



EUROPEAN COMMISSION
EUROSTAT

Directorate G: Global Business Statistics
Unit G-1: Business statistics - coordination and registers

TF SU/18-19 March 2015 doc 4b rev.

Task Force on Statistical Units

Meeting 18-19 March 2015

Eurostat, Bech Building,
5 rue Alphonse Weicker, Luxembourg
18 March 2015 9:30h – 19 March 2015 13:30h

Room BECH B2/404

Chairperson: Martina Hahn

Item 4b of the agenda

Operational rules for Holding Companies, Head Offices and SPEs

Proposal of the sub-group of the Task Force on Statistical Units composed of

Jukka Pakola (Statistics Finland)

Paulo David (ECB)

Daniel Lennartsson (Statistics Sweden)

and expanded after the February 2015 Statistical Unit Task Force meeting with the addition

Jens Grütz (Eurostat)

Norbert Rainer (Statistics Austria)

as revised by the Task Force

Operational rules for Holding Companies, Head Offices and Special Purpose Entities¹

Explanatory notes

Head Offices (HOs), Holding Companies (HCs) and Special Purpose Entities (SPEs) and similar entities often have special characteristics typical for Special Purpose Entities (SPEs).

- A HC is described as a legal unit that holds the assets of subsidiary corporations/other legal units but does not undertake any management activities. In general, HCs are not seen to have autonomy of decision and are combined with one or more producing legal units to an enterprise-unit.
- The activities of a HO include the overseeing and managing of other legal units of the enterprise, and managing/supporting their day-to-day operations of these their related units.
- SPEs, as identified in operational rule 4, often have only limited presence in the country where they are registered. In general, SPEs are not seen to have autonomy of decision and are combined with one or more legal units to an enterprise-unit. However, usually the parent of a SPE is resident abroad and therefore these SPEs are always to be considered as a separate enterprise-unit.
- An important question is whether a HO/HC/SPE has autonomy of decision-making, which has to be answered in order to be able to delineate the and is therefore to be treated as an enterprise. For example, a legal unit wholly owned by a parent legal unit, may just be created to avoid taxes. Generally, such legal units do not satisfy the definition of an enterprise because they lack the ability to act independently from their parent and their accounts have to be consolidated with those of the parent. Therefore, in the first place, the autonomy of decision of the legal unit has to be assessed.

Ref to TF

The operational rules below deal with the most common cases. Further information and guidance is provided in the Final Report of the Task Force on Head Offices, Holding Companies and Special Purpose Entities². This report and the operational rules below describe most cases but not all.

Operational rule 1 – Identification of the enterprise characteristics

To identify the enterprise characteristics of an HO/HC/SPE the following conditions apply:

- a) An HO/HC/SPE owned by a non-resident parent is to be considered by convention as an enterprise- by itself, unless it has subsidiaries, in which case other operational rules apply.
- b) An HO/HC/SPE owned by multiple owners, and not controlled by any other legal unit, should be considered as a separate enterprise, unless it has subsidiaries, in which case other operational rules apply.

¹ Further information is provided in the final report of the international task force on head offices, holding companies and special purpose entities and in SNA News & Notes No 37. See: http://ec.europa.eu/eurostat/documents/737960/738007/Final_Report_Task_Force_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2 and <http://unstats.un.org/unsd/nationalaccount/sna/nn37-en.pdf>

² http://ec.europa.eu/eurostat/documents/737960/738007/Final_Report_Task_Force_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2 and <http://unstats.un.org/unsd/nationalaccount/sna/nn37-en.pdf>

- c) For an HO/HC/SPE wholly owned by a single resident unit, having no employees and no compensation of employees are not a sufficient criterion for lack of institutional independence; ~~however it can be used as an indicator to consider units for further investigation on its lack of independence in such cases, further investigation is needed.~~
- d) ~~Head offices~~ HOs are always considered to have autonomy of decision. However, they have to be combined into an enterprise with the legal units they oversee and manage, since these legal units do not have autonomy of decision-making.
- e) If an SPE, ~~which that~~ deals with wealth of individuals and families, operates in the open market not only on the asset side but also on the liability side, it should be considered as a separate enterprise, provided it does not have subsidiaries.
- f) Governments' (and corporations') use of SPEs is normally to raise finance. The Government-owned SPEs will normally have none of the attributes that would make it a separate entity enterprise from the parent are consolidated with government accounts irrespective of their residency. In addition, it should be noted, that in the European Union, a case by case analysis of this type of government SPEs is undertaken, with sometimes quite specific and very detailed rules. [reference needed]

Operational rule 2 – Identification of Head O-offices and Holding Companies

HOs and HCs have relations to other entities, namely, their subsidiaries. Hence, information on the structure of their balance sheet is one tool to determine whether an entity is a HO, HC or another type of unit. In order to identify these entities the following practical rule should be applied:

- A legal unit having at least 50% of its assets consisting of investments in its subsidiaries can be considered within to be of the type of head-offices HO and or HC holding companies.

Operational rule 3 – Distinction between Hhead Offices and Hholding Companies

A HO may have noticeably fewer employees than the legal units it oversees and manages. However, having zero employment is a clear indication of not being a HO. On the other hand, HCs simply holding assets may do this with very few or without any employed personnel. Employment thresholds for the delineation between HOs and HCs should be determined taking into account 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 legal unit to being a HO.

Operational rule 4 – Identification of SPEs

In order to identify SPEs the following practical rules should be applied:

- a) SPEs are always related to another legal unit, often as a subsidiary of that legal unit.
- b) SPEs have large balance sheets; usually with no non-financial assets. Therefore, investment income and holding gains are major elements of their accounts.
- c) SPEs have few or no employees.
- d) The production of SPEs is very limited. Usually fees are charged from the parent company.
- e) SPEs are often ultimately controlled by a non-resident parent, directly or indirectly.

