

**8th Meeting of the Advisory Expert Group on National Accounts,
29-31 May 2013, Luxembourg**

Agenda item: 03
Topic: Institutional sub-sectors and the delineation of head offices, holding companies and special purpose entities (SPEs)

Introduction

Countries reported that they experience difficulties when implementing the 2008 SNA recommendations on the delineation of the more detailed sub-sectors within the financial corporations sector (and the provision of information related to them), and the classification of head offices, holding companies and SPEs. This was noted at several meetings at the European and the OECD-level. The ISWGNA also recognised that a typology and classification of SPEs would be very helpful, in order to provide clarification on the 2008 SNA. To address the need for further guidance on classifying head offices, holding companies and SPEs, an ECB/Eurostat/OECD Task Force was established. The Task Force will meet on February 26-28, 2013 in Frankfurt. It is expected that the Task Force will be able to come up with recommendations and additional practical guidance in April 2013.

Guidance on documentation provided

The attached report is the final outcome of the discussions in the Task Force on Head Offices, Holding Companies and Special Purpose Entities (SPEs), after consultation of various constituencies at the EU- and OECD-level.

Main issues to be discussed

The AEG is expected to provide guidance on the recommendations and practical guidance concerning the recording and classification of head offices, holding companies and SPEs. More specifically, guidance is sought on the issues referred to in section 5 of the document.



3 May 2013

Report by the Task Force on Head Offices, Holding Companies and Special Purpose Entities (SPEs)

Conclusions from its meeting held in Frankfurt on 26-28 February 2013

The Chairmen:

ECB Gabriel Quirós <mailto:>

Eurostat Jens Gruetz

OECD Peter van de Ven

Contact Persons:

ECB Andreas Hertkorn (Andreas.hertkorn@ecb.europa.eu)

Eurostat Ismael Ahamdanech-Zarco (Ismael.AHAMDANECH-ZARCO@ec.europa.eu)

OECD Michèle Chavoix-Mannato (Michele.CHAVOIX-MANNATO@oecd.org)

1. Introduction

The 2008 SNA defines financial services more explicitly than the 1993 SNA to ensure that the increase in financial services other than financial intermediation is captured. The 2008 SNA has also introduced a more detailed classification of the financial corporations' sector, to allow more flexibility and better consistency with other monetary and financial statistics such as those of the IMF and the ECB.

Furthermore, the new International statistical standards (SNA 2008, BPM6, BMD4, ESA 2010) split holding corporations of enterprise groups into head offices (engaged in the management of the subsidiaries) and more narrowly defined holding companies (SNA 2008, para. 4.53-4.54). Holding companies of predominantly non-financial subsidiaries are to be classified to the financial corporations' sector according to the new standards, while they were classified in the non-financial corporations' sector according to SNA 1993 and ESA 1995. In addition to this change, the question has arisen whether holding companies that themselves are subsidiaries of (resident) corporations are necessarily institutional units, as the new standards seem to link them exclusively to captive financial institutions which may or may not have autonomy of decision making (SNA 2008, para. 4.59-4.61).

Head offices (HOs), holding companies (HCs), and similar entities, which often have characteristics typical for Special Purpose Entities (SPEs), tend to have large financial balance sheets, as a consequence of which their recognition as institutional unit and their sector classification can have a significant impact on the measurement of non-consolidated debt and equity measures by institutional sector. The classification of these units, usually being important receivers and payers of property income, may also have a significant impact on the allocation of primary income in the non-financial sector accounts. In this respect, some countries expressed concerns about possible differences in interpretation of the new standards, and the impact of the resulting reclassification of holdings to the financial corporations' sector on the analytical usefulness and the interpretability of the resulting national accounts data by sector, the statistics on Foreign Direct Investment, etc. These concerns called for clarifications of the new standards and guidelines to arrive at a consistent application in practice. They also illustrate that a proper communication strategy for the new statistical standards and their impact on national accounts figures is very important. This strategy may include further statistical analyses by countries and international organisations, e.g. on the impact of the changes regarding the classification of HCs and related issues.

As there was quite some discussion on the interpretation of the relevant standards, it was decided to establish a Task Force under the umbrella of the Inter Secretariat Working Group on National Accounts (ISWGNA). The primary goal of the Task Force was to agree on more comprehensive guidance on, and consequently to arrive at, an improved internationally comparable recording of HOs and HCs. The secondary goal was the further development of an internationally comparable typology and classification of SPEs, taking into account the work already done in the relevant area.

The Task Force, initiated and prepared by the ECB, Eurostat and the OECD, met on February 26-28, 2013, at the ECB premises in Frankfurt am Main. The full mandate of the Task Force is included in Annex 1, the list of participants can be found in Annex 2.

This report contains the main outcomes of the Task Force's deliberations. First, section 2 describes some general principles governing the work of the Task Force. Subsequently, section 3 and 4 deal with issues related to the (non-)recognition of an institutional unit and the distinction between HOs and HCs, respectively. The definition, typology and classification of SPEs are discussed in section 5. Section 6 contains the main conclusions and issues for further discussion and clarification.

2. General Principles

Before discussing the details regarding the definition and classification of HOs, HCs and SPEs, the Task Force agreed about a number of more general principles that should govern its work. First and foremost, it was considered essential to have the relevant standards, including the further interpretation and clarification, as much as possible aligned. This predominantly relates to the System of National Accounts (SNA) 2008, the European System of Accounts (ESA) 2010, the IMF Balance of Payments and International Investment Position Manual, 6th edition (BPM6) and the OECD Benchmark Definition for Foreign Direct Investment, 4th edition (BDM4).

It was also considered essential to arrive at a consistent treatment in business registers, business statistics (if relevant), and macro-economic statistics such as national accounts and balance of payments. It should be possible to apply further guidance and/or more detailed criteria at all stages of the statistical production process. In this respect, it was noted that timely collection of relevant data for deciding on an entity being an institutional unit and its subsequent classification may be quite difficult. It should also be kept in mind that it will not be practical to study each individual unit on its own merits. As a consequence, there is a clear need for relatively simple criteria and/or methods based on available and accessible information.

In relation to the above, it was also agreed that costs and benefits should be appropriately balanced. It was considered impossible to provide further guidance for all possible cases. One would preferably like to achieve more detailed guidance covering 80-90% of the cases. This percentage should be loosely interpreted as a target; it certainly should not be interpreted very strictly. It may also be better to refer to it as 80-90% of the balance sheet totals of the relevant units at a global level. At country level, fewer cases may be covered, if and when the relevant country has rather specific institutional arrangements. It was acknowledged that the more detailed guidance for the majority of cases may also provide general principles/lines of reasoning for other, rather specific cases.

The ultimate goal is to arrive at an internationally comparable recording of HOs, HCs and SPEs. If for some reason the application of the further guidance cannot be applied in a particular country, transparency should be enhanced by the provision of adequate metadata on non-compliance. In relation to the possible recommendations, it was noted that some consistency over time in the classification of units is desirable. The application of proposed criteria should not lead to quickly changing classifications. However, it was also recognised that stability as such should never be considered as a goal in its own right.

From a more substantive point of view, it was recognized that the standard criteria for an institutional unit should always be applied. However, further guidance may be needed for HOs, HCs and (other) SPEs. In this respect, it was also noted that ownership and control cannot always be put on a par, also that there is a clear difference between legal units and statistical units (institutional unit, establishment, etc.). Finally, it was noted that, although the 1993 SNA did not give explicit guidance for the treatment of HOs, one may conclude that the treatment of HOs as such has not changed. In the 1993 SNA, the whole group of “holding corporations” were defined as corporations owning and directing a group of subsidiaries, and these entities had to be classified according to the main activities of their subsidiaries. The treatment of HOs in the 2008 SNA is not different from that. As a consequence, major changes in the recording of HOs, implicitly and/or explicitly resulting from the Task Force’s recommendations, need to clearly specified and justified.

Finally, it was considered advisable to maintain a clear link between consolidated and non-consolidated data in all phases of the compilation of statistics. Some Task Force members also expressed their support for having business registers publicly available as much as possible, to arrive at enhanced possibilities for exchanging information and thus improving consistency in recording at both national and international level. However, because of confidentiality arrangements, this may not be that easy to realise.

3. Institutional Unit Test for Head Offices, Holding Companies and Similar Entities

As stated before, the standard criteria for determining whether or not a unit also constitutes an institutional unit have to be applied in all circumstances. However, in particular for holding companies that are themselves subsidiaries of (resident) corporations, the mandate of the Task Force required the investigation of their institutional independence. In the following, the application of the general definition of institutional units to this kind of units is elaborated in more detail, to arrive at more specific criteria¹.

The 2008 SNA, para. 4.2 defines an institutional unit as 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:

- a. Entitled to own goods or assets and therefore able to exchange the ownership of goods or assets in transactions with other institutional units.
- b. Able to take economic decisions and engage in economic activities for which it is itself held to be directly responsible and accountable at law.
- c. It is able to incur liabilities on its own behalf, to take on other obligations or future commitments and to enter into contracts.
- d. Complete set of accounts, including a balance sheet of assets and liabilities, or it would be possible and meaningful from an economic viewpoint, to compile a full set of accounts, were they required.

¹ In order to make the recommendations of the Task Force useable in Business Registers, the concept of “institutional unit” according to the SNA should be brought in line with the concepts used in Business Register, and vice versa.

With reference to HOs, HCs and similar entities, conditions a, c, and d seem to be met (derived from the legal unit perspective), although the ability to transact with others (condition a) needs further reflection in the case of passive holders. The Task Force agreed that condition b - the ability to take economic decisions - may be interpreted in such a way that an institutional unit requires at least some employees of its own to take decisions.

In relation to autonomy and control of corporations, it was also noted that the international standards define two types of institutional units – households and legal or social entities (SNA 2008, para. 4.3). For legal and social entities the SNA does not require full autonomy of decision (SNA 2008, para. 4.6): “Legal and social entities are responsible and accountable for the economic decisions or actions they take, although their autonomy may be constrained to some extent by other institutional units; for example, corporations are ultimately controlled by their shareholders.” This is further explained under the heading “Ownership and control of corporations” (SNA 2008, para. 4.69)²: “In general, institutional units do not have to be autonomous to be responsible and accountable for the decisions and actions they take.” Additional guidance is provided by SNA 2008, para. 4.51: “... each individual corporation should be treated as a separate institutional unit, whether or not it forms part of a group. Even subsidiaries that are wholly owned by other corporations are separate legal entities that are required by law and the tax authorities to produce complete sets of accounts, including balance sheets. Although the management of a subsidiary corporation may be subject to the control of another corporation, it remains responsible and accountable for the conduct of its own production activities”.

As the main activity of holding companies relates to holding financial assets and liabilities, the question of them being institutional units with respect to criterion b) is linked to whether they are actually engaged in financial activities. The Task Force discussed in particular whether these entities - that seem like passive holders – can indeed be classified as financial institutions. One of the changes to the international standards was the widening of the financial corporation sector by the new sub-sector “captive financial institutions and money lenders”. Holding corporations only holding assets (controlling levels of equity) are declared as an example of captive financial institutions (SNA 2008, para. 4.114 b)³: “In general, the following financial corporations are classified in this [S.127] sector: ... Holding corporations that hold only the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principle activity is owning the group without providing any other service to the enterprises in which the equity is held...”.

² See also ESA 2010 para 2.13 (e): “entities forming part of a group of units engaged in production and keeping a complete set of accounts are deemed to be institutional units even if they have partially surrendered their autonomy of decision to the central body (the head office) responsible for the general direction of the group; the head office itself is deemed to be an institutional unit distinct from the units which it controls”.

³ This is almost identical to ESA 2010, para. 2.99: “In particular, the following financial corporations and quasi-corporations are classified in subsector S.127: [...]

(b) holding companies that hold controlling-levels of equity of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the businesses in which the equity is held, that is, they do not administer or manage other units”

It can thus be concluded that “holding-like entities” may be institutional units, even if they are controlled by their shareholder(s)/parent company and that such corporations – even if only holding controlling-levels of equity “without providing any other service” - are to be classified as financial institutions.

On the other hand, the international standards also contain some clear references to certain “holding-like entities” that do not qualify as institutional units. The 2008 SNA describes such entities that cannot act independently from its parents as “passive holders” and “artificial subsidiaries”. Para. 4.61 provides more guidance on passive holders: “An entity of this type that cannot act independently of its parent and is simply a passive holder of assets and liabilities (sometimes described as being on auto-pilot) is not treated as a separate institutional unit unless it is resident in an economy different from that of its parent⁴. If it is resident in the same economy as its parent, it is treated as an “artificial subsidiary”. Subsequently, artificial subsidiaries are further described in para. 4.62 – 4.66 (see also section 5 of this report).

In summary: while it is explicitly stated that a holder of controlling levels of equity not providing any other service is to be classified as a financial corporation, it is also clear that a passive holder that cannot act independently of its resident parent is to be treated as an artificial subsidiary. In this respect, the Task Force concluded the following:

- **For an entity wholly owned by a single resident unit, “no employees and no compensation of employees” is a sufficient criterion to reject it as an institutional unit.**

Concerning entities having more than one parent (or shareholder), the Task Force recognised that para. 4.61 and para. 4.62-63 on the definition of artificial subsidiaries seem to restrict artificial subsidiaries to subsidiaries wholly owned by one parent. The Task Force also considered that having multiple owners necessitate some decision making body to negotiate the interests of the different owners. As a consequence, the Task Force tentatively agreed that:

- **Having multiple parents/shareholders is a sufficient qualification for a unit being considered as an institutional unit.**

In addition to the above, the Task Force seeks guidance concerning whether entities owned by non-residents that do not fulfil any other criteria for institutional independence and have only one resident subsidiary can be consolidated with this subsidiary (Issue 1).

Issue 1 [open]:

Concerning entities with non-resident parents (see SNA 2008, para. 4.61; also above) the Task Force could not agree whether such foreign owned entities are always to be treated as separate institutional units. It was only agreed that units with non-resident parent(s) that in addition have no links to resident units are institutional units by convention. The

⁴ For special purpose units of general government special rules apply (SNA 2008, para. 4.67, and similarly ESA 2010 para. 2.20): “Any transactions carried out by them abroad are reflected in corresponding transactions with government.”

disputed issue more specifically relates to the treatment of foreign owned entities that own one or more resident subsidiaries. Some Task Force members argued that in the case of a purely passive holding without employees having an exclusive relationship with one resident subsidiary, one should allow for a downstream consolidation into the subsidiary. In their opinion, it does not make sense from an economic point of view to have an “empty shell” that is only constructed because of the subsidiary. More generally, some Task Force members suggested to consider consolidating purely passive holding companies with no (compensation of) employees, if needed with one or more resident subsidiaries, even if the holding company has more than one (resident or non-resident) parent (including holding companies listed on stock markets).

Others argued that the restriction “no links to resident units” was inconsistent with, amongst others, para. 4.61 of the 2008 SNA. They also argued that the international standards do not foresee the possibility of consolidating or combining a “parent” into/with its subsidiary. More generally the national accounts should not reverse the direction of transactions and financial positions. It is the holding company that owns equity assets which are liabilities of the subsidiary; and dividends are payable by the subsidiary to the holding company.⁵ Some argued that even if para. 4.61 were unclear; a convention for foreign owned holding companies would be needed, as the compilers in the country of the parent would not know whether its foreign subsidiary is consolidated with a subsidiary of its own.

The agreement of the Task Force, including Issue 1, on the treatment of “holding-type units” is summarised in the decision tree included in Annex 3.

Issue 2 [considered closed]:

Issue 2 relates to the question whether head offices (HOs) should always be considered as an institutional unit. From the definition of HOs (SNA 2008, para. 4.53), a head office “exercises some aspects of managerial control over its subsidiaries”. As such, they appear to fulfil the criteria of an institutional unit, already by their definition. As in the case for holding companies conditions a, c and d of SNA 2008, para. 4.2 are clearly met:

- a) Head offices, in having majority shares in their subsidiaries, own assets, and are able to transact in these.
- c) Head offices can incur liabilities, and enter in future commitments.
- d) Head offices, involved in the management of their subsidiaries, would be expected to prepare the consolidated accounts for the group.

⁵ In the financial accounts there are clear debtor-creditor relationships reflecting economic reality. E.g. a subsidiary may have less debt in relation to its assets (is ‘less leveraged’) and thus be granted a loan at a lower interest rate than its parent corporation (which is more leveraged). Merging the parent with the subsidiary would mean the creditor to the subsidiary loses its preferred claim against the subsidiaries’ assets – the subsidiaries’ creditor would then be ranked equal to the parents’ creditors. Such a counterfactual presentation of debtor-creditor relations is not meaningful and would distort important indicators of indebtedness and leverage.

The remaining criterion b), the ability to take economic decisions, is evidently met as HOs are defined as exercising managerial control over their subsidiaries.

4. Distinction between head offices and holding companies

In this section, the issue of distinguishing between head offices (HOs) and holding companies (HCs) is discussed in more detail. Doing so, first some conceptual issues are discussed. Subsequently, practical criteria for delineating the whole population of HOs and HCs are dwelt upon. The section finishes with criteria for distinguishing HOs from HCs.

The statistical analysis of HOs and HCs and their delineation starts after the above institutional unit test. Both types of units are often referred to as holding companies, because both of them have relations to other entities, their subsidiaries. However, the relationships are quite different: while a HO exercises managerial control over its subsidiaries, the HC does not undertake any management activities and its principal activity is simply owning a group of subsidiaries. In making reference to ISIC, para. 4.53 of the 2008 SNA defines HOs as follows: "This class includes the overseeing and managing of other units of the company or enterprise; undertaking the strategic or organizational planning and decision making role of the company or enterprise; exercising operational control and manage the day-to-day operations of their related units". On the other hand, HCs are defined in para. 4.54 as: "This class includes the activities of holding companies, i.e. units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity is owning the group. The holding companies in this class do not provide any other service to the enterprises in which the equity is held, i.e. they do not administer or manage other units". Furthermore, in its 2012 meeting, the Advisory Expert Group recommended that a strict definition of holding corporations, in the sense that holding corporations do not provide any management services, should be followed when classifying institutional units as holding corporations.

Hence, from a conceptual point of view the distinction between HOs and HCs is clear. On the other hand, applying these concepts in practice is more complex. In particular, the pure labelling of an entity as "holding company" or "managing fund" may often be misleading. It provides no reliable information for the decision whether it concerns a holding company, a head office or any other entity.

The statistical identification of HOs and HCs as a whole is usually based on either a self-classification by the unit, or an assessment and/or guided registration by national authorities. This encompasses the business register and other registers. The Task Force members underlined that there is a strong need for a consistent treatment of entities in the various registers, something that should include feedback loops from a central information point to other data providers.

As stated before, the single most important common characteristic of HOs and HCs is their relation with subsidiaries. Starting from this characteristic, information on the structure of the balance sheet is one potential identifier of the relevant group. The Task Force members proposed thresholds of - at least - 50% for the share of equity vis-à-vis subsidiaries within the balance sheet total to distinguish HOs or HCs from other institutional units. Some Task Force members noted that other financial assets vis-à-vis its subsidiaries may need to be considered

as well.

As balance sheet data is often not (yet) available in (business) registers, it is strongly recommended to make efforts towards making available this kind of information. The (future) availability of balance sheet data in business registers would most certainly facilitate and economise an appropriate rule based identification of HOs and HCs in register data or comparable data sources. Balance sheet data are generally available in the context of central balance sheet offices (CBSOs), tax authorities' fiscal databases, and specialized surveys used as input to the compilation of the financial accounts. Incorporating this information into business registers and ensuring their correct classification in the short run would require close collaboration and feedback.

Where balance sheet data is not available other supporting information has to be analysed. The information on the relation to an enterprise group (control and ultimate parent, affiliates) in conjunction with small turnover may be one possibility for identifying HOs and HCs.

The discussion of the Task Force on practical rules for distinguishing between HOs and HCs showed that information on variables like management control or auxiliary units are available for large units or large groups only. Wherever available, such data is especially important in view of the large proportion of the aggregate balance sheet that can be explained by these units. For units where such information is not available, or only available at great cost in practice, the distinction between HOs and HCs will have to be mainly based on the employment criterion:

- Head offices (HOs) are actively engaged in production. They may have noticeably fewer employees, and more at a senior level, than its subsidiaries. But having zero employment is a clear indication of not being a Head Office.
- On the other hand, holding companies (HCs) simply holding assets may do this with very few or without any employed personnel. In this respect, it should be noted that the Task Force agreed that a Holding Company without employees will not pass the institutional unit test when it is fully owned by a single resident unit (see section 3 above).

The Task Force stressed that the one dimensional application of the employment criterion, classifying all units with employment/wages as head offices, will not lead to perfect results. The main activity should govern the classification of the unit, but a unit, including HCs, may carry out other activities and employing small numbers of personnel as well. This clearly affects the interpretation and thresholds of the practical criteria for the classification of HOs and HCs. HCs may have a limited number of employees for several reasons. For example, requirements set out by national legislation in relation to the institutional set-up of "holding-type units" (e.g. listing of a number of persons responsible for the unit in question) may result in some employment recorded in registers. In this respect, the Task Force recommends the application of the following practical rule: Employment thresholds for the delineation between HOs and HCs should be determined with respect to national circumstances⁶. In particular, national legislative requirements for the number of employees of HCs should be taken into account. As a general indication, employment of three or more persons, or employment exceeding the

⁶ The analysis of national circumstances should take into account that the number of persons may deviate in national business registers depending on the inclusion or exclusion of management staff members.

national legal minimum employment, is a first indicator for a unit being a head office.

Other criteria may refine the delineation process. This may include the analysis of sales. Does the entity have substantial sales of goods and services? As HCs usually don't have turnover this may be an indicator for a unit being a HO. Also additional information regarding the employment may be considered: does the employment structure reflect the status of the entity? For example, the employment of very senior staff may be a signal that one is dealing with a head office.

All in all, however, it should be noted that the application of these practical criteria won't cover 100% of all cases. Some HOs or HC may show different characteristics and therefore need an individual analysis.

5. Special Purpose Entities (SPEs)

In this section, the definition and classification of Special Purpose Entities (SPEs) are dealt with. Section 5.1 will discuss the definition of SPEs, whereas section 5.2 will deal with the typology and classification of the most common types of SPE-type of entities. In this respect, it should be noted that SPEs created or owned by general government have not been analysed and categorised by the Task Force⁷.

5.1. Defining Special Purpose Entities (SPEs)

Whereas there is no precise definition of Special Purpose Entities (SPEs) in the SNA 2008, BPM6 and BMD4 include some elements which help to better identify these types of entities. In the latter standards, an entity is considered as an SPE, if it meets the following criteria:

(i) The legal entity

- a) Formally registered with a national authority⁸ and
- b) Subject to fiscal and other legal obligations of the economy in which it is resident;

(ii) The entity is ultimately controlled by a non-resident parent, directly or indirectly;

⁷ In the European Union, a case by case analysis of this type of entities is undertaken, with sometimes quite specific and very detailed rules. Detailed guidance is provided in the Manual on Government Deficit and Debt. More generally, SNA 2008, para. 4.67 describes the treatment of SPEs of general government as follows: "General government may also set up special units, with characteristics and functions similar to the captive financial institutions and artificial subsidiaries of corporations just described. Such units do not have the power to act independently and are restricted in the range of transactions they can engage in. They do not carry the risks and rewards associated with the assets and liabilities they hold. Such units, if they are resident, are treated as an integral part of general government and not as separate units. If they are non-resident they are treated as separate units. Any transactions carried out by them abroad are reflected in corresponding transactions with government. Thus a unit that borrows abroad is then regarded as lending the same amount to general government, and on the same terms, as the original borrowing".

⁸ This excludes non-resident unit that have been registered for VAT purposes only, which may be the case in some EU-countries acting as hub for the imports of goods to the European Union.

- (iii) The entity has no or few employees, little or no production in the host economy and little or no physical presence** in the economy in which it is created by its parent which is typically located in another country;
- (iv) Almost all the assets and liabilities of the entity represent investments in or from other countries;**
- (v) The core business of the entity consists of group financing or holding activities,** i.e. channelling of funds from non-residents to other non-residents. However, in its daily activities, managing and directing play only a minor role.

Having a definition of SPEs as such is not necessary for the compilation of national accounts. In this respect, it is much more important to have a description and understanding of types of entities, employing different kinds of economic activities, be it “SPEs” or not. However, for some purposes, it may indeed be useful to have a grouping of SPEs. For example, SPEs owned by non-resident parents may hinder the macro-economic interpretation of domestic economy. Thus, accounting for the presence of such SPEs in a national economy is desirable, so that data excluding SPEs can be calculated. If one would like to apply a definition for these purposes, it is considered useful to restrict SPEs to entities ultimately controlled by a non-resident parent, directly or indirectly. At the same time, however, entities typically referred to as SPEs have also been established by residents for various purposes, e.g. for asset securitisation and other types of financing and investments. In the remainder of this section, the discussion will mainly relate to both SPE-type of entities, either owned by residents or by non-residents.

In the Task Force, there was also some discussion on some of the above criteria to be applied in defining the more narrowly defined group of SPEs. Some members considered it useful to further restrict the third criterion on having employees and production, in the sense that it needs to be restricted to “having no employees and no production”. This seems to be too restrictive. Probably, it would be preferable though to limit the relevant criterion to “having no or few employees”, as the second part of the criterion “having little or no production” is slightly ambiguous, when one interprets it as having little or no output and value added. In the case of some SPEs, e.g. royalty and licensing companies, output and value added can be quite substantial; see text below on the calculation of output. In relation to the fifth criterion, it was noted that perhaps the channelling of funds, broadly interpreted as the channelling of all forms of income (property income, royalties, license fees, etc.) should be at the front of the definition.

Usually, the recording of an SPE is rather straightforward. It is a legal entity created by a non-resident parent, for example to avoid taxes, with no links to other resident legal entities. As such, the relevant entity is to be treated as an institutional unit by convention, and it can be classified to industry and sector according to its main activity; see section 5.2 of this report. However, as stated in the above, there are well-known cases that resident units, may it be corporations, households or governments, have created resident SPE-type of entities. There are also cases that a resident SPE acts as a linking pin, e.g. as a holding, between a non-resident parent and a resident subsidiary which may or may not be an SPE.

In the case of an SPE-type entity created by a resident parent, the entity, even if it has a separate legal status, may or may not constitute a separate institutional unit. Here, the

discussion and criteria provided on the treatment of Holding Companies (see section 3 of this report) can be useful. As stated before, the 2008 SNA, para. 4.61 also provides some further guidance on whether or not the so-called captive financial institutions should be treated as separate institutional units: “An entity of this type (i.e. captive financial institution, addition by authors of this report) that cannot act independently of its parent and is simply a passive holder of assets and liabilities (sometimes described as being on auto-pilot) is not treated as a separate institutional unit unless it is resident in an economy different from that of its parent. If it is resident in the same economy as its parent, it is treated as an “artificial subsidiary” as described immediately below”.

Para. 4.63 then provides the following general description of “artificial subsidiaries”: “A subsidiary corporation, wholly owned by a parent corporation, may be created to provide services to the parent corporation, or other corporations in the same group, in order to avoid taxes, to minimize liabilities in the event of bankruptcy, or to secure other technical advantages under the tax or corporation legislation in force in a particular country. For example, the parent may create a subsidiary to which ownership of its land, buildings or equipment is transferred and whose sole function is to lease them back again to the parent corporation; the subsidiary may be the nominal employer of all the staff who are then contracted to other corporations in the group, the subsidiary may keep the accounts and records of the parent on a separate computer installation; the role of the subsidiary may be established to take advantage of favourable funding or regulatory treatments and so on. In some cases, corporations may create “dormant” subsidiaries that are not actually engaged in any production but which may be activated at the convenience of the parent corporation”. In all such cases, the subsidiary is not to be considered as a separate institutional unit and needs to be consolidated with its parent.

Applying this guidance in practice, it seems that the following criteria are especially relevant:

- The entity has to be “wholly owned by a parent company”;
- The entity has to “provide services to the parent company⁹, or other corporations in the same group”.
- The entity should only be created for certain fiscal or legal reasons (bankruptcy, tax legislation, etc.), assuming that the unit itself is “passive”, and does not actively, on its own initiative, engage in transactions.

In the typology of SPE-type of entities as described in section 5.2, it can be argued that entities such as a conduits, royalty and licensing companies, captive leasing companies, factoring and invoicing companies, captive insurance companies, and SPEs carrying out other financial functions are to be treated as artificial subsidiaries, if they only deal with the parent, and as such lack independence. On the other hand, entities that have multiple parents and provide services outside the group usually are to be treated as separate institutional units.

In the case of entities holding and managing wealth of individuals and families, the above criteria could be put in practice by assuming a non-existence of a separate institutional unit in the case of an entity holding the assets in a passive manner, e.g. through the provision by the

⁹ In practice, it may be quite difficult to verify whether services are only provided to the parent, but identifying counterparties of financial assets and liabilities may help in doing so.

owner(s) of specific guidance and rules on the day-to-day business. In this respect, a (very) limited number of counterparties could be used as a proxy of the degree of autonomy of such a unit. On the other hand, trading on open markets, both at the assets and the liabilities side, which is a criterion for distinguishing financial intermediaries from captive financial institutions, can be regarded as a sufficient criterion for distinguishing a separate institutional unit. For entities owned by a (very) limited number of households exercising direct control, having no employees may also be a good indication of the unit being a passive holder of the relevant assets.

In the case of an SPE acting as a linking pin between a non-resident parent and a resident subsidiary, that under normal circumstances would not qualify as a separate institutional unit, the question arises whether or not this SPE can/should be consolidated “downstream” with its subsidiary. Here, the Task Force could not arrive at a common position, and the item has been put on the list of issues to be discussed; see section 3, issue 1.

In addition to the above considerations of an SPE-type of entity being an institutional unit or not, there were some unresolved discussions on the above, more narrowly defined, definition of SPEs, their treatment in the case of owning non-financial assets, and the calculation of the output and value added of SPE-type of entities more generally. These issues are discussed below.

Issue 3 [open]

There was some discussion on the structure of the balance sheets of SPEs. According to para. 4.56 of the 2008 SNA, “... [special purpose entities] often have no employees and no non-financial assets ...”, whereas, in other guides and manuals, there is no such restriction to the holding of financial assets. In this respect, the Guide on the Impact of Globalization on National Accounts notes that entities that hold intangible assets such as intellectual property rights can be qualified as SPEs because of their characteristics, such as no “physical presence”. The Task Force also recommends dropping the restriction to financial assets only. As this may be considered as a further clarification or interpretation of the 2008 SNA, the guidance of the Advisory Expert Group is sought on this issue.

Issue 4 [open]

In relation to the existence of non-financial assets, there was also discussion on whether or not an SPE (or similar type of entity) holding non-financial assets is the actual economic owner of the relevant assets, and whether or not the assets should be rerouted to its “original” owner that actually gets all the related risks and rewards. In the case of financial leasing, the international standards, and also the business accounting standards, are quite clear that the non-financial assets should be recorded in the balance sheets of the lessee. However, this still leaves open the question on the recording of e.g. sale and lease back constructions and the recording of intellectual property products in the case of royalty and licensing SPE-like companies. Although there seems to be an economic rationale for imputing transactions and positions to (better) reflect the economic ownership of the

assets, it would without any doubt lead to a considerable number of imputations. The Task Force did not have the time and expertise to go through this issue in more detail. It is also part of a broader discussion on the recording of intellectual property products, dealt with in the UNECE Task Force on Global Production. For the time being, it has been put on the list of issues. It should also be noted that the classification of these assets may have a direct impact on the recording of output and value added which is dealt with below.

Issue 5 [open]

The main activities of many SPEs (and similar type of entities) consist of raising funds and holding assets or liabilities for its parent/subsidiaries, without being engaged in any significant production activity. The relevant SPEs provide financial services to the company group for which no clear commission is paid. These types of SPEs are classified under S127 (captive financial institutions). Their assets and liabilities are not transacted on open financial markets, and as a consequence, there are no market values to be observed. The sum of costs approach for measuring output seems to be an obvious choice¹⁰. However, some SPEs, such as financial corporations engaged in the securitisation of assets, do engage in financial transactions on the market. As such, they should be classified as other financial intermediaries except insurance, corporations and pension funds under sector S125. Here, market values can be observed and the measurement of output and value added following commonly applied approaches seems to be feasible. Finally, as stated before, some SPEs may be engaged in holding non-financial assets that provide services in the form of rents, royalties and licences. Assuming no imputations related to economic ownership are made, output can be estimated on the basis of the relevant income. It should be noted, however, that in quite a number of cases the SPEs merely acts as a link in the transit of royalty and license fees on behalf of the parent company. In these cases, the SPE does not seem to be the owner of the intellectual property products, neither the legal owner nor the economic owner, and a “net” approach, taking the difference of receipts and payments, for the calculation of output seems to be the appropriate approach¹¹. Also for this issue, the calculation of output and value added, the guidance of the Advisory Expert Group is sought, especially whether the above rules of thumb provides enough clarity, or more specific guidance is needed here.

5.2. Typology and Classification of SPE-type of entities

This section discusses the typology and classification of units with the characteristics listed above and commonly referred to as SPEs that are to be treated as an institutional unit, either by convention or by having the characteristics of an institutional unit. So, it is not confined to the more narrow definition of SPEs being ultimately owned by a non-resident parent. Such units

¹⁰ The UN/ECB Handbook on Financial Production, Flows and Stocks in the SNA, which is being drafted, shares this view.

¹¹ See the UNECE Manual on the Impact of Globalisation on National Accounts. A general overview, including recommendations for classification and calculation of output for SPEs, is given in the final report of the Eurostat Task Force on multinationals (TF MUNA).

have to be allocated to an institutional sector according to its principal activity. These units, including the ones that may be distinguished as separate establishments, also need to be allocated to an industry according to the ISIC-classification.

The Task Force agreed to select a number of main SPE-type of entities which correspond to those that can be currently identified in EU and OECD countries¹². For each of these types, (i) the main function or activity is shortly described, (ii) some specific issues are noted, and (iii) information concerning their classification to industries (ISIC codes) and to institutional sectors (SNA codes) based on their major/principal activity are included. In respect of the second point, it should be noted that most of the time no explicit text is included on the criteria for distinguishing a separate institutional unit; for this, reference is made to the criteria established in section 3 (HOs and HCs) and the ones in section 5.1 (other SPE-type of entities).

The following main SPE-type of entities are distinguished and shortly described:

- **Holding company**

Function Holding the assets (owning controlling level of equity) of subsidiary corporations on behalf of its parent without undertaking any management activities

Criteria An SPE (or similar type of entity) exercising some aspects of managerial control over its subsidiaries should be classified as head office; see also section 3 and 4 of the report.

Industry ISIC Section K 6420

Sector S127 - Captive financial institutions and money lenders

- **Shell company**

Function Passing through funds from non-residents to non-residents without conducting any operations in the economy

Criteria A shell company only deals with group enterprises and is thus classified under S127. If the relevant SPE (or similar type of entity) mainly holds shares of subsidiaries, it should be regarded as a holding company.

Industry ISIC Section K6430 or K 6499

Sector S127 - Captive financial institutions and money lenders

- **Unit for holding and managing wealth of individuals and families**

Function Holding financial and non-financial assets for individuals and families

Criteria According to the 2008 SNA, family trusts are to be treated as captive financial institutions (S127). However, if the trust deals with individuals and families on the open markets, it should be distinguished from other family trusts and it should be

¹² It has to be noted that only types of SPEs currently existing in countries are described below. The list may need to be extended in the future when new SPE-type entities are created.

classified under the corresponding financial subsector, for example, as Non-MMF investment funds (S124).

Industry ISIC Section K 6430

Sector S124 – Non-MMF investment funds or S127 - Captive financial institutions and money lenders

- **Securitisation company**

Function Securitising assets for fund raising

Criteria Purchasing assets while issuing securities such as Asset Backed Securities (ABS) and Asset Backed Commercial Paper (ABCP) or acquiring loans originated by other units. Although SNA 2008, para. 4.110 states that financial corporations engaged in securitisation are to be classified under S125, SNA 2008, para. 4.59 also considers at least some securitisation vehicles as captive financial institutions (S127). Assuming that the relevant units pass the institutional test, they should be classified as part of S125, if they purchase assets on the open markets while raising funds on the open markets; if they do not operate in the open markets on either assets or liabilities, they should be classified in S127.

Industry ISIC Section K 6499

Sector S125 - Other financial intermediaries except insurance corporations and pension funds or S127 - Captive financial institutions and money lenders

- **Conduit**

Function Raising or borrowing funds, often from unrelated enterprises, and remitting those funds to its parent or to another related enterprise

Criteria According to SNA 2008, para 4.114 c, conduits should be classified in S.127 (captive financial institutions), if they qualify as institutional units and raise funds in open markets to be used by their parent corporation. Conduits typically do not transact on the open markets on the asset side.

Industry ISIC Section K 6499

Sector S127 - Captive financial institutions and money lenders

- **Royalty and licensing company**

Function Concentrating group receipts concerning royalties and similar flows received from intellectual property rights and trademarks

Criteria An SPE-type of entity holding intellectual property rights or trademarks and receiving royalties or similar flows for a group of enterprises or individuals is regarded as an independent royalty and licensing company. The issue of economic ownership of the relevant non-financial assets needs further discussion: see issue 4.

Industry ISIC Section N 7740

Sector S11 - Non-financial corporations

- **Captive leasing company (including mobile equipment renting company)**

Function Financial leasing or operational leasing within a group

Criteria Financial leasing companies operating on open markets are to be classified under S125 (see SNA 2008, para. 4.110). Captive leasing companies should be classified under S127. Operational leasing company should be classified as non-financial corporations (S11).

Industry ISIC Section K 6491 for financial leasing companies, ISIC Section N 7730 for operational leasing companies

Sector S125 - Other financial intermediaries except insurance corporations and pension funds, S127 - Captive financial institutions and money lenders or S11 - Non-financial corporations

- **Factoring and invoicing company**

Function Concentrating sales claims and invoicing sales of enterprises

Criteria An SPE-type of entity providing factoring and invoicing services within a group is classified as captive financial institutions (S127). If the unit deals with counterparties on the open markets, it should be rather classified under S125.

Industry ISIC Section K 6499

Sector S125 - Other financial intermediaries except insurance corporations and pension funds or S127 - Captive financial institutions and money lenders

- **Captive Insurance company**

Function Providing insurance to group enterprises

Criteria According to SNA 2008, para 4.115, captive insurance, which serves only its owners is to be classified as part of insurance corporations.

Industry ISIC Section K 65

Sector S128 – Insurance corporations

- **SPE carrying out other financial functions**

Function Dealing with financial needs of a group, financing particular projects

Criteria As these SPE-type of entities are typically providing financial services to group enterprises, they should be classified as captive financial institutions.

Industry ISIC Section K 6499

Sector S127 - Captive financial institutions and money lenders

- **Merchanting company**

Function Purchasing goods from a non-resident country and re-selling the goods to another non-resident country (key feature: they acquire the ownership of the goods traded).

Criteria Merchanting companies provide non-financial services to a group by being used for the procurement and delivery of merchandises. Thus, they are distinguished from invoicing companies and should be rather classified under S11.

Industry ISIC Section G 4600

Sector S11 – Non-financial corporations

6. Conclusions and Issues for Discussion

Concerning the primary goal of the Task Force - an internationally comparable recording of head offices (HOs), holding companies (HCs) and similar entities as described in the revised international standards (SNA 2008, ESA 2010, BPM6, BDM4) – the Task Force concluded the following:

- on institutional independence:

1. The standard criteria for an institutional unit should always be applied – thus also for HOs and HC and similar SPE-type of entities.
2. Entities owned by non-residents – *with no resident subsidiaries* – are always institutional units.
3. For entities wholly owned by a single resident unit, "no employees and no compensation of employees" is a sufficient criterion to reject it as an institutional unit.
4. The Task Force tentatively agreed that having multiple parents/shareholders is a sufficient qualification for a unit being an institutional unit (see also issue 1).
5. The TF agreed to seek further guidance concerning entities owned by non-residents that do not fulfil any other criteria for institutional independence and have only one resident subsidiary (Issue 1)¹³.
6. Head offices are always to be considered as separate institutional units (Issue 2).

- on the identification of head offices and holding companies:

7. For an entity to be considered as either a HO or a HC, at least 50% of its assets must consist of equity and other financial assets vis-à-vis its subsidiaries.

¹³ More generally, some Task Force members suggested to consider consolidating purely passive holding companies with no (compensation of) employees, if needed with one or more resident subsidiaries, even if the holding company has more than one (resident or non-resident) parent (including holding companies listed on stock markets).

8. Employment thresholds for the delineation between HOs and HCs should be determined with respect to national circumstances. In particular, national legislative requirements for the number of employees of HCs should be taken into account. In general, employment of three or more persons is a first indicator for a unit being a head office.

Concerning the secondary goal - to further develop an internationally comparable typology and classification of SPEs and similar types of entities – the Task Force identified ten common types. The Task Force agreed on their classification to industries and institutional (sub-) sectors. In relation to the latter, most "SPE-type of entities" are classified in the captive financial institutions' sub-sector (S.127), others are classified as non-financial corporations (S.11), other financial intermediaries (S.125) and insurance corporations (S.128). For three issues, further guidance of the Advisory Expert Group is sought:

9. The possibility of an SPE-type of entity having non-financial assets (Issue 3).
10. A further clarification on the economic ownership of non-financial assets in the case of certain SPE-type of entities (Issue 4).
11. The calculation of output and value added for certain SPE-type of entities (Issue 5).

Annex 1: Mandate of the Task Force on Head Offices, Holding companies, and similar entities

Introduction:

The new International Statistical Standards (ISS: 2008 SNA, BPM6, ESA 2010) split holding corporations of enterprise groups into head offices (engaged in the management of the subsidiaries) and more narrowly defined holding companies (SNA 4.53-4.54). Holding companies of predominantly non-financial subsidiaries are to be classified to the financial sector according to the new ISS, while they were classified in the NFC sector according to SNA 1993 and ESA 1995.

Furthermore the question has arisen whether holding companies that themselves are subsidiaries of (resident) corporations are necessarily institutional units, as the new ISS link them to captive financial institutions which may or may not have autonomy of decision making (SNA 4.59-4.61).

As HCs, HOs and similar units, which often have characteristics typical for SPEs, tend to have large financial balance sheets, their recognition as institutional unit and their sector classification may have a large impact on the measurement of non-consolidated debt and equity measures by institutional sector. Such units are also important receivers and payers of property income - their respective recording thus also has a large impact on the allocation of primary income in the non-financial sector accounts.

Goals:

- The primary goal is an internationally comparable recording of Holding companies (HCs), Head offices (HOs) and similar entities as described in the new International Statistical Standards (ISS: 2008 SNA, BPM6, ESA 2010).
- The secondary goal is the further development of an internationally comparable typology and classification of SPEs, taking into account the recommendations of the Eurostat Task Force on Multinationals (TF MUNA)¹⁴, the work of the ESSnet on “Profiling the large and complex multinationals”¹⁵, of the Expert Group on the Impact of Globalization on National Accounts (GGNA)¹⁶, of the OECD Working Parties on Financial Statistics and National Accounts held on 1-5 October 2012, of the OECD Working Party on International Investment Statistics¹⁷, and of Eurostat and the ECB on the field of External Statistics.¹⁸

¹⁴ For a more general overview, including all SPEs, reference is made to the final report of the TF MUNA.

¹⁵ The UNECE offices gave place to Eurostat as a unique international body to be able to go concretely further on this topic. The ESSnet will report to the UN Statistical Commission, if appropriate.

¹⁶ For more information, reference is made to chapter 4 of the guideline “The Impact of Globalization on National Accounts”.

¹⁷ For more information, reference is made to chapter 7 of the OECD Benchmark Definition of GDI (4th edition).

¹⁸ Recommendations on the implementation of the FDI Extended Directional Principle in the EU.

Output:

The Task force shall make recommendations on the following:

1. Clarification of the rules adopted in the different ISS (ESA2010, 2008 SNA, BPM 6), as regards the institutional unit nature of HCs and HOs;
2. Possible ways of identifying SPEs and measuring their operations, including entities located in regions or sub-regions within a State that have a special tax-exemption jurisdiction;
3. Rules for the recording of SPEs in the system of national accounts and consistency with external statistics, including recommendations on the classification of their flows and stocks;
4. Definition of a single decision tree in order to clearly identify, define and classify HCs, HOs and SPEs, taking account of country practices and, if feasible, future developments as a consequence of financial innovations;¹⁹
5. Definition of qualitative and quantitative criteria (including concrete thresholds) to distinguish between HCs and HOs; to the extent possible indicating which data source can/should be used for the quantitative criteria. Also, a periodicity for reviewing the population of the relevant units should be determined;
6. Procedures for attributing the ISIC/NACE codes for HOs (non-financial) and HCs (7010, 6420) when a company is registered involving business registers and the relevant national financial supervisory authorities;
7. Procedures for reviewing at regular intervals the ISIC/NACE codes by the relevant national statistical authorities;
8. The treatment of HCs, HOs and SPEs in business registers and other sources of national accounts;
9. Examine possible areas and forms of co-operation between the relevant institutions of the different countries in order to ensure a consistent recording of the activities of special purpose entities
10. Development of a list of HCs and HOs with the corresponding sector classification in each country to be shared among compilers and users of related statistics²⁰.

In addressing issues under points 6, 7 and 8, it is important to consult and to liaise with the relevant groups, including those dealing with business registers.

Composition:

Membership of the Task Force is open to compilers of annual and quarterly financial and non-financial accounts from EU member states, OECD countries, the ECB, Eurostat and the OECD, as well as to other experts in the field of business registers, monetary & financial statistics and external statistics.

¹⁹ This may also include asset holding companies owned by households.

²⁰ For EU countries, these lists should also be made available for reporting agents.

Reporting:

The revised Task Force report will be presented to the Eurostat Working Groups on National Accounts (NAWG), Financial Accounts (FAWG), and Balance of Payments (BOPWG); the ECB Working Groups on Euro Area Accounts (WG EAA), on Monetary and Financial Statistics (WG MFS), and on External Statistics (WG ES); and the OECD Working Parties on Financial Statistics (WPFS), National Accounts (WPNA) and International Investment Statistics, if necessary by written procedure, until 19th of April. By 3rd of May, it will be sent to the Inter Secretariat Working Group on National Accounts (ISWGNA) for consideration by the Advisory Expert Group (AEG) on National Accounts.

Timetable [preliminary]:

15.10 – 14.12.12	Indication of interest based on draft Mandate
15.10 – 14.12.12	Comments from interested participants to draft Mandate
20.12.12	Final Mandate
31.01.13	<i>Contributions from countries and participants.</i>
26-28 Feb 2013	<i>3 day meeting at ECB</i>
15 March 2013	<i>Draft report v1, first round of comments from TF participants</i>
29 March 2013	<i>Second draft v2, second round of comments</i>

Consultation of relevant bodies:

- *1-19 April 2013: Draft report v3 to the delegates of the Eurostat Working Groups on National Accounts (NAWG), Financial Accounts (FAWG), and Balance of Payments (BOPWG); the ECB Working Groups on Euro Area Accounts (WG EAA), on Monetary and Financial Statistics (WG MFS) and on External Statistics (WG ES); the OECD Working Parties on Financial Statistics (WPFS) National Accounts (WPNA) and International Investment Statistics; and the IMF Committee on Balance of Payments Statistics.*
- *3 May 2013: Draft report v4 to the Inter Secretariat Working Group on National Accounts (ISWGNA). This draft report should be discussed by the AEG in May 2013.*

14 June 2013 TF finalizes its report and informs relevant bodies.

Annex 2. List of Participants

List of participants
Task Force on Holding Companies and Head Offices
26-28 February 2013
European Central Bank, Frankfurt am Main

<u>Participant's organisation</u>	<u>Name of participant</u>	
European Central Bank	Mr Gabriel Quirós	<i>Chairperson</i>
OECD	Mr Peter van de Ven	<i>Chairperson</i>
Eurostat	Mr Jens Gruetz	<i>Chairperson</i>
European Central Bank	Mr Andreas Hertkorn	<i>Secretary</i>
Statistics Denmark	Mr Mathias Bluhme	
Deutsche Bundesbank	Mr Ingo Techet	
Destatis - Statistisches Bundesamt	Ms Susanne Alber	
Statistics Canada	Mr Emmanuel Manolikakis	
Central Bank of Cyprus ^{21,22}	Ms Eleni Nicolaou	
Statistical Service of Cyprus ^{21,22}	Mr Vasilis Chailos	
Banco de España	Mr Joaquín Rivero Sulé	
Statistics , the UK	Mr Sanjiv Mahajan	
Banque de France	Mr Franck Sédillot	
INSEE	Mr Antoine Dreyer	
DNB	Mr Christiaan Carlier	
Statistics Netherlands	Ms Maria Piszczek	
Magyar Nemzeti Bank	Mr Béla Simon	

²¹ Footnote by Turkey: The information in this document with reference to « Cyprus » relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the "Cyprus issue".

²² Footnote by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognized by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Central Bank of Iceland
Statistics Ireland

Ms Margret S Gudjonsdottir
Mr David Kelly

<u>Participant's organisation</u>	<u>Name of participant</u>
The Bank of Korea	Mr Seonguk Yoo
Statistics Latvia	Ms Ilona Kallione
STATEC	Mr Marc Origer
Statistics and Geography, México	Ms Martha Tovar Soria
Oesterreichische Nationalbank	Mr Michael Andreasch
Statistics Austria	Mr Norbert Rainer
Banco de Portugal	Ms Maria Crespo
Statistics Portugal	Mr Leandro Pontes
Statistics Romania	Ms Oana Mavlea
Statistics Slovenia	Ms Marjana Klinar
Statistics Sweden	Mr Andreas Lennmalm
OECD	Ms Michèle Chavoix-Mannato
OECD	Ms Ayse Bertrand
Eurostat	Mr Ismael Ahamdanech-Zarco
Eurostat	Ms Ana Franco
Eurostat	Mr Denis Besnard
Eurostat	Mr Andreas Dollt
Eurostat	Ms Enrica Morganti
European Central Bank	Mr Tjeerd Jellema
	Mr Peter Neudorfer
	Mr Jean-Marc Israel
	Mr Erik Bieleveldt

Annex 3. Institutional unit test for holding-like units and similar entities/SPEs

(Legal entities (LE) which are not engaged in non-financial activities - thus excluding Head offices, and NFCs in general - holding controlling levels of equity in subsidiaries)

