

6. nóvember 2020

Til: Fjármála- og efnahagsráðuneytis**Frá: Reikningsskilaráði ríkisins****Efni: Svar við erindi fjármála- og efnahagsráðuneytisins vegna breytinga á Íbúðalánasjóði**

Með bréfi fjármála- og efnahagsráðuneytisins dagsettu 11. maí sl. er óskað eftir álitni reikningsskilaráðs á ýmsum álitaefnum vegna uppskiptingar Íbúðalánasjóðs og fyrirhugaðs frumvarps um veitingu hlutdeildarlána. Er þar byggt á tillögu vinnuhóps á vegum félags- og barnamálaráðherra um að skipta Íbúðalánasjóði upp þannig að fjármálaumsýsla vegna eldra lánasafns sjóðsins verði skilin frá meginstarfsemi stofnunarinnar.

Með lögum nr. 137/2019, um Húsnæðis- og mannvirkjastofnun og lögum nr. 151/2019 um úrvinnslu eigna og skulda ÍL-sjóðs, hefur verið skilið með lögformlegum hætti á milli þessara starfspátta.

Með uppskiptingu Íbúðalánasjóðs verða til þrjár ríkisaðilar sem taka við eignum og skuldum sjóðsins.

1. **Húsnæðissjóður** tekur til sín öll lán til félagslegra þarfa, leiguíbúða auk lána til einstaklinga veitt eftir 1. janúar 2013. Sjóðurinn hefur verið skilgreindur sem B-hluta ríkisaðili.
2. **ÍL-sjóður** tekur til sín öll önnur veitt lán Íbúðalánasjóðs og er skilgreindur sem B-hluta ríkisaðili.
3. **Húsnæðis- og mannvirkjastofnun** (HMS) sem varð til við sameiningu Húsnæðisstofnunar og Mannvirkjastofnunar. HMS er flokkuð sem A-hluta ríkisaðili.

Í bréfi fjármála- og efnahagsráðuneytisins er óskað eftir að reikningsskilaráð veiti álit sitt á spurningum sem eru settar fram í 4 hlutum; þ.e. um Húsnæðissjóð, hlutdeildarlán, ÍL-Sjóð og fjármálalega umsýslu. Þar sem við á skal sundurliða svarið eftir því hvort umfjöllunin miðist við GFS hagskýrslustaðalinn eða IPSAS reikningsskilastaðalinn. Sé ekki tekið sérstaklega fram um hvort svarið gildi um GFS eða IPSAS þá á sama við um báða staðlana.

Yfirferð Hagstofu Íslands og Hagstofu Evrópusambandsins (e. Eurostat)

Þegar erindið barst reikningsskilaráði lá fyrir að yfirferð á flokkun ríkisaðila var verkefni sem þegar var hafið á vettvangi Hagstofu Íslands og hafði stofnunin þá þegar óskað eftir afstöðu Hagstofu Evrópusambandsins (e. Eurostat) varðandi flokkun Íbúðalánasjóðs og arftaka þeirrar stofnunar. Við flokkun hageininga tekur Eurostat mið af alþjóðlegum hagskýrslustöðlum en samkvæmt þeim skiptast fjármál hins opinbera (e. General Government) hér á landi í fjármál ríkisaðila í A-hluta (e. Central Government), fjármál A-hluta sveitarfélaga (Local Government) og fjármál almannatrygginga (e. Social Security Funds).

Eurostat gerði grein fyrir niðurstöðum sínum í bréfi til Hagstofunnar dagsettu 14. ágúst sl. og voru þær í stuttu máli á þá leið að flokka beri alla þessa ríkisaðila undir "Central Government" sem í skilningi laga um opinber fjármál (LOF) telst vera A-hluti ríkissjóðs. Bréf Eurostat fylgir hjál lagt í viðauka.

Samantekt á niðurstöðu reikningsskilaráðs

Erindi þetta er nátengt fyrra erindi ráðuneytisins til reikningsskilaráðs varðandi flokkun Lánasjóðs íslenskra námsmanna (LÍN) og nýs Menntasjóðs námsmanna. Því erindi var svarað með bréfi reikningsskilaráðs til

ráðuneytisins 13. mars sl. og gilda sömu viðmið hér þegar skoðuð er starfsemi á borð við þá sem spurt er um. Í fyrra svari er gerð grein fyrir almennum viðmiðum sem eiga við varðandi þessa flokkun og verður það ekki rætt frekar hér heldur vísast til þeirrar umfjöllunar. Rökrétt er að flokkun ríkisaðila sé samhljóða þeirri flokkun sem Hagstofa Íslands byggir á enda er það sá samburður sem notaður er á milli landa og í samræmi við 2. mgr. 50. gr. LOF og IPSAS staðalinn.

Í stuttu máli er því niðurstaða reikningsskilaráðs að flokka beri allar umræddar rekstrareiningar undir flokknum "Central Government" sem í skilningi LOF fellur undir A-hluta ríkissjóðs. Vinnuhópur á vegum Fjármála- og efnahagsráðuneytis, Fjársýslu ríkisins, Hagstofu Íslands og Ríkisendurskoðunar vinnur að því að taka saman áhrif þessara breytinga á framsetningu fjárreiðna A-hluta ríkissjóðs sem og fjárhagsleg áhrif á eigna- og skuldastöðu A-hluta ríkissjóðs í upphafi ásamt því að greina áhrifin á afkomu hans í framhaldinu.

Svör við spurningum

I. Húsnæðissjóður

a) Til samræmis við 50 gr. laga um opinber fjármál og upplýsinga um starfsemi sjóðsins, hvar telur ráðið réttast að flokka Húsnæðissjóð?

Flokkun á starfsemi ríkisins skv. 50. gr. LOF er gerð á grundvelli alþjóðlegs hagskýrslustaðals um opinber fjármál. Varðandi almennar skilgreiningar við flokkun ríkisaðila vísast til svars reikningsskilaráðs til fjármála- og efnahagsráðuneytis dagsett 13. mars sl. vegna Lánasjóðs íslenskra námsmanna (LÍN) og frumvarps til laga um Menntasjóð námsmanna.

Af þeim upplýsingum sem koma fram í bréfi ráðuneytisins og með vísan til þeirra almennu viðmiða sem gilda um flokkun ríkisaðila er ljóst að starfsemi sjóðsins er í almannapágu og lánveitingar hans munu takmarkast við félagsleg eða samfélagsleg úrræði. Skuldbindingar hans verða með ótakmarkaðri ábyrgð ríkissjóðs og hann hefur ekki hagnaðarmarkmið að leiðarljósi í starfsemi sinni. Þá kemur fram í áliti Eurostat að hlutverk sjóðsins sé mjög afmarkað og að hann teljist ekki sjálfstæð stofnanaeining í skilningi þjóðhagsreikninga, þ.e. sjóðurinn geti í reynd ekki átt eignir og ráðstafað þeim að eigin vild, átt í viðskiptum við aðrar stofnanaeiningar á eigin ábyrgð lagalega eða skuldsett sig og tekið á sig bindandi samninga. Þá er einnig bent á að sjóðnum sé ekki ætlað að bera áhættu af eignum sínum og skuldum og því geti hann ekki talist fjármálastofnun í skilningi þjóðhagsreikninga. Þar af leiðandi eigi sjóðurinn að flokkast með þeirri stofnun sem fer með stjórn hans, þ.e. Húsnæðis og mannvirkjastofnunar og er þar með hluti af hinu opinbera.

Með vísan til GFS, IPSAS og álits Eurostat er það mat ráðsins að það beri að flokka starfsemi Húsnæðissjóðs innan A-hluta ríkissjóðs.

b) Hefur sú forsenda að Húsnæðissjóður verður fjármagnaður af eigin fé og vaxtamun tekinn og veittra lána, auk endurlána frá ríkissjóð, áhrif á flokkunina?

Samkvæmt áliti Eurostat telst Húsnæðissjóður ekki sjálfstæð stofnanaeining og því ber að flokka hann sem hluta af þeirri einingu sem fer með stjórn hans, þ.e. Húsnæðis- og mannvirkjastofnun og þar með hluta af „Central Government“. Í inngangi að niðurstöðu sinni bendir Eurostat á að sjóðnum sé ætlað afmarkað hlutverk sem er veiting lána á félagslegum grundvelli og hvorki fjármögnunarkjör né lánskjör veittra lána verði á markaðsforsendum. Sjóðurinn njóti jafnframt ríkisábyrgðar. Því beri að líta svo á að sjóðurinn geti ekki átt eignir og ráðstafað þeim að eigin vild, átt í viðskiptum við aðrar stofnanaeiningar

á eigin ábyrgð lagalega og beri ekki eigin áhættu af eignum og skuldum. Þessi atriði skipta miklu við flokkun sjóðsins og benda til að um A-hluta starfsemi sé að ræða.

- c) **Hefur sú forsenda að um er að ræða félagslegan sjóð sem lánar meðal annars til fyrstu kaupenda og tekjulágra með hagstæðum kjörum, áhrif á flokkunina?**

Hér vísast til svara að framan.

- d) **Hvernig á að flokka endurgjaldið fyrir umsýslu HMS fyrir Húsnæðissjóðs?**

Hjá Húsnæðissjóði skal endurgjaldið flokkað sem hluti af almennum rekstrargjöldum, „Keypt þjónusta“, og hjá HMS sem „Seld þjónusta“ undir almennum rekstrartekjum. Samkvæmt framansögðu ættu báðir aðilar að flokkast innan A-hluta ríkissjóðs en í því felst að færslur vegna innbyrðis viðskipta á milli þeirra eyðast út í samstæðuuppgjöri fyrir A-hluta ríkissjóðs.

- e) **Hvernig á að flokka framlag Húsnæðissjóðs til rekstrar HMS?**

Með sama hætti og endurgjaldið, þ.e. gjöld hjá Húsnæðissjóði og tekjur hjá HMS. Hjá HMS yrði framlagið flokkað meðal tekna sem „Framlag frá Húsnæðissjóði“ og í bókum Húsnæðissjóðs kæmi fram gjaldfærsla í almennum rekstrargjöldum sem „Framlag til Húsnæðis- og mannvirkjastofnunar“. Samkvæmt framansögðu ættu báðir aðilar að flokkast innan A-hluta ríkissjóðs en í því felst að færslur vegna innbyrðis viðskipta á milli þeirra eyðast út í samstæðuuppgjöri fyrir A-hluta ríkissjóðs.

II. Hlutdeildarlán

Í bréfi ráðuneytisins var óskað eftir afstöðu reikningsskilaráðs til nokkurra þátta er varða reikningshaldslega meðferð hlutdeildarlána. Ráðið hefur fjallað um þessi atriði að undanförunu en vegna umfangs og ákveðinna óvissuþátta tengdum þessum lánum þarf lengri tíma til að móta endanlega afstöðu til þeirra. Ekki var talin ástæða til að láta drátt á svörum varðandi meðhöndlun hlutdeildarlána tefja önnur svör til ráðuneytisins. Því var ákveðið að þessum hluta svars til ráðuneytisins yrði svarað með sérstöku bréfi síðar og er þess vænst að það verði á næstu vikum.

III. ÍL-Sjóður

ÍL-Sjóður er flokkaður sem B-hluta stofnun. Forsenda er að sjóðurinn er arftaki lánastarfsemi sem var á viðskiptalegum forsendum og að sjóðurinn verður fjármagnaður af fjármagnstekjum. Óskað er eftir álitni reikningsskilaráðs á þeirri flokkun.

Starfsemi ÍL-Sjóðs takmarkast við að koma eignum hans í verð og greiða upp skuldir. Sjóðurinn heyrir beint undir fjármála- og efnahagsráðherra. Í lögnum um sjóðinn er beinlínis gert ráð fyrir að veita þurfi fjármagni úr ríkissjóði til ÍL-Sjóðs á komandi árum/áratugum vegna neikvæðs munar á virði eigna og skulda.

Niðurstaða Eurostat er að sjóðurinn sé undir opinberri stjórn og hafi öll megineinkenni einingar sem stofnuð er í afmörkuðum tilgangi (special purpose unit). Slíkar einingar njóta takmarkaðs sjálfstæðis og bera ekki eigin áhættu af eignum sínum og skuldum. Stofnanir af þessu tagi flokkast með þeim einingum sem fara með stjórn þeirra. Þar af leiðandi telur Eurostat að beri að flokka ÍL-Sjóð sem hluta af „Central Government“. Reikningsskilaráð er sammála þeirri niðurstöðu.

- a) **Hver eru áhrif sjóðsins á afkomu og efnahag ríkissjóðs sem B-hluta stofnun?**

Eignum og skuldum B-hluta ríkisaðila er haldið utan efnahagsreiknings ríkissjóðs, en hrein eign þeirra færast í efnahagsreikninginn samkvæmt hlutdeildaraðferð. Breyting á hreinni eign hjá B-hluta aðila kemur inn í yfirlit um afkomu miðað við hlutdeild ríkisins í viðkomandi aðila (sem er 100% þar sem þeir eru alfarið í eigu ríkissjóðs).

b) Ef sjóðurinn væri flokkaður með A-hluta hver yrðu áhrif sjóðsins á afkomu og efnahag ríkissjóðs?

Eignir og skuldir A-hluta ríkisaðila koma beint inn í efnahagsreikning ríkissjóðs og afkoma sjóðsins endurspeglast einnig í afkomu ríkissjóðs. Sem A-hluta aðili koma einstaka eigna- og skuldaflokkar (tegundir) og tekju- og gjaldaflokkar (tegundir) sem slíkar inn í efnahags- og rekstrarreikning og eru metnar út frá gildandi reikningsskilareglum samkvæmt IPSAS. Sama gildir um áhrifin samkvæmt GFS. Þar færast eignir og skuldir sjóðsins inn í efnahag ríkissjóðs í heild sinni með tilheyrandi áhrifum á eigna- og skuldastöðu ríkissjóðs. Jafnframt munu sundurliðaðar tekjur og gjöld sjóðsins koma fram í rekstraryfirliti A-hluta ríkissjóðs og hafa þar með bein áhrif á afkomu ríkissjóðs. Ljóst er að rekstrarumfang sjóðsins birtist fyrst og fremst í vaxtatekjum ríkissjóðs annars vegar og vaxtagjöldum hins vegar. Umfang þeirra liða mun því hækka töluvert frá núverandi framsetningu á fjármálum ríkissjóðs.

Líkt og kemur fram í inngangi svarsins þá mun vinnuhópur á vegum Fjármála- og efnahagsráðuneytis, Fjársýslu ríkisins, Hagstofu Íslands og Ríkisendurskoðunar fara nánar yfir umfang þessara breytinga og áhrif þeirra á framsetningu fjárlaga, ríkisreiknings og uppgjör Hagstofunnar.

c) Gengið hefur verið út frá því að ekki eigi sér stað gjaldfærsla vegna ÍL-sjóðs, sem leiða af virðisbreytingu eigna og skulda Íbúðalánasjóðs árið 2019 enda verði ákvörðuð breyting á reikningshaldslegri framsetningu ÍL-sjóðs við stofnun hans. Getur reikningsskilaráð staðfest þennan skilning?

Framangreind virðisbreyting var tekin inn í reikningsskilum ríkissjóðs fyrir árið 2019 og kemur fram í ríkisreikningi 2019. Áhrifin voru færð utan rekstrarreiknings um endurmatsreikning á efnahagsreikning ríkissjóðs.

d) Hvernig mun Hagstofan sýna skuldir ÍL-Sjóðs í yfirlitum sínum?

Reikningsskilaráð leitaði eftir afstöðu Hagstofunnar við þessari spurningu og er hún að sé ÍL-Sjóður flokkaður sem hluti af ríkissjóði þá er farið með eignir hans og skuldir á sama hátt og annarra A-hluta aðila. Flokkunin verður framkvæmd í samræmi við kröfur GFS-staðalsins og stendur sú vinna yfir um þessar mundir.

e) Ætti ríkissjóður að taka skuldabréfaútgáfuna inn á sinn efnahag þar sem ábyrgðin liggur þar og ljóst að mun reyna á hana.

Skuldabréfaútgáfan færast meðal skulda í efnahagsreikningi ÍL-sjóðs og á sama hátt og skuldir annarra A-hluta ríkisaðila þá koma þær inn í skuldahlíð samstæðunnar fyrir A-hluta ríkissjóðs.

IV. Fjármálaleg umsýsla

a) Nú liggur fyrir að LÍN/MSN eigi að flokkast með A-hluta og mögulegt er að Húsnæðissjóður flokkist einnig með A-hluta. Hingað til hafa A-hluta stofnanir að stærstum hluta verið fjármagnaðar með skatttekjum, hafa ekki haft heimild til lántöku, vaxtatekjur A-hluta eru ríkistekjur og A-hluta aðilar hafa haft takmarkaðan efnahagsreikning. Hvert er álit reikningsskilaráðs á að hlutverk og fjármálaleg umsýsla þessara tveggja sjóða samrýmist regluverki A-hluta og framsetningu fjárheimilda og fjárveitinga.

Leggja ber áherslu á þá markverðu breytingu sem fólst í setningu laga um opinber fjármál nr. 123/2015. Í þessu samhengi má nefna verulegar breytingar á efnahags- og rekstrarreikningi bæði ríkisaðila í A-hluta og ríkissjóðs. Samkvæmt fjárreiðulögum voru fjárfestingar í varanlegum rekstrarfjármunum gjaldfærðar jafnóðum og A-hluta ríkisaðilar höfðu almennt ekki heimildir til að veita eða taka lán. Með LOF var horfið frá þessum „gamaldags“ fjármálastjórnaraðferðum og ákveðið að innleiða almenn reikningsskil samkvæmt alþjóðlegum stöðlum og efla stjórnunarlega ábyrgð forstöðumanna. Að mati reikningsskilaráðs er ekkert sem mælir gegn því að unnt sé að samræma hlutverk og fjármálalega umsýslu sjóðanna tveggja regluverki A-hlutans. Hvað snertir framsetningu fjárheimilda og fjárveitinga er varla á forræði reikningsskilaráðs að segja til um, en leggur áherslu á að tryggja þarf að við afgreiðslu fjárlaga verði fjármál þessara aðila sett fram með skýrum hætti og aflað nauðsynlegra heimilda þ.m.t. heimilda til lánveitinga og lántöku.

b) Hvernig metur reikningsskilaráð að tilfærsla þessara aðila í A-hluta kalli á aðgreiningu þeirra innan A-hluta frá annarri starfsemi með tilliti til regluverks og framsetningar í fjárlögum.

Þessir aðilar verða væntanlega aðgreindir á sérstöku fjárlaganúmeri eins og á við um alla ríkisaðila í A-hluta. Leggja ber áherslu á að áætlanir hvers og eins þeirra um rekstur og efnahag verði með skýrum hætti og dragi meðal annars fram fyrirhugaðar lánveitingar og lántökur. Fram hefur komið að framsetning fjárlaga er ekki á forræði reikningsskilaráðs en það telur hins vegar mikilvægt að ráðuneytið hugi vandlega að þeim þætti sérstaklega

Viðauki: EUROSTAT, Advice on the classification of the Housing Financing Fund.



EUROPEAN COMMISSION
EUROSTAT

Directorate D Government Finance Statistics (GFS)

Luxembourg
ESTAT/D-2/LA/GB/RJ/LW/DI/ms
D(2020)

Gunnar Axel Axelsson
Head of National accounts and public
finance department
Statistics Iceland
Borgartún 21A
105 Reykjavík
Iceland

Subject: Advice on the classification of the Housing Financing Fund

Ref.: Your letter of 8 June 2020

Dear Mr Axelsson,

Following your letter under reference, Eurostat would like to provide you with its opinion on the sector classification of the Housing Financing Fund (HFF), as requested by the Icelandic statistical authorities.

1. The accounting issue

The issue for which an opinion is being sought is the sector classification, according to ESA 2010, of the HFF for the years of its existence since 1999 until it was merged in 2020 into a new entity, the Housing and Construction Agency (HCA). An advice on the sector classification of the HCA was also requested.

1.1. Documentation provided

The Icelandic statistical authorities provided to Eurostat a note with detailed background information about the HFF, accompanied with a methodological analysis of the sector classification of the HFF as well as the of the newly created HCA.

1.2. Description of the case

The HFF was established in 1999 by the Housing Act No. 44/1998 as a government institution in order to support the government housing policy through promoting private home ownership at economic conditions available to all. The main tasks were the granting of mortgage loans (to individuals, municipalities, companies and to associations for the construction/purchase of rental housing and for construction of nursing homes), the payment

of housing benefits, the monitoring of housing needs in Iceland and assisting municipalities in realisation of housing policy.

The HFF was classified in the financial corporations sector (S.12) for all the years of its existence in 1999-2019.

The HFF financed its activities mainly by issuing bonds and, to a lesser extent, via loan instalments and service fees. The HFF benefited from an unlimited and irrevocable government guarantee on liabilities. The assets of the HFF mainly consisted of the loans granted. According to law, the HFF could not accept deposits.

In the first years of its existence, the HFF performed the role of the main mortgage loans lender, reaching almost an 80% share in the housing loans market. In 2004, the HFF's dominance dramatically dropped, due to the introduction of mortgage loans provided by commercial and savings banks at more favourable conditions. As a result, HFF's clients decided to refinance their loans with those from commercial banks and repaid their loans to the HFF before maturity.

As a consequence of the financial crisis in 2008, the HFF suffered losses due to significant amounts of non-performing loans. The Icelandic Treasury provided to the HFF a capital injection of more than ISK 50 billion, recorded as expenditure in national accounts.

In 2019, the Icelandic Parliament (Althing) approved a law, according to which the HFF was merged with the Iceland Construction Authority into a new institution - the Housing and Construction Agency (HCA). Accordingly, the HCA took over the policymaking and research on the housing market, the supervision of public housing support and the granting of social housing loans. The HCA, under the responsibility of the Ministry of Social Affairs, manages the Housing Fund (HF-Fund) and a rental company, Briet. Furthermore, according to the Act on the processing of assets and liabilities of the HF-Fund, all marketable issued bonds and mortgage loans granted by the HFF before 1 January 2013 were transferred to the so-called IL-Fund, which falls under the responsibility of the Ministry of Finance.

2. Methodological analysis and clarification by Eurostat

2.1. Applicable accounting rules

Based on the documents provided, Eurostat carried out its analysis based on *ESA 2010* and on the *Manual on Government Deficit and Debt* (MGDD) published in 2019, in particular:

- ESA 2010, Chapter 2: in particular, ESA 2.12 dealing with the definition of an institutional unit;
- ESA 2010, Paragraphs 2.21-2.23 on captive financial institutions;
- ESA 2010, Chapter 3: in particular ESA 3.19 on economically significant prices;
- ESA 2010, Paragraphs 20.32-34 and 20.22 on market-non-market delineation, paragraphs 20.15 and 20.309 on public sector control; paragraphs 20.06 on the nature of government entities and 20.204 on fiscal operations;
- MGDD 2019 in section 1.6.6 Entities having the features of captive financial institutions.

2.2. Availability of national accounting analysis

In the analysis provided to Eurostat, the Icelandic statistical authorities described in detail the history, the changing role of the HFF since its creation and the HFF's governance. Further information was provided on financial resources and lending conditions and some data were disclosed on assets and liabilities of the HFF. The analysis of the newly created HCA covered similar characteristics, extended in addition to the description of individual funds of the HCA – the HF-Fund and the IL-Fund.

2.3. Analysis

2.3.1. Sector classification of the HFF

2.3.1.1. The HFF as a government controlled unit

ESA 20.15 defines control over an entity as “*the ability to determine the general policy or programme of that entity*”. In order to determine the existence of control by government over a non-profit institution, ESA further develops the criteria such as (a) the appointment of officers; (b) the provision of enabling instruments; (c) contractual agreements; (d) the degree of financing and (e) the degree of government risk exposure.

The HFF was established as a non-profit government agency with the aim to promote the government housing policy by granting loans at favourable terms. Due to its specific status of a government agency (thus not being a financial institution), it was not subject to domestic or international banking regulations. Furthermore, by government decision, the HFF was exempted from various payment obligations such as taxes or guarantee fees.

According to the Article 7 of the Housing Act, the Minister of Social Affairs appointed the Board of Directors of the HFF. The Board consisted of five members and additional five in reserve, all without nomination, for four years. The Minister decided on the remuneration of the Board members. None of the Board members was a government official, however, all members were actively or otherwise connected to the ruling political party. In 2012, the Housing Act was amended and certain eligibility requirements for the Board members were introduced.

The HFF was not directly financed by government, however, it benefited from the unlimited and irrevocable guarantee of government on the HFF's liabilities. Thus, it was the government that bore the risks related to the financing of the HFF's activities.

Given the elements described above, the HFF can be considered a government controlled entity.

2.3.1.2. The HFF as an institutional unit

The HFF was created as a non-profit government agency with the aim to support the government housing policy, in particular by granting mortgage loans to individuals, municipalities, companies and associations for the construction/purchase of rental housing and for construction of social housing and for other functions aiming to pursue public policy objectives.

The ISLF is currently classified in the financial corporation sector (S.12). According to ESA 2.22, “*the degree of independence from its parent may be demonstrated by exercising some*

substantive control over its assets and liabilities to the extent of carrying the risks and reaping the rewards associated with the assets and liabilities. Such units are classified in the financial corporations sector.”

The responsibilities of the HFF were always determined by the respective law and, in case of political decisions, they were modified on the bases of legislative changes. As an example, in 2016, the Icelandic government assigned to the HFF, in addition to its existing functions, the task of the providing loans for the construction of nursing homes, the distribution of housing benefits and providing of grants for the construction of social housing. Over the years of its existence, the core activity – to promote government housing policy by granting mortgage loans – has not been changed and interested individuals/entities, complying with general conditions and accepting the HFF’s loans terms, could be granted a mortgage loan. The Ministry of Social Affairs could interfere with lending conditions of the HFF via laws and regulations issued by the Minister.

As concerns financial resources, in 2004, as a result of the political reform, the HFF changed the financing from a housing bond system¹ to the direct issuance of housing bonds.

Based on the arguments above, it can be considered that government controlled assets and liabilities of the HFF and, thus, the entity cannot be deemed an institutional unit but rather as functioning on autopilot, as defined by ESA 2.23: *“An entity of this type that cannot act independently of its parent and is simply a passive holder of assets and liabilities (sometimes described as being on autopilot) is not treated as a separate institutional unit unless it is resident in an economy different from that of its parent...”*

2.3.1.3. The HFF as a financial intermediary

The analysis above point out that the HFF might be deemed to be a captive public financial institution.

The HFF was established as a non-profit government agency with specific tasks in the housing policy of government. According to the Icelandic law, the HFF did not have a status of a financial institution and thus could not accept deposits. All HFF liabilities benefit from a government guarantee. Due to its special character, the HFF was exempted from complying with capital adequacy requirements as well as from adhering to domestic or international banking regulations.

The lending activities of the HFF were to a significant extent determined by legislation. In particular, the Housing Act defined the main beneficiaries of the housing loans provided by the HFF, namely individuals, municipalities and selected organisations. Later on, following legislative changes, the HFF’s role was extended to the provision of housing benefits, the granting capital contributions in rental housing, etc. In general, the HFF provided mortgage loans to all complying with formal requirements, including those that were unable to obtain housing loans elsewhere in the market, due to various reasons. This is an indication of the non-market nature of the HFF activities.

¹ Under the Housing Bond system, the homebuyers applied to issue a mortgage bond, which was secured against the property to be bought. The HFF would acquire these individual mortgage bonds from homebuyers, and paid for them by issuing Housing Bonds (callable, CPI-linked) to the seller. These Housing Bonds could then be traded in the securities market.

Similarly, lending conditions of the HFF were always regulated by law. Accordingly, the Housing Act and the regulation issued by the Minister of Social Affairs determined the maximum amount of a loan and the maximum loan-to-value ratio. The maturity of loans was limited to 40 years. The loans bore a fixed interest rate, which however strictly followed the rate of financing costs of issued bonds plus an interest premium. In the beginning of the HFF's existence, this regulation implied more favourable financing terms for potential debtors. With increasing competition of commercial and savings banks offering better conditions, those restrictions on lending conditions resulted in a significant drop in the number of loans provided and, consequently, in an excess of liquidity due to continuing issuance of bonds. Additionally, the HFF was also restricted in seeking more flexible financing terms, which prevented it from reacting on market movements, i.e. fluctuations in the interest rate and thus, the conditions it could offer to borrowers. This is another strong indication of the non-market character of the HFF's activities – it did not compete on the market.

As concerns the constraints on the liability side, the Article 10 of the Act on the HFF defined the sources of funding of the HFF's activities. In particular, these were returns on the HFF's equity, bonds issued and contributions from the Icelandic Treasury. During its existence, the HFF received interest subsidies from government, which covered the difference between lower interest rates received by the HFF on loans and the financing cost incurred when borrowing. The HFF was therefore not exposed to any financial risk that could stem from lending at lower interest rates and the interest rate subsidies meant additionally that it was involved in fiscal operations.

The HFF also benefited from the unlimited and irrevocable guarantee of government on its liabilities. Due to the specific HFF's status of a government agency, it was able to borrow at interest rates similar to those of government.

It is also worth to mention that the HFF was exempted from the payment of income and property taxes as well as from the specific tax on financial corporations introduced after the financial crisis. As indicated by the Icelandic statistical authorities, the exemption from various payments including guarantee fees, constituted a considerable amount of government financing in an indirect form.

Given the arguments above, the HFF did not exercise control over its assets and liabilities and, accordingly, cannot be treated as a separate institutional unit. In accordance with ESA 2.23, the HFF, acting as an "autopilot", is to be consolidated with government, as the controlling unit, and classified in general government.

2.3.1.4. Conclusion

Eurostat considers that the HFF, existing over the period 1999-2019, complied with the definition of an entity having the features of a captive financial institution controlled by government and, as a passive holder of assets and liabilities (so-called 'autopilot'), should be classified in the general government sector (S.13) during the whole period of its existence. Its activities additionally exhibit a non-market character.

2.3.2. Sector classification of the HCA

After the merger, the newly created HCA took over administrative tasks from the former Iceland Construction Authority in the field of housing, civil engineering, electrical safety and

construction and fire protection. From the former HFF, the HCA assumed responsibilities relating to research on the housing market, supervision of public housing support and granting of social housing loans. The HCA is under the direct supervision of the Ministry of Social Affairs.

The HCA manages the Housing Fund (HF-Fund), one of two funds created by transferring loans granted by the former HFF after 1 January 2013 and an equivalent portion of debt and equity. It also took into its portfolio the management of the rental company Briet, established by the HFF in 2018.

The remaining assets and liabilities of the former HFF, i.e. tradeable issued bonds and mortgage loans provided before 1 January 2013, remained with the second fund – the so-called IL-Fund. Unlike the HCA, the IL-Fund is under the supervision of the Ministry of Finance.

Eurostat took note that the governing structure of the HCA remained similar to that of the HFF with some minor changes. According to Article 4 of the Act, the Minister of Social Affairs appoints four out of five members of the Board of Directors, including its Chairman. The remaining member is nominated by the Icelandic Association of Local Authorities. Similarly to the HFF, none of the Board members is a government official, however, all members were actively or otherwise connected to the ruling political party.

The law regulates all activities of the HCA. Three main types of activities of the new HCA might be distinguished:

- Administration and regulation (formerly in the agenda of the Iceland Construction Authority)
- Granting of social housing loans (former HFF's activity taken over by the HF-Fund)
- Separating from lending activities the portfolio management of those assets and liabilities that could potentially imply financial difficulties due to its portfolio structure (former HFF taken over by the IL-Fund)

Eurostat took note that, under the HCA, the main features of those three activities remained unchanged and were merged under one institution. In addition, the IL-Fund is under the supervision of the Ministry of Finance.

The HCA is financed from government contributions, contributions received from the HF-Fund and from service fees. The administration and regulation tasks of the HCA are, however, solely financed by the HF-Fund, which, according to law, transfers to the HCA most of the interest income received on loans granted for this purpose.

Given the elements above, the HCA can be considered a government controlled entity.

2.3.2.1. Administrative and regulatory activity of the HCA

In relation to the administrative tasks of the HCA in certain areas such as construction, fire protection and electricity safety, the HCA acts as a pure government agent and, similarly to its predecessor, the Iceland Construction Authority, the entity performs regulatory government functions, in particular the administration and preparation of law, the regulation and the issuing of guidelines. This is in line with ESA 20.06: *“Government units are legal entities established by political process which have legislative, judicial or executive authority*

over other institutional units within a given area.” and with ESA 20.204: “Fiscal operations are carried out by government and financed through the budget under the usual budgetary procedures. However, some operations originated by government units may involve the intervention of entities not ruled by the legal government framework, including public corporations. Though they will not be reported in the budget, and might escape the usual control procedures, it is appropriate to record them within government revenue and expenditure. This is because the ESA recognises when government is the principal party to an operation and the public corporation is acting as an agent.”

2.3.2.2. Granting of social housing loans (HF-Fund)

The HF-Fund was created as one of the HCA’s funds that took over the social housing loans granted by the former HFF after 1 January 2013 and an equivalent portion of debt and equity. According to law, the supervision of the HF-Fund is assigned to the HCA’s Board of Directors that also manages the loan portfolio, the accounting and the preparation of annual accounts. The law does not foresee any governing body that would deal with a separate management of the HF-Fund.

The main role of the HF-Fund is to support the government housing policy, in particular by granting social housing loans to specific beneficiaries and by other functions aiming to pursue public policy objectives. As in the case of the HFF, it is the law that stipulates conditions and beneficiaries of the social housing loans provided by the HF-Fund, in particular the maximum amount and maturity of loans, the maximum loan-to-value ratio and some limitations on interest rates that are fixed and linked to the CPI index. The allocation of funds outside the scope defined by the law is prohibited.

The Icelandic statistical authorities specified that the interest (or a majority of it) received by the HF-Fund on social housing loans was intended to finance the operational activities of the HCA, i.e. expenses relating to the supervision of construction projects, fire protection, etc. The remaining interest income will be transferred to the IL-Fund and is intended to cover the interest expenditure accrued on the loan provided by the IL-Fund to the HF-Fund at inception to finance the transfer of housing loans portfolio. The interest payments to the IL-Fund are not proportionate to any interest rates and, therefore, should be seen rather as a regular levy to the HF-Fund than accrued interest.

The main resources of the HF-Fund are loan instalments including the interest and the return on equity. It might additionally receive loans from the Treasury to increase the lending capacity. Additional rules regarding the operation and funding are stipulated in the Minister’s regulation. It has to be stressed that the HF-Fund also benefits from the unlimited and irrevocable government guarantee on liabilities.

Based on the elements above, Eurostat considers that the HF-Fund is not able to take economic decisions or incur liabilities on its own behalf and it is fully under the control of the HCA and, therefore, of government. The entity cannot be deemed a financial intermediary either, as it does not place itself at risk by acquiring financial assets and incurring liabilities on its own account. As a result, risks and rewards remain with the controlling unit, i.e. with the HCA, and the HF-Fund should be included in the general government.

2.3.2.3. *Public defeasance structure (IL-Fund)*

The IL-Fund was established with the main objective of undertaking the processing and settlement of the assets and liabilities of the former HFF issued before 1 January 2013. According to Article 1 of the Law on the IL-Fund, this means to minimize the risks and costs of the Treasury due to the cumulative financial difficulties of the former HFF. As clarified by the Icelandic statistical authorities, it is not the loans that are considered risky or unlikely to be paid but rather the assets that are not considered sufficient to cover the future obligations of the IL-Fund. Currently, the IL-Fund's net equity is estimated to be negative approximately by ISK 130 billion.

Concerning the financing, in the last years of its existence, the former HFF has cumulated a considerable amount of liquidity due to the constant overflow of loans repayments, exceeding the loans granted. It is expected that these funds will be invested by the IL-Fund to cover in the future potential losses resulting from the difference between interest paid on issued bonds and lower interest accrued on social housing loans. Currently, it is not foreseen to have any additional funding. There is a government guarantee provided on assets and liabilities of the IL-Fund.

The IL-Fund is under the direct supervision of the Ministry of Finance, which determines the investment strategy and risk management. The Minister also appoints a three-person committee to advice on the processing of assets and liabilities of the IL-Fund. Furthermore, the law stipulated that the IL-Fund would operate without the supervision of the Financial Regulation Authority.

Given the characteristics above, Eurostat agrees with the proposal of the Icelandic statistical authorities that the IL-Fund is considered a special purpose unit, as defined by ESA 2.27: *“General government may also set up special purpose units, with characteristics and functions similar to the captive financial institutions and artificial subsidiaries. Such units do not have the power to act independently and are restricted in the range of transactions they can engage in. They do not carry the risks and rewards associated with the assets and liabilities they hold. Such units, if they are resident, shall be treated as an integral part of general government and not as separate units.”* Therefore, the entity should be classified inside general government.

2.3.2.4. *Conclusion*

After the merger, the HCA took over three main activities. With regard to the regulatory and administrative powers, the HCA acts as a government controlled entity, substituting legislative, judicial or executive authority over other institutional units within a given area. In relation to the granting of social housing loans (HF-Fund), the entity does not exercise control over its assets and liabilities and cannot be deemed as being a financial intermediary. Concerning the management of assets and liabilities, implying potential financial difficulties of the HCA due to its portfolio structure (IL-Fund), the entity acts as a financial defeasance structure controlled by government. All arguments previously mentioned point out to the fact that the HCA cannot be treated as a separate institutional unit and should be classified with a controlling unit inside general government.

3. *Conclusions*

Eurostat considers that the HFF, existing over the period 1999-2019, complied with the definition of an entity having the features of a captive financial institution controlled by government and, as a passive holder of assets and liabilities (so-called 'autopilot'), should be classified in the general government sector (S.13) during the whole period of its existence.

Concerning the classification of the newly created HCA, Eurostat considers that activities of the HCA are assigned to a government unit performing regulatory powers or to an entity acting on behalf of government in the area of the granting of social housing loans (HF-Fund) and to a financial defeasance entity (IL-Fund). Accordingly, the HCA cannot be deemed as being a separate institutional unit and should be classified with the controlling unit inside general government.

4. Procedure

This view of Eurostat is based on the information provided by the Icelandic statistical authorities. If this information turns out to be incomplete, or the implementation of the operation differs in some way from the information presented, Eurostat reserves the right to reconsider its view. In this context, we would like to remind you that Eurostat is committed to adopt a fully transparent framework for its advice on debt and deficit matters in line with Council Regulation 479/2009, as amended, and the note on ex-ante advice, which has been presented to the CMFB and cleared by the Commission and the EFC. In this context, Eurostat is providing advice under the provisions of Regulation 549/2013, Article 2(3).

Eurostat is therefore publishing all official methodological advice (ex-ante and ex-post) given to the European Statistical System Members on its website.

Yours sincerely,

(eSigned)

Luca Ascoli
Director

