



## CENTRAL BANK OF CYPRUS

EUROSYSTEM

### **Definition for the identification of Special Purpose Entities (SPEs)**

According to the international definition of SPEs, an entity is considered as an SPE if it meets the criteria listed below:

- It is resident in an economy i.e. it is a formally registered and/or incorporated legal entity recognized as an institutional unit, with:
  - no or little employment up to maximum of three employees<sup>1</sup>,
  - no or little physical presence and
  - no or little physical production in the host economy.
- It is directly or indirectly controlled by non-residents.
- It is established to obtain specific advantages provided by the host jurisdiction with an objective to:
  - grant its owner(s) access to capital markets or sophisticated financial services; and/or
  - isolate owner(s) from financial risks; and/or
  - reduce regulatory and tax burden; and/or
  - safeguard confidentiality of their transactions and owner(s).
- It transacts almost entirely with non-residents and a large part of their financial balance sheet typically consists of cross-border claims and liabilities.

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<sup>1</sup> Although the Task Force on SPEs, set up by the International Monetary Fund in 2016, decided to set the threshold for the number of employees to five, this upper limit is not representative in the case of Cyprus, since there is no legal provision for minimum employment in the CY law. Thus, the threshold for the said criterion is set to three employees.