



## Proposed Recommendations Document:

### 1.19 Treatment of special purpose entities (SPEs) and residency

#### Summary Details

<b>Links to Related Guidance/Discussion/Issue Notes and Latest Manuals:</b> <a href="#">G.4 Treatment of special purpose entities (SPEs) and residency</a> <a href="#">Draft 2025 SNA</a> and <a href="#">Draft BPM7</a>	
<b>Global Consultation(s):</b>	SNA/BPM: <a href="#">August 2021</a>
<b>Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):</b>	Joint AEG/BOPCOM: <a href="#">March 2022</a>
<b>Discussions at GFSAC Meeting(s):</b>	To be determined
<b>Summary of Proposed Recommendations:</b> <p>The proposed recommendation is to leave materially unchanged the current <i>GFSM 2014</i> guidance on when to treat special purpose units as institutional units. However, the term SPE has been redefined to have a narrower definition than that used in the <i>GFSM 2014</i>, with it now only being used to refer to a particular type of unit directly or indirectly controlled by parent units not incorporated in the same economic territory.</p> <p>Note that research project 1.9 “Improving the recording of government-controlled nonresident SPEs used for fiscal purposes” specifically addresses the treatment of transactions and stock positions of government-controlled nonresident SPEs vis-à-vis the parent government.</p>	

#### Background and Issues

1. Neither the *2008 SNA* or *BPM6* formally made SPEs an identified component of the accounts or as an institutional sector or subsector. The current guidance on SPEs in the macroeconomic statistics manuals allows for flexibility in interpretation, and therefore any strategy for separate data collection and identification of SPEs would be challenging.
2. However, including and separately identifying SPE activities in macroeconomic statistics is crucial for policy analysis, given the increasing economic activities of multinational enterprises and their associated extensive use of SPEs. A central problem has been the lack of an internationally agreed standard definition of SPEs in macroeconomic statistics.

3. The proposed recommendation by the AEG/BOPCOM, following the *SNA/BPM* update consultation, has two broad components, (i) to define the term SPE for macroeconomic statistics, and (ii) to leave unchanged the core *SNA* and *BPM* framework but to collect supplementary data on SPEs to support analysis of SPE activities.

4. The current guidance in the *GFSM 2014* follows the *2008 SNA* and *BPM6* in that it offers no definition of an SPE other than to say that, “*some typical features are that it has little physical presence, is related to another corporation or government, and is often resident in a territory other than the territory of residence of its parent unit*” (*GFSM 2014*, para. 2.136). Therefore, the updated *GFSM* should adopt the same definition and clarifications on SPEs as in draft *2025 SNA* paras. 5.81-5.84 (also *BPM7* Chapter 4). Draft *2025 SNA* defines SPEs as:

*“A number of institutional units may be described as special purpose entities (SPEs). In macroeconomic statistics, the term SPEs is used exclusively for institutional units which align to the following definition:*

- a. 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.*
- b. SPEs are directly or indirectly controlled by non-residents.*
- c. 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).*
- d. SPEs transact almost entirely with non-residents and a large part of their financial balance sheet typically consist of cross-border claims and liabilities..*

*Special purpose units established by non-resident government units are excluded from this definition.”*

5. Under the *GFSM 2014* (and *2008 SNA / BPM6*) a government-controlled resident SPE which is treated as a separate institutional unit is classified to a sector according to its principal activity; one that is not treated as an institutional unit is classified as part of the public sector unit that controls it. However, a nonresident SPE is always classified as a separate institutional unit in the economy where it is established. These principles are not changing under the draft *2025 SNA / BPM7*. The only change being that government-controlled resident institutional units with similar characteristics to SPEs would no longer be referred to as SPEs but instead as special purpose units.

6. In line with the draft *2025 SNA* (para. 5.94), “resident special purpose units that function only in a passive manner relative to general government and that carry out fiscal and quasi-fiscal activities do not satisfy the criteria to be institutional units and are therefore not treated as separate institutional units in macroeconomic statistics; they are treated as part of general government regardless of their legal status. Resident special purpose units acting independently, acquiring assets and incurring liabilities on their own behalf, accepting the associated risk, are treated as separate institutional units and are classified to a sector according to their principal activity.”

7. For governments where the presence of SPEs play a significant role in executing fiscal policy, consideration should be given to separately identify them or report them as “of which” items in the data.

8. Closely related to the G.4 (Treatment of SPEs and Residency), the AEG/BOPCOM discussed the treatment of transactions and stock positions of government-controlled nonresident SPEs vis-à-vis the

parent government in the BPM Guidance Note D.5 “Eliminating the Imputations for an Entity Owned or Controlled by General Government that is Used for Fiscal Purposes.” This topic is separately and specifically addressed under the Proposed Recommendations document 1.9 “Improving the recording of government-controlled nonresident SPEs used for fiscal purposes.”

### Proposed Recommendations

9. The proposed recommendations are:

- (i) that government-controlled nonresident SPEs should continue to be treated as nonresident institutional units.
- (ii) to align the definition of SPE to the definition in the draft *2025 SNA / BPM7* joint chapter (para. 5.81 in the draft *2025 SNA*), thereby no longer referring to government-controlled resident special purpose vehicles as SPEs but as special purpose units.
- (iii) to review and ensure consistency with other guidelines on the treatment of resident controlled special purpose units, including in the draft *2025 SNA* (paras. 5.94 and 30.50).

### Rationale for Proposed Recommendations

8. The proposed recommendations aim to harmonize the updated *GFSM* with the *2025 SNA* and *BPM7*, a key objective of the *GFSM 2014* update process.

### Proposed Text for GFSM Update

9. Alignment of the *GFSM 2014* text (paras. 2.136 – 2.139) to the draft *2025 SNA* text related to SPEs (paras. 5.81-5.84, 5.94-5.96 and 30.49-30.52).