



### Special Purpose Entities (SPEs)<sup>1</sup> Statistics Q2 2018

- **Total assets of Irish-resident SPE vehicles increased in Q2 2018, by €10.6bn to €686.1bn.** Exchange rate movements played a significant role in the growth of assets. An underlying trend of increasing diversification in the activities in the Irish SPE sector remains evident;
- **Securitisation SPEs, or Financial Vehicle Corporations (FVCs), saw an increase in total assets, of €14.2bn, to €416.9bn,** mostly driven by exchange rate movements and re-designated SPEs. The “Other” category, which includes a very diverse range of activities, expanded strongly;
- **Other SPEs, or non-securitisation SPEs,** saw a decline in total assets, of €3.6bn, to €269.2bn, mainly driven by re-designated SPEs. Strong growth in fund-linked investment activity evident last year has tapered off since Q4 2017.

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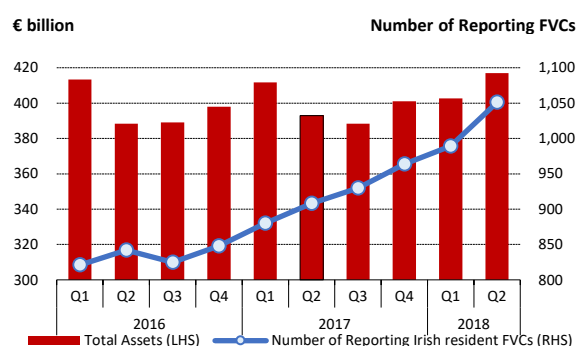
<sup>1</sup> Definition of a SPE, a FVC, other SPEs and a sponsor can be found on page 5, in Notes.

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Total assets of Irish SPEs rose to €686.1bn in Q2 2018, from €675.5bn in the previous quarter. US dollar appreciation was the main driving factor, appreciating by over 5 per cent against the euro over the course of Q2, and more than offsetting a 1 per cent decline in sterling vis-à-vis the euro. 40 SPEs moved from Other SPEs to FVCs, with over €8bn in total assets. This reflected a change to funding structures in these SPEs.

Within FVCs, the long-term trend of smaller, and a more diverse range of vehicles replacing larger mortgage backed vehicles continued in Q2 2018. The numbers of vehicles increased strongly to 1051 from 989 in the previous quarter. Meanwhile, total assets increased to €416.9bn from €402.7bn (Chart 1). This was mainly driven by the impact of US dollar appreciation against the euro.

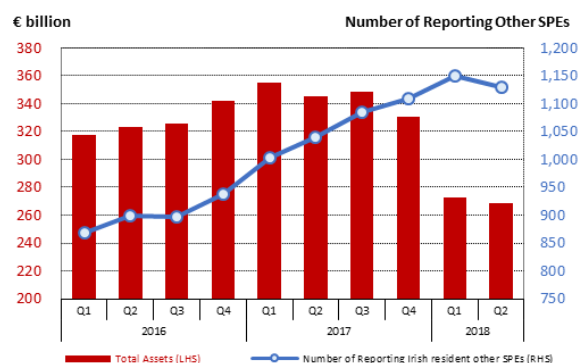
**Chart 1: Total Assets and Number of Reporting FVCs**



Within Other SPEs, the picture was quite different. The number of vehicles declined for the first time since Q3 2016, by 21 to 1,129 in Q2 2018 while total assets fell by

€3.6bn to €269.2bn, driven by SPE re-designations (Chart 2). Total assets in Q2 were largely unchanged compared to Q1, when a sharp decline was recorded. This decline reflected exiting from the S110 designation within loan origination and reduced activity. The reporting population is defined as SPEs availing of Section 110 tax provisions.

**Chart 2: Total Assets and Number of Reporting Other SPEs**

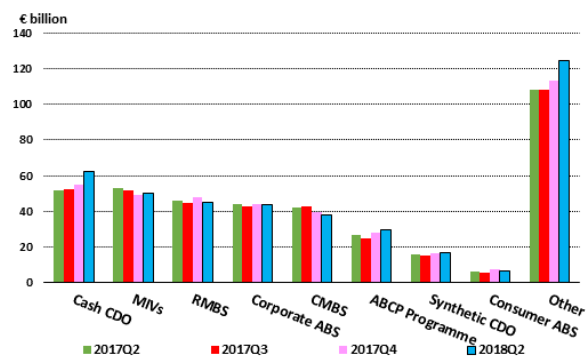


Within FVCs, the various securitisation types all reflected the same pattern, namely declines in mortgaged-back securitisation (RMBS, CMBS and resolution FVCs) and a small exchange rate-led adjustments in each of the other categories (Chart 3). Overall movements were quite muted compared to previous quarters. The number of FVCs, excluding NAMA, issuing mortgage backed debt securities was flat in the quarter while total assets declined by €2.2bn to €81.3bn. Meanwhile the “other” category increased by 39 to 225 vehicles, with total assets increasing by €12.2bn to €71.4bn, which largely reflected the re-designation of Other SPEs to FVCs. This category includes debt issuance backed by a very diverse range of

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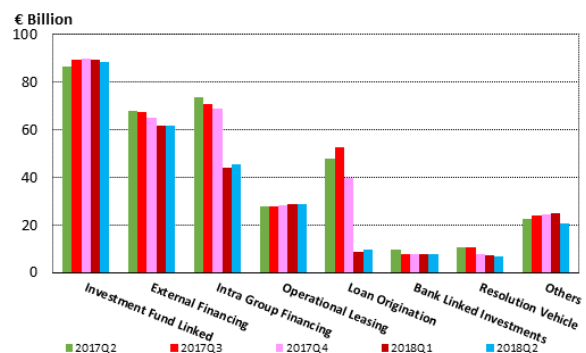
assets including nursing home receipts, royalty payments, life settlements, etc.

**Chart 3: Evolution of FVC types since Q1 2017 (total assets)**



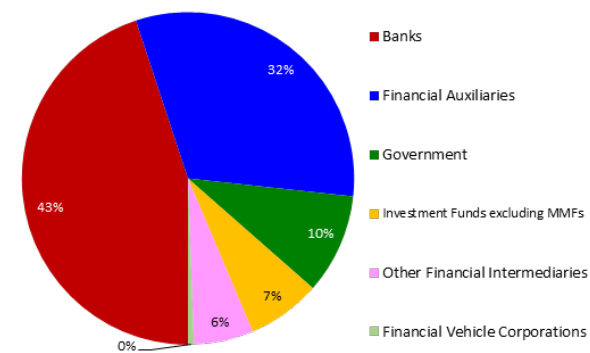
Within Other SPEs, Q2 2018 was also marked by a period of relative stabilisation in the main categories (Chart 4). As with FVCs, resolution vehicles continued to decline in terms of total assets. Re-designated SPEs drove declines in fund-linked investments and the “other” category. A trend of strong growth in fund-linked investment, which increased by €22.9bn to €89.2bn in the two years to Q3 2017, has since declined slightly to €88.1bn by Q2 2018.

**Chart 4: Evolution of other SPEs types since Q1 2017 (total assets)**



Within FVCs, there is a change in the types of sponsors with the role of bank sponsor reducing. Banks, who sponsored most FVCs as late as Q1 2016, have seen their share decline to 40 per cent by Q2 2018 (Chart 5). Over the same period, the combined share of non-banks, excluding government and insurance, has risen from 31 per cent to 45 per cent. Within Q2 2018, movements in sponsor shares were relatively muted, with small changes mirroring longer term trends.

**Chart 5: Breakdown of FVCs by sector of sponsor, Q2 2018**

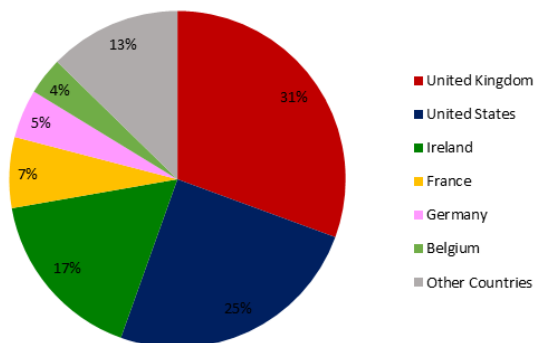


UK and US sponsors of FVCs are largely driving the wider range of assets being securitised over recent quarters. Their combined share was 55 per cent of total assets in Q2 2018, compared to 49 per cent in Q1 2016. Within Q2 2018, the share of UK sponsors rose by a further 2 percentage points. This was partly due to the re-designation of certain SPEs and more generally increases in a number of non-mortgage based securitisation types (Chart 6). The share of FVCs sponsored by Irish entities fell to 17 per cent in Q2 2018, amid

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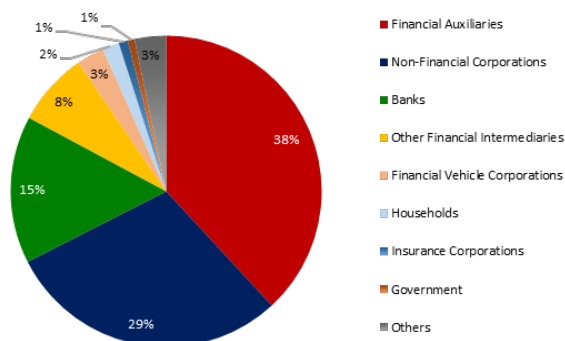
the continued unwinding of mortgaged backed securitisation and resolution FVCs.

**Chart 6: Breakdown of FVCs by country of sponsor, Q2 2018**



Within other SPEs, the shares of various sponsor sectors remained largely stable in Q2 2018 (Chart 7). The financial auxiliary sector slightly increased its share of total assets, to 38 per cent, in line with the long-term trend. This sector includes asset and capital managers, advisors and servicers. Meanwhile, the share of bank sponsored other SPEs remained stable at 15 per cent, though the long-term trend is downward.

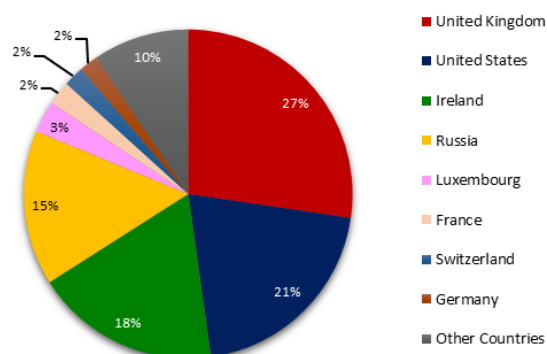
**Chart 7: Breakdown of Other SPEs by sector of sponsor, Q2 2018**



Other SPEs saw a decrease in the share of the UK sponsored entities, to 27 per cent, due to re-designated SPEs and the tapering off in fund-linked investment (Chart 8). The other

main country shares remained stable. The share of Russian sponsored SPEs stabilised in the quarter, following a decline since the end of 2016.

**Chart 8: Breakdown of Other SPEs by country of sponsor, Q2 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.

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### Further information

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