



EUROPEAN CENTRAL BANK

EUROSYSTEM

Special Purpose Entities (SPEs) in external statistics

The journey to data publication in the
euro area and first analytical insights

12th Biennial IFC Conference

Basel, 22-23 August 2024



J. Diz Dias, F. Pastoris, C. Picon-Aguilar

European Central Bank

The views expressed in this paper are those of the authors and do not necessarily reflect those of the European Central Bank. All data shown reflect information available from the July 2024 data vintage.

Key steps for collection and publication of SPEs data

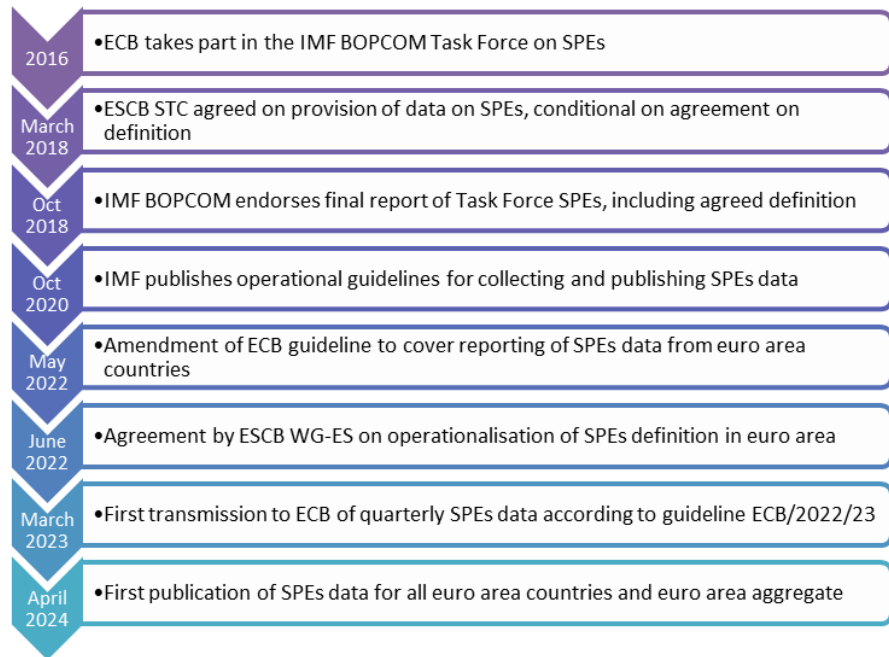
Growing importance of **financial centres and SPEs** in size/dynamics of cross-border investment

- Lane & Milesi-Ferretti (2018), Blanchard & Acalin (2016), Damgaard & al. (2024), ECB (2019), ECB (2021), ECB (2024)

Statistical information on SPEs is key **for the Eurosystem**

- understanding their role in **euro area economic/financial system**
- supporting better analysis of **cross-border interconnectedness and financial integration**
- improving assessment of financial risks for **financial stability analysis**
- understanding **investment determinants and dynamics**

Timeline of the journey to ECB data publication on SPEs



Defining SPEs: little presence in host countries, large impact on their external statistics

SPEs are **legal entities**, formally registered/incorporated in the host country

They are set-up to obtain **specific advantages** from the host economy

- grant its owner access to **capital markets** or sophisticated **financial services**
- **isolate** owner from financial risks
- reduce **regulatory** and **tax** burden
- safeguard **confidentiality** of their transactions and owner

In the host economy, SPEs have:

- No or minimal **employment**
- No or minimal **physical presence**
- No or minimal **production**

But they **impact the external statistics** of the host economy:

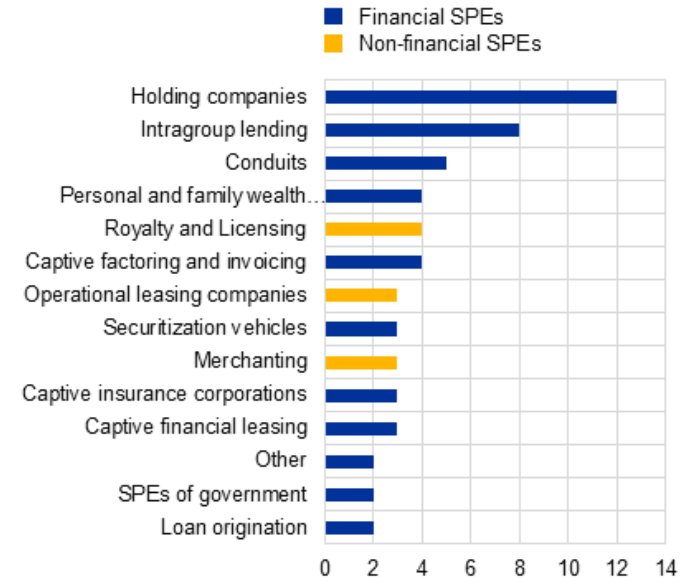
- **Controlled** by non-residents
- Most of their **financial balance sheet** and **transactions** are cross-border

SPEs in euro area: operational guidance and typology

1. **Institutional unit** is key principle
2. 5-employee is a **strict criterion**
3. **Thresholds** for production/physical presence are set to < 5% total assets
4. **Thresholds** for external assets/liabilities is set to > 80%
5. **3-year period** is allowed for threshold
6. **Several indicators** can help compilers to assess relevance of SPEs
7. Controlled by non-residents means with **immediate foreign parent**
8. **Orphan entities** can be SPEs depending on effective control in place

Typology of SPEs in euro area countries

Number of countries hosting a certain type of SPE

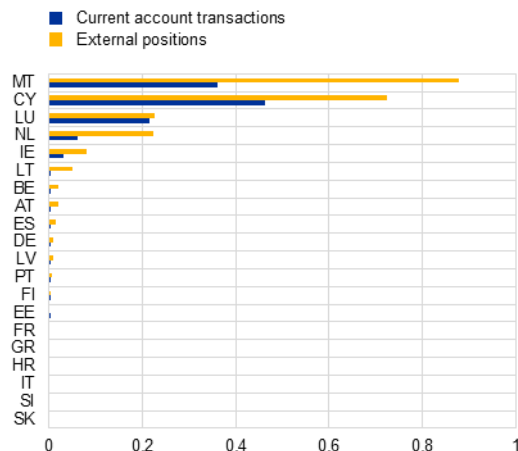


Source: Authors' calculations based on a survey conducted with balance of payments compilers from euro area countries in 2022.
Notes: Non-financial (financial) SPEs are those SPEs whose principal economic activity is non-financial (financial). "Other" types of SPEs are drilling companies and resolution vehicles.

SPEs across euro area countries: heterogeneous impact on external statistics

Relevance of SPEs

Share of SPEs in total current account transactions and external positions; 2023

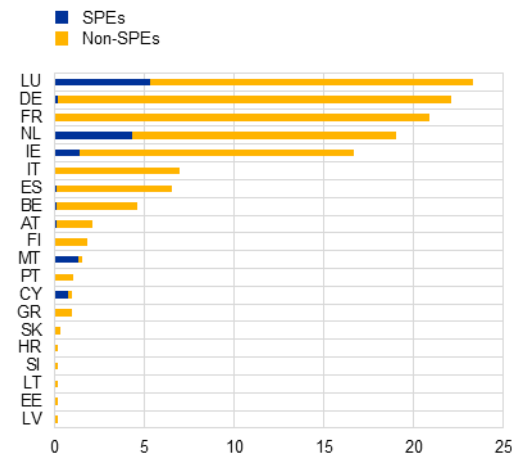


Source: Authors' calculations based on ECB data.

Notes: The share of SPEs for current account flows (external positions) is computed summing up credits (assets) and debits (liabilities) transactions (positions). Data refers to 2023 for current account flows and end-2023 for external positions. For AT, DE and LT data refer to the latest available observation.

Size of external assets and liabilities

€ trillion; end-2023; sum of external assets and liabilities

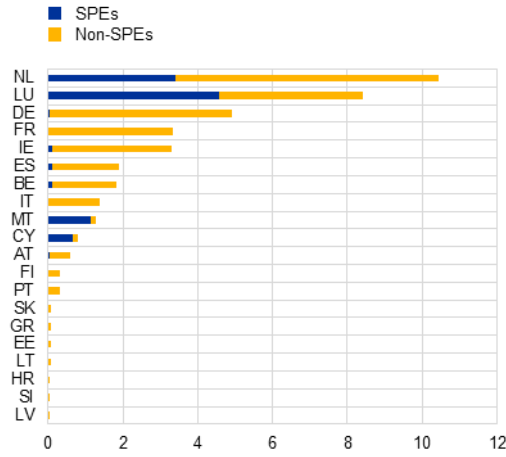


Source: Authors' calculations based on ECB data.

Notes: For each country, the value shows the sum of the stock of assets and liabilities. Data for DE, FI and LT refers to the latest available observation.

Size of FDI assets and liabilities

€ trillion; end-2023; sum of FDI assets and liabilities



Source: Authors' calculations based on ECB data.

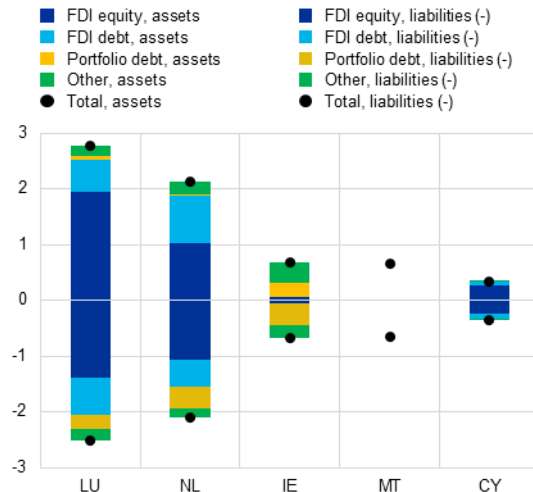
Notes: For each country, the value shows the sum of the stock of assets and liabilities. Data for DE, FI and LT refers to the latest available observation. Given unavailability of figures, data for MT for the FDI assets and liabilities of SPEs is estimated assuming the same relevance of SPEs in MT as in total external assets and liabilities for MT; this method underestimates the relevance of SPEs in FDI for MT as normally SPEs are more relevant for FDI than for other functional categories.

SPEs dominate external accounts in MT, CY; impact substantially external accounts of LU, NL, IE
Also due to presence of SPEs, NL and LU have largest gross FDI positions among EA countries
MT and CY outsized external positions almost entirely due to SPEs
Large FDI positions for IE not linked to presence of SPEs

SPEs balance sheet: large external assets and liabilities, small contribution to net i.i.p.

SPEs external assets and liabilities

€ trillion; end-2023



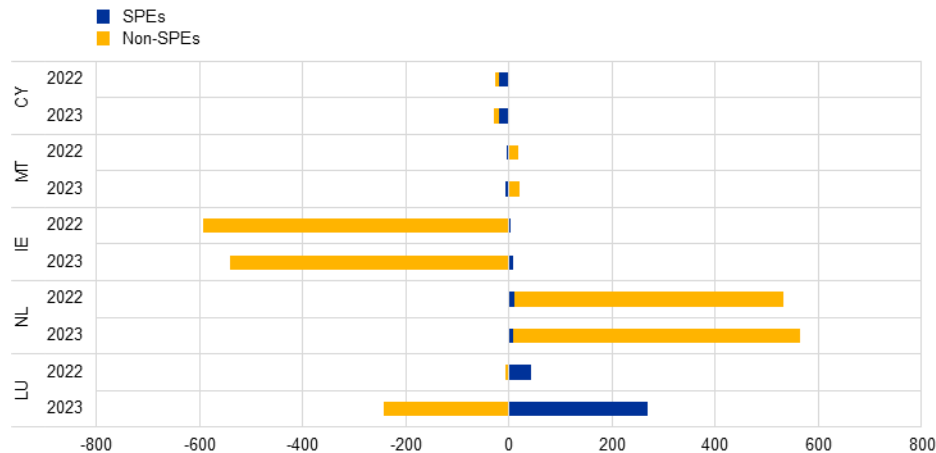
Source: Authors' calculations based on ECB data.

Notes: Liabilities are shown with negative sign. "Other" includes other investment, portfolio equity and financial derivatives.

For MT only total external assets and liabilities are available.

SPEs net external position

€ billion; end-period stocks



Source: Authors' calculations based on ECB data.

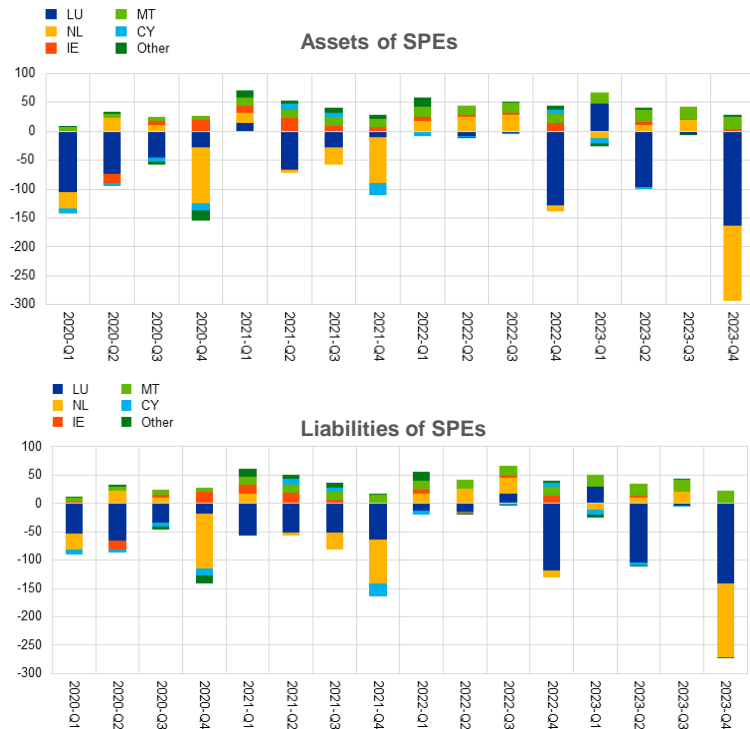
Notes: The net external position reflects the stock of external assets minus the stock of external liabilities.

FDI equity and debt show mainly relevance of holding SPEs and intra-group financing SPEs
 Portfolio debt liability show mainly relevance of conduit SPEs
 Given their definition, SPEs mostly neutral for net IIP; peculiar situation for CY and LU

SPEs dynamics: disinvestment for SPEs in euro area in the last 4 years

Dynamics of SPEs external transactions, by host country

€ billion



Source: Authors' calculations based on ECB data.

Notes: "Other" include available data from the remaining euro area countries hosting SPEs: AT, BE, DE, EE, ES, FI, LT, LV, PT.

Assets and liabilities of SPEs in euro area contracted significantly over last 4 years

Large divestment dynamics for SPEs resident in LU (-€700 bn) and NL (-€250 bn)

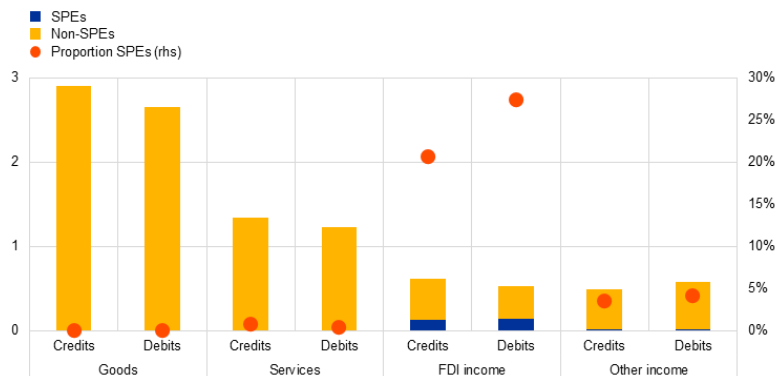
- Mostly due to FDI transactions, reflecting withdrawal of equity or repayment of loans
- Adjustments in corporate structure of large MNEs reducing size/number of SPEs in these countries

Different dynamics (investment) for SPEs in MT (+€200 bn) and IE (+€100 bn)

SPEs in euro area aggregate: key to understand euro area FDI and portfolio debt liabilities

Impact of SPEs on euro area current account

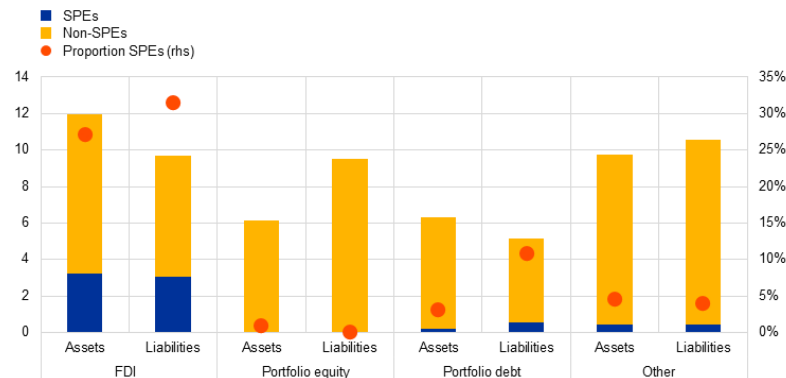
Lhs: € trillion; rhs: % in total credits and debits by category; 2023



Source: Authors' calculations based on ECB data.
Notes: "Other income" include portfolio and other investment income.

Impact of SPEs on euro area external positions

Lhs: € trillion; rhs: % in total financial assets and liabilities by category; end-2023



Source: Authors' calculations based on ECB data.
Notes: "Other" includes other investment and financial derivatives

SPEs account for around one quarter of euro area FDI gross income flows
SPEs account for almost 30% of euro area FDI assets and liabilities
SPEs account for around 10% of euro area portfolio debt liabilities

Main takeaways from publication of SPEs data in the euro area

Publication of harmonised SPEs data is **key advancement** for euro area external statistics

- Multi-decade effort involving **cooperation** between international statistical bodies, ECB, national compilers
- Development of **comprehensive reporting framework**

New data granularity improves **analytical interpretation** of cross-border investment for euro area

- Presence of SPEs contribute to explain the **oversized external assets and liabilities** of euro area financial hubs
- Holding, intra-group lending and conduit entities are the **main types** of SPEs in euro area

Further refinements and development of SPEs data in official statistics should ensure data remains relevant

- To reflect the **evolution of global financial structures**
- To provide policymakers with **new data breakdowns**

