



FINANCIAL SERVICES

New Central Bank Reporting Requirements for Section 110 Companies

by **Adrian Mulryan**

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22nd November 2015 | by Adrian Mulryan

The Central Bank of Ireland (the Central Bank) has introduced new reporting requirements for Irish companies that are registered with the Irish Revenue Commissioners under section 110 of the Taxes Consolidation Act 1997 (colloquially known as section 110 companies).

At present, a section 110 company is required to report quarterly to the Central Bank as a Financial Vehicle Corporation (FVC) if the section 110 company:

- intends to carry out, or carries out, one or more securitisation transactions and is insulated from the risk of bankruptcy or any other default of the originator of the securitised assets; and
- issues or intends to issue securities, securitisation fund units, other debt instruments and/or financial derivatives.

The new reporting requirement will widen the net, bringing all section 110 companies within the scope of quarterly reporting obligations, though FVCs may continue to report on the basis on which those FVCs report at present. All section 110 companies that have not previously reported to the Central Bank should commence reporting by 20 November 2015.

Extension of reporting obligation to section 110 companies

There is a concern in the European Union to understand the extent to which shadow banking is being carried on in financial centres because this area of activity has not previously been subject to significant regulatory oversight. Shadow banking is defined by the Financial Stability Board as 'credit intermediation involving entities and activities fully or partially outside of the regular banking system.' The Central Bank released a paper, *Data Gaps and Shadow Banking*, which outlines the concerns, the perception that section 110 companies are often engaged in shadow banking activities carried on in Ireland and the more general rationale behind section 110 company reporting. That paper is available [here](#).

The Central Bank will use the reports submitted by section 110 companies to facilitate the collection of national and European Central Bank (ECB) balance of payments data, to enable the Central Bank to comply with its reporting obligations to the ECB.

Basis for the extension of reporting requirements

The Central Bank has introduced the new reporting requirement for section 110 companies by using its power under section 18 of the Central Bank Act 1971 (the Act). Section 18(2) of the Act allows the Central Bank to require any person carrying on a business of issuing, holding or participating in any market in financial instruments, to submit information and returns concerning its business. In the view of the Central Bank, all section 110 companies come within the scope of its powers under Section 18 (2) of the Act. The Central Bank is empowered under the Act to apply to the High Court for an order enforcing directions given by the Central Bank under Section 18(2) of the Act.

The onus is on the section 110 company itself to provide statistical information to the Central Bank. If the section 110 company chooses to employ an organisation or institution to act as its “Reporting Agent” and provide information to the Central Bank on its behalf, it should seek to notify the Central Bank of this appointment as soon as possible.

What has to be filed in a return to the Central Bank?

The Central Bank's new reporting requirements are similar to the reporting requirements that apply to FVCs at present. Therefore, each section 110 company's reporting obligations include reporting on the section 110 company's total assets and liabilities, derivatives entered into or held by the section 110 company, securitised loans (loans acquired by the section 110 company from the originator of the loans) and deposits received. Each section 110 company will also be required to submit annual profit and loss information.

While some FVCs (having assets under €100 million) may avail of a derogation from FVC reporting obligations other than those on debt securities issues, total assets and liabilities and annual profit and loss account, there is no such derogation available for section 110 companies to which the new reporting requirements apply. We understand that this position may be reviewed by the Central Bank after assessing the information obtained from the new reporting requirements.

Exemption from reporting

The Central Bank has indicated that it will exempt a section 110 company from reporting if:

- The section 110 company is a non-trading entity;
- The section 110 company retains a negligible balance sheet position; and
- The section 110 company has no trading activities planned.

The Filing of Returns

The first proposed reporting date is 20 November 2015 in respect of applicable data for the quarter ending 30 September 2015. Following this, section 110 companies will be required to report on each quarter ending 31 December, 31 March, 30 June and 30 September by the date falling 29 working days after the quarter end.

Next Steps

Section 110 companies should consider what steps they need to take to ensure compliance with the Central Bank's reporting requirements, including:

1. Register with the Central Bank.
2. Decide who will complete the reporting on behalf of the section 110 company and notify the Central Bank if the Reporting Agent is not the section 110 company itself.
3. Gather the required statistical information for the first proposed collection period.

If you would like further information on reporting by section 110 companies to the Central Bank or how it may affect your business, please contact a member of the Financial Services team.

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