

**INTERIM PRUDENTIAL SOURCEBOOK FOR BUILDING SOCIETIES
(AMENDMENT NO 8) INSTRUMENT 2004**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the power in section 157(1) (Guidance) of the Financial Services and Markets Act 2000.

Commencement

- B. This instrument comes into force on 1 November 2004.

Amendments to the Interim Prudential sourcebook for Building Societies

- C. The Interim Prudential sourcebook for Building Societies is amended in accordance with the Annex to this instrument.

Citation

- D. This instrument may be cited as the Interim Prudential Sourcebook for Building Societies (Amendment No 8) Instrument 2004.

By order of the Board
16 September 2004

Annex

Amendments to the Interim Prudential sourcebook for Building Societies

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

Amend IPRU(BSOC), Volume 1, Chapter 10, Chapter SE (Securitisation and Asset Transfers) as follows

1.3 ~~[deleted]~~Notification Policy

6 ~~[deleted]~~A bank should give prior notification to the FSA when it proposes to act in any of the primary roles, either solely or jointly with one or more other third parties. This should take place in reasonable time to allow the FSA to consider the proposal and raise any concerns that it might have.

- a) ~~The responsibility for achieving supervisory non-objection to a proposal rests with the bank itself.~~

...

6.3 Additional policy relating to asset packages

...

6 ...

(g) ~~[deleted]~~—The name of a company used as a vehicle for a scheme should not include the name of the performer of the primary role nor imply any connection with it.

- a) ~~Where the bank acts in a primary role, this also applies to members of the consolidated group.~~

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9.6.2 Treatment for first loss

13 The originating bank may make a choice of either deducting the amount of the credit enhancement from capital or including the assets within their risk weighted asset ratio under normal rules as if there had been no securitisation. The choice should be made at the outset, and maintained for the duration of the credit enhancement facility and be advised to the FSA. Where the credit enhancement is permanently reduced through the remittance of funds to the originator, and without recourse to the originator thereafter, the amount deducted from capital can be reduced accordingly.

9.6.3 Treatment for second loss

- 14 An originator providing a second loss facility (in an acceptable form) should deduct the amount of the facility from capital. Where the credit enhancement is permanently reduced through the remittance of funds to the originator, and without recourse to the originator thereafter, the amount deducted from capital can be reduced accordingly.

...

9.7.2 Treatment for first loss

- 16 First loss credit enhancement facilities provided by a sponsor or repackager should be deducted from capital. Where the credit enhancement is permanently reduced through the remittance of funds to the sponsor or repackager, and without recourse to the sponsor or repackager thereafter, the amount deducted from capital can be reduced accordingly.