Securitisation: What's New ?

- ***Implementation of the EU Reinsurance Directive***
- ***Lifting of the existing legal Securitisation framework***

Gilles Saint Marc

Attorney at Law, Partner,
Gide Loyrette Nouel A.A.R.P.I.

Implementation of the EU Reinsurance Directive

Reinsurance Directive 2005/68/EC dated 16 November 2005 (implementation before November 2007)

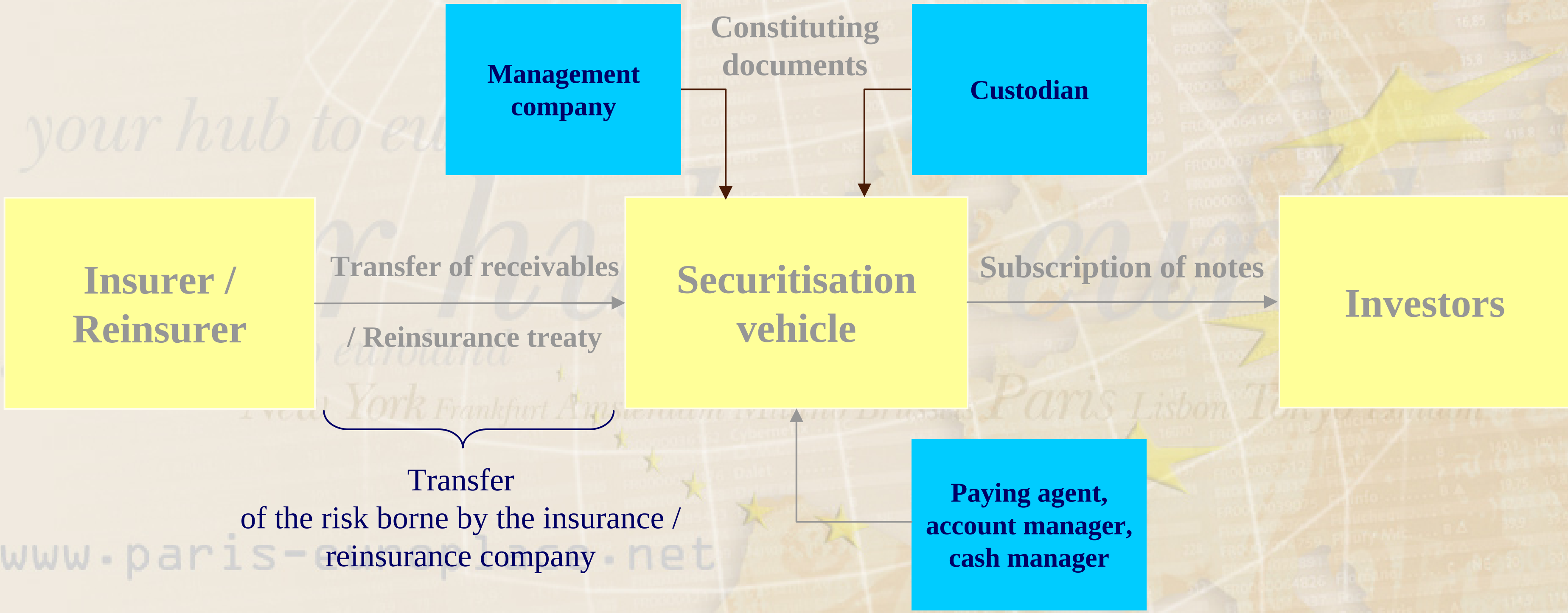
- Permits reinsurance of risks borne by insurance / reinsurance companies via the financial markets, as an alternative to conventional reinsurance

- Every type of insurance risks can be securitised : life, damage (cat bonds), civil liability (deviation of car sinistrability)

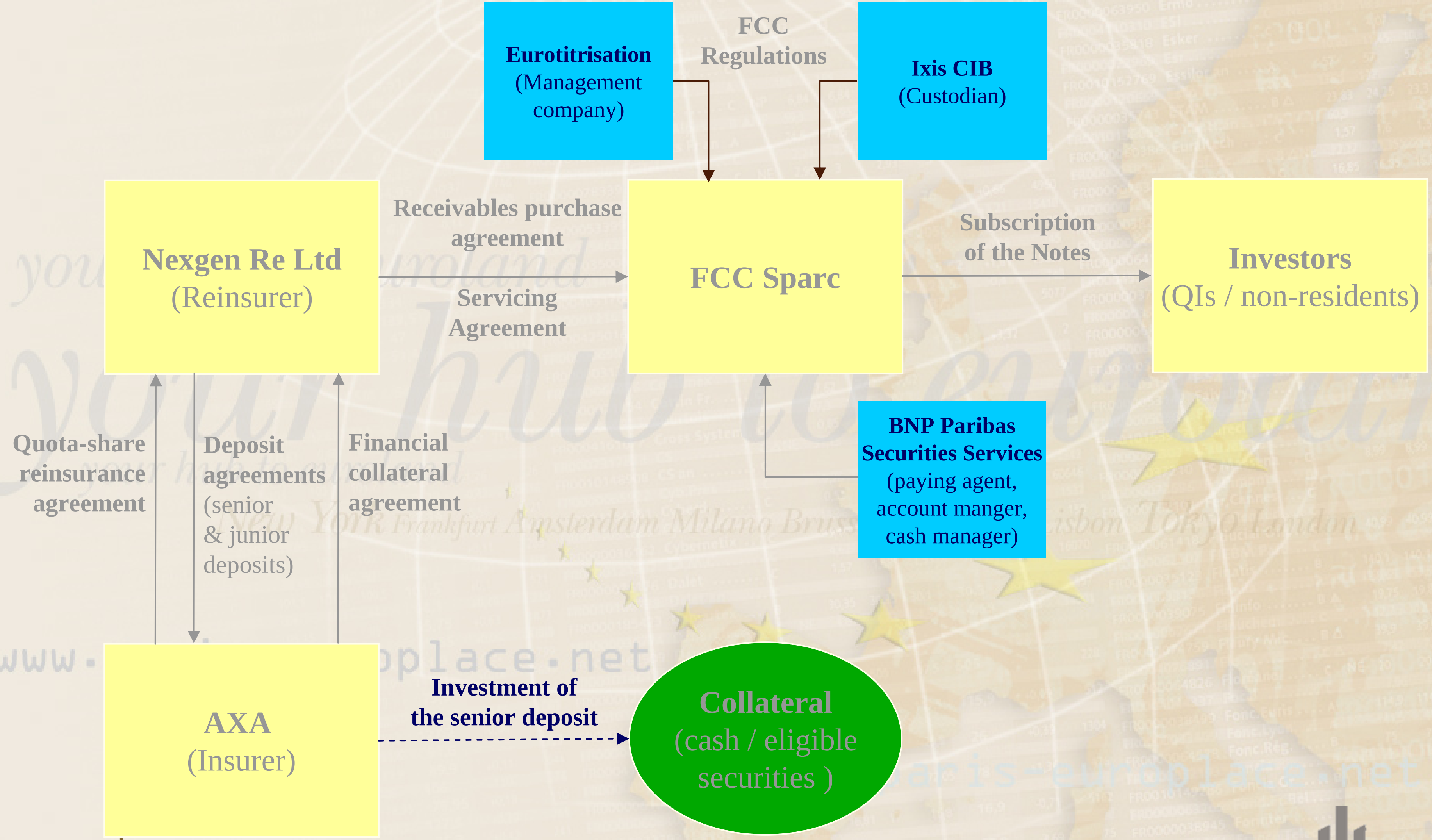
- Authorized « Special purpose vehicle » (with or without a legal personality : the FCC)

- Funding rules
  - Exposure to the insurance risk must be fully funded
  - Subordination of the rights of investors to the obligations of the SPV *vis-à-vis* the insurance / reinsurance company

New Insurance Securitisation Structure



Simplification of existing insurance securitisation completed so far : two-step structure



Anticipated Benefits

- Diversification of reinsurance sources beyond the conventional reinsurance market
- Diversification of investors base / new class of product
- Regulatory Capital relief (anticipation of Solvency II)

Key remaining outstanding issues : Prudential treatment of Insurance Securitisation by French Insurance regulators (ACAM)

- Prudential treatment remains the responsability of domestic insurance regulators

- Admission of the claims of the insurance company *vis-à-vis* the SPV as eligible assets in representation of its regulated commitments (*admission en représentation des engagements réglementés*)

- Reduction of the solvency margin of the insurance company (*marge de solvabilité*) by the amounts which are recoverable by the insurance company from the SPV

- Eligibility of securities issued by the SPV in representation of its regulated commitments

Lifting of the existing legal Securitisation framework

Flexibility regarding transactions

- **Synthetic securitisation**
  1. Totally unfunded
  2. No more constraints as to the coverage exposure, specific license of management company, hedging counterparts

- **Cash securitisation**
  1. Possible assignment of receivables under foreign law
  2. Efficiency of future receivables resulting from on-going contracts post insolvency of the originator : determined or determinable
  3. Electronic means of assignment
  4. No more constraints with respect to the assignment by the FCC of unmatured receivables / pledge of assets (subject to FCC Regulations only)

- **Election for the legal personality** in order to claim the benefit of double-income tax treaties

- No more constraints as to **eligible investments**

Flexibility regarding actors

- **Management Company**: Can operate FCC or similar foreign securitisation vehicles or fiduciary structures

- **Servicing**: Any entity designated in FCC Regulations (not necessarily a credit institution)

- **Custodian**: Any EEE credit institution located or passported in France

- **Subcontracting** of management company's duties (except representation *vis-à-vis* third parties) or custodian's duties (except control of regularity of management company's decision) to any entity **subject to FCC Regulations**

Safety

- Clear exclusion from bankruptcy proceedings
- No seizure or attachment proceedings
- Recognition of provision for limited recourse to available assets and allocation of payments
- Equivalent of trust account with respect to all accounts receiving funds on behalf of the FCC

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