Special Purpose Entities (SPEs)

Worked examples on Common Errors

September 2023

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Section 1: General Guidance

Introduction

This document aims to assist in compliance with the Central Bank's reporting requirements for Special Purpose Entities (SPE's) through the use of worked examples. Any comments or suggestions are welcome through email at the SPE team's centralised inboxes: fvcstats@centralbank.ie and spvstats@centralbank.ie

An SPE is a legal entity created to fulfil narrow, specific or temporary objectives. SPE's are split between two sub-categories, Financial Vehicle Corporations (FVCs), which are SPEs used primarily for the purpose of securitisation, and other SPEs , often referred to as non-securitisation vehicles, or as SPVs. A full treatment of the definitions can be found in their respective guidance notes at this link.

A change in activities that sees an FVC change to an SPV or vice versa this should be notified to the Central Bank. An FVC winding down its activities remains an FVC.

Submission Deadlines

The FVC returns should be submitted and signed off on the Central Bank Portal no later than 19 working days after the end-reference quarter.

Non-Securitisation vehicles (SPVs) must be submitted and signed off on the Central Bank Portal no later than 29 working days after the end-reference quarter.

The first reporting quarter for an SPE should be the quarter in which it undertook its first transactions.

For example, if an SPE purchased a portfolio of bonds on 12th March 2023, then its first activity would be within the Q1-2023 reporting period, which is from 1st January 2023 to 31st March 2023. The SPE return should show the transactions during this period, and the balance sheet as at 31st March 2023. This return should be uploaded and signed off on the Central Bank Portal system by no later than 11th May 2023. The registration form should be received by the Central Bank by **no later than 7 working days** before the reporting deadline, in that case the 2nd May 2023.

A full schedule of reporting dates for statistical returns is available at this link.

Deadlines are legal requirements and must be respected

Basis for Collection

The quarterly FVC data is collected under the following legislation:

- Regulation ECB/2013/40
- Regulation ECB/2013/33
- The Central Bank Acts 1942 – 2013

- Guideline ECB/2014/15

More information is available at the ECB FVC webpage:

https://www.ecb.europa.eu/stats/money/fvc/html/index.en.html

The quarterly SPV data is collected under Section 18 of the Central Bank Act 1971.

Please note that contravention of an obligation imposed under the above constitutes an offence and may result in the Central Bank applying to the High Court for an enforcement order pursuant to Section 52 of the Central Bank (Supervision and Enforcement) Act 2013.

Reminder on General Principles for Reporting Figures

The return is locked and lists are provided within certain cells where only a limited range of values can be supplied. Values can be pasted into the Reporting Form, but **only 'As Values'**. Pasting formatting will compromise the return and may prevent upload. This accounts for the majority of errors uploading through Portal. **Tampering with the return will result in errors in the Portal system.**

Table 8 – Total Assets/Liabilities of the SPE. Please note that this figure should be equal to **the sum of all closing positions** on the assets side, roughly equating with the gross assets of the SPE. It is **not the net assets** of the SPE, which are recorded in Table 6 – Capital & Reserves. For clarity, Total Assets is the sum of Tables 1, 2a, 2b, 3, 4 (cell E8, detailing Derivative assets) and 6 (cell B7, detailing other asset closing positions).

Table 9 – Annual Profit & Loss data for the SPE. A country breakdown by counterparty is required here. This data is only filled out in **Q4 returns** and will be rejected if entered in another quarter.

Debt security data is requested on a security-by-security basis. When available, the ISIN code of the debt securities must be employed as the security identifier.

A full 'Notes on Compilation' document with extensive definitions and formatting requirements is available on the Central Bank's website at the following links:

FVC Notes on Compilation

SPV Notes on Compilation

This document should be consulted before emailing in a query to the SPE team, as the majority of queries regarding reporting should be covered by either this document or the 'Notes on Compilation'.

Please note that figures in the SPE returns are reported in **euro thousands (€'000)**. Therefore, SPEs which do not use the euro as their base currency are required to convert their figures to euro before submitting the return (see Section 1 of the 'Notes on Compilation').

The SPE Offline Checker is available and designed to assist in identifying possible data validation or loading issues before uploading an SPE return on Portal. This offline checker does not guarantee **passing** all the data quality management checks. The checker is still in Beta/Development phase and the SPE team reserves the right to make further enquiries as the return has to reflect **accurate data**. **Please note that the information returned to the Central**

Bank must be an accurate representation of the accounts of the SPE at the relevant reporting date. Each entity is obliged to ensure the data is accurate as per the reporting guidelines. Validation items are primarily to assist in submitting accurate data, but it is possible that inaccurate data can be submitted whilst still passing validation checks. The offline checker is available on the Central Bank's website at the following link:

SPE Offline Checker

Section 2: Worked Examples on Common Errors

Separation of Balance Sheet and Profit and Loss account

One of the principles of statistical reporting is that there is a separation between Profit and Loss and Balance sheet data. SPEs submit profit and loss data on an annual basis, but submit balance sheet data on a quarterly basis. However the golden rule of accounting still applies to such quarterly reports and balance sheets must balance and debits having corresponding credits. Accordingly, items that ordinarily have a contra recorded on the Profit and Loss must be reflected in the Balance Sheet. The examples below detail how typical transactions must be recorded to ensure that items balance and are categorised correctly.

General Principles for the Reporting of Financial Transactions

Financial transactions reported on the return consist solely of cashflows, and all cashflows must be reported as transactions. Accordingly, transactions are not necessarily the same as quarter on quarter movements of outstanding amounts as transactions do not include the following elements:

- Write-downs/write offs
- Revaluations due to valuation or exchange rate movements – see p 9
- Accruals in interest payable/receivable – see p 6
- Reclassification (where a break in a time series is noted due to errors from previous quarters or superior country/sector/instrument classification being available)

Financial transactions must be reported at the transaction value. Therefore, they can generally be considered in terms of **cash paid/received** in respect to the asset or liability (unless there is an amount which is to be settled at a later date[1]). Financial transactions of an asset or liability exclude associate service charges, fees, taxes, commissions and similar payments for service provided in carrying out the transaction. Such associated fees and charges are dealt with as fees – see page 11.

Positive Transactions are recorded as increases and negative transactions are recorded as decreases. **Please note that transactions must be reported without negative signs, with the exception of Table 6**. In Table 6, net transactions are to be reported in Column C rather than separate increases and decreases, and where a net transaction is negative, a "-" sign must be used.

The sum of financial transactions in assets must equal the sum of transactions in liabilities (when capital and reserves are included as part of liabilities), reflecting the principle that cash flows and movement in cash holdings must balance.

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[1] If an amount arising from a transaction is to be paid to the SPE at a later date, it should be recorded, essentially on a contingent basis, under 'Remaining Assets – of which other' in Table 6. If an amount is to be paid by the SPE, it should be recorded as 'Remaining Liabilities – of which other'.

Transactions are not the residual between opening and closing positions and should not be calculated by deducting the Opening position from the Closing Position, but must represent only cashflows, such as can be found in an investor report, distribution report or similar (see example 1 below).

Example 1: The SPE holds debt securities and no transaction occurred during the reporting quarter

Table 7: Liabilities: Debt Securities Issued: ISIN											
	Non-ISIN reporting	Instrument market movements					Instrument characteristics			Initial holder of security	
ISIN	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end	Coupon rate	Maturity date	Original maturity	Country	Sector
			Issued	Redeemed							
XS00000000000		1,000	0	0	750	100.00	0	01/01/18	over 2 years	IE	OFI

Although no transaction occurred during the quarter, there is a difference between the opening and closing positions of 250 (750-1000). However this is not entered in the redeemed column as no transaction took place. The difference is referred to as a **revaluation**, which is not explicitly recorded in the return, and can be due to different reasons: fair value movements, exchange rate movements, accruals and so on.

Stock positions (Opening/Closing) should be reported at market value. The exceptions are Table 1, Table 3 and Table 5, where they should be reported at nominal value[2]

Table	Stocks (Opening/Closing)	Transactions
1	**Nominal Value*[3]**	Market Value
2a	Market Value	Market Value
2b	Market Value	Market Value
3	**Nominal Value**	Market Value
4	Market Value	Market Value
5	**Nominal Value***	Market Value
6	Market Value	Market Value
7	Market Value	Market Value
8	Sum of all asset closing positions	N/A
9	As per company accounts	N/A

2.1 Treatment of Accrued Income and Expenses

The accrual of interest should be shown as a **revaluation movement** i.e. a positive change in outstanding amount with **no corresponding** upwards transaction. The principle is that the accrual is an increase in the value of a position, and therefore should be recorded as a positive revaluation rather than a transaction.

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[2] This is the contractual amount owed by the debtor, to the creditor
* Please note that for Profit Participating Loans or similar securities where the contractual value is dependent on the performance of underlying assets, these should be recorded at fair value in Tables 1 and 5. Table 3 should always be recorded at nominal value, using the valuation adjustment in Table 6 – Remaining Liabilities to balance the accounts for fair value

Unrealised accrued income/expenses are thus treated as a **revaluation** in Table 6 as there is no cash transaction. Rather the outstanding amount in column B will increase. Realised accrued income/expenses are to be treated as a transaction i.e. when accrued income/expenses are **received/paid**. Therefore when accrued income/expenses are realised and recorded as a transaction decrease in column C Table 6 there will be a corresponding transaction reported as cash in the appropriate worksheet (e.g. Table 1 Deposits and Loan Claims).

The value of debt securities issued (Table 7) will move in accordance with SPE assets. If there is a change in the market value of assets this means the value of the debt securities issued will increase / decrease accordingly.

In Example 2 below, we hypothesise that a package of securitised loans is accruing interest of €500,000 per quarter, which is paid semi-annually. Therefore an interest payment of €1,000,000 would be made to the SPE every two quarters.

Example 2a: Q1 – The securitised loans held by the SPE haven't accrued interest yet. In Q1, we assume that these loans are worth €100 million. If these were the only assets in the SPE, the value of debt securities issued by the SPE would also be €100 million.

Table 3: Assets: Securitised Loans

Type of loan	Opening Position - **Nominal Value**	Instrument market movements		Write off/write down of loan(s)	Closing Position - **Nominal Value**
		Transactions			
		Purchases	Sales		
ABCP	100,000				100,000

Table 7: Liabilities: Debt Securities Issued: ISIN

ISIN	Non-ISIN reporting Sedol/Cusip/Internal	Instrument market movements			Closing Position	Market price at quarter-end
		Opening Position	Transactions			
			Issued	Redeemed		
XS00000000000		100,000	0	0	100,000	100.00

Example 2b: Q2 - The securitised loans held by the SPE accrued interest of €500,000 over Q2. Here the sum of the 'Remaining assets - of which accrued interest on securitised loans' position is 500. Please note that the bold text in Table 6 refers to subtotal amounts which should be populated using sum of the 'of which' columns below. So here the subtotal is 500. In Q2 the accrued interest is unrealised (and therefore a revaluation) as interest is only made every two quarters so only the Outstanding Amounts column B is increasing.

	Outstanding amounts - total	Transactions - total
Remaining assets	500	
of which accrued interest receivable on deposits and loans		
of which accrued interest on securitised loans	500	
of which accrued interest on holdings of debt securities		
of which other		

Securitised loans have not changed, as the value of accrued interest is recorded separately, above.

Table 3: Assets: Securitised Loans

Type of loan	Instrument market movements				
	Opening Position - **Nominal Value**	Transactions		Write off/write down of loan(s)	Closing Position - **Nominal Value**
		Purchases	Sales		
ABCP	100,000				100,000

Debt securities issued have to move in accordance with the SPE assets, an increase of 500 in Remaining Assets in the example 2b above has to be counterbalanced by an increase of 500 in Table 7 – Debt securities issued:

Table 7: Liabilities: Debt Securities Issued: ISIN

ISIN	Non-ISIN reporting	Instrument market movements				
	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end
			Issued	Redeemed		
XS00000000000		100,000	0	0	100,500	100.00

Example 2c: Q3 – The securitised loans accrue a further €500,000 interest. So the Outstanding amounts in column B would be (in the absence of an interest payment):

€500,000 outstanding amount Q2 + €500,000 accrued interest Q3 = €1,000,000

However we know that an interest payment of €1,000,000 happens every two quarters. This is reflected as a negative transaction in Transactions column C. Please note that Transactions on accrued interest are always reported as a **negative figure**. As there is - €1,000,000 in transactions the respective Outstanding amounts is impacted:

Pre-interest payment €1,000,000 OA (€500,000 Q1 + €500,000 Q2) - €1,000,000 realised accrued interest in transactions = 0

Pre-interest payment €1,000,000 OA - €1,000,000 transactions = 0 post-interest payment OA

	Outstanding amounts - total	Transactions - total
Remaining assets	0	-1,000
of which accrued interest receivable on deposits and loans		
of which accrued interest on securitised loans	0	-1,000
of which accrued interest on holdings of debt securities		
of which other		

Additionally, this interest payment must be accounted for in the cash account by balancing with +€1,000,000 in transactions if, for example, the interest payment is lodged to the SPE's bank account. This is reflected as a transaction increase of +1,000 in Table 1 Deposits and Loan Claims:

Table 1: Assets: Deposits and Loan Claims

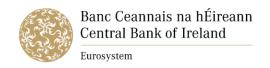|		Cash/Instrument market movements			Debtor/Counterparty	
Instrument Type	Opening Position	*Transactions*		Closing Position	Country	Sector
		Increase	Decrease			
Cash	0	1,000		1,000	IE	DTC

As the Remaining assets accrued by a further 500 in Q3, this is reflected in the value of debt securities issued which will increase by a further 500. This 2,000 figure is balanced on the asset side by the closing position of 101,000 in securitised loans plus the closing position of 1,000 in cash:

Table 7: Liabilities: Debt Securities Issued: ISIN

ISIN	Non-ISIN reporting	Instrument market movements				
	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end
			Issued	Redeemed		
XS00000000000		100,000	0	0	101,000	100.00

2.2 Treatment of Valuation Adjustments to Securitised Loans

Securitised loans are recorded in Table 3 and must be reported at nominal value, even if purchased from the originator at a different price. The nominal amount is the contractual amount owed by the debtor. This table does not include debt securities backed by securitised loans. These securities should be recorded in Table 2a (or 2b if an ISIN code does not exist for the security).

The difference between the nominal value and the current fair value of the loans must be included under 'Remaining liabilities – valuation adjustment of securitised loans (see example 3 below). This valuation adjustment will move quarter-

on-quarter if the underlying value changes. However, it **should never be transacted up or down**. The only column impacted in Table 6 will be Column B – Outstanding amounts.

Example 3a: Q1 – The SPE has purchased securitised loans with a nominal value of €1bn at a haircut of 30% during the quarter. A transaction purchase is shown of 700,000 and a closing position of 1,000,000 in Table 3.

The purchase price of a loan at nominal value 1,000,000 with a haircut of 30% is 700,000

Type of loan	Instrument market movements				
	Opening Position - **Nominal Value**	Transactions		Write off/write down of loan(s)	Closing Position - **Nominal Value**
		Purchases	Sales		
ABCP	0	700,000			1,000,000

€300m should then be reported as valuation adjustment for securitised loans. This results in an increase of the Outstanding amount by 300,000 without a corresponding transaction.

Table 6: Certain Balance Sheet Items for Outstanding Amounts and Transactions		
	Outstanding amounts - total	Transactions - total
LIABILITIES		
Capital and Reserves		
Remaining liabilities	300,000	
of which accrued interest payable on loans and deposits		
of which accrued interest on debt securities issued		
of which valuation adjustment for securitised loans i.e nominal less purchase price	300,000	
of which other		

Q2 – the value of the securitised loans increases by €10 million. Since the stock positions of securitised loans are always recorded at nominal value, the increase in value is reflected in the valuation adjustment on table 6, which is reduced to 290,000 (note that it does not transact and therefore is recorded in column B).

LIABILITIES		
Capital and Reserves		
Remaining liabilities		
of which accrued interest payable on loans and deposits		
of which accrued interest on debt securities issued		
of which valuation adjustment for securitised loans i.e nominal less purchase price	290,000	
of which other		

Table 3: Assets: Securitised Loans

Type of loan	Opening Position - **Nominal Value**	Instrument market movements		Write off/write down of loan(s)	Closing Position - **Nominal Value**
		Transactions			
		Purchases	Sales		
ABCP	1,000,000				1,000,000

The market value of debt securities issued should move in accordance with the market value of SPE assets, as follows:

Table 7: Liabilities: Debt Securities Issued: ISIN

ISIN	**Non-ISIN reporting**	Instrument market movements				
	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end
			Issued	Redeemed		
XS00000000000		700,000	0	0	710,000	100.00

2.3 Treatment of Fees

Fees accruals outstanding should be recorded in Table 6 under 'Remaining Assets – of which other' or 'Remaining Liabilities – of which other'. Whether fees are paid by the entity or to the entity, the accruals should be recorded in column B – Outstanding amount.

Example 4: Fees of €100 million owed by the SPE accrue during the quarter. The fees should be recorded in 'Remaining liabilities – of which other' with 100,000 in column B Outstanding amounts as the fees have not been paid yet.

Table 6: Certain Balance Sheet Items for Outstanding Amounts and Transactions

	Outstanding amounts - total	Transactions - total
LIABILITIES		
Capital and Reserves		
Remaining liabilities	100,000	
of which accrued interest payable on loans and deposits		
of which accrued interest on debt securities issued		
of which valuation adjustment for securitised loans i.e nominal less purchase price		
of which other	100,000	

As liabilities increased by 100,000, debt securities issued in Table 7 must decrease by 100,000. For example, if the opening value of debt securities issued is €200 million, then the closing position will be €100 million, with no transactions.

Table 7: Liabilities: Debt Securities Issued: ISIN						
	Non-ISIN reporting	**Instrument market movements**				
ISIN	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end
			Issued	Redeemed		
XS0000000		200,000			100,000	100.00

Example 4c: Q3 – The SPE pays €300,000 in fees. This is reflected by a negative transaction in column C Transactions and a decrease in Outstanding amounts of 300.

Table 6: Certain Balance Sheet Items for Outstanding Amounts and Transactions		
	Outstanding amounts - total	**Transactions - total**
LIABILITIES		
Capital and Reserves		
Remaining liabilities	99,700	-300
of which accrued interest payable on loans and deposits		
of which accrued interest on debt securities issued		
of which valuation adjustment for securitised loans i.e nominal less purchase price		
of which other	99,700	-300

Additionally, this payment of fees has to be accounted for in the cash account by balancing with -€300,000 in transactions if, for example, the payment of fees is coming out of the SPE's bank account. This is reflected as a transaction decrease of -300 in Table 1 Deposits and Loan Claims:

Table 1: Assets: Deposits and Loan Claims						
		Cash/Instrument market movements			**Debtor/Counterparty**	
Instrument Type	Opening Position	*Transactions*		Closing Position	Country	Sector
		Increase	Decrease			
Cash	500		300	200	IE	DTC

As there is no change in the net position of the fund, Debt securities issued remain static at €100,000,000

Table 7: Liabilities: Debt Securities Issued: ISIN

ISIN	Non-ISIN reporting	Instrument market movements			
	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position
			Issued	Redeemed	
XS00000000000		100,000	0	0	100,000

Example 4d: Q4 – The entity accrues fees of €50,000. The fees accrued should thus be recorded in 'Remaining liabilities – of which other' with an increase of €50,000 in column B Outstanding amounts as the fees have not been paid yet.

Table 6: Certain Balance Sheet Items for Outstanding Amounts and Transactions

	Outstanding amounts - total	Transactions - total
LIABILITIES		
Capital and Reserves		
Remaining liabilities	99,750	
of which accrued interest payable on loans and deposits		
of which accrued interest on debt securities issued		
of which valuation adjustment for securitised loans i.e nominal less purchase price		
of which other	99,750	

Again as liabilities increased by 50,000 debt securities issued in Table 7 are impacted by €50,000.

Table 7: Liabilities: Debt Securities Issued: ISIN

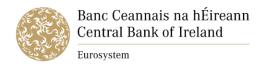| ISIN | Non-ISIN reporting | Instrument market movements | | | | |
	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end
			Issued	Redeemed		
XS00000000000		100,000	0	0	99,950	100.00

Market Price

Market price should be reported to two decimal places and is relative to par at 100. It is not the market value of the position. Market price can be estimated if exact information is difficult to obtain or would be costly to obtain. It is important to report relative to par so that the decrease/increase in value can be derived. See Example 4 below to see how to register market price at par 100.

Example 5: Q1. An entity has €100 million in Table 7: Debt securities issued at the start of the quarter, priced at a par value of 200 per unit. During the quarter, these debt securities increased in value by 5%. This means the market value

of the debt securities increases to €105,000. The market price is 105, which reflects the resetting of the par value to 100 and a 5% valuation increase.

Table 7: Liabilities: Debt Securities Issued: ISIN						
	Non-ISIN reporting	**Instrument market movements**				
ISIN	Sedol/Cusip/Internal	Opening Position	Transactions		Closing Position	Market price at quarter-end
			Issued	Redeemed		
XS00000000000		100,000	0	0	105,000	105.00

2.4 Derivatives

All positions should be reported at the market-to-market value, except for the nominal amount under the 'instrument characteristics' heading). Please note that derivative data reported as part of the SPE form is crosschecked internally by the Central Bank against the European Market Infrastructure Regulation (EMIR) data provided by each entity.[4]

Example 6 - Forward: The SPE enters into a forward contract with a US bank at end February to buy $10 million for euro at a rate of €1 = $1 at end May. At the start of the contract, the contract has a value of 0. At the end of Q1, the forward rate is €1 = $0.95.

At **Q1** the market to market position is positive and should be reported as an asset: ($10,000,000/0.95) – ($10,000,000/1.00) = €526,315

So the forward contract is worth €526,315 at the end of Q1 to the SPE. This is an unrealised gain and should be recorded as a positive closing position. It is worth noting that the position is recorded as positive because the contract is in the money and SPE is owed money as a result of the contract. If the contract was out of the money (i.e. the SPE owed money to the counterparty as a result of the contract) then it would be recorded as a negative position.

Table 4: Assets & Liabilities: Derivatives

Derivative type	Instrument market movements				Instrument characteristics	Counterparty	
	Opening Position	Transactions		Closing Position	Nominal amount	Country	Sector
		Receipts	Payments				
	0	0	0	526			
	0			0			
Forwards	0			526	10,526	US	DTC

At the time of delivery in Q2 the market rate is €1 = $1.05 and the forward contract value is ($10,000,000/1.05) – ($10,000,000/1.00) = -€909,091. Please note that the nominal amount fluctuates because the value of the contract to the SPE is based on $10,000,000 USD, which is converted to EUR.

Forward contract is now worth -€909,091 at expiry. A payment is made on the position, which is recorded as a transaction (realised loss), and the position is closed out. As elsewhere on the return, only cash flows are recorded as transactions, with other changes in positions being recorded as revaluations.

Table 4: Assets & Liabilities: Derivatives

Derivative type	Instrument market movements				Instrument characteristics	Counterparty	
	Opening Position	Transactions		Closing Position	Nominal amount	Country	Sector
		Receipts	Payments				
	526	0	909	0			
	0			0			
Forwards	526		909	0		US	DTC

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[4] https://www.centralbank.ie/regulation/industry-market-sectors/securities-markets/emir-regulation