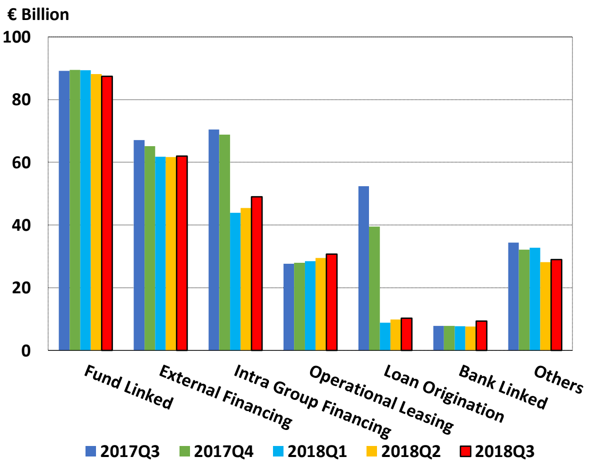
Securitisation types all expanded in the quarter except for commercial mortgage backed vehicles, €3.8bn lower to €34.2bn, and a very small decline in asset backed commercial paper programmes (Chart 3). The largest increase was in the category "other", increasing by €7.6bn to €103.7bn, an indicator of increasing diversity in business models. This category includes debt issuance backed by a very diverse range of assets including nursing home receipts, royalty payments, life settlements, etc. Residential mortgage backed vehicles expanded by €4.4bn to €49.6bn, reflecting non-Irish bank activity. Cash collateralised debt obligations have continued on their growth trend rising by €2.9bn to €65.6bn.

Chart 3: Evolution of FVC types since Q3 2017 (total assets)



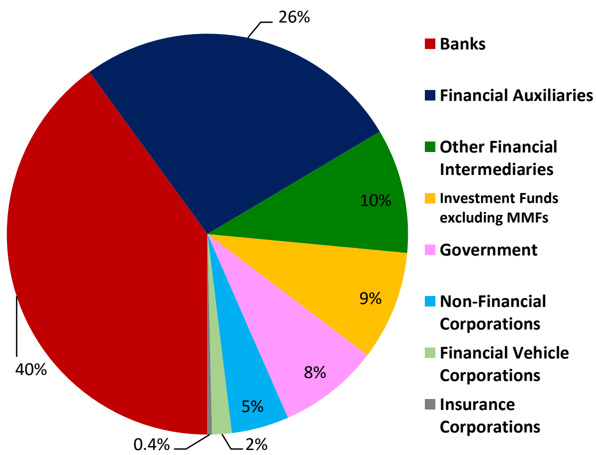
Within Other SPEs, most categories expanded (Chart 4), with the strongest growth in intra-group financing (€3.6bn to €49.0bn), bank-linked investment vehicles (€1.7bn to €9.4bn) and operational leasing (€1.3bn to €30.7bn). A trend of strong growth in fund-linked investment has dissipated into one of slight quarter-on-quarter declines in the year to Q3 2018. There was another significant unwinding in resolution vehicle assets, of €2.3bn.

Chart 4: Evolution of other SPEs types since Q2 2017 (total assets)



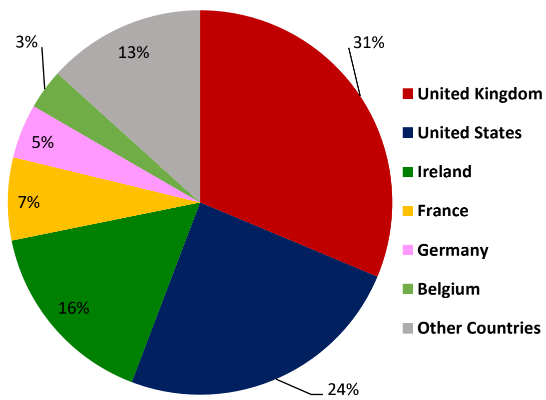
FVC sponsors have seen their sector shares stabilise for the second successive quarter, a significant slowing in the longer-term trend of non-bank financial institutions replacing bank sponsors. Assets linked to Irish banks declined from €29.2bn to €28.3bn, though there was a net increase in assets linked to non-domestic bank sponsors Despite the slight overall monetary increase, the proportional share of banks declined marginally to 40.0 per cent from 40.3 per cent in Q3 2018 (Chart 5), following a trend decline from over 50 per cent in Q1 2016. The share of non-bank financial institutions increased by the same margin, to 47.6 per cent from 47.3 per cent.

Chart 5: Breakdown of FVCs by sector of sponsor, Q3 2018



FVC sponsors by country share have also stabilised with little change in relative percentages (Chart 6). UK and US sponsors have driven the wider range of assets being securitised over recent quarters but, in this quarter, their combined share was almost flat, rising to 55.8 per cent from 55.5 per cent. The share of Irish-resident sponsors declined to 16.0 per cent from 16.8 per cent with resolution vehicle unwinding offsetting growth in securitisation by IFSC-type, rather than domestically-focused, entities in the non-bank sector.

Chart 6: Breakdown of FVCs by country of sponsor, Q3 2018



Within other SPEs, the sectoral shares of sponsors saw a break in the longer-term trend of non-banks increasing at the expense of banks. Within Q3 2018, the share of bank sponsors rose to 15.7 per cent from 15.3 per cent reflecting growth in assets of €2.3bn to €43.5bn (Chart 7). Meanwhile, assets within NFC sponsored SPEs rose particularly strongly, by €6.7bn to €85.7bn driving a share increase to 30.9 per cent from 29.4 per cent. This mostly reflected intra-group financing activity. Therefore, the share of non-bank financial institutional sponsors declined to 48.0 per cent from 49.6 per cent even though total assets in these SPEs remained flat at €133.3bn.

Other SPE sponsors by country saw some movement in the top four country shares. The US share increased to 21.4 per cent from 20.4 per cent, driven by NFC sponsors. For Irish-resident sponsors, non-bank IFSC-type financial institutions drove a share increase to 18.2 per cent from 17.7 per cent. These developments led mechanically to a decline in the UK share to 26.7 per cent from 27.3 per cent and in the Russian share to 15.0 per cent from 15.2 per cent. This occurred despite a slight increase in total assets of both UK and Russian sponsored SPEs.

Chart 7: Breakdown of Other SPEs by sector of sponsor, Q3 2018

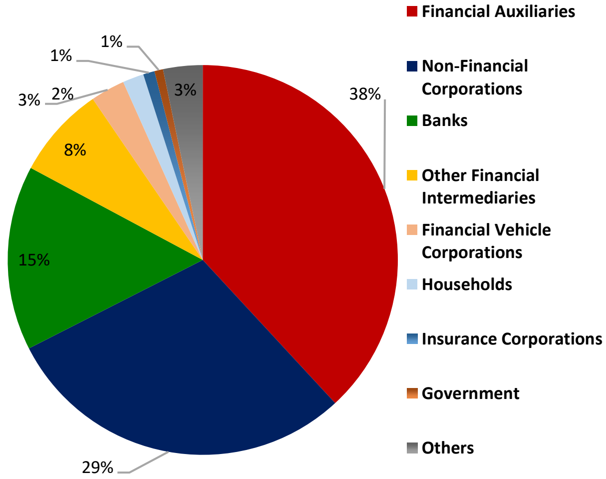
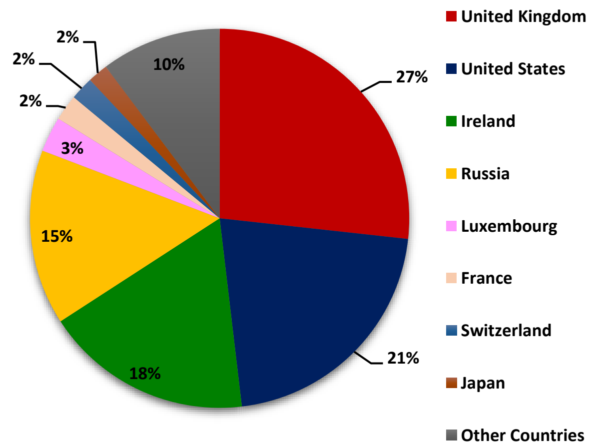


Chart 8: Breakdown of Other SPEs by country of sponsor, Q3 2018



Appendix Notes

These data was collected under the requirements of Regulation (EC) No. 24/2009 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30), which was passed on 19 December 2008, obliging financial vehicle corporations to report quarterly balance sheets. Reporting is obligatory for all financial vehicle corporations resident in Ireland.

The full data series for Ireland is available on the Central Bank of Ireland website here and euro area statistics are available from the ECB website here.

A Special Purpose Entity (SPE) is a legal entity created to fulfil narrow, specific or temporary objectives.

Financial vehicle corporations (FVCs) are undertakings which are constituted pursuant to National or Community Law and whose principal activity meets both of the following criteria:

- to carry out securitisation transactions which are insulated from the risk of bankruptcy or any other default of the originator;
- to issue securities, securitisation fund units, other debt instruments and/or financial derivatives, and/or to legally or economically own assets underlying the issue of securities, securitisation fund units, other debt instruments and/or financial derivatives that are offered for sale to the public or sold on the basis of private placements.

Securitisation refers to a transaction or scheme whereby: (i) an asset or pool of assets is transferred to an entity that is separate from the originator and is created for or serves the purpose of the securitisation; and/or (ii) the credit risk of an asset or pool of assets, or part thereof, is transferred to the investors in the securities, securitisation fund units, other debt instruments and/or financial derivatives issued by an entity that is separate from the originator and is created for or serves the purpose of the securitisation.

Other Special Purpose Entities (other SPEs) are vehicles not engaged in securitisation.

The Sponsor refers to the entity on whose behalf the FVC was established. This usually the ultimate beneficial owner. However, where an investment fund sets up a vehicle to hold assets, the investment manager would be considered the sponsor. In insurance-linked securitisations, the ceding reinsurer would be considered the sponsor. The term 'Sponsor' does not refer to a charitable trust that owns shares of the FVC in an orphan vehicle structure.

Further information

Queries to: Central Bank, Press Office at press@centralbank.ie or (01) 224 6299.