



South African Reserve Bank

From the Office of  
the Registrar of Banks

D1/2012

2012-01-23

**To banks, branches of foreign institutions, controlling companies and auditors of banks or controlling companies**

**Directive 1/2012 issued in terms of Section 6(6) of the Banks Act, 1990**

**Information to be included in applications in terms of the Securitisation Notice - Designation of an activity not falling within the meaning of “the business of a bank” (Securitisation Notice)**

### **Executive Summary**

**Following the global financial markets crisis, this Office communicated its intention to enhance the work performed in respect of securitisation activities in Directive 1/2011.**

**This Office has therefore further reviewed and amended its information requirements in respect of applications submitted to it in terms of the Securitisation Notice, published in *Government Gazette* No. 30628 dated 1 January 2008.**

**The purpose of this directive is to require banks, controlling companies, eligible institutions and any other person (collectively referred to as ‘applicants’) to furnish specified information as part of future applications in terms of the Securitisation Notice.**

#### **1. Introduction**

**1.1 The Banks Act, 1990 (Act No. 94 of 1990 – the Act) under section 1 – definition of “the business of a bank” provides that the Registrar of Banks may, with the approval of the Minister of Finance, designate an activity to be excluded from “the business of a bank”.**

- 1.2 The Securitisation Notice, under paragraph 2, describes the designated activity to be “the acceptance by a special-purpose institution of money from the general public against the issue of commercial paper by aforementioned special-purpose institution, in respect of either a traditional or synthetic securitisation scheme”, provided that such a scheme and all role-players strictly comply with the provisions of the Securitisation Notice.
- 1.3 The Securitisation Notice provides for and is applicable to not only banking institutions, but also non-banking institutions acting in a primary or secondary role (or both) in respect of either a traditional or synthetic securitisation scheme.
- 1.4 An application to conduct a securitisation scheme predominantly constitutes an exemption from the Act.

## **2. Factors influencing the final decision**

- 2.1 Following the global financial markets crisis, this Office communicated its intention to enhance the work performed in respect of securitisation activities in Directive 1/2011.
- 2.2 Securitisation schemes may be structured in many different ways and therefore pose a number of risks, especially when a bank is involved, irrespective of whether it is in a primary or secondary role.
- 2.3 Supervisors are required to, among other things, ensure that the capital treatment of a securitisation exposure is determined on the basis of its economic substance rather than its legal form.
- 2.4 In addition, the Joint Forum<sup>1</sup> recently released a ‘Report on asset securitisation incentives – July 2011’ (the Report). The Report not only recognises that regulators are able to play a role in the establishment of a framework for securitisation schemes that will promote the prudent management of securitisation schemes, but also that such schemes continue to be an alternative funding source for institutions which, in turn, contributes to the availability of credit to support the real economy.
- 2.5 Among other things, the Report further recommends that authorities encourage the improvement of transparency to ensure that investors, other market participants, and supervisors have access to relevant and reliable information.
- 2.6 To this end, this Office deems it necessary that a duly-completed information sheet should accompany each application submitted in respect of a new securitisation scheme in terms of the Securitisation Notice. This Office is of the opinion that the additional information will assist it in evaluating all the relevant risk factors when considering an application in terms of the Securitisation Notice.

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<sup>1</sup> The Joint Forum was established in 1996 under the aegis of the Basel Committee on Banking Supervision, the International Organisation of Securities Commissions, and the International Association of Insurance Supervisors to deal with issues common to the banking, securities and insurance sectors, including the regulation of financial conglomerates.

### 3. Directive

- 3.1 Applicants shall submit the proposed information sheet as part of each application submitted in respect of a new securitisation scheme in terms of the Securitisation Notice.

The proposed information sheet is attached hereto as **Annexure A**.

### 4. Acknowledgement of receipt

- 4.1 Two additional copies of this directive are enclosed for the use of your institution's independent auditors. The attached acknowledgement of receipt, duly completed and signed by both the chief executive officer of the institution and the said auditors, should be returned to this Office at the earliest convenience of the aforementioned signatories.



René van Wyk  
**Registrar of Banks**

The previous directive issued was Directive 5/2011 dated 22 November 2011.

[Name of SPV/Conduit]

Summary: Information on new securitisation applications

Main objective/purpose of transaction/programme

**Transaction/Programme Information**

Synthetic or traditional securitisation	
Standalone/single issue transaction or Programme	
Transaction/programme type (i.e. revolving or static transaction)	
Transaction/programme inception date	
Transaction/programme Originator	
Transaction/programme Servicer	
Transaction/programme Administrator	
Transaction/Programme Standby servicer	

**Special Purpose Vehicle / Conduit Overview**

Type of Conduit/SPV	
Type of underlying assets (underlying/reference pool)	
Weighted average time to maturity of the assets	
Average time to maturity of the assets	
Maximum transaction/programme size	
Issuance under current application	

Transaction/programme commercial paper rated by

	Class	
Currency		
Amount		
Coupon rate		
Type of Notes		
International Scale Rating: Long Term		
International Scale Rating: Short Term		
Expected Margin		
Step-up Margin		
Scheduled Maturity		
Final Legal Maturity		
Step-up call date		
Credit Enhancement (%)		

**Liquidity Facility**

Liquidity Facilities Available	Yes / No
Purpose of Liquidity Facilities	
Total Size of Liquidity Facilities	

**Breakdown of Liquidity Facilities**

	Provider	Rating of Provider	Maximum limits
Super Senior Liquidity Facility (i.e. capital and interest payments ranks senior to most senior class of notes)			
Senior Liquidity Facility (i.e. capital and interest payments ranks pari passu with most senior class of notes)			
Mezzanine/Junior Liquidity Facility			

[Name of SPV/Conduit]

Summary: Information on new securitisation applications

**Credit Enhancement**

Transaction/programme credit enhancement available	Yes / No		
Available to each note holder	Yes / No		
Provider			
Rating of Provider			
Form of credit enhancement			
Current value of credit enhancement			
Types of Credit Enhancement			

**Hedge Counterparty**

Hedge Counterparty			
Rating of Provider			
Type provided			

**Other Facilities (such as Make Whole Facilities, Prepayment Facilities etc.)**

Provider			
Rating of Provider			
Type and Purpose of Facility			

**Regulatory Capital Treatment (i.e. STA, rating-based, inferred rating, internal assessment, Standard Formula, etc.)**

Proposed treatment for regulatory reporting	
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**ADDITIONAL INFORMATION**

(Such as Credit Committee highlights, other material risks, specific concerns, mitigating factors, NPL Facility)

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