



CENTRAL BANK &
FINANCIAL SERVICES
AUTHORITY OF IRELAND

Registration of Financial Vehicle Corporations – Explanatory notes and guidance on definition

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Introduction

The statistical requirements from Financial Vehicle Corporations (FVCs) are set out in *Regulation (EC) No 24/2009 of the European Central Bank of 19 December 2008 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30)*.

The purpose of this document is to provide additional information on the scope of the FVC definition, as well as instructions for completing the forms provided in order to streamline communications regarding FVCs with the Central Bank. These notification forms¹ are:

- Addition to the List of Financial Vehicle Corporations
- Change of FVC Reporting Agent
- Removal from the List of Financial Vehicle Corporations

Correspondence regarding and FVCs' details and reporting requirements will generally be with the nominated reporting agent; however, these forms may also be submitted on behalf of the FVC by the Corporate Services Provider (if different to the reporting agent).

Definition of Financial Vehicle Corporations

The definition of a Financial Vehicle Corporation is provided in Article 1 of the FVC Regulation (see Box 1 below).

An FVC must register within one week of taking up business with the euro-area National Central Bank where it is resident, which is determined by the economic territory under whose laws the entity is incorporated. The Central Bank has provided a form for this purpose on its website.

There follows a list of types of vehicles which are included. Note that this list is not exhaustive, and should be read in conjunction with the legal definition, as outlined in the Regulation, and any guidance at the euro-area level from the European Central Bank on the scope of the Regulation. Please contact the Central Bank at fvcstats@centralbank.ie if you have further questions regarding the application of the definition to a particular vehicle or structure.

¹ Soft copies are available for download on the Central Bank website: http://www.centralbank.ie/sta_fvc.asp.

The definition includes, *inter alia*, the following entity types. Note that these examples are not mutually exclusive (a number of features may apply to a particular vehicle).

- Securitisations in which an entity which purchases loans from an original lender financed by the issuance of debt securities, securitisation fund units, loans, other debt instrument, or financial derivatives.
- Securitisations in which the credit risk is transferred through the use of credit derivatives, or similar mechanism, to an entity which is financed by the issuance of debt securities, securitisation fund units, loans, other debt instrument, or financial derivatives.
- Entities set up for the purposes of “internal” securitisations by banks (for example to create eligible assets to use as collateral in refinancing operations with a central bank) in which the sponsor bank purchases the securities issued by the entity.
- An entity which is financed by a loan from its sponsor as part of preparatory measures related to a securitisation (e.g. warehousing of assets).
- An entity which issues securities and uses the proceeds to purchase loans in the secondary market as part of an active investment strategy, e.g. a ‘managed’ CLO.
- An entity which is used for the securitisation of assets other than loans, such as corporate bonds, sovereign debt, or future cash flows from trade receivables, tax receivables, whole-business securitisations, etc.
- Entities which form part of a securitisation transaction involving multiple vehicles are included, for example in a structure whereby an ‘issuing company’ issues securities (or securitisation fund units, etc) and passes the proceeds as a loan to an ‘asset purchasing company’ which holds the assets. One or both must register with the Central Bank if they are resident in Ireland. (If, for example, the issuing company is resident in the US, and the asset purchasing company is resident in Ireland, then the Irish-resident entity should register.)
- An entity which issues securities to finance the purchase (‘repackaging’) of assets that have already been securitised.
- Master trusts, which hold a pool of assets, often a changing or revolving portfolio of assets such as credit card debt, which is financed by a loan from an FVC which issues securities.
- Conduits, which finance securitisations through issuance of commercial paper backed by assets (ABCP).

- Multi-issuance vehicles which contractually ‘ring-fence’ a pool of assets to a particular issuance through limited recourse arrangements are included in the definition insofar as these activities are securitisations under the Regulation. A multi-issuance vehicle is regarded as a single FVC for the purposes of registration on the List of FVCs and for reporting purposes.

The definition does not, in principle, include the following:

- An entity which solely grants loans to third parties on its own account as part of an investment strategy – i.e. the entity is the ‘first’ or ‘original’ lender of the loans and, therefore, they have not been transferred to the entity from another lender. (An entity which grants a loan to an FVC as part of a multi-vehicle securitisation structure is still included in the definition.)
- An entity which issues notes to investors and uses the proceeds to grant loans to its sponsor.
- A ‘dormant’ vehicle has ceased to be an FVC for the purposes of the Regulation and reporting requirements, and should be removed from the List of FVCs. This may be because the vehicle has matured, been redeemed, or was established with the intention of partaking in a securitisation, but such activities are no longer foreseeable.
- Entities (‘option’ companies) which are contracted to carry out certain activities in following a specified a trigger event, e.g. a downgrade or default, but is otherwise dormant. If, following the trigger event, the activities of the company fall under the definition of securitisation, then the company is an FVC from the point that the securitisation activity is foreseeable – i.e. it is not an FVC until after the occurrence of the trigger event.

Box 1: Key definitions from Article 1 of Regulation ECB/2008/30

‘FVC’ means an undertaking which is constituted pursuant to national law and whose principal activity meets **both** of the following criteria:

- a) it 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;
- b) it issues, or intends to issue, securities, securitisation fund units, other debt instruments and/or financial derivatives

and/or

legally or economically owns, or may own, assets underlying the issue of securities, securitisation fund units, other debt instruments and/ or financial derivatives that are offered for sale to the public or sold on the basis of private placements.

‘Securitisation’ means a transaction or scheme whereby:

- an asset or pool of assets is transferred to an entity that is separate from the originator and is created for or serves the purpose of the securitisation

and/or

- the credit risk of an asset or pool of assets, or part thereof, is transferred to the investors in the securities, securitisation fund units, other debt instruments and/or financial derivatives issued by an entity that is separate from the originator and is created for or serves the purpose of the securitisation,

and:

- a) in case of transfer of credit risk, the transfer is achieved by:
 - the economic transfer of the assets being securitised to an entity separate from the originator created for or serving the purpose of the securitisation. This is accomplished by the transfer of ownership of the securitised assets from the originator or through sub-participation,

or

- the use of credit derivatives, guarantees or any similar mechanism;

and

- b) where such securities, securitisation fund units, debt instruments and/or financial derivatives are issued, they do not represent the originator's payment obligations.

‘Originator’ means the transferor of the assets, or a pool of assets, and/or the credit risk of the asset or pool of assets to the securitisation structure.

Addition to the List of Financial Vehicle Corporations

This form must be used to inform the Central Bank of the existence of an FVC. The vehicle should be added to the List of FVCs within one week of when it is established, or from when it 'takes up business' (Article 1.10 of the Regulation). 'Taking up business' includes any preparatory measures for a securitisation, except for cases where a vehicle is set up but it is not expected to commence securitisation activities in the next six months – such a vehicle should be added only when securitisation activity becomes foreseeable.

Some of the details requested on this form are to satisfy the requirements of the List of FVCs kept by National Central Banks and the ECB under Article 2 of the FVC Regulation (see Box 2 below). Other details are required to determine if the FVC is subject to any derogations to reporting requirements.

Full registered name and address of the FVC

Full name including Ltd, plc as appropriate. The registered address is also requested (generally the address of the FVC's Corporate Services Provider).

Corporate Services Provider

The name of the Corporate Services Provider, or similar institution which provides management and administration services to the FVC.

Nature of securitisation

This must be provided in all cases (Article 3.1 of Regulation ECB/2008/30) for the purposes of aggregating FVC statistics by nature of securitisation.

The options are described below:

- *True-sale FVC* – the transfer of risk is achieved by the economic transfer of the assets being securitised to the FVC.
- *Synthetic FVC* – a securitisation where the transfer of risk is achieved by the use of credit derivatives, guarantees or any similar mechanism.
- *Hybrid FVC* – both true-sale and synthetic securitisations will be carried out by the vehicle. Hybrid FVC will ordinarily be allocated to the "Other FVC" category, unless the derogation for securitised loans originated and serviced by a euro-area MFI applies, in which case it will be included with True-sale FVCs.
- *Other FVC* – please provide further information on the structure and activities of the vehicle.

Type of vehicle

Designate a type of vehicle for the FVC as:

- Residential MBS
- Commercial MBS
- Consumer ABS
- Corporate ABS
- Cash CDO (including Cash CLOs/CBOs)
- Synthetic CDOs
- Other – please specify type.

Expected size of vehicle (total assets in euro)

Provide the total assets (converted to euro if necessary) of the FVC, or the estimated expected size of the FVC balance sheet when it has taken up business fully (if known). This will help determine if a derogation of the full reporting requirements for smaller vehicles may apply.

Reporting agent on behalf of FVC

A reporting agent must be identified for the FVC. The reporting agent will complete and submit the FVC1 return on behalf of the FVC. It will deal with queries on transmitted data and send revisions, if necessary. Only one reporting agent (institution/individual) may be identified for each FVC. This may be the corporate services provider, asset servicer, originating bank, or other institution. Subsequent correspondence regarding the FVC will be with the reporting agent.

Securitised loans derogation applies

A derogation is provided on the sector/geographic/maturity breakdown of outstanding securitised loans on an FVC's balance sheet if the *loans have been originated and continue to be serviced* by a Monetary Financial Institution (MFI) in the euro-area. This will generally only apply in straightforward securitisations of a bank's mortgage books to an entity they have set up for this purpose. If this derogation will apply, please note it here and provide the name of the MFI.

Expected first reporting quarter

This will ordinarily be the first reporting quarter after securitisation activities have commenced (if this is after 2009 Q4). If the FVC has been established but has not ‘taken up business’ as defined in Article 1.10 of the Regulation (such as acquiring assets, warehousing, issuing securities, etc) no return will be required until activities commence. Reporting agents should inform the Central Bank when these activities have commenced and reporting requirements will come into effect. FVCs that have failed to notify the Central Bank of their existence until after securitisation activities have commenced must report data as far back as the original securitisation transaction, or to 2009 Q4 (whichever is later).

Box 2: Publication of the List of Financial Vehicle Corporations

National Central Banks must maintain a list of resident FVCs. A euro area List of FVCs will be maintained and published by the European Central Bank for statistical purposes. This will act as a resource to reporting agents in identifying counterparties which are part of the FVC sector.

The List of FVCs resident in Ireland will be transmitted quarterly by the Central Bank to the ECB. This includes the following information:

- The full registered name of the FVC
- An identification code provided by the Central Bank
- The address of the FVC
- Corporate Services Provider
- The nature of securitisation of the FVC (true-sale, synthetic, or other)
- ISIN codes of debt securities issued

Two of these items – the identity of the Corporate Services Provider and the nature of securitisation – may be withheld from publication. Please contact the Central Bank (fvstats@centralbank.ie) for more information regarding this, or if you wish to avail of confidentiality for these variables

Note that FVC-by-FVC statistical data is not transmitted to the ECB – only national aggregates of the FVC sector – and will not form part of the List of FVCs data.

Some additional information is requested by the Central Bank in the notification form, such as the type of vehicle (RMBS, CMBS, etc) and the FVC’s reporting agent. This will not be published on an FVC-by-FVC basis.

Change of FVC Reporting Agent

This form should be used if the nominated reporting agent of the FVC is to change. The new reporting agent's name should be provided. If the Central Bank is already dealing with this reporting agent for other vehicles, it is not necessary to complete the address and contact details for the new reporting agent.

Please provide the date from which this change is effective. The former and new reporting agents should cooperate in order to ensure a smooth transition. Please note that, due to technical constraints, the new reporting agent will not be able to view or change data on the Online Reporting System for periods prior to the changeover date. The former reporting agent will have no access to any of the FVC's information on the Online Reporting System once they cease to be the nominated reporting agent.

Removal from the List of Financial Vehicle Corporations

A vehicle may be removed from the list of FVCs due to a number of reasons. The expected last reporting quarter is requested. This may be the previous quarter in some circumstances, and for maturing FVCs may be the one following the maturity date to ensure all movements are captured. (In some circumstances, we may need to confirm the appropriate quarter for final reporting for the FVC with the reporting agent.) A reason for removal of a vehicle from the List of FVCs should be selected from the list below, or given in the space provided for "further information" at the bottom of the form:

- *FVC was established but no securitisation activity took place, and is not foreseeable* – This should be selected in cases where an FVC was added to the List of FVCs, but it transpires that it is not now foreseen that the FVC will take part in securitisation activities and the vehicle will remain dormant. (If, at a later point, it is foreseen that the vehicle will be used, you should contact us so that it may be reactivated. It is not necessary to provide the "Addition to the List of FVCs" form in this instance.)
- *FVC has matured or been redeemed* – This option should be selected if the FVC has taken part in securitisation activities but all issued liabilities have matured, or been redeemed, and the vehicle is now dormant or has ceased to exist.
- *FVC has been liquidated* – This option should be selected if the FVC has been liquidated. (A return may be required while the FVC is *in* liquidation and it still has assets/liabilities on its balance sheet which are being unwound.)

- *Vehicle does not fall under the definition of FVCs* – The vehicle does not fall under the definition of FVCs, as outlined in Article 1 of the Regulation, or its activities have changed such that they no longer come under the Regulation (for reasons other than those listed above). Please provide clear information on the reasons why the vehicle falls outside the FVC Regulation in the space provided.