This regulatory notice is issued pursuant to sections 32(10), as applied and modified by section 41B, of the Asset Covered Securities Act 2001 (No. 47 of 2001) (the “Act”) by the Irish Financial Services Regulatory Authority (the “Financial Regulator”) in performance of the functions of the Financial Regulator under the Act, in accordance with section 33C(1)(a) of the Central Bank Act 1942 (No. 22 of 1942).

This Regulatory Notice applies in relation to designated commercial mortgage credit institutions.

1. The formula and criteria for the purposes of the definition of “duration” in section 32(9) of the Act in the case of designated commercial mortgage credit institutions are as specified in this regulatory notice.

2. Definitions

In this regulatory notice, unless the context otherwise requires, “relevant cover asset” means a cover asset other than a cover assets hedge contract.

3. Relevant Cover Assets or Asset Covered Securities Issued

In the case of a relevant cover asset or a commercial mortgage covered security issued (taking into account the effect of any relevant cover assets hedge contract entered into by the institution in relation to the pool or those securities, or both, as the case may be), duration for the purposes of sections 32(9), as applied to designated commercial mortgage credit institutions, and modified, by section 41B, shall be determined using the following formula:
\[ \text{Duration} = D = \frac{\sum_{t=1}^{T} t \text{Capital}_t}{\sum_{t=1}^{T} \text{Capital}_t} \]

where

\[ \text{Capital}_t = \text{principal repayment at time } t \text{ on the relevant cover asset or commercial mortgage covered security with maturity } T. \]

4. **Overall Duration for the Cover Assets Pool or the Commercial Mortgage Covered Securities Issued**

The duration of the cover assets pool and the commercial mortgage covered securities issued (taking into account the effect of any relevant cover assets hedge contract entered into by the institution in relation to the pool or those securities, or both, as the case may be), shall be calculated as described in paragraphs 4.1 and 4.2 of this regulatory notice where it is assumed that the cover assets pool is broken into \(h\) assets or legs and that the commercial mortgage covered securities issued are broken into \(k\) liabilities or legs.

4.1 **Cover Assets Pool**

\[ D_{\text{pool}} = \frac{\sum_{i=1}^{h} \text{Capital}_i D_i}{\sum_{i=1}^{h} \text{Capital}_i} \]

where \( D_{\text{pool}} = \text{Duration of the cover assets pool}; \)

\( \text{Capital}_i = \text{principal outstanding on a relevant cover asset } i; \)

\( D_i = \text{Duration of the relevant cover asset/cover assets hedge contract or leg } i; \) and
there are \( h \) relevant cover assets in the cover assets pool.

4.2 Commercial Mortgage Covered Securities Issued

\[
D_{\text{securities}} = \frac{\sum_{i=1}^{k} \text{Capital}_i D_i}{\sum_{i=1}^{k} \text{Capital}_i}
\]

where \( D_{\text{securities}} = \) Duration of commercial mortgage covered securities issued;

\( \text{Capital}_i = \) principal outstanding on a relevant commercial mortgage covered security issued;

\( D_i = \) Duration of commercial mortgage covered security/cover assets hedge contract or leg \( i \); and

there are \( k \) commercial mortgage covered securities issued.

Signed for and on behalf of

THE IRISH FINANCIAL SERVICES REGULATORY AUTHORITY

on this the 17 day of June 2008

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Mr Patrick Neary
Chief Executive
Irish Financial Services Regulatory Authority