



European Financial Services  
Round Table

## European Securitisation Issuer Survey

### Requested for Views on a Market-Led Initiative to Restore the European Securitisation Markets

#### I. Introduction<sup>1</sup>

The European Financial Services Round Table (EFR) and the Association for Financial Markets in Europe/European Securitisation Forum (AFME / ESF) - “the sponsoring associations” - in collaboration with the European Banking Federation (EBF) and in close consultation the European associations for asset managers, insurers and pension funds (EFAMA, CEA and EFRP) are advancing the investigation of the PCS market-led initiative aimed at expanding the participation of currently active ABS investors as well as attracting investors who are not currently investing in the ABS markets.

This market led initiative is aimed at establishing a new “labelled” European securitisation market segment, proposed as ‘Prime Collateralised Securities’ (PCS). The **objective of this survey** is to ask for issuers’ help - at the level of senior management responsible for the funding strategy of the bank - in assessing how the PCS market-led initiative may help maintain the economic viability of securitisation issuance for ABS originators and, if pursued, could outweigh the costs and risks of the alternative of not taking any market-led initiative.

A summary term sheet of the PCS initiative is included in Annex 1. A more detailed term sheet is available for your information upon request. Annex 2 describes a draft proposal for the PCS governance that has been prepared by a joint PCS Task Force<sup>2</sup>. Annex 3a and 3b provide two

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<sup>1</sup> **Disclaimer:** The views expressed in this survey or enclosed documents are those of the individual experts of the involved associations/ organisations without binding the position of their respective institutions. The Members of the Steering Committee support the objective to re-establish asset-backed securities both as broadly accepted investment and as funding tools for investors and originators. However, they do not necessarily agree on all the detailed proposals made in this document. The documents are intended to obtain the views of issuers on the proposals.

<sup>2</sup> This Task Force has been promoted by the Secretariats of the European Banking Federation, the European Financial Services Round Table and, and included representatives from the Secretariats of EFAMA, CEA, AFME/ESF and experts from True Sale International (TSI).

tables with the aggregated results of the recently-completed PCS investor survey<sup>3</sup>. A limited amount of additional information on the investor survey results is available upon request.

## QUESTIONNAIRE

Please note that the questionnaire is designed not to contain sensitive information. We plan to summarise the results and intend to send a copy to you as well as to the other issuers who complete the survey. It would significantly enhance the transparency and credibility of the survey, and improve readers' ability to more thoroughly understand issuers' viewpoints if we could disclose issuers' individual responses. Unless you indicate otherwise, we will assume that it is acceptable to you to disclose your individual results to the market stakeholders of the initiatives. If not, please indicate below if it would be acceptable to you if we include your institutions' name as having participated in the survey, but with no individual disclosure of your individual responses.

(a) I agree that my institution's response may be disclosed to other stakeholders. (Y/N)

(b) I do not agree to have my institution's individual response disclosed to other parties, but it is acceptable to disclose that my institution participated in the survey. (Y/N)

### A. Respondent's Profile

A.1 Name of Institution, Survey Participant (respondent) and email:  
(\_\_\_\_\_)

A.2 Title of Survey Participant:

- a) Chief Financial Officer
- b) Finance Director
- c) Head of Funding
- d) Treasurer

A.3 Type of Institution:

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<sup>3</sup> The PCS Investor Survey was distributed in early July 2010, and responses were received through the summer and the end of August. 43 investors participated in the survey: the EIB Group (two separate groups), 18 asset managers, 5 insurance companies, 2 pension funds and 16 banks). Many of the major European "real money" investors participated in the survey. The actual results are included so issuers can interpret their own meaning of the responses. Annex 3(a) is the Aggregate Results report, which provides a bar chart of responses for each of the 34 questions, as well as text responses provided by each of the investors. All of these text responses have been edited to protect the confidentiality of the name of the investors that completed the forms. Annex 3(b) provides a summary of the responses to each questions provided by the three major types of investors – asset managers, insurance companies and financial institutions/banks:

- a) bank or savings institution lender
- b) specialist non-bank lender;
- c) Insurance company;

A.4 Are you a regular issuer of public covered bonds? (Y/N)

A.5 Have you previously issued one or more public securitisations? (Y/N)

A.6 Please indicate in the table below a) the amount of the following types of unencumbered assets you currently own that *could* be securitised in the asset classes indicated, and b) in the far right hand column, indicated how many assets in each of these categories that you *intend* to securitise over the next 2-3 years, if the economics were attractive to you?

	Capacity to Issue				Intent to Issue
	Small	Medium	Large	Very Large	Total Issuance Volume
Res Mtg (Amount)	<€1 bn	€1-5 bn	€ 5-10bn	>€10 bn	
Res Mortgages	€	€	€	€	€
Auto Loans (Amount)	€500 mln	€500-1,000mln	€1-3 bn	€>3 bn	
Auto Loans	€	€	€	€	€
Other Asset Classes (Amount)	<€250 mln	€250-750mln	€750-1500 mln	>€1.5 bn	
Consumer Loans	€	€	€	€	
SME Loans	€	€	€	€	
Other Corp Loans	€	€	€	€	

A.7. If your institution chooses to issue a securitisation, is the primary purpose:

- a) mainly for funding/liquidity management purposes (including asset maturity matching)
- b) mainly for capital relief/risk transfer purposes
- c) investor diversification

d) both

A.8. If in A.7 you responded “mainly for funding/liquidity purposes”, then please indicate, in order of priority, your main decision criteria that would motivate you to issue a securitisation from a pricing standpoint:

- a) price advantage in absolute terms;
- b) price differential vis-à-vis senior debt ;
- c) price differential vis-à-vis covered bonds;
- d) price differential vs weighted average cost of funds
- e) price/spread differential vs the underlying asset;
- f) Other, please specify (\_\_\_\_\_)

A.9 If in A.7 you responded “mainly for capital relief/risk transfer purposes” and therefore pricing is less relevant, then please indicate, in the order of priority, your main decision criteria that would motivate you to issue a securitisation:

- a. risk reduction
- b. regulatory capital relief
- c. leverage ratio reduction

A.10 Although all lenders will be monitoring the proportion of securitised assets as a percentage of their portfolios, will PCS issuance over time cause excessive cherry-picking of your portfolio, leading to regulatory or investor relations concerns about the quality of your unsecuritised portfolio? (Y/N) If Y, how would you mitigate this issue (\_\_\_\_\_)?

## **B. Impact of PCS Initiative on Issuance Decisions**

Please answer the following questions as specifically as you can:

B.1 If investors asked for it, would you be willing to apply for the label for legacy securitisations and comply with all eligibility criteria? (Y/N)

B.2 For assets and/or structures that would not be eligible for the label, would PCS:

- a) make no difference since I would simply fund those assets with other non-securitisation liabilities
- b) stop my bank from originating those assets

- c) make no difference since I would simply fund those assets with non-PCS securitisation liabilities

B.3 PCS will require some eligibility criteria on asset and structure eligibility (e.g. mortgages with certain maximum LTVs, and/or maximum obligor concentrations). Do you think that any benefits of PCS will more than offset this reduced flexibility from your standpoint (Yes/No). If No, what specific limits on asset or structure eligibility criteria would you be willing to accept, which would turn your response to a Yes (please specify \_\_\_\_\_)?

B.4 For which asset classes would you be ready to accept common standards for eligibility criteria or restrictions on eligibility criteria?

- a) residential mortgages (Yes/No)
- b) auto loans or consumer loans (Yes/No)
- c) SME loans (Yes/No)
- d) other corporate loans (Yes/No)

If No, please state the reasons for concerns on individual asset class basis.

B.5 For residential mortgages, would you be ready to commit to a maximum eligible individual LTV of:

	UK	Netherlands (1)	France	Spain	Italy	Other?
Above 100%	(Yes/No)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?
Max 100%	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?
Max 80%	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?
Other	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?	(Y/N)?
Country-specific restrictions (2)						

(1) Loan to foreclosure value.

(2) For example, whether guarantees are included in the calculation of loan to value.

B.6 If PCS investors request restrictions on certain asset categories as described below, would you be willing to issue under these restrictions?

- a) no LTV > 80% (Y/N)
- b) no fast track originations (Y/N)

- c) max 10% of total loans with original LTV > 80% or with fast track origination (Y/N)
- d) max 10% of total loans with original LTV > 90% or with fast track origination (Y/N)
- e) other? (please specify \_\_\_\_\_)

### **C. PCS Transparency**

C.1 In addition to the ECB and Bank of England Loan by Loan projects<sup>4</sup>, for PCS issuance would you be willing to make publicly available your base-case modelling assumptions at the time of issuance such as projected constant prepayment rates, default rates, and recovery rates? (Y/N)  
If No, why and who is best placed to provide such information? (\_\_\_\_\_)

### **D. PCS Governance**

D.1 Would you find the proposed PCS governance structure (Association, Secretariat, Market Committee and Arbitration Board) and the code of conduct acceptable (see Annex 2)?

(Y/N) if N, what concerns/corrections/suggestions would you have? (\_\_\_\_\_)

D.2. In order to address the concerns of some respondents to maintain high standards over the life of the deal, some provisions need to manage the negative (and procyclical) event of withdrawal of the label. (For the avoidance of doubt, a deterioration in asset quality, or a downgrade by the rating agencies would not result in withdrawal of the label.) The PCS governance foresees that i) for simple cases an adequate grace period should be granted by the PCS Secretariat to the originator to address temporary incidents, for ii) for complex cases an arbitration board could act like a mediator, deciding conflicts emerging by the withdrawal or refusal to grant the PCS label. Would you agree with this approach? (Yes/No), if No what would you suggest? (\_\_\_\_\_)

D.4 What do you think would be a reasonable maximum time for granting the label, after all relevant documentation and information has been delivered to the PCS Secretariat?

- a) two weeks
- b) four weeks
- c) six weeks
- d) other (please specify \_\_\_\_\_)

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<sup>4</sup> The central banks are working towards the improvement of transparency standards in order to gain a better insight of the underlying assets of the ABS that it receives as collateral.

## **E. Billing Structure**

E.1 The proposed model indicates that the financing for the independent PCS Secretariat would mainly be provided by a fee for each transaction paid by originators. Would you agree with this approach (Y/N)? If No, please specify (\_\_\_\_\_).

E.2. What would you see as a maximum acceptable contribution for financing the PCS Secretariat costs?

- a) Up to €25.000
- b) Up to €50.000
- c) A fixed percentage (*bppa*) of the issuance volume, subject to a floor and cap
- d) Other? (please specify\_\_\_\_\_)

## **F. Liquidity Questions**

F.1 Secondary market liquidity is raised as a key concern for investors. In the absence of PCS, do you believe that the existing industry-supported initiatives by the ECB and Bank of England to improve the quality and transparency of securitisation data will be sufficient to restore secondary market liquidity? (Y/N)

F.2 Do you believe that, in addition to the initiatives describes in F.1, PCS initiative is necessary to restore secondary market liquidity? (Y/N)

F.3 Do you believe that in addition to the initiatives described in F.1 above, the PCS initiative and the label could be an important factor in improving market liquidity in the securitisation market? (Y/N)

F.4 Do you believe that additional policy initiatives such as those listed below relating to all securitisations, including PCS, would be an important factor in improving securitisation market liquidity? (1- irrelevant, 5 very important)

- (a) Inclusion in the banking liquidity regulation (e.g. liquidity coverage ratios)? (1,2,3,4,5)
- (b) Changes to CRD trading book capital treatment to incentivise traders to provide secondary market liquidity? (1,2,3,4,5)
- (c) Changes to treatment of investments by insurance companies for Solvency II purposes? (1,2,3,4,5)
- (d) Lower repo haircuts in the ECB and Bank of England operational frameworks? (1,2,3,4,5)
- (e) Other (please specify\_\_\_\_\_)

F.5 Would you agree to take any of the following measures in order to promote the secondary market liquidity of PCS?

- a) Request dealers to channel secondary flows on one single multilateral trading platform? (Y/N) Which platform would you consider most appropriate? please specify
- b) Be committed to participate in a working group mandated to promote a repo market for PCS? (Yes/No).
- c) Be committed to participate in a working group mandated to develop a framework for conditional market-making arrangements? (Yes/No).
- d) define a minimum and maximum level of the amount that the originator may issue/auction directly to dealers/investors which are dealing on the selected trading platform(s) (Yes/No).
- e) subject to feasibility and regulatory review, offer to buy back up to a certain percentage of the issued amount for a pre-defined period starting from the issuance date (and in any case, this would be in addition to the required 5% retention rate). (Yes/No). If No please specify why. (\_\_\_\_\_)
- f) Other (please specify \_\_\_\_\_)

F.6 How important for market liquidity would you consider a securities lending programme by public/supranational institutions? 1) very important, 2) useful 3) not relevant

F.7 Do you think that PCS eligibility criteria should be: a) tighter than b) same as or c) not related to the ECB and Bank of England eligibility criteria? (a, b or c)

## **G. Valuation**

G.1 In addition to any changes to post-trade reporting requirements resulting from the MiFID review by the EU Commission this autumn, what could be considered as the best way to ensure reasonable valuation prices are available to investors:

- a. conditional market-making agreements
  - b. publication of ranges of prices/valuations according to acknowledged mark-to-model methodology
  - c. others (specify)
- (please specify a, b, and/or c)

## **H. Possible implementation of the PCS Initiative**

*If PCS is implemented, the following step-by-step approach could be a course of action for its implementation:*



- 1<sup>st</sup> step: establishment of the PCS governance structure. The relevant PCS bodies will work to finalise the market convention in full accordance with the ECB ABS transparency standards and in line with the Eurosystem project on the ABS data portal (data handling infrastructure). Accordingly it is likely that the PCS label will, at the beginning, be granted based on agreed transparency standards, and as much as possible on common or comparable definitions;
- 2<sup>nd</sup> step: the newly-established PCS market committee (PCSMC), in close cooperation with the ECB and the EIB Group (especially for SME/corporate asset class), will define, within six months after inception, the other eligibility criteria which are a precondition to develop, at least for some PCS segments, highly liquid markets.

H.1 Would you support this course of action? (Y/N) if N why? (\_\_\_\_\_)

H.2 If Y, would you prefer that the ECB Data Warehouse provider be combined with the same entity as the PCS Secretariat, or be a separate entity irrespective of whether the eligibility criteria for PCS are different than for the ECB? (combined/separate)

### **I. General Questions**

I.1 Do you think that the PCS initiative is a good idea and on the whole will be good for the market or to speed-up its recovery (Y/N) If No, please elaborate? (\_\_\_\_\_)

I.2 Are you concerned about unintended consequences of a PCS label? (Y/N) If Y, please elaborate (\_\_\_\_\_)

I.3 Do you think that the PCS initiative will positively or negatively impact the recovery in securitisation markets going forward? (Positively/Negatively) If Negatively, please elaborate (\_\_\_\_\_)

I.4 Would the implementation of the PCS initiative cause you to issue more, less, or neutral (if PCS would replace maturing non-PCS)? (More/ Neutral/Less) if Less, please specify why (\_\_\_\_\_)

I.5 Do you think that the PCS initiative should remain a market-led initiative (industry in the lead without ruling out any form of involvement of public institution/supranational) in order for it to become an accepted market standard? (Y/N) if N please explain why (\_\_\_\_\_)

I.6 Under which conditions would you consider selective investments in PCS notes by public institutions (except central banks) beneficial to the initiative? Please elaborate (\_\_\_\_\_)

I.7 Would the availability by a public institution (except central banks) to selectively buy PCS notes (within pre-defined limits and subject to appropriate institutional due diligence) help to reinforce the confidence in the market?

- a) to a great extent,
- b) to a limited extent and mainly temporarily,
- c) other please specify

(a, b, c)

I.8 If public institutions/supranationals (except central banks) purchased certain PCS investments, would this affect your lending business in a positive or negative way (positive/negative) Why? (\_\_\_\_\_)

I.9 Are there areas where existing or future regulation would be harmful for the implementation of PCS? (Y/N) If Y please specify (\_\_\_\_\_)

I.10 Are there any obstacles to the recovery of the securitisation market (e.g. other regulatory restrictions, reduced investor market) that cannot be addressed by the PCS initiative (Y/N)? if Y please specify which ones and explain what is likely to happen if these obstacles cannot be removed? (\_\_\_\_\_)

I.11 If a decision to implement PCS is made, would your institution be fully engaged in the finalisation of the PCS market convention, defining the PCS eligibility criteria? (Y/N)

I.12 Are there any other comments that you would like to make about PCS? Please specify (\_\_\_\_\_)

**We would welcome completed surveys to be submitted to [secretariat@efr.be](mailto:secretariat@efr.be) and [ABSinitiatives@afme.eu](mailto:ABSinitiatives@afme.eu) by 22 October 2010 at the latest. A survey in electronic form can be completed at [www.afme.eu/pcsissuersurvey](http://www.afme.eu/pcsissuersurvey)**

**Please note that the ECB intends to organise a workshop in Frankfurt with issuers and investors on the PCS initiative after the survey is conducted.**

# Annex I

## Summary of PCS Term Sheet (see attachment)

### Annex 2

#### PCS Governance

This draft proposal for the PCS Governance that has been prepared by a joint PCS Task Force. This Task Force has been promoted by the Secretariats of the European Banking Federation and of the European Financial Services Round Table, and included representatives from the Secretariats of EFAMA, CEA, AFME/ESF and experts from True Sale International (TSI).

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The PCS governance can also play an important role in the context of the ECB Loan by Loan data portal ("the Data Portal"). The third party, that would be contractually engaged to perform the validation controls of the data received by the Data Portal, could also be contracted by the PCS secretariat based on a franchising contract which could outsource certain technical and administrative tasks to the dataware house or other specialized entities.

#### THE PCS GOVERNANCE STRUCTURE

##### ***The PCS association***

[The following associations....] are the main promoters of the PCS initiative. In order to implement this initiative, [a new association has been set-up under Belgian law] or [the founding/sponsoring associations have amended their respective statutes] in order to take on PCS-related responsibilities and functions and to adopt the PCS Market Convention.

[This non-profit PCS association] shall be the owner of the PCS trade mark, market convention and the whole process.

The PCS association should represent the interests of the PCS stakeholders at European level. Founding members could be the sponsoring associations and banks, as well as other entities such as True Sale International (TSI). Also originators or arrangers using the PCS label could become members of the PCS association.

The PCS association is established in accordance with the relevant national law. It is composed of the General Assembly, a Board, the PCS Market committee, PCS secretariat, the PCS arbitration Board.

The Board, nominated by the General Assembly, has overall responsibility for overseeing the work of the other groups. It consists of [X] senior public officers as well as senior associations' managers (one member designated by each sponsoring associations). The Chair is the Secretary General of the PCS association who is also the chair of the PCS Market Committee (see below).

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The PCS Secretariat has an Executive Director, nominated by the Board, who will be responsible for all administrative functions and who should serve on all the groups.

[The following associations....] have adopted this Code of Conduct in order to ensure the transparency and efficiency of the work of the PCS Market Committee, the PCS Secretariat, and the PCS arbitration Board.

#### ***The PCS Market Committee***

The PCSMC should be in charge of i) monitoring market developments, ii) establishing and reviewing the market standards on which the label is based in order to adopt a step-by step approach and regularly adapt standards to market conditions, and iii) reviewing the criteria for the acceptability of eligible participants. The PCMC may amend the provisions of the convention in accordance with the terms of the code of conduct of the PCS. The PCMC should also provide guidance on an appropriate and consistent interpretation of the convention.

#### ***The PCS Secretariat (PCSS)***

The PCSS should be set-up for the day-to-day management of the label, the process of which should be streamlined so as issuers can quickly access markets. The main functions of the PCSS are i) to grant, withhold or withdraw the label on the basis of the criteria and requirements in the market convention; ii) to make available an electronic format of the offering circulars of labelled securities and related information on a publicly-accessible website; iii) to provide certain data to the eligible data providers to produce statistics; iv) to act as the Secretariat to the PCSMC; v) to manage the investor compliant hotline; vi) to manage the case of negative audit outcome; viii) to administer the PCS market website, making available offering circulars, list of PCS market participants, etc. ; and ix) to elaborate a Rule book for procedures at the European level. x) act as secretariat of the General Assembly. The administrative tasks of the PCS Secretariat may be outsourced to a PCS company(-ies).

#### ***The PCS Arbitration Board***

The arbitration board should act like a mediator, deciding conflicts emerging by the withdrawal or refusal to grant the PCS label, which is acknowledged to be a sensitive step with financial consequences.

# CODE OF CONDUCT for PCS INITIATIVE

## **ARTICLE I** **PCS Market Committee**

### **1.1 Composition**

The PCS Market Committee (PCS MC) shall consist of [10] voting members.

[The Secretary General of the new PCS association or of other founding/sponsoring associations on a rotation basis] shall be a member ex officio and will chair the PCS Market Committee.

10 voting member shall be appointed by the General Assembly of PCS association.

A representative of the ECB/Eurosystem and one of EIB Group shall be invited to participate in the PCS Market Committee as a non-voting members.

Bilateral relationships may be established to involve ESCB national central banks.

### **1.2 Selection criteria for PCS Market Committee members**

The voting members of the PCS Market Committee shall be persons of recognised standing and professional experience in the functioning of the European securitisation markets.

All voting members of the PCS Market Committee shall declare their adherence to the principles set out in the Code of Conduct.

### **1.3 The representative character of the PCS Market Committee**

The PCS Market Committee shall include at least two voting members who represent each of the following constituencies: arranger, originator, trader. The PCS Market Committee shall include at least four voting members who represent each of the following investor constituencies: pension fund, insurance, investment fund and bank.

The Chairman of the PCS Market Committee shall also ensure that the Committee is adequately representative in terms of the diversity of the members' roles in the market.

### **1.4 Independence**

All the voting members of the PCS Market Committee shall be independent and shall not seek or take instructions from public bodies, companies or from any other body.

### **1.5 Appointment and revocation rules**

The voting members of the PCS Market Committee shall be directly appointed or removed independently by the General Assembly of [PCS association], under the rules laid down in their respective articles of association. If a member of the PCS Market Committee leaves office before the expiry of a two-year term, a new member shall be nominated for a full two-year term.

In the event a member does not attend two consecutive meetings his/her mandate may be revoked by the chairman [to be reviewed].

### **1.6 Mandate**

The role of PCSMC chairperson will be allocated to the Secretary General of the new PCS association or other sponsoring associations on a rotation basis, for a renewable mandate of two years. Coherence between the chairman and the PCS Secretariat support should be promoted. The other voting members of the PCS Market Committee shall have a mandate of two years. This mandate is renewable.

### **1.7 Voting rules**

Each voting member of the PCS Market Committee shall have one vote. Decisions of the Committee shall be taken by a simple majority of the votes of the members present at meetings. If there is a tied vote, the Chairman shall have the casting vote. Changes to the Code of Conduct shall be approved by at least seven votes of the members present at meetings.

### **1.8 Observers**

When appropriate, the Chairman of the PCS Market Committee may invite observers to attend the meetings of the Committee and contribute to its working.

## **ARTICLE 2**

### ***Functions of the PCS Market Committee***

The PCS Market Committee shall monitor market developments.

The PCS Market Committee shall establish and review the standards on which the PCS label is based. The PCS Market Committee may amend the provisions of the PCS Market Convention in accordance with the procedure set out in Article 5 below.

The PCS Market Committee shall provide guidance on the appropriate and consistent interpretation of the PCS Market Convention's provisions.

The PCS Market Committee shall, an agreed short time period after its establishment, the endorse an action plan, with a precise timetable, to achieve the objective of improving market liquidity.

The PCS Market Committee shall define guidelines detailing what information has to be published on the website.

The PCSMC may establish working groups. It would assist the board of the [PCS association], the PCS Secretariat (art.4) and the Arbitration Board (art.6) though the ultimate decision body would be [the general meeting of the PCS association].

## **ARTICLE 3**

### ***Procedural rules***

The PCS Market Committee shall meet at least twice a year, four times during the first two years.

The PCS Market Committee may adopt its own internal procedural rules.

## **ARTICLE 4**

### ***Functions of the PCS Secretariat***

Under the joint responsibility of [the PCS association or of other sponsoring associations], the PCS Secretariat shall be responsible for granting, withholding or withdrawing the PCS

label in accordance with the criteria and requirements laid down in the PCS Market Convention.

The PCS Secretariat shall make available the electronic format of the PCS-labelled securities offering circulars and related information on the PCS website, administer the PCS Market website, provide certain data to the eligible data providers to produce PCS statistics, provide secretarial and administrative assistance to the PCS Market Committee, manage the investor compliant hotline, manage the case of negative audit outcome, and elaborate a Rule book for procedures at the European level.

The PCS Secretariat shall be under the [direct supervision of the Secretary General of the PCS Association or of other sponsoring associations]

The PCS Secretariat is composed of persons meeting high standards of integrity and these persons are not subject to instructions from the issuers/originators.

The PCS association, acting as franchisor, may decide to outsource the administration of PCS Secretariat functions, to external entity(-ies), acting as franchisee(s). A representative from the external entity may be invited as observer in the PCS Market Committee.

## **ARTICLE 5**

### ***Amendments to the PCS Market Convention***

[The PCS association or other sponsoring associations], may amend the Convention jointly following the subsequent procedure.

The chair or any member of the PCS Market Committee may propose to the PCS Market Committee an amendment to the PCS Market Convention.

Proposed amendments shall be approved by at least half the voting members of the PCS Market Committee, except for changes in the Code of Conduct, which shall be approved by at least seven votes. Once these amendments are approved by the PCS Market Committee, [the PCS association or each sponsoring association] will adopt the proposed amendments according to its own procedures.

By derogation to the above procedure, when the proposed amendments to the PCS Market Convention concern the criteria and requirements for the PCS label and the procedures for obtaining the PCS label, the [Secretary General of the PCS association and the President/Managing Director of each sponsoring association shall validate the amendments on behalf of the decision-making bodies of the associations].

## **ARTICLE 6**

### ***The PCS Arbitration Board***

#### **6.1 Functions**

The arbitration board shall act like an jury, deciding conflicts emerging by the withdrawal or refusal to grant the PCS label.

The underwriting standards for the PCS label should include the acceptance by the relevant parties to accept a ruling by the arbitration board.

## **6.2 Composition**

The arbitration board shall consist of [5] members. Members could be retired respected persons like former board members of national banks, the ECB, investor institutions.

## **6.3 Voting rules**

Each voting member shall have one vote. Decisions of the Arbitration Board shall be taken by a simple majority of the votes of all the members.

## **6.4 Compensation**

A in advanced defined compensation should be paid for every arbitration case which should be covered by the involved parties, namely the PCS Association and the Originator/Special Purpose Vehicle.