G.4 Treatment of Special Purpose Entities and Residency

G.4 Treatment of Special Purpose Entities and Residency[1]

As part of the System of National Accounts (SNA) Research Agenda, the Globalization Task Team (GZTT) has developed a guidance note (GN) on "Special Purpose Entities (SPEs)." SPEs, as part of intra-MNE activities, present measurement challenges for both national accounts and balance of payments. The GN analyzes the existing materials and examines ways to identify economic and financial flows of SPEs within macroeconomic statistics with a view to better understand their contribution from both the national and international accounts' perspective. Drawing on extensive research on SPEs, the GN has put forward possible options whether to (i) change the "core" SNA and Balance of Payments Manual (BPM) framework or (ii) not, but rather collect supplemental information on SPEs or extend the core framework with complementary presentation of SPEs based on nationality, for consideration during the System of National Accounts 2008 *(*2008 SNA*) and the* Balance of Payments and International Investment Position Manual, sixth edition *(*BPM6*) updates. For options that leave the "core" framework unchanged, the GN suggests looking into more disaggregated (granular or supplemental) data, as well as the possibility of extending the conceptual framework, by providing alternative concepts. The GN[2] recommends to leave the core SNA and BPM framework unchanged and integrate the proposed breakdown of SPEs within the institutional sector accounts[3] for countries for which SPEs are significant.[4] The GN also puts forward the definition of SPEs, aligned and based on the recent work of the IMF's Committee on Balance of Payments Statistics, to be included in the updated version of both the* BPM6 *and the* 2008 SNA*. Additionally, the option of extending the core framework with a supplemental presentation of SPEs re-classified from their countries of legal incorporation to the countries of their parents was viewed as a viable proposal, on a voluntary basis for economies for which SPEs were deemed important.*

SECTION I: INTRODUCTION TO THE ISSUE

1. **At the center of statistical challenges related to globalization are Multinational Enterprises (MNEs)—multifaceted and flexible with their wide range of economic activities—and associated with them the extensive use of Special Purpose Entities (SPEs).** In addition to investment or pass-through activities, SPEs are nowadays being set up, as part of MNEs' group-wide financial and profit-maximization strategies, to manage intellectual property rights, research and development, trade,

[1] Prepared by Ms. Padma Hurree-Gobin (primary drafter), and Ms. Jennifer Ribarsky (both GZTT Secretariat, IMF), who coordinated the contributions of the GZTT members. The work was undertaken under the supervision of Messrs. Michael Connolly, and Brank Vitas (co-Chairs of the GZTT).

[2] The detailed consultation within the GZTT is presented in an accompanying supporting document on SPEs and MNEs. The outcome of the deliberations of this GN when presented for preliminary discussion before global consultation at the October 2020 AEG meeting, as well consultation within the DITT is presented in Annex II.

[3] The break down entails that SPEs will be separately identified as an "of which" supplementary category within the ISAs in the SNA for both foreign controlled financial and non-financial corporations. This approach links the ISAs with the international accounts' breakdown and allow to have a complete picture of the economy. The balance of payments and international investment position 2020 annual data already separately identify data on resident SPEs on a supplementary basis.

[4] The recommendations outlined in this GN were approved by the Committee and the AEG in its joint March 2022 meeting and the Summary of Discussions of this meeting can be accessed here.

and other activities. The aim is to maximize their company-wide global after-tax profits, not necessarily their profits in each of the countries in which they operate.

2. **Against these practices, macroeconomic statistics—international trade in goods and services, direct investment, and other financial flows and positions have been impacted.** Identification of changes in the ownership of goods, nonfinancial assets, and financial assets and liabilities for the global operation activities of MNEs, encompassing the use of SPEs is challenging. Distortions in macroeconomic aggregates have been a cause of concern for users while measurement challenges (see Annex III) have been challenging national compilers.

ISSUES FOR DISCUSSION

3. **Including and separately identifying SPE activities in macroeconomic statistics is crucial for policy analysis.** The *System of National Accounts 2008 (2008 SNA)*, the IMF's *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*, the IMF's *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG),* and the OECD's fourth edition of the *Benchmark Definition of Foreign Direct Investment (BD4),* with a view to reflect on the effects of globalization and the increasing role of MNEs, have all paid attention to SPEs. While these statistical manuals refer to and are largely consistent in their understanding of SPE activities, there is no internationally agreed standard definition of SPEs,[5] as acknowledged in *2008 SNA* paragraph 4.55 and *BPM6* paragraph 4.50. Neither the *2008 SNA* nor *BPM6* have formally made SPEs an identified component of the accounts, or as an institutional sector or subsector.

4. **The *2008 SNA* by recognizing an institutional unit[6] based on legal incorporation for SPEs, has introduced an implicit exception.** This exception, born out of necessity for tracking financial transactions, international investment position (IIP) and for monitoring exposure to global financial risks, satisfies the objective of the *BPM6* (Rassier, 2017). According to *2008 SNA* paragraph 4.69, in general, institutional units do not have to be autonomous, but they do have to be responsible, and accountable, for the decisions and actions they take. Because SPEs have legal responsibility for their actions, they can be considered to be accountable for all aspects of economic behavior. Yet, SPEs do not necessarily meet the criterion of autonomy in decision. *2008 SNA,* paragraph 4.61, states: "*An entity of this type that cannot act independently of its parent and is simply a passive holder of assets and liabilities…is not treated as a separate institutional unit unless it is resident in an economy different from that of its parent…*". The residence of an SPE is of critical importance to its statistical treatment.

5. **Even if SPEs are controlled by nonresidents and their autonomy of decision could be questioned, to the extent that they are legally independent, they are separate institutional units from their nonresident parents.** The *2008 SNA* paragraph 2.16 does recognize that legal independence to hold assets and liabilities and autonomous behavior do not always coincide such that SPEs are implicitly in practice responsible, and accountable, for their decisions and actions.

[5] Likewise, the term SPEs can be used interchangeably with special purpose vehicle, financial vehicle corporation, dependent on the jurisdiction. The GN proposes to use SPEs, moving forward, to avoid confusion.

[6] Institutional unit is defined in the *2008 SNA*, paragraphs 2.16, 4.2, and Chapter 26; and in the *BPM6*, paragraphs 4.13–4.52. *An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.*

6. **The *BPM6* and *BD4* have both laid emphasis on separately identifying flows and positions of resident SPEs, which is somewhat absent within the core framework of the SNA.** Paragraph 4.87 of the *BPM6* states, *"Although there is no internationally standard definition of SPEs, in economies in which they are important they may be identified separately, according to either a national company law definition, or in terms of a functional definition, possibly referring to their limited physical presence and ownership by nonresidents."* The same paragraph equally states, *"in economies with large direct investment flows through resident SPEs, it is recommended that these flows be shown as a supplementary item, so that they can be identified separately."* The *BD4*, because of its uniqueness in addressing direct investment statistics, offers more pronounced recommendations on MNEs, including SPEs, and the separate reporting of direct investment (DI) for resident SPEs and excluding resident SPEs is one of its core recommendations. However, from a practical perspective, in terms of data collection on SPEs within cross-border statistics, not much progress has been made. While Eurostat and the OECD[7] currently collect SPE-related cross-border data only for direct investment, the IMF, on its part, disseminates external sector statistics (ESS) without a separate distinction of SPEs.[8]

SECTION II: EXISTING MATERIAL

7. **Since the release of the *2008 SNA* and the *BPM6*, with the evolving nature of SPEs, additional guidance has been provided to assist national statistical compilers with recognizing SPE-related activity.** The United Nations Economic Commission for Europe (UNECE) publications on "The Impact of Globalization on National Accounts" (2011) and "Guide to Measuring Global Production" (2015), as well as the IMF's Committee on Balance of Payments Statistics (the Committee) papers, have discussed challenges associated with SPEs. The joint ECB-Eurostat-OECD Task Force's final report on Head Offices, Holding Companies, and SPEs[9] (2013) examined the definition, typology, and classification of SPEs. There have been ongoing discussions at regional levels, of which the ECB Working Group on External Statistics (WGES), the OECD's Working Group on International Investment Statistics (WGIIS) and the OECD's Working Party on Financial Statistics.

8. **The most recent advancement on SPEs discussion was at the October 2018 Committee meeting,[10] where a definition for SPEs in the context of cross-border statistics was endorsed.** The merit of developing a clear definition for SPEs was primarily driven by the need to assist compilers to properly identify SPEs for data collection. In fact, with a view to improve the analytical value of certain components of the balance of payments and IIP, the IMF will undertake data collection for resident SPEs, a decision also endorsed by the Committee in 2018.

[7] http://stats.oecd.org//Index.aspx?QueryId=64238 (DI aggregates positions); http://dotstat.oecd.org//Index.aspx?QueryId=64220 (Bilateral DI positions).

[8] If the economies report cross-border transactions or positions on resident SPEs, their activities are embedded within the respective components of the balance of payments, international investment position (IIP), Coordinated Direct Investment Survey (CDIS), or Coordinated Portfolio Investment Survey (CPIS).

[9] http://ec.europa.eu/eurostat/documents/737960/738007/Final_Report_Task_Force_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2.

[10] https://www.imf.org/external/pubs/ft/bop/2018/pdf/18-03.pdf.

9. **The current guidance on SPEs in the *2008 SNA* and *BPM6* allows for flexibility in interpretation, and any strategy for separate data collection and identification of SPEs within cross-border statistics could prove ineffective.** Anecdotal evidence has revealed that the lack of a precise economic definition for SPEs prompt compilers to define these entities based on national legislation or other national considerations. The coverage could differ from economy to economy such that the statistical treatment of SPEs in macroeconomic statistics diverged and could generate bilateral asymmetries between debtor and creditor economies. Also, the treatment and inclusion of SPEs within the national business register varies in concept dependent on the authorities' willingness to invest in data collection and compilation due to the difficulties in identifying them, the absence of a national definition, or the perception that these entities have minimal connection with the domestic economy.

10. **In formulating the definition of SPEs, the Committee considered several key aspects, the most important one being to remain within the core framework of the SNA and BPM.** The focus has been to (i) identify SPEs as institutional units; (ii) encompass not only financial but also nonfinancial entities; and (iii) develop the criteria to be used (e.g., employment, physical presence, production, residence of the direct or indirect controlling entity, balance sheet structure—i.e., only financial or also nonfinancial assets, only cross-border positions or also domestic).

11. **The definition of an SPE, <u>in the context of ESS recommended by the Committee's Task Force on SPEs (TFSPE) and as endorsed by the Committee</u>, is as follows:**

- *An SPE, resident in an economy, is a formally registered and/or incorporated legal entity recognized as an institutional unit, with no or little employment up to maximum of five employees, no or little physical presence, and no or little physical production in the host economy.*
- *SPEs are directly or indirectly controlled by nonresidents.*
- *SPEs are established to obtain specific advantages provided by the host jurisdiction with an objective to (i) grant its owner(s) access to capital markets or sophisticated financial services; and/or (ii) isolate owner(s) from financial risks; and/or (iii) reduce regulatory and tax burden; and/or (iv) safeguard confidentiality of their transactions and owner(s).*
- *SPEs transact almost entirely with nonresidents and a large part of their financial balance sheet typically consists of cross-border claims and liabilities.*

12. **To guide national compilers in identifying SPEs resident in their economies, the definition is accompanied by (i) a decision tree, presented in the form of a flow chart (Annex IV), and (ii) a typology.** The typology delineates the different types of SPEs and determines their appropriate institutional sector (see Annex V).[11] The typology, on its part, should be used as a complement to the SPE definition and is not meant to be either exhaustive or prescriptive. Such a typology may assist compilers in identifying SPEs,[12] but also may assist compilers in their institutional sector and activity classification (and their corresponding transactions classification) as well as in determining input data

[11] A first attempt in defining such a typology was made in the context of the Task Force on Head-offices, Holding Companies, and SPEs, instituted by the ECB, Eurostat, and OECD in 2012.

[12] The typology provides an inventory of those institutional sectors where selected entities (meeting the Task Force definition) would be SPEs. For instance, the typology does not state that all Captive Financial Institutions are SPEs, because some of them may have more than five employees, and solely resident control.

requirements for compilation purposes. Due to their dynamism, the typology could be updated more frequently. To further elaborate on the typology, detailed illustrative summary cards for the main types of SPEs, highlighting the main characteristics of each type, have been prepared.

SECTION III: OPTIONS CONSIDERED

13. **As part of the SNA Research Agenda, the GZTT considered the recent and past discussions on SPEs to better understand their contribution to economic and financial flows both in the SNA and BPM framework and discussed a way forward.** By way of a written consultation,[13] the GZTT acknowledged the measurement challenges, took note of the recent Committee work on defining SPEs and discussed options. The possibilities that were put forward were two-fold: (i) change the core SNA/BPM framework (Option I), and (ii) no change to the core SNA/BPM framework with proposal for supplemental information (Option II) or extension (Option III).

CHANGE IN THE CURRENT SNA/BPM FRAMEWORK: CONSOLIDATING SPES WITH THEIR PARENTS, IRRESPECTIVE OF THE RESIDENCE OF THE SPE

14. **Option I consider changing the core conceptual *2008 SNA* and *BPM6* framework for SPEs, not to treat SPEs with nonresident parents as separate institutional units from their parents.** This is based on the premise that SPEs are only legal units, that are controlled by parent companies with no independent decision-making such that consolidation with parents seems logical. However, the consultation exercise within the GZTT showed no preference for this approach.

15. **SPEs, resident in another territory, can be created by the government to be used for fiscal purposes (*BPM6*, paragraphs 8.24–8.26).** These entities, incorporated by governments, are resident in their economy of incorporation or registration, and not in the economy of the government. As an example, a government may use a special purpose[14] or other entity to issue securities to fund its expenditure. The Direct Investment Task Team (DITT), as part of the *BPM6* update, has prepared a guidance note discussing the elimination of imputations for an entity owned or controlled by general government that is used for fiscal purposes (Draft Guidance Note D.5). The GZTT has been consulted on GN D.5.[15]

NO CHANGE IN THE CURRENT SNA/BPM FRAMEWORK: INCORPORATE SUPPLEMENTAL INFORMATION AND ALTERNATIVE CONCEPTS WITHIN

16. **Option II proposes to separately identify SPEs by increasing the granularity and supplementary data provided within the SNA framework using the institutional sector accounts (ISAs).** Rassier (2017) proposed creating a framework that breaks entities into operating entities and SPEs. Rassier's proposal contrasts with Harrison (2014), Jellema (2018), and the G20 DGI-2 Recommendation 8 that focuses on additional breakouts of MNEs more generally. Some countries have

[13] Please refer to the Consultation Note on MNEs and SPEs for a review of the exercise.

[14] Fiscal purposes refer to the distinctive motivation of the general government sector, as discussed in the *BPM6*, paragraphs 4.91–4.92. Fiscal purposes can be distinguished from commercial purposes, because fiscal purposes are always oriented to serving the objectives for the government's home territory.

[15] The GZTT has been consulted on D.5 for the discussion please refer to the Draft Guidance Note D.5 which has been posted for public consultation.

demonstrated the possibility of supplemental measures on resident SPEs in DI statistics. Taking into consideration this work, the GZTT considered whether adding an "of which" category to separately identify (within nonfinancial and financial corporations' institutional sector) foreign controlled SPEs to the ISAs framework would be beneficial. This would provide supplemental statistics on resident foreign controlled SPEs as recommended in the *BPM6* and *BD4* and aligns with the IMF's upcoming data collection on separately identifying resident SPEs in cross-border statistics to help data users. The proposal does not change the core conceptual framework.

17. **Option III considers an extension to the existing framework—the possibility of adopting nationality-based presentation as alternative concept without departing from the current statistical SNA/BPM framework.** Rassier (2017) proposed reclassifying SPEs from their countries of legal incorporation to the countries of their parents so that flows of SPEs are consolidated with the other flows of parents in an alternative presentation to the core SNA framework. This reclassification alternative would give users an idea of the effects of pass-through flows within MNEs on SNA core measures. Borga and Caliandro (2018), on their part, proposed a nationality-based framework for DI statistics that consolidates pass-through funds by nationality of an MNE to provide information on who makes decisions, reaps benefits, and bears risks associated with the funds. The nationality-based framework would complement the existing residence-based framework, which identifies where financial claims and liabilities are held. Those two proposals would change the attribution of pass-through flows from legal residence to ultimate owner.

18. **Changes suggested by Borga and Caliandro (2018) and Rassier (2017), if implemented as supplemental presentations,[16] would yield meaningful enough departures from current practice.** This would, therefore, entail careful consideration by national compilers of practical matters before implementation is feasible. For instance, although the SPE is located (and reported) in another jurisdiction from the DI owner, the DI owner of the SPE would have to record all the balance sheet positions and transactions for the SPE. Thus, if the proposal would be implemented for DI statistics, a similar proposal such as Rassier (2017) could keep the SNA consistent with companion guidelines.

DISCUSSION OVER THE DEFINITION OF SPE

19. **The GZTT took note of the Committee-endorsed SPE definition in the context of cross-border statistics and acknowledged that it is suitable for identifying SPEs that are part of MNEs for national accounts purposes.** The proposed definition is accompanied by a decision tree and a typology brings in more precision and clarity. The typology determines which institutional sector (and subsector) different types of SPEs are classified (see Annex V). The SPE definition may apply to entities that are classified in the captive financial institutions and money lenders subsector (S127), but also in other financial corporation subsectors, such as other financial intermediaries (S125) (e.g., factoring companies) or insurance corporations (S128) (e.g., captive insurance companies), and even the nonfinancial corporations' sector (S11) (e.g., operational leasing companies). The SPE may be

[16] Another supplemental data presentation concerns DI data being compiled by ultimate investing country or ultimate host economy. This analysis complements the supplemental country analysis and is currently being discussed by DITT in light of the *BPM6* update.

found in various subsectors.[17] Thus, the typology also provides the link between the balance of payments and the institutional sectors of the SNA illustrating how they are aligned. The IMF, at the October 2020 Committee meeting, presented an [Operational Guidelines] that accompanies the SPE definition, which would assist compilers in operationalizing the definition and identifying resident SPEs.

20. **The benefit of a common definition of SPE is relevant in the context of data comprehensiveness, quality, and comparability.** The element of direct or indirect control from a nonresident serves well in the definition for SPEs when it comes to cross-border statistics. The presence of a nonresident owner is a sufficient condition in passing the institutional unit test. Importantly, when it comes to residence, the *2008 SNA* states clearly that entities are institutional units when resident in a different economic territory from the related enterprises. The SPE definition, in the context of ESS, covers SPEs as part of enterprise groups, or belonging to nonresident owners, but does not explicitly acknowledge the possibility of using SPEs in domestic-to-domestic relationships in those economies[18] which can provide tax-friendly environments within an economic territory), for instance SPEs owned by households or other resident entities.

21. **These entities meet all the criteria of the ESS definition except that they do not have nonresident parents, examples of which are households and securitization vehicles.** Households[19] may own corporate entities in the same economic territory that fulfil the SPE description, barring the foreign control factor. Incorporated entities owned by households are always as separate institutional units from the household (*BPM6,* paragraph 4.14), as this reflects the fundamental distinction between social and legal entities on the one hand and households composed of natural persons on the other. The *2008 SNA* paragraph 24.75 underscores that family trusts[20] are owned by households, though some trusts may be owned by a number of households collectively possibly including nonresident households. These trusts should be treated as quasi-corporations and included in the financial corporations' sector as captive financial institutions.

22. **Securitization vehicles may equally be set up by resident entities, with a special purpose and having autonomy of decision** (in managing the asset portfolio and in structuring the type of securitization debt instruments). These entities, although located in the same residence as their parents, cannot be treated as "artificial subsidiaries" since they are not passive holdings.[21] The *2008 SNA* (paragraph 4.60) mentions that to assess independence of action from the parent, it would suffice for an entity to have some control over assets and liabilities or bearing the risk and reaping the rewards from the

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[17] It may be noted that while the typology in Annex V only focuses on entities that are directly or indirectly controlled by nonresidents (applying a definition of SPEs that is specifically developed for cross-border statistics), the classification presented can apply to entities that are equally directly or indirectly controlled by residents.

[18] For example, in the US, the federal structure allows different jurisdictions applicable at the state level as regards company law. The state of Delaware has specialized in providing for "flexible corporate structures" that allow natural persons as well as corporations resident in the U.S. as well as nonresidents to establish limited liability companies (LLC's) for among others tax planning purposes.

[19] In the US, as example, a domestic SPE could be owned by a domestic household and that the SPE could have international transactions.

[20] Trusts may be set up to protect wealth until a beneficiary comes of age or meets another criterion, they may be set up to preserve family estates and so on.

[21] The ECB-Eurostat-OECD Task Force Report on Head-offices, Holding Companies and SPEs points out that passive holdings cannot easily be extended to a broader group of SPEs.

assets and liabilities. As regards control over assets and liabilities, the key feature for these types of entities is that it is not exercised by the parent but be exercised on the parent entities behalf by a third party. As regards bearing the risk and reaping the benefits, the SPEs (securitization vehicles) are incorporated with the aim to specifically isolate the parent from (financial) risks, and thus by implication would have independence of action.

23. **On account of the possibility of having SPEs with resident parents, it seems challenging to have a definition meaningful only for ESS purposes.** The proposed typology, endorsed by the Committee, implies that resident parents are a possibility. These entities somewhat dispute the consideration that SPEs are treated as separate institutional units only if resident in an economy different from its parent.

24. **The Committee did discuss the importance of harmonizing the statistical definition and treatment of SPEs across all macroeconomic datasets, particularly coordinating the work with national accounts.** It was clearly acknowledged in the final report of the TFSPE that although the work has focused on SPEs in the context of ESS, the principles of the proposed definition for ESS may be able to be adapted/refocused for use in the context of other macroeconomic datasets, of which national accounts.

SECTION IV: RECOMMENDED APPROACH—CONCEPTUAL ASPECTS

25. **The GZTT consultation clearly preferred to Option II that is to separately identify SPEs as an "of which" category within the ISAs in the SNA.** The ESS are already moving towards collecting data on resident SPEs meeting Committee-endorsed TFSPE definition, which means that the target population are SPEs with foreign parents. Therefore, the GZTT proposes to take those units identified for ESS and identify the same units within the ISAs. This approach will link the ISAs with the international accounts breakdown and allow to have a complete picture of the economy.[22] This presentation provides the sequence of accounts from production through to saving and net lending and borrowing. They include both financial and nonfinancial flows and balance sheet data. This would be very informative in terms of pass-through investment, capital investment activities—particularly intellectual property and other aspects of SPE activities.

26. **To the extent that SPEs may be important in some economies, the "of which" separate identification of SPEs are recommended as encouraged (non-mandatory) items.** The proposal is to include SPEs as an "of which" category at the S.12x (financial corporations) and S.11x (nonfinancial corporations) level[23] (*2008 SNA,* Annex I). The "of which" category at the institutional sector level allows for separate identification between financial and nonfinancial corporations without being over demanding to present each SPE at the subsector level (e.g., S127 or S128). It should be emphasized that the recommendation is to create an "of which" category and not to combine all SPEs into one subsector.

[22] Taking the example of the redomiciled corporations in Ireland, consideration could be given to separately identifying SPEs—in countries where these entities are particularly prevalent—through the whole sequence of accounts.

[23] Although SPEs are predominantly classified in the subsector "Captive Financial Institutions", they have evolved in nature and are found in other specific financial subsectors, such as other financial intermediaries, insurance enterprises, as well as in the nonfinancial corporations' institutional sector.

27. **The GZTT proposes to bring in clarity to the definition of SPEs.** On the issue of SPEs created by MNEs or nonresident parent entities, the institutional independence of the entity, as well as the control aspect should be determined. To this end, the standard SNA criteria for an institutional unit, and the definition of control as defined in the context of MNEs[24] should be applied. On the second issue relating to entities displaying all elements in the SPE definition except the attribution to nonresident ownership and control, the GZTT proposes that these entities are not considered as SPEs for the purpose of separately identifying SPEs in the ISAs.

28. **The GZTT discussed that the definition put forward by the Committee in the context of ESS can be used as an internationally agreed definition for SPEs.** SPEs are entities that are subject primarily to foreign direct or indirect control. The GZTT believes that it would be a powerful tool to have a consistent definition of SPEs in both the ESS and national accounts. This will allow tracking SPEs impact in both ESS and national accounts consistently.

29. **In view of aligning the definition of SPEs in the SNA and BPM, the GZTT recommends using the term SPEs only for those entities with direct and indirect foreign control.** In that respect, the GZTT proposes to <u>not</u> use the term SPEs to refer to any type of financial entity that is created for a special purpose (as implied by the term). Captive financial institutions, for instance, wholly owned and controlled solely by resident parent entities should not be treated and referred to as SPEs. The GZTT, therefore, proposes to refer to resident-controlled affiliates according to their typology (conduits, captives, etc.) that can be analyzed within the corresponding institutional sector, but not classified as an SPE (and hence not recorded in the "of which" SPE category). Restricting the use of the term SPE would avoid creating confusion for both users and compilers. The November 2019 OECD Paper on "Draft Definitions for New Subsectors and Instruments to Capture Trends in Financial World" presented at the Working Party on Financial Statistics provides a proposal on a more granular overview of the financial sector, which also brings in more clarity on SPEs as institutional units.

30. **In a broader view encompassing both SPEs and MNEs, the GZTT prioritized the provision of more detailed ISAs with breakdown for foreign controlled corporations, domestic MNEs (i.e., parents), and purely domestic companies[25] taking precedence over the more detailed presentation on SPEs.** Priority could be given to the breakdown by control proposed in the extended supply and use table (domestic MNEs, other domestic firms, foreign controlled affiliates) in addition to more detailed ISAs. The ultimate priorities will be dependent on the analytical and policy needs of users.

PROPOSED ALTERNATIVE AS A VIABLE OPTION AS A SUPPLEMENTAL PRESENTATION

31. **The option of extending the core framework with a supplemental presentation of SPEs re-classified from their countries of legal incorporation to the countries of their parents was viewed as a viable proposal.** However, it is meant to be constructed only for countries for which SPEs were deemed important, or particularly where resident MNEs set up many foreign SPEs. The consensus view was that this complementary approach of compiling macroeconomic aggregates remained too ambitious and resource intensive to implement consistently across countries. For countries where there

[24] The Guidance Note on MNEs and the operational guideline for SPEs provide clear guidance on the control aspect, which re-join the Framework for Direct Investment Relationship as stated in the *BPM6* and *BD4*.

[25] Refer to the discussion in the Guidance Note on MNEs.

are legal arrangements to collect information on all resident entities in their economic territory and on all units (foreign and domestic) belonging to domestically owned MNEs, data exchange can be of a lesser issue.

32. **Presenting SPEs statistics on a nationality basis would be a complement to the residency-based statistics and not a substitute.** The nationality-based approach reflects a global consolidation of MNEs such that the statistics are organized according to the location of the entity that ultimately controls the SPEs rather than by the residency of the SPEs, thus incorporating the dimension of ownership and control. It is acknowledged that MNEs present special challenges to national and balance of payments statistics in this regard because obligations incurred by an affiliate resident, be it an SPE or not, in one economy can become the responsibility of the parent in another economy. In addition, the SPE in an economy controlled by a nonresident unit may respond differently to a crisis than a purely domestic unit because it can tap into the global funds of their enterprise group.

33. **From a conceptual point of view, the supplemental statistics would be useful for better measuring financial integration between economies.** This supplemental presentation of reclassifying SPEs to the economies of the parents would complement the global allocation of production, income, assets and liabilities under the current standards (Rassier, 2017). Under this alternative, the SPE is no more an institutional unit, such that when consolidated with its operating entity, this presentation will achieve a clear distinction between the compiling economy and the rest of the world when the economic residence and the legal residence of the MNE subsidiaries do not overlap.

SECTION V: RECOMMENDED APPROACH—PRACTICAL ASPECTS

34. **Confidentiality still remains a challenge for most countries.** Proponents of no change in the current standards within the GZTT, unanimously, recognized that any departure from the current standards would have a significant practical impact on compiling the statistics, amid the complexity of international data exchange. Discussion on how to deal with the practical and legal issues should continue in parallel with any discussion on concepts—DGI recommendation on data sharing. This exercise would require particularly extensive data exchange and coordination among countries. Within the EU, there are already some possibilities for data exchange. Also, it was still questionable as to whether a change in the standards would improve data quality and provide a more rigorous conceptual basis to the results in both countries. In addition, most members believed that should a change in the SNA be opted, practically it would be difficult to implement because of several challenges, mostly associated with the data compilation and the high costs it would entail. Also, the non-comparability of macroeconomic aggregates across countries, should not all countries follow the recommendations, could be a concern.

35. **Rassier's proposal of providing supplemental data that breaks the full sequence of accounts into SPEs and operating entities was considered a concept hard to implement in practice.** However, within the GZTT, some members did recognize the value added for countries and global aggregates to identify separately SPEs' activities, and that in spite of the practical difficulties associated with confidentiality issues, data sources, or data management, amongst others. It was also highlighted that since SPEs are currently treated as separate institutional units in some countries, data sources are presumably well developed for the type of split proposed by Rassier (2017), which seems to be supported by the *BD4*. On a practical angle, additional research is required for the full sequence of

accounts. This kind of change requires a thoughtful way to proceed, starting from a needed internationally agreed definition of SPEs to help with cross-country comparability.

36. **The GZTT recognized that the option of extending the SNA or BPM core framework (i.e., SPEs should be reclassified to the economies of its parents) be considered on a supplemental basis, would give rise to country specific practicality issue of implementation.** Also, the complementary presentations could be informative for certain economies. This approach, being resource intensive, could potentially give rise to extensive data exchange and coordination among countries, considerable imputations by compilers, which could ultimately result in asymmetries and a potential degradation of data quality, if not done properly. To undertake this approach, data sharing agreements will become a priority, although any data exchange may be subject to confidentiality issues and may be hindered by technical, administrative, or legal obstacles. Nonetheless, both approaches as complements will meet the practicalities and policy needs of countries for which these presentations would bring value addition to analysts or policymakers.

37. **From the external sector perspective, the IMF has launched its international data collection to separately identify cross-border transactions and positions for resident SPEs within the balance of payments and IIP based on a separate reporting template.** The IMF's data collection on SPEs goes beyond direct investment, recognizing that SPEs have evolved to be engaged in portfolio investment, financial derivatives, or other investment operations. As transactions in goods would be relevant for merchanting SPEs, a separate line for net merchanting by SPEs is included. Regarding services, four distinct components of services have been included in the reporting list where SPEs can be of relevance: transport, financial services, charges for the use of intellectual property, and other business services. In addition to the more detailed service components, the template also encourages DI data to be further disaggregated to distinguish income by the residency of the ultimate controlling parent. Such additional information can assist in compiling the supplemental statistics on who ultimately receives the income, although this template does not collect any geographical breakdown.

38. **The IMF data collection targets the release of 2020 annual data by end of 2021.** The IMF, at its October 2020 Committee meeting, has released the Special Purpose Entities: Guidelines for a Data Template[26] for assisting compilers in implementing a national data collection framework. At this stage, the IMF is currently giving priority to initiating international data collection only for resident SPEs, although it recognizes the benefits and the rationale of collecting separate data on nonresident SPEs. Once data collection is more widespread, the possibility of international data collection on nonresident SPEs may be revisited.

39. **The IMF's data collection strategy has drawn attention to the existence of intricate cases when identifying SPEs.** Layering can exist along the chain whereby a resident SPE is established by another resident SPE or there may be a mixture of SPEs and non-SPEs. Cases of mixed groups of SPEs and non-SPEs is also presented in Annex 7 of the *BD4* to assist compilers to identify SPEs. SPEs owned and directly controlled by residents in the same economy, even if indirectly controlled by nonresidents, would not meet the statistical definition of an institutional unit. Thus, their accounts would be consolidated with those of the resident owners, which may or may not be an SPE. In these instances, the cross-border

[26] Special Purpose Entity Guidelines are available on the Thirty-Fourth Meeting of the IMF's Committee on Balance of Payments Statistics webpage.

transactions of the SPE will be consolidated with the resident parent, and not be recorded as SPE cross-border flows. The *BD4* provides some further nuancing underscoring that “in the case of resident chains of entities, compilers should consider whether assets in resident entities are really relevant to the domestic economy. If not, these enterprises would be considered as potential SPEs”.

40. **From a user needs perspective, the IMF is encouraging compilers to avoid consolidating the cross-border transactions of SPEs with resident immediate parent but subject to indirect foreign control, which can also be any other operating unit within the group, to the extent possible, while avoiding double counting.** This guidance to compilers, if agreed, will only be meant to identify separately SPEs transactions or positions from cross-border statistics and should not be viewed as an exception to the rule of establishing an institutional unit as laid out in the SNA.

41. **While acknowledging that separate identification of SPEs shall permit to have a clearer view of pass-through funds, the Committee as well as the GZTT noted that not all pass-through capital can be captured through identifying and separating SPEs.** In several countries, the phenomenon of pass-through capital also occurs outside SPEs, either captured through near SPEs or in other entities. The possibility of separately identifying pass-through activities not related to domestic activities, regardless of the statistical status of the entities (SPE, near SPE, or non-SPE), also emerged. One approach for such identification would lie in a further disaggregation of institutional sectors into foreign-controlled and non-foreign controlled entities, which re-joins the idea of adding sub-sectors in the current framework. This would allow for certain financial flows within foreign controlled entities to be interpreted as pass-through activities. This recommendation aligns with the G20 DGI-2 Recommendation 8 on ISAs, which is presented in the GN on MNEs and represented in Annex VI.

SECTION VI: CHANGES REQUIRED TO THE *2008 SNA* AND OTHER STATISTICAL DOMAINS

OUTCOMES

42. **The AEG and Committee at the joint meeting unanimously agreed to the recommendations to:**

- Adopt the SPEs definition, based on the recent work of the Committee, in both *BPM7* and *2025 SNA.*
- Leave the core BPM and SNA framework unchanged and integrate the proposed breakdown of SPEs within the ISAs for countries for which SPEs are significant.
- Drop the term “foreign controlled” before SPEs given that the definition in the context of ESS already contains foreign control as one of its elements.
- Presenting SPEs data on a nationality basis consolidated with the parent entity as an extension to the core framework, on a voluntary initiative.

43. The editors will elaborate which parts of the *2008 SNA* and *BPM6* that need to be changed.

REJECTED ALTERNATIVES.

44. **The GZTT rejected Option I, noting that not enough progress has been made on data exchange to warrant changing the current standards to consolidate SPEs with their nonresident**

parents. At the moment, the practical and legal problems of international data exchange mentioned in Moulton and van de Ven (2018) are still valid. Among the concerns raised for not opening the discussion again is acknowledgement of the recent work of the Committee in defining SPEs and identifying them as institutional units. IMF's data collection on resident SPEs is expected to begin in 2021. Any modification of the conceptual core might hinder progress made in this respect within the foreseeable future. What is needed is to arrive at a meaningful and harmonized balance of payments-national accounts definition and classification of such units. The possibility to present supplemental information on them to show separately the importance of this phenomenon if it is relevant for the country can be considered without bringing any change in the core framework.

45. **The nationality concept will be discussed during this current update process.** While there have been lengthy discussions on the residence criteria, the Balance of Payments Task Team, created under the aegis of the Committee, will discuss managing the duality approach—residence/nationality within the BPM framework. More generally, discussion on the complementarity of the two concepts (residence/nationality), notably will assist in analyzing financial stability as well as in better understanding the passage from GDP to GNI. The DITT is also proposing the development of supplemental presentations of DI statistics by ultimate host economy, and ultimate investing economy, encompassing the nationality approach. DITT's GN on Activities of MNE statistics also goes beyond the residency approach by identifying the nationality of resident units that are foreign-owned and by providing data on the nonresident units controlled by residents. These supplemental statistics are all meant to enhance the interpretability and usefulness of DI statistics and will not be substitutes for residence-based indicators.

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Annex II. Outcomes of the Advisory Expert Group on National Accounts (AEG) Discussion and DITT Consultation

The discussion at the AEG on the treatment of SPEs centered around the proposed options: (I) to change the core SNA and BPM framework, (II) to leave the framework unchanged and propose to separately identify SPEs as a sub-sector, thereby increasing their visibility within the SNA and balance of payments statistics and improving the overall analytical usefulness of the macroeconomic accounting standards, and (III) to consider an extension to the existing framework—the possibility of adopting nationality-based presentation as an alternative concept without departing from the current statistical SNA/BPM framework. Associated with this was the proposal to align the definition of SPEs based on direct or indirect foreign control in the SNA, similar to what has been adopted in the context of ESS for separately identifying foreign controlled SPEs within the ISAs. The AEG members also reflected on the possibility for countries, which have information on nonresident SPEs (i.e., domestic parents that own SPEs in foreign countries) to consolidate the latter with their parents and compile these statistics as an extension to the core framework (complementary statistics to the residency principle). From a purely user needs perspective, AEG members discussed the proposal put forward by the IMF, in the context of data collection, that countries separately identify resident SPEs belonging to resident parents (immediate) cross-border transactions or positions, to the extent possible and avoid consolidating these numbers with the non-SPE resident entity.[27]

SUMMARY OF DISCUSSION:

1. The AEG unanimously agreed that no change should be made to the residency principle in the SNA and BPM frameworks, such that SPEs with nonresident parents should continue to be classified as institutional units in the economic territory in which they are located.

2. The AEG strongly supported Option II of the guidance note to increase the granularity and supplementary data provided within the SNA framework using the ISAs. In that regard, the AEG favors distinguishing a separate “of which” category (within the nonfinancial and financial corporations’ sectors) for foreign-controlled SPEs, as it does not change the core conceptual framework and aligns the definition of SPEs in the NAs and ESS.

3. To facilitate the implementation of Option II, AEG members agreed with the proposed definition of SPEs, based on direct or indirect foreign control in the SNA, which will align with ESS. Nonetheless, they acknowledged that a more clear-cut and precise guideline should be developed to operationalize this definition.

4. AEG members expressed support for having complementary statistics to the residency principle for countries, which have information on nonresident SPEs (i.e., domestic parents that own SPEs in foreign countries) to consolidate with that of their parents as supplementary information. The AEG underscored considering different terms to distinguish these SPEs from SPEs with resident parents. AEG members, nonetheless, noted the practical difficulties in identifying and obtaining data to consolidate the

[27] This guidance to compilers should not be viewed as an exception to the rule of establishing an institutional unit as laid out in the SNA.

nonresident SPEs with their parents and excluding those nonresident SPEs, which show evidence of independent decision-making.

5. From a purely user needs perspective, AEG members supported the proposal to separately identify the cross-border transactions or positions of SPEs that have immediate resident parents for ESS, where possible.

6. The AEG has requested to discuss in the guidance note the advantages and disadvantages of consolidating, or not, nonresident SPEs, from a more conceptual point of view, and to provide further clarification on the treatment of nonresident SPEs set up by governments.

OUTCOME OF THE DITT CONSULTATION:

7. The DITT members generally agreed to align the definition of SPEs to be based on direct or indirect foreign control. In that respect, there has been general support to harmonize the definition of SPEs in the SNA, for purposes of separate identification in the ISAs, with the proposed definition to be used in ESS. This will ensure coherence and consistency within both the SNA and BPM. The definition, as proposed in the GN, respects the residency principle defined in the *2008 SNA* and *BPM6* and presents in a comprehensive manner the nature of the activities generally conducted by these entities and their motivation. Some DITT members acknowledged that the challenge for compilers is more in the implementation of such a definition and further guidance for the implementation of the definition should be developed as part of compilation guides (ESS and SNA) to promote consistency of treatment across countries.

8. DITT members agreed with the proposal that for countries, which have information on nonresident SPEs (i.e., domestic parents that own SPEs in foreign countries), to produce complementary statistics to the residency principle as an extension to the core framework. They noted that such supplementary statistics, if compiled, would be very interesting, from an analytical point of view—however, it is important to avoid confusion such that it should be clearly underscored that this presentation is outside the current core framework. It was also underlined that the current statistical infrastructure is set to measure activity based on residency and not on global consolidation. Therefore, this supplemental presentation would involve major implications and challenges for compilers, for which some sort of international cooperation is needed.

9. DITT members favored the proposal that, from a purely user needs perspective, SPEs cross-border transactions or positions that have immediate resident parents, be identified separately within ESS and not consolidated with the non-SPE resident, to the extent possible. They, however, recognized that compilers may face practical implementation issues particularly those who have to work with business registers and established enterprise structures.

Annex III. Measurement Challenges

1. **Both the *2008 SNA* and *BPM6* posit that the essence of compiling macroeconomic aggregates, when determining economic transactions and other flows, follows the residence[28] concept.** The residence of an institutional unit—the most fundamental unit of observation—is the economic territory in which the unit has its center of predominant economic interest (*2008 SNA,* paragraph 4.10, and *BPM6,* paragraph 4.113). The center of predominant economic interest is generally based on attributes of physical presence; however, for units with few or no attributes of physical presence, residence is determined by the unit's place of legal incorporation or registration (*2008 SNA,* paragraph 4.15(f), and *BPM6,* paragraph 4.134). Additionally, the SNA underlines that the use of economic territory as the scope of economic statistics means that affiliated enterprises are each resident in the economy of physical or legal location rather than the economy of the group's head office (*2008 SNA,* paragraph 4.12).

2. **Within this scope lies those transactions that lack economic substance particularly when the MNEs incorporate legal entities—SPEs—that do not engage in production.** For SPEs, location is determined as the economic territory under whose legal jurisdiction the entity is incorporated or registered (*2008 SNA,* paragraph 4.56, and *BPM6,* paragraph 4.50). If the entity is legally incorporated in an economy different from its parent, the entity is recognized as a separate institutional unit. This, therefore, substantiates that international accounts within the SNA include flows and position within MNEs regardless of whether there is artificial production and related income.

3. **The economic relevance of SPEs in terms of their contribution to GDP in the country in which they are located is expected to be small.** SPEs are generally attributed as entities that have few or no employees and little or no physical presence (*2008 SNA,* paragraph 4.56, and *BPM6,* paragraph 4.50) which reinforces the notion of hardly any production. In the host economies, while it is recognized that there is barely any production, SPEs, with minimal employees, purchase services (advisory, audit, risk management, treasury management, renting of offices) on behalf of the parent company or the group, as well as pay taxes to the host jurisdictions. However, with the recent emergence of nonfinancial SPEs, the proliferation of intra-MNEs transactions has, artificially, depicted production and related income in host economies, which technically lack economic substance.

4. **Cross-border activities of SPEs also present challenges for macroeconomic statistics.** SPEs tend to have large financial stocks and flows associated with large income flows, which when shown in cross-border statistics present challenges in understanding meaningful flows. Empirically, it has been shown that identifying separately SPE activities is essential for market analysts and policymakers to analyze cross-border interconnectedness and to understand the associated risks. Blanchard and Acalin (2016), in their analysis, showed that net DI inflows and outflows are highly correlated, suggesting that "measured" DI gross flows may reflect flows through rather than to the country. Lack of adequate cross-border statistics on SPEs hampered the assessment of the retrenchment in cross-border capital flows caused by the global financial crisis in a context of intense global financial integration (Milesi-Feretti and Tille, 2011). Better data on the real size of international production and its geographic and institutional sector distribution are needed to obtain an accurate picture of direct investment (DI)

[28] Residence is as defined in the *2008 SNA*, paragraphs 4.10–4.15, and Chapter 26, and in the *BPM6*, paragraphs 4.113–4.144.

(Sauvant, 2017). The strong SPE presence in certain economies is an important reason for decoupling genuine DI from other SPE-associated flows and stocks (Damgaard and Elkjaer, 2017).[29]

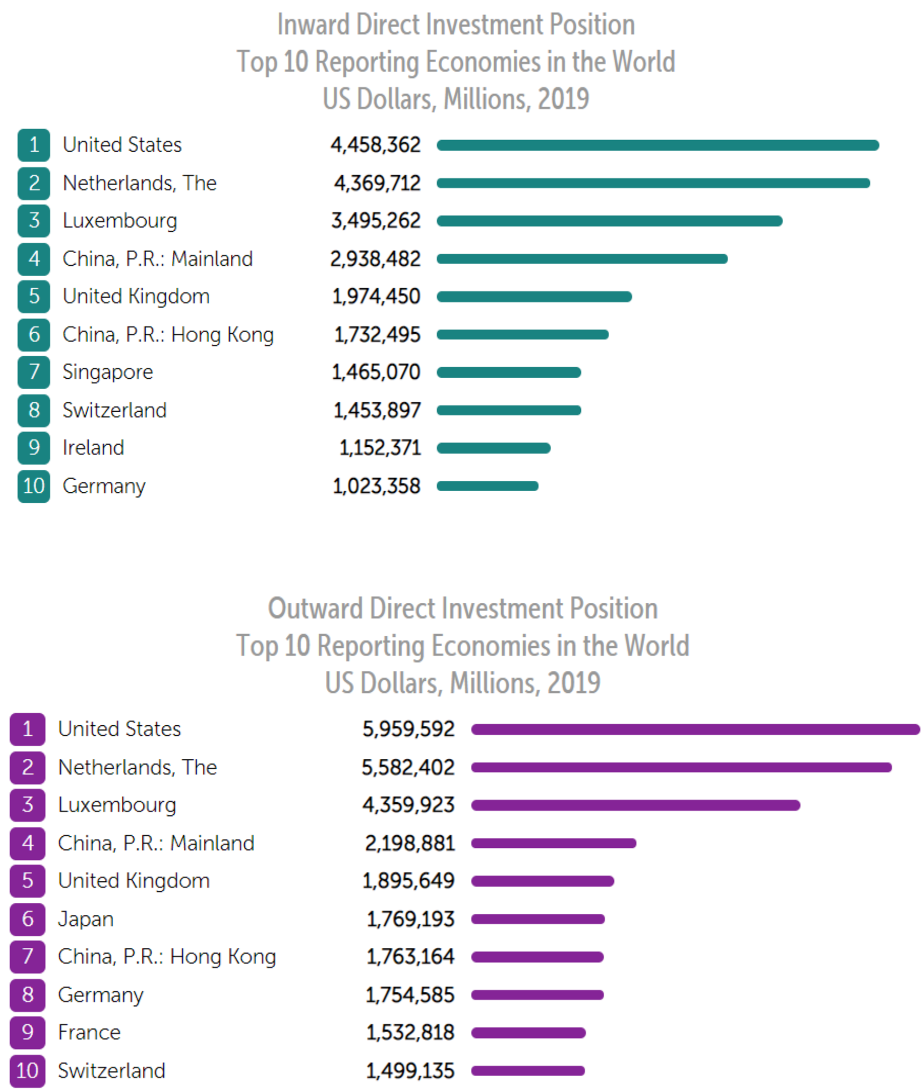
5. **The availability of balance of payments and international investment position statistics with and without SPEs would provide a better geographic distribution of DI for economies.** The significant role of SPEs as intermediate steps towards DI and portfolio investment positions is evidenced in the IMF's Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS) data—see Annex III. In SPEs host jurisdictions, in particular, with SPEs included in cross-border statistics, it can appear they are receiving substantial investment from countries, when those investors are just passing capital ultimately directed to third countries.

6. **The ability to identify SPEs within a general comprehensive reporting frame for the compilation of macroeconomic accounts would better support policy analysis.** Several macroeconomic analyses such as productivity and employment assessments would benefit by the ability to separately report SPEs in the macroeconomic framework. Some important SPEs host jurisdictions with a significant SPE population do provide separate accounts for SPEs within the macro-economic framework.

7. **The significant role of SPEs as intermediate steps towards DI and portfolio investment positions is evidenced in the IMF's CDIS and CPIS data.** The latest CDIS data, as at December 2019, show that both large and small economies in which SPEs have traditionally been located are among the main originators and recipients of DI investment. Countries like Ireland, Luxembourg, and Netherlands are portrayed as origin and destination for DI, while for the most part they only have an intermediating role (Figures 1a and 1b).

[29] Excluding SPEs can provide a better geographic distribution of DI for economies that host a significant number of them because with SPEs included it can appear they are receiving investment from countries whose investors are just passing capital ultimately directed to third countries through SPEs.

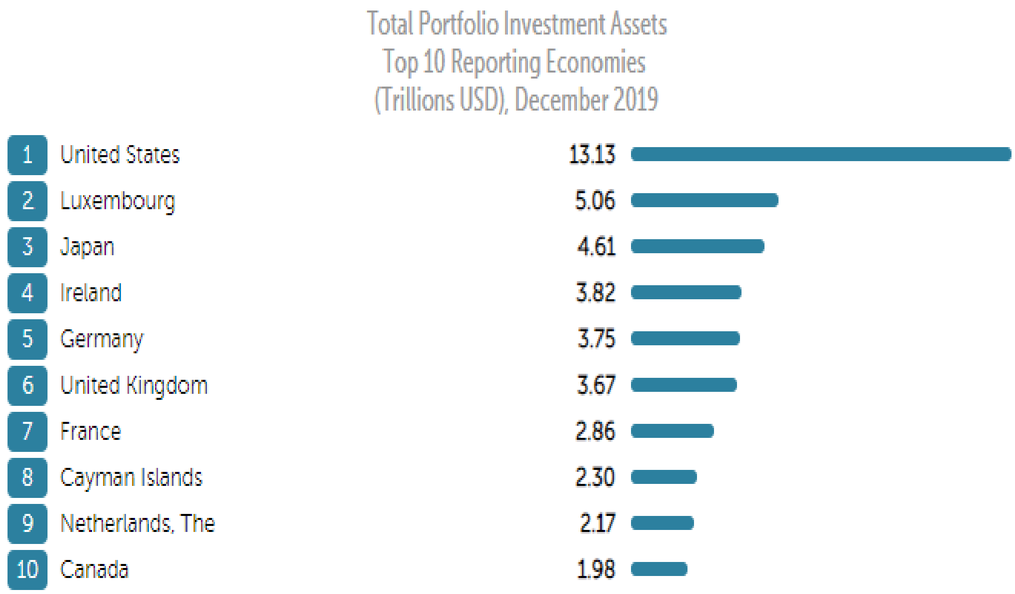
Figures 1a and 1b. Direct Investment Positions

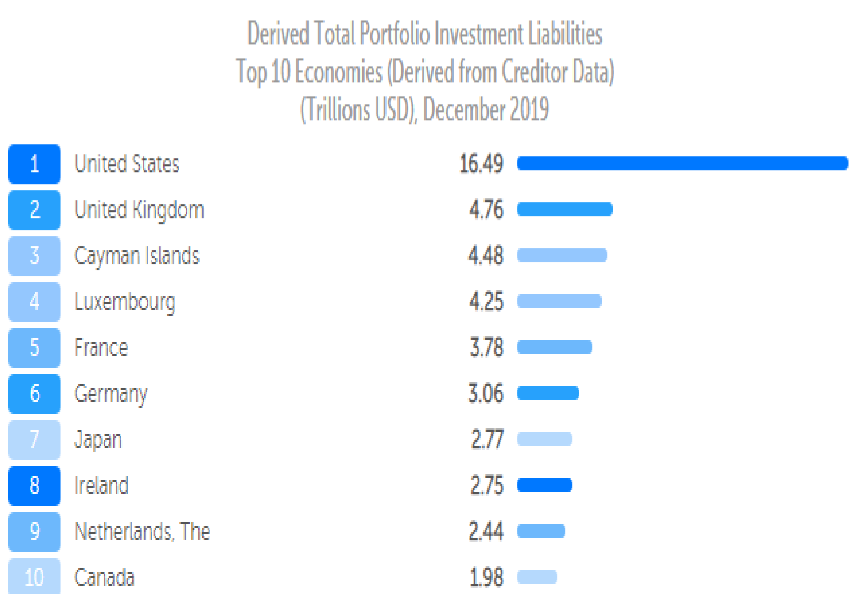


Source: IMF's Coordinated Direct Investment Survey: https://data.imf.org/?sk=40313609-F037-48C1-84B1-E1F1CE54D6D5.

8. **CPIS-derived liabilities reveal the same picture.** The latest CPIS data as of end December 2019 show that the top ten investor and investee economies include major SPE-hosts like Luxembourg, Cayman Islands, and the Netherlands (Figures 2a and 2b).

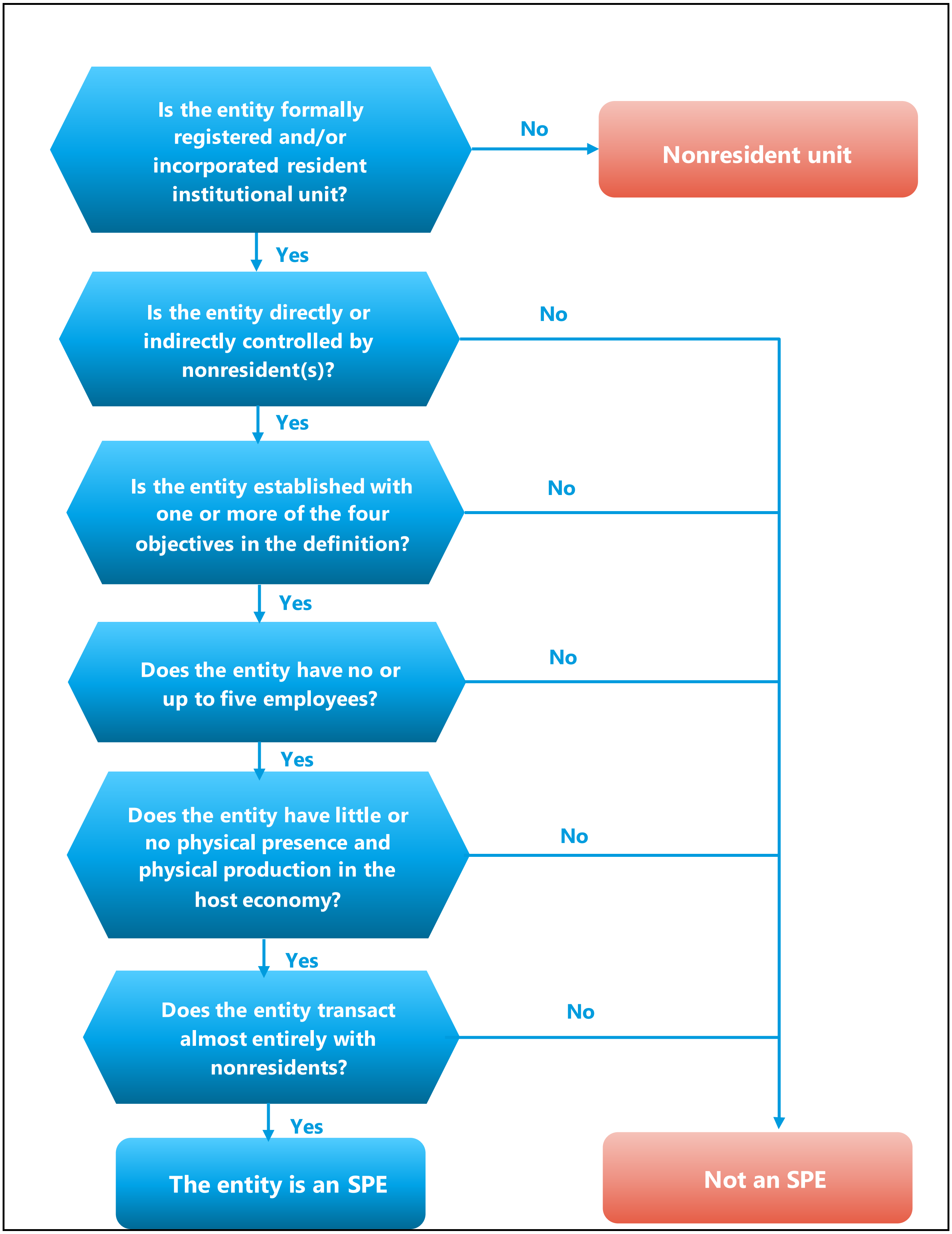
Figures 2a and 2b. Portfolio Investment Positions





Source: IMF's Coordinated Portfolio Investment Survey: https://data.imf.org/?sk=B981B4E3-4E58-467E-9B90-9DE0C3367363

Annex IV. Decision Tree to Identify SPEs for ESS



Annex V. Typology of SPEs for ESS

No	SPE Type	Description[30]	*2008 SNA*	*BPM6*	*2008 SNA* sector
Category I: Corporate Groups' Captive Financial Entities *(Those captive entities created by a financial or nonfinancial nonresident corporate to fulfil specific financial activities, other than insurance, for the sponsor)*					
1.1	Conduits	Raising or borrowing funds, often from unrelated enterprises, and remitting those funds to its parent or to another related enterprise. Typically, do not transact on the open markets on the asset side.	Para 4.59	Para 4.51 Para 4.86	S127
1.2	Holding companies	Owning a controlling level of equity in subsidiaries, without actively directing them (Passive holding corporations)	Para 4.59	Para 4.51 Para 4.81	S127
1.3	Holding financial assets for securitization			Para 4.51	S127
1.4	Intra group lending companies	Loan funding from and to intra group companies Entities taking and granting inter-company loans		Para 4.51	S127
1.5	Captive factoring and invoicing companies	Concentrating sales claims and invoicing sales.			S127
1.6	Captive financial leasing companies	Engaging in lease-in lease-out agreements or as a financial intermediary in a chain of vehicles in which the end vehicle is involved in the leasing of equipment or fixed assets.		Para 4.83	S127
1.7	Other captive financial companies	Dealing with financial needs of a group, such as financing particular projects and loan origination.		Para 4.87	S127
Category II: Specialized Financial Entities *(These financial entities, with a degree of operational autonomy, have been specially created to isolate the risks of the parent companies to structure financial transactions for or securitize assets of the parents)*					
2.1	Captive insurance companies	Providing insurance to group enterprises.		Para 4.88	S128
2.2	Securitization vehicles/Financial vehicle corporations	Carrying out securitization transactions in order to isolate the payment obligations of the undertaking from those of the originator, or the insurance or reinsurance undertaking (in the case of insurance-linked securitizations). Repackaging.	Para 4.59	Para 4.51 Para 4.77	S125
2.3	Holding financial and nonfinancial assets (including real estate) for related companies	Holding financial and nonfinancial assets of related companies with the goal of capital appreciation, interest/dividend income, and other income.			S11 and S125
2.4	Companies carrying out other financial functions	Performing factoring, invoicing on open markets, financial leasing on open markets, and other financial assets management.		Para 4.51 Para 4.76	S125

[30] The types listed may be SPEs, but not all entities of the types listed are necessarily SPEs. The definition and the decision tree should assist compilers in determining which entities are SPEs.

No	SPE Type	Description[30]	*2008 SNA*	*BPM6*	*2008 SNA* sector
Category III: Corporate Groups' Nonfinancial Entities (***Those SPEs created by a financial or nonfinancial nonresident entity to fulfil specific nonfinancial activities***)					
3.1	Ancillary companies	Registered or incorporated companies providing ancillary services that are not resident in the same economy as its parent.		Para 4.51	S11
3.2	Operational leasing companies	Holding fixed assets, such as planes, vessels, and machinery, for the purpose of leasing them out.			S11
3.3	Merchanting companies	Purchasing goods from a nonresident and re-selling the goods to another nonresident (merchanting companies have ownership of the goods traded).			S11
3.4	Royalty and licensing companies	Concentrating group receipts concerning royalties and similar flows received from intellectual property rights and trademarks. Such a company of an SPE-type receiving royalties or similar flows for a group of enterprises or individuals is regarded as an independent royalty and licensing company.			S11
3.5	Legal ownership of intangible assets	Holding intangible assets for a related company or group of companies.			S11
Category IV: Wealth management entities (***Those SPEs created by household entities or groups of individuals to hold or manage wealth or real estates for their owners***)					
4.1	Companies holding/managing wealth and real estate for individuals and families	Managing family trust funds, foundations, personal holding companies.	Para 4.59	Para 24.75	S11 and S127
Category V: Government Owned Financial Entities (***Those SPEs created by governments for fiscal activities***)					
5.1	SPEs owned by governments for fiscal purposes	Raising or borrowing funds on behalf of a nonresident general government.		Para 8.24	S11, S12, or S15
Category VI: Other structures (***Those SPEs created to conduct any type of transactions other than those covered in the other categories***)					
6.1	Shell companies	Passing-through funds between nonresidents with no operations in the economic territory of incorporation. Shell companies don't have employees, are not traded, and can be kept dormant.		Para 4.50	S11 or S12
6.2	Shelf companies	Empty corporation, registered in advance, minimum assets and liabilities.		Para 4.50	S11 or S12

Sources: Joint ESCB/ESS Task Force on Foreign Direct Investment, Frankfurt Meeting, May 2017.
Drawn from *BPM6*, TFSPE Secretariat.

Institutional sectors are based on Annex 1 in the *2008 SNA*.

Annex VI. G20 Data Gaps Initiative-2 (DGI-2) Institutional Sector Accounts (Financial and Nonfinancial Corporations)

DGI-2 recommendation 8 requires all G20 economies compile and disseminate ISAs on a quarterly and annual frequency. This is based on the internationally agreed template. The template provides minimum and encouraged breakdowns by sector and instrument.

Nonfinancial Corporations							
	Domestically controlled non-financial corporations					Foreign-controlled nonfinancial corporations	
Total	Total	Public nonfinancial corporations	*Of which*: Public nonfinancial corporations, which are part of domestic multinationals	National private nonfinancial corporations	*Of which*: National private nonfinancial corporations, which are part of domestic multinationals		*Of which*: SPEs
S11	S11DO	S11001	S110011	S11002	S110021	S11003	

Financial Corporations							
	Domestically controlled financial corporations					Foreign-controlled financial corporations	
Total	Total	Public financial corporations	*Of which:* Public financial corporations, which are part of domestic multinationals	National private financial corporations	*Of which:* National private financial corporations, which are part of domestic multinationals		*Of which:* SPEs
S12	S12DO	S12001	S120011	S12002	S120021	S12003	

	= Target
	= Encouraged