FINANCIAL CONDUCT AUTHORITY

Handbook changes to reflect the application of the EU Securitisation Regulation and the amendment to the Capital Requirement Regulation

Consultation Paper
CP18/22**

August 2018

How to respond

We are asking for comments on this Consultation Paper (CP) by 1 October 2018.

You can send them to us using the form on our website at: www.fca.org.uk/cp18-22-response-form.

Or in writing to:
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How to navigate this document onscreen

returns you to the contents list

takes you to helpful abbreviations

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1 Summary

Why we are consulting

1.1 The Securitisation Regulation[1] and related amendment to the Capital Requirements Regulation (CRR Amendment)[2] entered into force on 18 January 2018. Most of their provisions will come into effect on 1 January 2019.

1.2 We are consulting on a number of changes to ensure that our Handbook is consistent with the directly applicable EU Securitisation Regulation and CRR Amendment.

Who this applies to

1.3 Who needs to read this whole document?

- entities which may wish to act as Third Party Verification agents
- firms that are involved in securitisation markets either as institutional investors or manufacturers (originator, sponsor and special purpose vehicle) of securitisations

1.4 Who else is affected by this consultation?

- retail consumers who may be exposed to securitisations directly or indirectly through their pension funds or investment funds, but they do not need to read the detailed proposals about Handbook changes

The wider context of this consultation

1.5 The European Commission has passed legislation intended to make the European securitisation market work more effectively. Securitisation is an important part of the UK's capital market. We want to ensure that financial market firms and businesses in the real economy have access to an appropriate range of funding tools. We also want to ensure that disclosure requirements are appropriate and enable investors to make well-informed decisions.

1 Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

2 Regulation (EU) 2017/2401 of the European Parliament and of the Council of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

What we want to change

1.6 We need to change various parts of our Handbook so that it is consistent with the Securitisation Regulation and the CRR Amendment. Mostly this involves amending or removing existing rules that are superseded by the Securitisation Regulation or CRR Amendment.

Fees for Third Party Verification agents

1.7 We are proposing new application and periodic fees for the authorisation of Third Party Verification Agents (TPVs) under the Securitisation Regulation. These proposals are based on the requirements of the draft European Regulatory Technical Standards and on our existing framework for setting fees.

Other changes to the Handbook

1.8 We are proposing changes to various Handbook modules. These include changes to the Investment Funds sourcebook (FUND) and the Collective Investment Schemes sourcebook (COLL) in relation to the obligations of Alternative Investment Fund Managers (AIFs) and Undertakings for Collective Investments in Transferable Securities (UCITs) investing in securitisations, and to parts of the Prudential sourcebook for Investment Firms (IFPRU) to reflect changes brought about by the CRR Amendment.

Outcome we are seeking

1.9 We want our proposals to ensure that we can effectively supervise firms' compliance with its requirements when the Securitisation Regulation takes effect from 1 January 2019. We also want to ensure that firms can be authorised as TPVs in a straightforward and efficient way.

1.10 To implement the Securitisation Regulation and CRR Amendment in the UK HM Treasury (the Treasury) will need to make a Statutory Instrument (SI) to give us the powers we need. We are basing our preparations for the application of the Securitisation Regulation, including the proposals in this CP, on our current understanding of the Treasury's intentions. If the final SI differs from this then we may need to change our approach. In particular, we understand that the SI will make us the sole competent authority for TPVs.

Measuring success

1.11 We expect to be able to assess the success of these amendments through identifying or receiving feedback from market participants, including TPVs, that the framework for authorisation and the structure of fees for TPVs is proportionate and effective in allowing firms wishing to act as TPVs to do so and to meet their obligations under the Securitisation Regulation without facing undue burdens.

Next steps

Responding to the proposals for Handbook changes

1.12 We want to know what you think of our proposals. Please send us your comments on our proposed changes by 1 October 2018. You can use the online response form on our website or write to us at the address on page 2.

1.13 We will consider your feedback and plan to publish our rules in a Policy Statement in December.

2 The wider context

The harm we are trying to reduce

2.1 The Securitisation Regulation and CRR Amendment seek to make the securitisation market work more effectively. They aim to address some of the harms to investors identified in these markets following the financial crisis, including the lack of adequate disclosure, and the misalignment between issuers' and investors' interests.

2.2 The new framework consolidates existing requirements and strengthens the legislation on securitisation. The Securitisation Regulation promotes transparency and appropriate due diligence by investors for securitisation investments. It creates a framework for simple, transparent and standardised (STS) securitisations. This will help to reduce the harm from investors making badly-informed decisions because they fail to understand and appropriately analyse the risks in their securitisation investments. By assessing compliance with STS criteria, TPVs can help promote the understanding of STS securitisations.

How it links to our objectives

Market Integrity

2.3 Our proposals are designed to make the Handbook consistent with the directly applicable Securitisation Regulation and CRR Amendment, which aim to create a framework to strengthen the integrity of the securitisation market.

Consumer Protection

2.4 By improving transparency and imposing direct requirements on originators, sponsors, original lenders and securitisation special purpose vehicles which are involved in the creation of a securitisation, the Securitisation Regulation seeks to protect investors investing in securitisations.

What we are doing

2.5 As explained in the Summary, we plan to publish a Policy Statement in December.

2.6 The remainder of the CP sets out:

- our proposals on fees with respect to TPVs
- an explanation of the proposed changes to the Handbook

2.7 The Annexes include a summary of the list of questions.

2.8 The Appendix presents the draft legal instrument that would amend the Handbook.

Equality and diversity considerations

2.9 We have considered the equality and diversity issues that may arise from the proposals in this CP.

Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010. But we will continue to consider the equality and diversity implications of the proposals during the consultation period, and will revisit them when making the final rules.

In the meantime, we welcome your input to this consultation on this.

3 Fees

3.1 In this chapter we set out our proposals for recovering the costs of our supervision of the Securitisation Regulation, introducing fees to authorise TPVs and subsequently to monitor their compliance with the authorisation conditions.

3.2 We are funded entirely by the firms we regulate and receive no subsidies from other sources. Our fees are intended to distribute costs between fee-payers as fairly and efficiently as possible. They are not intended to influence firms' behaviour. We have a standard cycle of fees consultation, which firms should monitor in case there are proposals which affect them. This cycle consists of two consultations, one on fee policy proposals and one on fee rates. Each October or November, we consult on our fees policy proposals for the coming year. We then provide feedback through a Handbook Notice or Policy Statement in February or March so that changes can take effect from 1 April. In March or April, we consult on fee rates for the coming year under that policy and confirm them through a Policy Statement in June so that we can issue invoices from July. Firms whose FCA fees were £50,000 or more in any year are charged an amount equivalent to half the previous year's fee in April, with the balance payable in September.

3.3 The new regime applies both to firms which are already authorised by us and paying annual fees and to businesses which are not authorised by us. We will have oversight of the non-authorised businesses as required under the Securitisation Regulation but will not feasibly be able to recover our costs from them. We will have to recover our set-up costs and the annual costs of regulation from FCA fee-payers through the existing fees structure from 2019/20 onwards. However, since the costs will be shared between a large number of fee-payers, we do not expect the impact to be significant. We will consult on FCA fee-rates for 2019/20 in April 2019.

3.4 The Securitisation Regulation also creates a new category of entities, TPVs, to check the compliance of securitisations with the STS criteria. It requires each Member State to appoint a National Competent Authority (NCA) to authorise and supervise firms wishing to act as TPVs. The Treasury has confirmed its intention to designate us by a Statutory Instrument (SI) as the UK's NCA to authorise and supervise TPVs[3].

3.5 The Securitisation Regulation requires that the originator and sponsor of a securitisation must jointly notify the European Securities Market Authority (ESMA) where a securitisation meets the STS criteria. It also specifies that the originator, sponsor or SSPE may voluntarily use the services of a TPV to check whether a securitisation meets the STS criteria. However, the use of a TPV does not, under any circumstances, affect the liability of either the originator, sponsor or SSPE or of the institutional investors in respect of their individual obligations under the Securitisation Regulation.

3.6 A TPV cannot be a credit institution, an insurance undertaking, an investment firm or a credit rating agency. The Securitisation Regulation also requires TPVs to ensure that the performance of any of their other activities does not compromise the independence of their assessment of a securitisation's compliance with the STS

3 www.gov.uk/government/publications/eu-securitisation-regulation-letter-from-economic-secretary-of-the-treasury-to-andrew-bailey

criteria. We expect that the business of a TPV will not be very complex. The confirmation of compliance that a TPV will give is not an opinion of the risks of any transaction, but a factual assessment of whether it meets the STS requirements.

3.7 The Regulatory Technical Standards to the Securitisation Regulation specify the information the TPVs must give to the competent authority when applying for authorisation.

3.8 We are consulting on two sets of fees for TPVs:

- one-off application fees
- annual periodic fees

Application Fees

3.9 When firms apply to be authorised by us, they pay a fee to contribute to the costs of processing their applications. We recover the balance from existing firms through ongoing fees. When we set the level of fees, we look at the complexity of the authorisation process and the amount of work these authorisations will require. We also take broader considerations into account in assessing the impact that setting a given level of fees might have on the market.

3.10 To authorise non-credit-related regulated activities we charge fees based on three levels of complexity.

- straightforward application – £1,500
- moderately complex application – £5,000
- complex application – £25,000

3.11 On the basis of our current understanding of TPVs' profile and business model, we expect that the work involved in processing a TPV application would be comparable to determining a straightforward application. So we propose to charge the straightforward fee of £1,500. We think that this represents a reasonable contribution towards the cost of authorising TPVs.

Points of clarification on applications

Opening the gateway

3.12 The SI is likely to enter into force at around the same time that the Securitisation Regulation will come into effect, on 1 January 2019. We intend to make it possible for firms applying to be TPVs to submit a draft application from September 2018 so that we can start to consider them. However, FEES 3.2.5G states that an application is not treated as an application until the fee is paid. When we are given the legal power to set the fees, applicants will be able to formalise their applications by paying the fee.

Variations of permissions

3.13 When a firm which is already regulated by us applies to vary its permission to undertake a new activity, we usually discount the fee to reflect the fact that we already have a lot of information about its business and have established its compliance with the Threshold Conditions.

However, TPVs will be assessed on specific criteria specified in the Regulatory Technical Standards implementing the Securitisation Regulation. So much of the information we collect from authorised firms will not be relevant. Consequently, we do not propose to allow Variation of Permission (VoP) discounts if authorised firms apply to become TPVs. A firm must pay the full fee regardless of any other permissions it holds from us when it applies to be a TPV.

Periodic fees

3.14 We charge periodic ongoing fees to recover our annual supervisory costs. We expect TPVs to represent a low regulatory risk, and we anticipate a small number of applications. Since we do not currently expect them to require significant supervisory resources, we propose a flat-rate annual fee of £250. We will keep the position under review and reserve the right to consult on raising the fee in the future in the light of our experience of supervising TPVs.

Q1: **Do you agree with our proposals for application and periodic fees for TPVs?**

4 Other changes to the Handbook

4.1 The Securitisation Regulation and CRR Amendment are directly applicable and supersede some rules that are in the Handbook. Our overall aim is to bring the Handbook and associated material into line with the changes brought about by the implementation of the Securitisation Regulation and the CRR Amendment. In this chapter, we set out our proposals for these mainly consequential changes, including proposed changes to the Glossary of Definitions. Appendix 1 contains draft changes to the Handbook (including the fee proposals set out in chapter 3 above).

FUND sourcebook

4.2 The Securitisation Regulation replaces article 17 of the Alternative Investment Fund Managers Directive (AIFMD) with an amended provision recasting article 54 of the AIFMD level 2 Regulation. This involves the corrective action an AIFM should take when exposed to a securitisation that does not meet the requirements provided by the Securitisation Regulation. Proposed FUND 3.5.4R and 3.5.5R transpose article 17 of the AIFMD, as amended.

4.3 The replacement of article 17 of the AIFMD means that section 5 of the AIFMD level 2 Regulation will no longer apply from January 2019, subject to transitional provisions for certain securitisations issued during periods before that date. Where the transitional provisions do not apply, the due diligence obligations of the Securitisation Regulation completely replace section 5 of the AIFMD level 2 Regulation.

COLL sourcebook

4.4 The Securitisation Regulation amends article 50a of the UCITS Directive to require corrective action by UCITS fund managers when exposed to a securitisation that does not meet the requirements provided by the Securitisation Regulation. This duty applies in the same way as for AIF managers (see above). Proposed COLL 5.2.37R transposes amended Article 50a of the UCITS Directive.

Prudential sourcebook for Investment Firms

4.5 Most of our proposals are consequential changes (mainly cross references) reflecting the CRR Amendment to the relevant securitisation provisions.

4.6 We also propose to make consequential amendments to the IFPRU guidance on permissions for significant risk transfer under new articles 244/245. This is to reflect the clarifications made by:

- the new articles 244(2) and 245 (2) for the first option available to originator institutions (limitation on the risk weight of the mezzanine held by the originator institution)

- the new articles 244(3) and 245(3) for the third option available to originator institutions (approval by competent authorities in case of a transfer of credit risk to third party)

4.7 We also propose to make consequential amendments to the IFPRU TP1 to the table on internal waivers as follows:

- references to articles 259(1)(b) and 262 are deleted because the 'supervisory formula method' for securitisation transactions has been replaced by the SEC-IRBA methodology

- reference to article 259(3) is deleted because conditions in the new article 265 have changed in the CRR Amendment

- reference to article 263(2) is deleted because the treatment of unrated facilities has been eliminated

- reference to article 256(7) is deleted because the provision is no longer included in the new chapter 5 of title II, part 3 of Capital Requirement Regulation

Q2: **Do you agree with our proposals to amend the Handbook to be consistent with the Securitisation Regulation and the CRR Amendment?**

Annex 1
List of Questions

Q1: **Do you agree with our proposals for application and periodic fees for TPVs?**

Q2: **Do you agree with our proposals to amend the Handbook to be consistent with the Securitisation Regulation and the CRR Amendment?**

Annex 2
Cost benefit analysis

Introduction

1. Section 138I of the Financial Services and Markets Act 2000 (FSMA) requires us to perform a cost benefit analysis (CBA) of proposed rules, and to publish the results. However, the proposals set out in this CP do not require a cost benefit analysis for the reasons detailed below.

Proposals related to TPV authorisation and periodic fees

2. Under section 138I of FSMA we are not required to carry out a CBA in relation to fee rules.

Changes to the Handbook

3. The changes we propose to the relevant modules of the Handbook are a direct result of the changes imposed by the implementation of the Securitisation Regulation and CRR Amendment. The proposed changes are administrative and they do not involve any change in policy. So we do not believe that these changes will add any significant costs or benefits.

Annex 3
Compatibility statement

Compliance with legal requirements

1. This Annex records our compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of our reasons for concluding that the proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, we are required by section 138I(2)(d) FSMA to include an explanation of why we believe that making the proposed rules is (a) compatible with our general duty, under section 1B(1) FSMA to act in a way which is compatible with our strategic objective and advances one or more of our operational objectives, and (b) our general duty under section 1B(5)(a) FSMA to have regard to the regulatory principles in section 3B FSMA. We are also required by section 138K(2) FSMA to state our opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. In addition, this Annex explains how we have considered the recommendations made by the Treasury under section 1JA FSMA about aspects of the economic policy of Her Majesty's Government to which we should have regard in connection with our general duties.

4. This Annex includes our assessment of the equality and diversity implications of these proposals.

5. Under the Legislative and Regulatory Reform Act 2006 (LRRA) we are subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: compatibility statement

6. The proposals set out in this consultation are primarily intended to advance our operational objective of ensuring that the relevant markets function well. This is because they are designed to make the Handbook consistent with the directly applicable Securitisation Regulation and CRR Amendment, which seeks to ensure that the securitisation markets work effectively.

7. They are also relevant for our market integrity objective. This is because the Securitisation Regulation and CRR Amendment seek to enhance market integrity by

creating a framework for simple, transparent and standardised securitisations and promoting transparency and investor due diligence.

8. For the purposes of our strategic objective, "relevant markets" are defined by section 1F FSMA.

9. In preparing the proposals set out in this consultation, we have had regard to the regulatory principles set out in section 3B FSMA. In particular, as set out below:

The need to use our resources in the most efficient and economic way

10. Our proposals are intended to ensure that the rules and guidance in relation to the implementation of the Securitisation Regulation and CRR Amendment enable firms to interact with us in the most efficient way possible.

The principle that a burden or restriction should be proportionate to the benefits

11. We have sought to be proportionate in our approach to the TPVs. In particular, we have reflected in our proposals the relatively simple business model of TPVs, their relatively low risk profile and the number of firms that are expected to operate in the UK as TPVs.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

12. We believe that our proposal will support the growth of the UK economy by enabling the UK's securitisation and capital markets to work better for businesses and investors.

The general principle that consumers should take responsibility for their decisions

13. We believe that our implementation of the Securitisation Regulation will enhance the ability of investors to take responsibility through their due diligence obligations for their investment decisions in securitisations.

The responsibilities of senior management

14. We do not consider that our proposals are inconsistent with this principle. TPVs will not remove or affect the liability of the originator, sponsor or SSPE in respect of their obligations under the Securitisation Regulation.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

15. We do not consider that our proposals are inconsistent with this principle.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

16. Our proposals include our publishing the identity of TPVs on our register.

The principle that we should exercise of our functions as transparently as possible

17. We do not consider that our proposals are inconsistent with this principle.

18. In formulating these proposals, we have had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by section 1B(5)(b) FSMA).

Expected effect on mutual societies

19. We do not expect the proposals in this paper to have a significantly different impact on mutual societies.

Compatibility with the duty to promote effective competition in the interests of consumers

20. In preparing the proposals in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers.

Equality and diversity

21. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, to advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.

22. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. As stated in paragraph 2.7, we do not consider these proposals to have an equality or diversity implication.

Legislative and Regulatory Reform Act 2006 (LRRA)

23. We have had regard to the principles in the LRRA and the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance:

- by consulting we are developing the proposals in a way which is transparent and accountable
- our proposals are intended to be proportionate and to target action only where it is needed by adjusting Handbook rules to keep them consistent with the Securitisation Regulation and CRR Amendment and by supplementing it in order to allow authorisation of TPVs

Annex 4
Abbreviations used in this document

AIFMD	The Alternative Investment Fund Managers Directive (2011/61/EU)
CBA	Cost benefit analysis
CP	Consultation Paper
CRR Amendment	The EU Capital Requirement Regulation (575/2013/EU)
ESMA	European Securities Market Authority
FSMA	Financial Services and Markets Act 2000
SI	Statutory Instrument
SSPE	Securitisation Special Purpose Entity
STS	Simple, Transparent and Standardised
TPV	Third Party Verification agent
UCITs	The Undertakings for Collective Investment in Transferable Securities Directive (2009/65/EC)
VoP	Variation of Permission
Short and long names of Handbook parts mentioned in this paper	
Glossary	Glossary of Definitions
COLL	Collective Investment Schemes sourcebook
FEES	Fees manual
FUND	Investment Funds sourcebook
Prudential/IFPRU	Prudential sourcebook for Investment Firms

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 9644 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN.

Appendix 1
Draft Handbook text

SECURITISATION REGULATION IMPLEMENTATION INSTRUMENT 2018

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in or under the Financial Services and Markets Act 2000 ("the Act"):

(a) section 137A (The FCA's general rules);
(b) section 137T (General supplementary powers);
(c) section 139A (Power of the FCA to give guidance);
(d) paragraph 23 (Fees) of Schedule 1ZA (The Financial Conduct Authority);
(e) section 247 (Trust scheme rules);
(f) section 261I (Contractual scheme rules);

(2) regulation 6(1) (FCA rules) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and

(3) [*the following fee powers and related provisions in the Securitisation Regulations 2018 (UK): …*].

B. The rule-making powers listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 1 January 2019.

Amendments to the Handbook

D. The modules of the FCA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Fees manual (FEES)	Annex B
Prudential sourcebook for Investment Firms (IFPRU)	Annex C
Collective Investment Schemes sourcebook (COLL)	Annex D
Investment Funds sourcebook (FUND)	Annex E

Citation

E. This instrument may be cited as the Securitisation Regulation Implementation Instrument 2018.

By order of the Board
[*date*]

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

Securitisation Regulation	Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012. [Note: see https://eur-lex.europa.eu/eli/reg/2017/2402/oj]
third party verification agent	a person authorised in accordance with paragraph 28(1) of the *Securitisation Regulation*. [Note: see https://eur-lex.europa.eu/eli/reg/2017/2402/oj]

Amend the following definitions as shown.

early amortisation provision	…
	(2) (except in (1)) has the meaning in article ~~242(14)~~ 242(16) of the *EU CRR*.
sponsor	…
	(3) (in *IFPRU* ~~and *FUND*~~) has the meaning in article 4(1)(14) of the *EU CRR*.

Annex B

Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Application, Notification and Vetting Fees

…

3.2 Obligation to pay fees

…

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£)	Due date
…		
(zzd) An application for [authorisation] as a *third party verification agent*	(1) Unless (2) applies, £1,500. (2) *Firms* which already have Part 4A permissions will not receive a 50% reduction in the authorisation fee.	On the date the application is made.
…		

3 Annex 1R Authorisation fees payable

Part 1 - Authorisation fees payable

…

Part 1(a) Authorisation Fees payable to the FCA by FCA-authorised persons	
Application type	Amount payable (£)
…	
(4) Complexity groupings relating to *third party verification agents*	
(k) *Third party verification agents*	£1,500

…

…

4 Periodic fees

…

4 Annex 11R Periodic fees in respect of payment services, electronic money issuance, regulated covered bonds, CBTL business ~~and~~, data reporting services and third party verification agents in relation to the period 1 April ~~2018~~ 2019 to 31 March ~~2019~~ 2020

…

Part 2C – Activity group relevant to *data reporting services providers*	
…	

Part 2D – Activity group relevant to *third party verification agents*	
Activity Group	Fee payer falls into this group if:
G.26 TPV	it is a *third party verification agent*.

…

Part 3

This table indicates the tariff base for each fee-block. The tariff base is the means by which the *FCA* measures the amount of business conducted by *fee-paying payment service providers*, *fee-paying electronic money issuers*, *CBTL firms*, *data reporting services providers* (other than *incoming data reporting services providers) firms* registered under the *Money Laundering Regulations* ~~and~~, *issuers of regulated covered bonds* and *third party verification agents*.

Activity group	Tariff base
…	
G.26 TPV	Not applicable

…

Part 4 – Valuation period

This table indicates the valuation date for each fee-block. A *fee-paying payment service provider*, a *fee-paying electronic money issuer*, ~~and~~ a *regulated covered bond issuer* and a *third party verification agent* can calculate tariff data by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

…

Activity group	Valuation date
…	
G.26 TPV	Not relevant

…

Part 5 – Tariff rates

Activity group	Fee payable in relation to 2018/19
…	
G.26 TPV	£250

Annex C

Amendments to the Prudential sourcebook for Investment Firms (IFPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

4 Credit risk

…

4.1 Application and purpose

…

Purpose

4.1.2 G This chapter:

…

(2) contains the *rules* that exercise the discretion afforded to the *FCA* as *competent authority* under articles 115, 119(5), 124(2), 125(3), 126(2), 178(1)(b), ~~243(2),~~ 244(2), 245(2), 286(2), 298(4) and 380 of the *EU CRR*; and

…

…

4.12 Securitisation

Recognition of significant risk transfer

4.12.1 R (1) A *firm* must notify the *FCA* that it is relying on the deemed transfer of significant credit risk under article ~~243(2)~~ 244(2) of the *EU CRR* (Traditional securitisation) or article ~~244(2)~~ 245(2) of the *EU CRR* (Synthetic securitisation), including when this is for the purposes of article 337(5) of the *EU CRR*, no later than one month after the date of the transfer.

…

Significant risk transfer notifications and permissions

…

4.12.3 G The significant risk transfer requirements in articles ~~243~~ 244 (Traditional securitisation) or ~~244~~ 245 (Synthetic securitisation) of the *EU CRR* provide three options for a *firm* to demonstrate how it transfers significant credit risk for any given transaction:

(1) the *originator* does not retain more than 50% of the risk-weighted exposure amounts of mezzanine *securitisation positions* (as defined in article 242(18) of the *EU CRR*), where these are:

… (a) *securitisation positions* to which a risk weight lower than 1250% and higher than 25 % applies in accordance with Sub-Sections 2 and 3 of Section 3 of Chapter 5 (Securitisation) of the *EU CRR*; and

(b) ~~more junior than the most senior position in the *securitisation* and more junior than any position in the *securitisation* rated credit quality step 1 or 2~~ subordinated to the senior *securitisation position* and more senior than the first loss tranche;

…

…

Option 3

4.12.6 G For *IFPRU* 4.12.3G(3) (option 3), the *FCA* intends to grant permission for an *originator* to make its own assessment of significant risk transfer only where it is satisfied that:

…

(2) the *firm* has ~~appropriately risk-sensitive~~ adequate internal risk management policies and methodologies ~~in place~~ to assess the transfer of risk; and

…

…

Deduction or 1250% risk weighting

4.12.8 G A *firm* seeking to achieve capital relief by deducting or applying a 1250% risk weight where permitted under articles ~~243 or~~ 244 or 245 of the *EU CRR* does not need to make the notification in *IFPRU* 4.12.1R. However, in such cases, a *firm* should consider whether the characteristics of the transaction are such that the *FCA* would reasonably expect prior notice of it.

…

Significant risk transfer permissions

4.12.13 G A *firm* may apply for permissions under articles ~~243~~ 244 (Traditional securitisation) or ~~244~~ 245 (Synthetic securitisation) of the *EU CRR* to consider significant risk transfer to have been achieved without needing to

rely on options (1) or (2). The scope of such permission may be defined to cover a number of transactions or an individual transaction.

…

Implicit support and significant risk transfer

…

4.12.27 G …

(4) If a *firm* fails to comply with article ~~248(1)~~ 250(1) of the *EU CRR*, the *FCA* may require it to disclose publicly that it has provided non-contractual support to the transaction.

…

TP 1 GENPRU and BIPRU waivers: transitional

…

Tables

1.9 R Table on internal model waivers

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR reference
…			
4	~~Supervisory formula method for *securitisation* transactions~~	~~*BIPRU* 9.12.3R~~ ~~*BIPRU* 9.12.5R~~ ~~*BIPRU* 9.12.21R~~ ~~(Where authorised by the *firm's IRB permission*)~~	~~Art 259(1)(b)~~ ~~Art 262~~ [deleted]
5	~~ABCP internal assessment approach~~	~~*BIPRU* 9.12.20R~~ ~~(Where authorised by the *firm's IRB permission*)~~	~~Art 259(3)~~ [deleted]

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR reference
6	~~Exceptional treatment for liquidity facilities where pre-*securitisation* risk-weighted exposure amount cannot be calculated~~	~~- *BIPRU* 9.11.10R as modified in accordance with *BIPRU* 9.12.28G~~ ~~(Where authorised by the *firm's IRB permission*)~~	~~Art 263(2)~~ [deleted]
…			

1.10	R	Table on other waivers and requirements

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR Reference
…			
5	Traditional *securitisation* - recognition of significant risk transfer	- *BIPRU* 9.4.11R - *BIPRU* 9.4.12R (subject to conditions in *BIPRU* 9.4.15D)	Art ~~243(2), (3), (4) and (5)~~ 244(2)(3) and (4)
6	Synthetic *securitisation* - recognition of significant risk transfer	- *BIPRU* 9.5.1R(6) and (7) (subject to conditions in *BIPRU* 9.5.1BD)	Art ~~244(2), (3), (4) and (5)~~ 245(2)(3) and (4)
7	~~*Securitisations* of revolving exposures with *early amortisation provisions* - similar transactions~~	~~- *BIPRU* 9.3.11D~~ ~~- *BIPRU* 9.13.13R~~ ~~- *BIPRU* 9.13.14R~~ ~~- *BIPRU* 9.13.15R~~ ~~- *BIPRU* 9.13.16R~~ ~~- *BIPRU* 9.13.17R~~ ~~(subject to conditions in *BIPRU* 9.13.18G)~~	~~Art 256(7)~~ [deleted]

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR reference
…			

Sch 2	Notification and reporting requirements

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
…				
IFPRU 4.12.1R	Reliance on deemed transfer of significant risk under articles ~~243(2)~~ 244(2) and ~~244(2)~~ 245(2) of the *EU CRR*, including for the purposes of article 337(5) of the *EU CRR*	Sufficient information to allow the *FCA* to assess whether the possible reduction in risk-weighted exposure amounts achieved by the *securitisation* is justified by a commensurate transfer of credit risk to third parties	Intention to rely on deemed transfer of significant risk	Within a reasonable period before or after a relevant transfer, not being later than one *month* after the date of transfer
…				

Annex D

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text.

5 Investment and borrowing powers

…

5.2 General investment powers and limits for UCITS schemes

…

5.2.2 R Table of application

This table belongs to *COLL* 5.2.1R.

Rule	*ICVC*	*ACD*	*Authorised fund manager* of an *AUT* or *ACS*	*Depositary* of an *ICVC*, *AUT* or *ACS*
…				
5.2.34G		x	x	
5.2.37R	x	x	x	
…				

…

Investment in securitisation positions

5.2.37 R Where an *authorised fund manager* is exposed to a securitisation that does not meet the requirements provided for in the *Securitisation Regulation*, it must, in the best interests of the investors in the relevant *UCITS scheme*, act and take corrective action, if appropriate.

Annex E

Amendments to the Investment Funds sourcebook (FUND)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Requirements for alternative investment fund managers

…

3.5 Investment in securitisation positions

~~Application~~

3.5.1 G ~~This section applies to a *full-scope UK AIFM* of:~~

~~(1) a *UK AIF*;~~

~~(2) an *EEA AIF*; and~~

~~(3) a *non-EEA AIF*.~~ [deleted]

3.5.2 G ~~To ensure cross-sectoral consistency and remove misalignment between the interests of firms that repackage loans into tradable securities and originators within the meaning of article 4(41) of the *BCD* and *AIFMs* that invest in those securities or other *financial instruments*, the *AIFMD level 2 regulation* sets out:~~

~~(1) requirements that must be met by the *originator*, the *sponsor* or the original lender, for an *AIFM* to be allowed to invest on behalf of the *AIF* in securities or other *financial instruments* of this type issued after 1 January 2011; and;~~

~~(2) qualitative requirements that must be met by *AIFMs* which invest in these securities or other *financial instruments* on behalf of the *AIF*.~~

~~[**Note:** article 17 of AIFMD]~~ [deleted]

~~Subordinate measures~~

3.5.3 G ~~Articles 50 to 56 of the *AIFMD level 2 regulation* provide detailed rules supplementing the provisions in *AIFMD* on investment in securitisation positions.~~ [deleted]

Application

3.5.4 R This section applies to a *full-scope UK AIFM* of:

(1) a *UK AIF*;

(2) an *EEA AIF*; and

(3) a *non-EEA AIF*.

3.5.5 R Where an *AIFM* is exposed to a securitisation that does not meet the requirements provided for in the *Securitisation Regulation*, it must, in the best interests of the investors in the relevant *AIFs*, act and take corrective action, if appropriate.

3.5.6 G Article 41 of the *Securitisation Regulation* replaces article 17 of the *AIFMD* with an amended provision which takes the place of article 54 (Corrective action) of the *AIFMD level 2 regulation*. *FUND* 3.5.4R and 3.5.5R transpose article 17 of the *AIFMD*, as amended.

3.5.7 G A more general consequence of the replacement of article 17 of the *AIFMD* is that Section 5 (Investment in Securitisation Positions) of the *AIFMD level 2 regulation* will no longer apply from 1 January 2019, subject to transitional provisions for certain securitisations issued during periods before that date. Where the transitional provisions are inapplicable, article 5 (Due-diligence requirements for institutional investors) of the *Securitisation Regulation* (in combination with the new *FUND* 3.5.4R and 3.5.5R), completely replaces Section 5 of the *AIFMD level 2 regulation*.

3.5.8 G The relevant transitional provisions are set out in articles 43(5) and 43(6) of the *Securitisation Regulation*. Where the transitional provisions apply, they have the effect that articles 51 and 53 of the *AIFMD level 2 regulation*, concerning requirements for retained interest and due diligence, may continue to apply to eligible securitisations.

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