

Form FV: Frequently Asked Questions

1. Are securitisation vehicles that securitise assets other than loans in scope for Form FV?

Yes, all UK resident, MFI owned/controlled vehicles that securitise or assist in the securitisation process of any asset are in scope for Form FV. It is the residency and business of the vehicle that define its inclusion. Such that, should an MFI owned, UK resident vehicle securitise non-resident assets of a non-resident and non-associated entity, it would still be in scope for Form FV.

2. Validations in the taxonomy are currently set to 'non-blocking'. Does this mean that submissions will not be rejected even if they fail to satisfy the validations?

Whilst validation rules are set to 'non-blocking' a technically invalid submission will **not** be rejected by BEEDS but will produce an error report. Generally, reporters should not ignore these error messages and should endeavour to always submit a fully valid file.

It is likely that in the next taxonomy update the majority of 'non-blocking' validations will be changed to 'blocking'. This will allow the published validation rules to carry out the same function as they currently do in OSCA and submissions will be rejected if the validation rules aren't satisfied. As a rule, we only publish validation rules that we believe, if not met, would result in erroneous data. If you are aware of any instances where a validation rule would prevent you from reporting correct data, please contact DSDQuarterly@bankofengland.co.uk.

3. Current guidance suggests that the Form FV population is determined using Form BT items BT29DW and BT29EW. What do BT items BT29DW and BT29EW relate to?

These items relate to UK resident loans and non-resident loans securitised by UK resident securitisation vehicles owned by the reporting MFI.

4. How should the counterparty breakdown for debt securities issued (both on balance sheet and interest payable) be reported if the relevant counterparty information is not available?

The counterparty breakdown under FV2B (interest payable on debt securities) and FV19 (long-term debt securities issued) are "of which" items, the sum of these items does not have to equal the reported totals (but should not exceed them). The expectation is for the totals to be reported fully with the "of which" breakdown to be reported on a best endeavours basis,

although we would expect the “of which” item pertaining to intragroup entities to be more readily available than the other items requested.

5. Where the primary buyer of the security can be identified should this counterparty always be submitted as the recipient of the interest payments?

No, a counterparty should only be reported when it is known that they are the beneficial owner of the security at the time the interest was accrued. Therefore we expect that, in most cases, firms will only be able to identify ownership where this lies with an intra-group counterparty.

6. Are covered bond programs included in the consolidation?

Covered bond program entities are only to be included on Form FV if the financial vehicle directly issued the bonds under the program. Should the MFI have issued the bonds, and in such a case the vehicle perform a guarantor function only, they should be excluded from the return. For clarity we expect that the covered bond programs reported on Form VP are out of scope of Form FV for this reason.

7. Derivatives appear on both sides of the balance sheet - should these be reported gross?

Yes, we expect derivatives to be reported gross on Form FV such that we can fully understand the exposures of the vehicles. This is in line with other National Accounts collections and is necessary for comparability across sectors.

8. Interest that is received by the vehicle is fed directly through to the parent MFI. Do these receipts still need to be reported by the FV?

Yes - as these represent interest receivable on the assets underlying the securitisation, the key function of the vehicles. Again, it is also important for us to be able to identify gross flows for National Accounts purposes.

9. Should securitised loans, both on the balance sheet and the associated interest flows, be reported by both the MFI and the FV as there is potential for double counting? Why is this being reported twice?

The reason for double reporting of these items is two-fold:

- i. Form BT is used within the Bank for analysis purposes, in addition to providing data for use in the National Accounts. As such it is useful to include these balances within the MFI's

return.

- ii. Given the MFI still manages and services these loans, the resulting output should still be attributable to the MFI. The National Accounting term for this output is 'loan FISIM' (Financial Intermediation Services Indirectly measured) and, to calculate this, the stock position and associated interest flows are needed. Although FISIM will still be attributed to the MFI, the nominal interest and balances will be adjusted post FISIM calculation (before being included in the National Accounts) so that they are represented on the balance sheet and income of the FVs in the National Accounts. The data reported on the FV will facilitate the necessary adjustments on the balance sheet and income of both the MFI and the financial vehicle.

Financial intermediation services indirectly measured (FISIM) is a National Accounting concept used to measure the implicit services provided by financial intermediaries through their lending and deposit facilities. More information on this can be found at <https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/financialintermediationservicesindirectlymeasuredfisimintheukrevisited/2017-04-24>