

**CMFB opinion**  
**concerning securitisation operations undertaken by Government**

1. On Eurostat's request the CMFB Chairman, with the assistance of the CMFB Executive Body, asked the CMFB Members to state their opinion on the issue of securitisation operations undertaken by Government. Twenty (20) national statistical institutes and twenty-two (22) national central banks from the EU Member States returned the questionnaire. A total of forty-two (42) national institutions responded to the questionnaire. The ECB also provided its opinion.
2. Based on a large majority, the results of the consultation are as follows:
  - 2.1 *All securitisation of fiscal claims should be treated as borrowing, because of the likely direct or indirect control that government would keep, or because it is appropriate that all securitisations of fiscal claims should be treated the same.*
  - 2.2 *The existence of a DPP clause, or a similar arrangement, is evidence that not all the risks and rewards of the operation are assumed by the purchaser and should automatically lead to the classification of a securitisation operation as government borrowing.*
  - 2.3 *A clause in the contract referring to the possibility of substitution of assets (except for marginal cases deriving from technical and material errors) should lead to the classification of the operation as government borrowing.*
  - 2.4 *If the securitisation contract stipulates ex ante a government compensation to the SPV in the case of one or more events or government actions that are specifically or almost specifically related to the SPV and do not apply to economic units more generally, the operation should be classified as government borrowing.*
  - 2.5 *If the government compensates (for instance in the form of cash, a debt assumption, or a direct or indirect guarantee) the SPV ex post, although this was not required according to the contract, the operation should be reclassified as government borrowing with an impact on the general government surplus/deficit in the year of the compensation.*
3. In detail, the CMFB opinion is based on the following answers to the questionnaire:
  - 3.1 Of the opinions provided, a large majority considers that all securitisation of fiscal claims should be treated as borrowing, because of the likely direct or indirect control that government would keep, or because it is appropriate that all securitisations of fiscal claims should be treated the same.
  - 3.2 For the case where a majority would have considered that some securitisations of fiscal claims must be treated as disposal of financial assets, a large majority is of the opinion that a securitisation of fiscal claims, being necessarily a financial transaction (either borrowing or disposal of a financial asset), should not lead to government revenue being

recorded in national accounts (i.e. reducing government deficit) at the time of securitisation.

- 3.3 A large majority considers that the existence of a Deferred Purchase Price (DPP) clause, or a similar arrangement, automatically leads to a classification of the securitisation operation as government borrowing, because the existence of a DPP is evidence that not all the risks and rewards of the operation are assumed by the purchaser.
- 3.4 For the case where a majority would not have regarded the existence of a DPP (or of similar arrangements) as sufficient to classify the transaction as borrowing, a large majority is of the opinion that the existence of an ex-ante DPP in the contract for potential amounts in excess of the sale discount (i.e. the difference between the true market value of the assets at inception and the initial sale price paid to government) means that the operation should be classified as government borrowing.
- 3.5 In cases where (i) the securitised assets are non-financial assets, and (ii) the securitisation contains a DPP clause, and/or the originator retains a last tranche, so that the originator has some right to residual proceeds, and where a majority would have considered that a DPP (or similar arrangements) can be compatible with a sale of assets, a large majority is of the opinion that the DPP should be recorded in the financial accounts (as shares and other equity excluding mutual funds shares (AF.51) or as financial derivatives (AF.34)). Under the same conditions a large majority considers that the asset should continue to be valued at inception at the initial price paid and that the derivative or equity should have an initial value of zero.
- 3.6 A large majority of the opinions provided considers that a clause in the contract referring to the possibility of substitution of assets (except for marginal cases deriving from technical and material errors) is a sufficient condition to classify the operation as government borrowing.
- 3.7 For the case where a majority would have considered that such a clause is not a sufficient condition to classify the operation as government borrowing, a large majority is of the opinion that breaking the 85% rule ex post because of a substitution of assets as authorised by the contract, is a sufficient condition to reclassify the operation as government borrowing.
- 3.8 If the securitisation contract stipulates ex ante a government compensation to the SPV in the case of one or more events or government actions that are specifically or almost specifically related to the SPV and do not apply to economic units more generally, a very large majority considers this as a sufficient condition to classify the operation as government borrowing.
- 3.9 If the government compensates (for instance in the form of cash, a debt assumption, or a direct or indirect guarantee) the SPV ex post, although this was not required according to the contract, a large majority considers this as sufficient to reclassify the operation as government borrowing with, according to a very large majority, an impact on the general government surplus/deficit in the year of the compensation.
- 3.10 For the case where a majority would not have considered an ex-post compensation of the SPV by the government (although this was not required according to the contract) as sufficient to reclassify the operation as government borrowing, a large majority is of the opinion that the fact that the compensation paid to the SPV by the government exceeds the damage caused is a sufficient condition to reclassify the operation as government borrowing.

4. Further details on these accounting treatments are provided in the background document prepared by the Task Force in support of this CMFB consultation.
5. This opinion has been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

*(Signed)*

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CMFB Chairman

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