SPV Reporting Scheme - Worked Examples

For each example below, we explain how a new securitisation of this type should be reported under the SPV reporting guidelines.

Example 1

An institution sells to a UK resident securitisation SPV £1,500mn of corporate loans, of which £1,000mn is to UK residents, denominated in Sterling, and the remaining £500mn is to non-residents, denominated in Euros. The SPV issues £1,500mn of securities backed by these loans, and sells these to various investors. We assume that the investors are all non-residents, which pay for the securities by drawing down on time deposits held with the reporting institution. The proceeds of this sale are used by the SPV to pay the reporting institution for the loans that have been transferred.

This will then have the following effects on the reporting institution’s balance sheet (assuming no movements in Euro exchange rate):

	Item	Amount (£mn)	Explanation
Liabilities:	BT£3H or BT£2H	+1,000	Offsetting liability
	BT£48A	+1,000	related to sale of £ loans
	BTE3H or BTE2H	+500	Offsetting liability
	BTE48A	+500	related to sale of € loans
	BT£3J	-1,500	Investors drawing down deposits
Assets:	BT£29DW	+1,000	Loans securitised
	BTE29EW	+500	Loans securitised
Memo items:	BT£MEM1	+1,500	Securities issued
BE Form:	BE£3H1 or BE£2H1	+1,000	Offsetting liability related to sale of £ loans
	BEE3H1 or BEE2H1	+500	Offsetting liability related to sale of € loans
	BE£29DB2W	+1,000	Loans securitised

Example 2

A reporting institution sells £800mn of mortgages, all denominated in Sterling, to a non-resident securitisation SPV. The SPV issues £800mn of securities backed by these loans, of which £600mn are denominated in Sterling and £200mn are denominated in Euros. The reporting institution purchases all of these securities itself. By the end of the month when it is time to report the BT and BE forms, the securities have gained in market value, and are now worth 1% more than they were previously (but the euro exchange rate is unchanged since the securities were issued).

This will then have the following effects on the reporting institution's balance sheet:

	Item	Amount (£mn)	Explanation
Liabilities:	BT£3J or BT£2J	+800	Offsetting liability
	BT£48B	+800	related to sale of loans
	BT£19CD5	+6	Revaluation of securities
	BTE19CD5	+2	
Assets:	BT£29DX	+800	Loans securitised
	BT£32K	+606	£ SPV securities held
	BT£32KS	+606	(market value)
	BTE32K	+202	€ SPV securities held
	BTE32KS	+202	(market value)
Memo items:	BT£MEM2	+600	£ Securities issued
	BTEMEM2	+200	€ Securities issued
BE Form:	BE£29DB3A2X	+800	Loans securitised

Example 3

A reporting institution sells £1,600mn of credit card loans to UK residents, to a UK resident securitisation SPV. The SPV issues £1,200mn of securities backed by these loans, and sells these to various investors. We assume that the investors are all non-residents, which pay for the securities by drawing down on time deposits held with the reporting institution. The proceeds of this sale are used by the SPV to pay the reporting institution for the loans that have been transferred. However, as the value of the loans is greater than the value of the securities, the reporting institution lends the SPV the remaining £400mn so that they have enough money to pay for the loans.

This will then have the following effects on the reporting institution's balance sheet:

	Item	Amount (£mn)	Explanation
Liabilities:	BT£3H or BT£2H	+1,600	Offsetting liability related to sale of loans
	BT£48A	+1,600	
	BT£3J	-1,200	Investors drawing down deposits
Assets:	BT£29DW	+1,600	Loans securitised
	BT£29D	+400	Loan to SPV
	BT£29DS	+400	
Memo items:	BT£MEM1	+1,200	Securities issued
BE Form:	BE£3H1 or BE£2H1	+1,600	Offsetting liability related to sale of loans
	BE£29DB3A3W	+1,600	Loans securitised

Example 4

Two different reporting institutions within the same banking group transfer mortgages to a securitisation special purpose vehicle (Institution A transferring £700mn, Institution B £300mn) [1], which then issues £1,000mn notes backed by these mortgages. Institution B uses the proceeds of the loan sale to pay back £300mn of a loan from Institution A, and Institution A uses this £300mn, as well as the £700mn proceeds from the loans it sells to the SPV, to buy the securities issued by the SPV.

This will then have the following effects on the reporting institutions' balance sheets:

		Item	Amount (£mn)	Explanation
Institution A	**Liabilities:**	BT£3H or BT£2H	+700	Offsetting liability related to sale of loans
		BT£48A	+700	
	Assets:	BT£29DW	+700	Loans securitised
		BT£32HS	+1,000	Securities held
		BT£23D, BT£23DG Or BT£23GB	-300	Fall in loan to Institution B
	Memo items:	BT£MEM1	+1,000	Securities issued
	BE Form:	BE£3H1 or BE£2H1	+700	Offsetting liability related to sale of loans
		BE£29DB3A2W	+700	Loans securitised
		BE£32H1	+1,000	Securities held
		BE£32HC (or HA or HB)	+1,000	Securities held

		Item	Amount (£mn)	Explanation
Institution B	**Liabilities:**	BT£3H or BT£2H	+300	Offsetting liability related to sale of loans
		BT£48A	+300	
		BT£2B, BT£2BG Or BT£2C	-300	Fall in loan from Institution A
	Assets:	BT£29DW	+300	Loans securitised
	BE Form:	BE£3H1 or BE£2H1	+300	Offsetting liability related to sale of loans
		BE£29DB3A2W	+300	Loans securitised

[1] Any institution involved with a multi-originator securitisation should contact the Bank of England to discuss how this should be reported, to ensure that there is no double-counting amongst the reporting population.