

# EURO AREA FINANCIAL VEHICLE CORPORATIONS STATISTICS

## EXPLANATORY NOTES

17 August 2012

### Coverage of institutions and legal basis

These statistics present the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (FVCs) resident in the euro area. The statistics are collected and compiled by the national central banks (NCBs) in accordance with Regulation ECB/2008/30<sup>1</sup> and reported to the ECB in accordance with Guideline ECB/2008/31<sup>2</sup>.

Securitisation is a practice whereby an asset or a pool of cash flow-producing assets is converted into marketable securities, usually referred to as asset-backed securities (ABSs). This practice often entails the use of entities – FVCs – dedicated to holding the securitised assets and/or issuing the marketable securities.

The FVC sector is defined broadly, encompassing both "traditional" securitisations, where an actual transfer of assets takes place, and "synthetic" securitisations, where the credit risk is transferred through financial derivatives or other mechanisms instead of the assets being transferred themselves.

The majority of securitisation transactions in the euro area have consisted of monetary financial institutions (MFI) loan securitisations, in particular those of household mortgage loans. These transactions result in the issuance of residential mortgage-backed securities (RMBSs). Other common types of securitisation by MFIs involve commercial mortgage loans (commercial mortgage-backed securities or CMBSs) and consumer credit, e.g. auto loans or credit card receivables (consumer ABSs).

Other types of transactions are also covered, such as securitisations of commercial paper (asset-backed commercial paper or ABCP), bonds, trade receivables of non-financial corporations, tax receivables of general government and re-securitisations of already securitised assets.

FVCs may be set up for a single transaction acquiring specific assets from one originator, or they may acquire assets from various sources and/or buy new assets throughout the life of the FVC. Some vehicles of the latter type include ABCP conduits, structured investment vehicles (SIVs) and collateralised debt obligations (CDOs).

The reporting population comprises FVCs resident in the euro area, including e.g. FVCs which engage in securitisations of assets originated by residents outside the euro area. Conversely, the statistics do not cover securitisation vehicles resident outside the euro area, even if they receive assets of euro area resident institutions. The list of individual FVCs forming the reporting population is available on the ECB's website.<sup>3</sup>

### Frequency and timeliness

Euro area FVC aggregates are available at a quarterly frequency, and are published about 35 working days after the end of the quarter. The time series date back to the fourth quarter of 2009.

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<sup>1</sup> OJ L 15, 20.1.2009, pp. 1 ff.

<sup>2</sup> OJ L 53, 26.2.2009, pp. 76 ff.

<sup>3</sup> <http://www.ecb.europa.eu/stats/money/mfi/html/index.en.html#fvc>

## Outstanding amounts and transactions

In addition to outstanding amounts, i.e. the value of the assets and liabilities at the end of each reference quarter, the data present transactions during each quarter. Transactions refer to the net acquisition of a given type of asset during the period, or the net incurrence of a given type of liability.

The changes in outstanding amounts within a quarter can be due to transactions, price revaluations, exchange rate changes in the case of instruments denominated in currencies other than the euro, or statistical reclassifications.

## Balance sheet asset and liability categories

Balance sheet positions and transactions are, in principle, shown on an aggregated basis, i.e. positions between FVCs are not netted out. However, netting may be applied by the reporting FVCs for inter-FVC deposit/loan positions in cases where a securitisation structure involves several FVCs established within the same jurisdiction.

The **assets** represent the FVCs' holdings of securitised assets or the assets FVCs otherwise hold as collateral in securitisation transactions. The following main categories are published:

- *Securitised loans* include any loans acquired as part of a securitisation transaction. It is the main asset class of euro area FVCs.<sup>4</sup>
- *Deposits and loan claims* include (i) deposits placed by FVCs with credit institutions as collateral or for cash management purposes, (ii) loans granted to other FVCs, (iii) claims under reverse repos or securities borrowing against cash collateral, and (iv) securitised non-negotiable debt securities.
- *Securities other than shares* include all negotiable debt securities, such as government bonds. This category also includes debt securities issued by other FVCs – so-called “re-securitisations”.<sup>5</sup>
- *Shares and other equity* include securities which represent property rights in corporations. They generally entitle the holder to a share in the profits of corporations and in their own funds in the event of liquidation. In particular, this item covers those securities which other FVCs issue in the form of shares.
- *Other securitised assets* include securitised assets other than loans and securities, such as tax receivables, securitisation of non-financial leases, etc.
- *Other assets* are a residual category and includes all assets which are not classified in the categories listed above, in particular (i) financial derivatives (e.g. options, warrants, futures, credit default swaps) subject to on-balance-sheet recording according to national rules, (ii) fixed assets, and (iii) interest accrued, but not yet paid, on deposits, loans and securities other than shares and rent accrued on fixed assets

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<sup>4</sup> When another entity transfers loans to the FVC, the entity itself may or may not remove (“derecognise”) the loans from its balance sheet, depending on the accounting rules and the features of the transaction. Irrespective of this, the loans are recorded on the FVC balance sheet.

<sup>5</sup> For example, some conduits, structured investment vehicles and CDO-squared structures, i.e. CDOs holding securities issued by other CDOs.

The following main categories of **liabilities** are published:

- *Debt securities issued* includes the asset-backed securities (ABSs) issued and represents the main liability category. Depending on the type of FVC and assets it holds, these securities may be called e.g. RMBSs, CMBSs or CDOs.
- *Loans and deposits received* include the amounts owed to creditors, consisting of loans taken, non-negotiable debt instruments issued and repos.
- *Capital and reserves* include the equity capital, non-distributed earnings and the liabilities issued in the form of shares. For instance, in the case of some securitisation funds, units issued are classified as shares.
- *Other liabilities* include (i) where applicable, any differences between the nominal amount of principal outstanding of securitised loans and the transaction value paid by the FVC in purchasing such loans, (ii) financial derivatives liabilities subject to on-balance-sheet recording according to national rules, and (iii) accrued interest payable on loans and deposits and other amounts payable not related to the FVC's main business.

### **Further breakdowns of assets and liabilities**

Some asset and liability items presented in the previous section are further broken down to provide more detailed information on the geographical areas and economic sectors interacting with FVCs. The table below summarises the data which are published – both euro area aggregates and national FVC balance sheet statistics (for those euro area countries which have resident FVCs).

The most detailed breakdowns refer to the asset item *securitised loans*. Firstly, information is available on the *originator*, i.e. the entity transferring loans to the FVC. This breakdown consists of a split into various euro area economic sectors and identifies originators resident outside the euro area. Secondly, where the originator is a euro area MFI, the sector of the *borrower* of the loan is identified (e.g. households).

Some items are included twice in the aggregated FVC balance sheet of the euro area due to positions which may exist between two euro area FVCs. Data on such positions are available for *deposits and loan claims*, *loans and deposits received*, *securities other than shares* and *shares and other equity*, which enables the inter-FVC positions to be taken into account when analysing the FVC sector.

### **Dissemination of FVC statistics**




The quarterly release of the euro area FVC statistics consists of a press release, the update of the statistics on the ECB's website<sup>6</sup>, and the dissemination of euro area and national data on the Statistical Data Warehouse (<http://sdw.ecb.europa.eu/browse.do?node=9484280>). The updated statistics are also published in the ECB's Monthly Bulletin (Table 2.10 of the "Euro area statistics" section).

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<sup>6</sup> <http://www.ecb.europa.eu/stats/money/fvc/html/index.en.html>

**Table: Summary of published FVC statistics**

	Residents of Monetary Union Member States								Rest of World residents	Total
	Monetary Financial Institutions	Non-Monetary Financial Institutions								
		Total	General Government	Other residents						
				Total	Other financial intermediaries + financial auxiliaries o/w FVCs	Insurance corporations and pension funds	Non-financial corporations	Households + non-profit institutions serving households		
<b>ASSETS</b>										
<b>Deposits and loan claims</b>										
<b>Securitised loans</b>										
euro area MFI as originator (total maturity)							*	*		
up to 1 year original maturity										
over 1 year and up to 5 years										
over 5 years										
euro area General Government as originator										
euro area OFI and ICPF as originator										
euro area NFC as originator										
non-euro area originator										
<b>Securities other than shares</b>										
up to 1 year original maturity										
over 1 year and up to 2 years										
over 2 years										
<b>Other securitised assets</b>										
of which euro area General Government as originator										
of which euro area NFC as originator										
<b>Shares and other equity</b>										
<b>Other assets</b>										
<b>LIABILITIES</b>										
<b>Loans and deposits received</b>										
<b>Debt securities issued</b>										
up to 2 years original maturity										
up to 1 year										
over 1 year and up to 2 years										
over 2 years										
<b>Capital and Reserves</b>										
<b>Other liabilities</b>										

 Euro area and national data published  
 Euro area data only published  
 Split in national data between Domestic and Other participating Member State borrowers