

ASSET COVERED SECURITIES ACT 2001
REGULATORY NOTICE (Sections 41(1) and 41A(7)) 2011

This regulatory notice is issued by the Central Bank of Ireland pursuant to sections 41(1) and 41A(7) of the Asset Covered Securities Act 2001 (No. 47 of 2001)(the “Act”).

Scope of this regulatory notice

- (1) The Central Bank of Ireland hereby specifies the following requirements in relation to the valuation basis and methodology, time of valuation and, where applicable, any other matter, for determining for the purposes of Chapter 1 of Part 4 of the Act the prudent market value of:
- (a) a property asset which is residential property situated in the State and which secures a mortgage credit asset (other than a securitised mortgage credit asset) held by a designated mortgage credit institution (an “**Irish Residential Property Asset**”);
 - (b) a mortgage credit asset (other than a securitised mortgage credit asset) which is secured on an Irish Residential Property Asset (an “**Irish Residential Loan**”); and
 - (c) a securitised mortgage credit asset the related property assets of which indirectly comprise (in whole or in part) residential property (whether or not located in the State) (a “**Relevant Securitised Mortgage Credit Asset**”),

and also specifies requirements and criteria with respect to matters referred to in section 41A(2)(i) to (iii) of the Act in respect of Relevant Securitised Mortgage Credit Assets.

Valuation Basis of Irish Residential Property Assets

- (2) **Origination Market Value:** An Irish Residential Property Asset shall for the purposes of this regulatory notice have a market value at the time of origination of the Irish Residential Loan secured on that Irish Residential Property Asset (the “**Origination Market Value**” of that Irish Residential Property Asset) equal to:

- (a) the amount determined or accepted by the originator of that Irish Residential Loan (whether or not the designated mortgage credit institution) to have been the market value of that Irish Residential Property Asset at or about that time; or
- (b) if no market value referred to in (a) above is available to the designated mortgage credit institution for any reason, the purchase price of the Irish Residential Property Asset at the time the related Irish Residential Loan was advanced; or
- (c) if that Irish Residential Property Asset was not purchased on or about the date the related original Irish Residential Loan was advanced, the total principal amounts of the Irish Residential Loans advanced on the security of that Irish Residential Property Asset,

in each case rounded to the nearest whole number (0.5 or above being rounded upwards and any number strictly less than 0.5 being rounded downwards). For the purposes of (c) above, the relevant Irish Residential Loan(s) do not require to have been advanced by the designated mortgage credit institution provided that the institution holds the relevant Irish Residential Loan(s).

Valuation Methodology for Irish Residential Property Assets

- (3) **Initial Reference Index:** For the purposes of certain calculations which are to be made by designated mortgage credit institutions in respect of Irish Residential Property Assets under this regulatory notice and if under paragraph (2) of this regulatory notice the Origination Market Value is to be determined by reference to any time prior to January 2005, the "**Initial Reference Index**" is:
 - (a) where the relevant Irish Residential Property Asset is situated in the county of Dublin, the relevant part up to January 2005 of the Dublin house index published between 1996 and 2010 by Irish Life & Permanent plc (trading as permanent tsb) ("**ptsb**") and compiled in association with The Economic and Social Research Institute (the "**ESRI**"), as rebased by the ESRI to 100 as of January 2005; or

- (b) where the relevant Irish Residential Property Asset is situated elsewhere in the State, the relevant part up to January 2005 of the non-Dublin house index published between 1996 and 2010 by ptsb and compiled in association with the ESRI, as rebased by the ESRI to 100 as of January 2005,

and in each case, the relevant index as so rebased being attached in the schedule to this regulatory notice.

- (4) **Subsequent Reference Index:** For the purposes of certain calculations which are to be made by designated mortgage credit institutions in respect of Irish Residential Property Assets under this regulatory notice, the “**Subsequent Reference Index**” is:

- (a) where the relevant Irish Residential Property Asset is situated in the county of Dublin, the Dublin - all residential properties price index; or
- (b) where the relevant Irish Residential Property Asset is situated elsewhere in the State, the national excluding Dublin - all residential properties price index,

in each case, the relevant index being the Residential Property Price Index published by the Central Statistics Office, Ireland.

- (5) **Prudent Market Discount:** The “**Prudent Market Discount**” for the purposes of certain calculations which are to be made by designated mortgage credit institutions in respect of Irish Residential Property Assets under this regulatory notice shall be as published by the designated mortgage credit institution.

- (6) **Reference Index Valuation:** In order to determine the prudent market value of an Irish Residential Property Asset at any time for the purposes of Chapter 1 of Part 4 of the Act, the reference index valuation (the “**Reference Index Valuation**”) of that Irish Residential Property Asset shall first be determined as follows:

$$\text{Final RIV} = \text{Initial RIV} + \text{Subsequent RIV}$$

where:

Final RIV is the Reference Index Valuation of that Irish Residential Property Asset;

Initial RIV =

- (a) where under paragraph (2) of this regulatory notice the Origination Market Value is to be determined by reference to any time on or after January 2005, the Origination Market Value of the relevant Irish Residential Property; or
- (b) where under paragraph (2) of this regulatory notice the Origination Market Value is to be determined by reference to any time prior to January 2005, $((D-E)/E) \times F + F$;

Subsequent RIV = $((A-B)/B) \times C$;

A is the index figure determined under the Subsequent Reference Index which is available for the most recent period covered by the Subsequent Reference Index;

B is:

- (a) where under paragraph (2) of this regulatory notice the Origination Market Value is to be determined by reference to any time on or after January 2005 and;
 - (i) that Origination Market Value is determined under paragraph (2) (a) or (b) of this regulatory notice, the index figure determined under the Subsequent Reference Index which is available for the period during which the Irish Residential Loan that is secured on that Irish Residential Property Asset was originated (whether or not by the designated mortgage credit institution); or
 - (ii) that Origination Market Value is determined under paragraph (2) (c) of this regulatory notice, the index figure determined under the Subsequent Reference Index which is available for the most recent period during which an Irish Residential Loan was

advanced on the security of that Irish Residential Property Asset;
or

- (b) where under paragraph (2) of this regulatory notice the Origination Market Value is to be determined by reference to any time prior to January 2005, the index figure for January 2005 determined under the Subsequent Reference Index, being one hundred (100);

C is:

- (a) where the Origination Market Value of the Irish Residential Property Asset is to be determined by reference to any time prior to January 2005, the Initial RIV; or
- (b) in any other case, the Origination Market Value of the relevant Irish Residential Property Asset;

D is the index figure determined under the Initial Reference Index which is available for January 2005, being one hundred (100);

E is:

- (a) where the Origination Market Value is determined under paragraph (2) (a) or (b) of this regulatory notice, the index figure determined under the Initial Reference Index which is available for the period during which the Irish Residential Loan that is secured on that Irish Residential Property Asset was originated (whether or not by the designated mortgage credit institution); or
- (b) where the Origination Market Value is determined under paragraph (2) (c) of this regulatory notice, the index figure determined under the Initial Reference Index which is available for the most recent period during which an Irish Residential Loan was advanced on the security of that Irish Residential Property Asset; or
- (c) if no such index figure is available for the period provided for in (a) or (b) above, the index figure determined under the Initial Reference Index for

the first period after the date of origination of that Irish Residential Loan or, as applicable, the date of the most recent advance being made, for which the Initial Reference Index has available an index figure; and

F is the Origination Market Value of the relevant Irish Residential Property Asset.

(7) **Position where change in valuation is neutral or negative:** Where the Origination Market Value of an Irish Residential Property Asset is at any time equal to or greater than the Reference Index Valuation at that time, the prudent market value of that Irish Residential Property Asset at that time for the purposes of Chapter 1 of Part 4 of the Act shall be the then Reference Index Valuation of that Irish Residential Property Asset.

(8) **Position where change in valuation is positive:** Where the Origination Market Value of an Irish Residential Property Asset at any time is less than the Reference Index Valuation of that Irish Residential Property Asset at that time, the prudent market value of that Irish Residential Property Asset at that time for the purposes of Chapter 1 of Part 4 of the Act shall be determined as follows:

$$\text{PMV} = ((\text{Final RIV} - \text{OMV}) \times (1 - \text{PMD})) + \text{OMV}$$

Where:

PMV is the prudent market value of that Irish Residential Property Asset;

Final RIV is the Reference Index Valuation of that Irish Residential Property Asset at the relevant time as determined under paragraph (6) of this regulatory notice;

OMV is the Origination Market Value of that Irish Residential Property Asset;

PMD is the Prudent Market Discount.

Prudent Market Value of Irish Residential Loans

(9) **Sections 32(8)(b) of the Act:** For the purposes of section 32(8)(b) of the Act, the prudent market value at any time of an Irish Residential Loan and which is included in the cover assets pool of a designated mortgage credit institution is an

amount denominated in the currency in which that Irish Residential Loan is denominated equal to the lesser of (i) 100 per cent of the principal or nominal amount of that Irish Residential Loan that is outstanding at that time and (ii) 75 per cent (or such other percentage as may apply at the relevant time for the purposes of section 32(13)(a) of the Act) of the prudent market value of the related Irish Residential Property Asset(s) at that time, and in each case rounded to the nearest whole number (0.5 or above being rounded upwards and any number strictly less than 0.5 being rounded downwards).

- (10) **Overcollateralisation:** For the purposes of section 32(16) and (17) of the Act, the prudent market value at any time of an Irish Residential Loan secured on one or more Irish Residential Property Asset(s) and which is included in the cover assets pool of a designated mortgage credit institution, is an amount denominated in the currency in which that Irish Residential Loan is denominated, equal to the lesser of (i) 100 per cent of the principal or nominal amount of that Irish Residential Loan that is outstanding at that time and (ii) 75 per cent (or such other percentage as may apply at the relevant time for the purposes of section 32(13)(a) of the Act) of the prudent market value of the related Irish Residential Property Asset(s) at that time, and in each case rounded to the nearest whole number (0.5 or above being rounded upwards and any number strictly less than 0.5 being rounded downwards).

Prudent Market Value of Relevant Securitised Mortgage Credit Assets

- (11) The prudent market value of a Relevant Securitised Mortgage Credit Asset for the purposes of Chapter 1 of Part 4 of the Act shall be an amount equal to the lesser of the amounts referred to in section 41A(2)(i) to (iii) of the Act as determined in accordance with section 41A(3) of the Act and this regulatory notice.

Amounts referred to in section 41A(2)(i) to (iii)

- (12) When determining the prudent market value of a Relevant Securitised Mortgage Credit Asset, the amount referred to in section 41A(2)(i) shall be the principal or nominal amount outstanding of the Relevant Securitised Mortgage Credit Assets

concerned on the date that such prudent market value is determined, or to be determined, under this regulatory notice.

- (13) When determining the prudent market value of a Relevant Securitised Mortgage Credit Asset, the amounts referred to in section 41A(2)(ii) and (iii) shall be determined by reference to:
- (a) the most recent information available to the designated mortgage credit institution provided by or on behalf of the securitisation entity which is the issuer of the Relevant Securitised Mortgage Credit Asset; and
 - (b) the most recent publicly available information relating to:
 - (i) the Relevant Securitised Mortgage Credit Asset,
 - (ii) the securitisation entity described in (a) above,
 - (iii) the mortgage credits related to the Relevant Securitised Mortgage Credit Asset held by the securitisation entity described in (a) above, and
 - (iv) the property assets which are the subject of the mortgage credits described in (iii) above.

Timing

- (14) **Timing of valuation of Irish Residential Property Assets:** A designated mortgage credit institution shall calculate the prudent market value of each Irish Residential Property Asset:
- (a) where the related Irish Residential Loan is to be comprised in a cover assets pool maintained by that institution, at the time that the institution includes that Irish Residential Loan in the cover assets pool;
 - (b) where the related Irish Residential Loan is comprised in the cover assets pool, at such intervals as are required to ensure that the institution complies with the requirements of the Codified Banking Directive with

respect to collateral for covered bonds in the form of loans secured by residential real estate; and

- (c) whether the related Irish Residential Loan is comprised in the cover assets pool or not, at such intervals as may be specified by the Central Bank of Ireland to that institution from time to time so as to ensure that the institution can demonstrate to the satisfaction of the Central Bank of Ireland compliance by the institution with the requirements of section 31(1) of the Act and, if not so specified, then at intervals not exceeding 12 months.

(15) Timing of valuation of Irish Residential Loans, Relevant Securitised Mortgage Credit Assets and amounts specified in section 41A(2)(i) to (iii):

A designated mortgage credit institution shall calculate:

- (a) the prudent market value of each Irish Residential Loan when the prudent market value of the related Irish Residential Property Asset is calculated in accordance with paragraph (14)(a) and (b) of this regulatory notice and;
- (b) the prudent market value of each Relevant Securitised Mortgage Credit Asset; and
- (c) the amounts specified in section 41A(2)(i) to (iii) in respect of each Relevant Securitised Mortgage Credit Asset,

at such intervals as may be specified by the cover assets monitor from time to time so as to ensure that the institution can demonstrate to the satisfaction of the cover assets monitor compliance by the institution with the requirements of sections 32(8)(b) and (15) of the Act and the Asset Covered Securities Act 2001 (Section 61 (1), 61(2), 61(3)) [Overcollateralisation] Regulation 2004 (S.I. No. 419 of 2004) and, if not so specified by the cover-assets monitor, then at intervals not exceeding 3 months.

Rounding of Numbers

- (16) Unless it is specified otherwise, when making any calculation under or for the purposes of this regulatory notice any resulting figure shall be rounded up to two decimal places, below .005 being rounded downwards and .005 or above being rounded upwards.

Exchange Rates

- (17) When, in order to calculate an amount for the purposes of this regulatory notice, any sum is to be converted from one currency to another currency:
- (a) such conversion shall be based on an applicable rate available on the relevant date to the designated mortgage credit institution in the interbank market for the sum concerned; and
 - (b) in the case of calculating amounts for the purposes of section 41A(2)(ii) and (iii) in respect of a Relevant Securitised Mortgage Credit Asset, regard may be had to any contract to which the securitisation entity which is the issuer of the Relevant Securitised Mortgage Credit Asset is a party the effect or purpose of which contract is to reduce the exposure of that securitisation entity in respect of such Relevant Securitised Mortgage Credit Asset to fluctuations in the value of the currencies concerned.

Codified Banking Directive

- (18) In determining:
- (a) the prudent market value of Irish Residential Loans or related Irish Residential Property Assets,
 - (b) the prudent market value of Relevant Securitised Mortgage Credit Assets,
or
 - (c) the amounts specified in section 41A(2)(i) to (iii) in respect of Relevant Securitised Mortgage Credit Assets,

for the purposes of Chapter 1 of Part 4 of the Act, including without limitation under any requirement specified in this regulatory notice, a designated mortgage credit institution shall act in a manner consistent with requirements under the Codified Banking Directive applicable to collateral for covered bonds in the form of loans secured on residential real estate and that designated mortgage credit institution, and this regulatory notice shall be construed accordingly.

Repeals

- (19) The Asset Covered Securities Act, 2001 Regulatory Notice (Section 41(1) and Section 41A(7)) 2007 of effective date 31 August 2007, is repealed.

References in other enactments

- (20) A reference in any order, regulation or other regulatory notice of the Central Bank of Ireland under the Act to (i) the Asset Covered Securities Act, 2001 Regulatory Notice (Section 41(1)) 2004 – Irish Residential Property Assets/Mortgage Credit Assets, of effective date 2 July 2004, or (ii) the Asset Covered Securities Act 2001 Regulatory Notice ((Sections 41(1) and Section 41A(7)) 2007 of effective date 31 August 2007 shall be construed as a reference to this regulatory notice.

Signed for and on behalf of
THE CENTRAL BANK OF IRELAND
on this the 6 day of December 2011



Mr Matthew Elderfield
Deputy Governor
Central Bank of Ireland

Schedule

Initial Reference Index

Date	Outside Dublin	Dublin
	Index Value	
Mar-96	32.4	24.6
Apr-96	32.3	24.8
May-96	32.8	25.2
Jun-96	32.8	26.1
Jul-96	33.0	26.3
Aug-96	33.2	26.5
Sep-96	33.7	26.3
Oct-96	33.8	26.6
Nov-96	33.7	27.3
Dec-96	33.4	27.4
Jan-97	34.5	27.9
Feb-97	34.9	28.2
Mar-97	35.6	29.4
Apr-97	35.5	30.1
May-97	36.0	30.5
Jun-97	36.3	31.1
Jul-97	36.8	31.3
Aug-97	36.9	32.2
Sep-97	36.7	32.6
Oct-97	36.8	34.4
Nov-97	37.2	34.7
Dec-97	37.9	34.7
Jan-98	38.3	34.9
Feb-98	38.9	35.6
Mar-98	39.3	37.0
Apr-98	40.0	37.7
May-98	41.0	39.3
Jun-98	42.3	40.9
Jul-98	43.7	43.3
Aug-98	44.6	44.9
Sep-98	45.3	45.7
Oct-98	46.1	46.2
Nov-98	46.6	46.5
Dec-98	47.9	47.3
Jan-99	48.2	47.4

Date	Outside Dublin	Dublin
Feb-99	49.0	48.3
Mar-99	49.4	49.3
Apr-99	49.8	50.0
May-99	50.8	50.3
Jun-99	51.2	51.3
Jul-99	52.5	52.7
Aug-99	53.2	53.6
Sep-99	54.2	53.7
Oct-99	55.1	54.0
Nov-99	56.1	54.4
Dec-99	56.7	55.1
Jan-00	57.7	56.1
Feb-00	58.6	56.6
Mar-00	59.9	57.3
Apr-00	60.9	58.2
May-00	61.5	60.4
Jun-00	62.5	62.3
Jul-00	63.7	63.6
Aug-00	65.1	64.2
Sep-00	65.4	64.5
Oct-00	66.0	65.7
Nov-00	67.5	66.3
Dec-00	69.1	67.1
Jan-01	69.9	67.8
Feb-01	70.0	68.6
Mar-01	70.8	70.5
Apr-01	71.5	71.2
May-01	71.8	71.6
Jun-01	72.1	71.3
Jul-01	73.4	71.8
Aug-01	74.2	72.6
Sep-01	74.2	72.4
Oct-01	73.4	71.7
Nov-01	73.1	71.0
Dec-01	72.7	70.0
Jan-02	72.0	69.7
Feb-02	72.5	69.9
Mar-02	74.1	70.5

Date	Outside Dublin	Dublin
Apr-02	76.6	71.9
May-02	76.6	73.2
Jun-02	76.4	74.7
Jul-02	76.7	75.2
Aug-02	77.9	75.2
Sep-02	79.2	76.1
Oct-02	80.1	77.9
Nov-02	81.0	79.5
Dec-02	81.7	81.2
Jan-03	82.0	82.1
Feb-03	82.3	82.8
Mar-03	83.3	82.9
Apr-03	84.3	83.2
May-03	85.8	84.8
Jun-03	86.2	87.0
Jul-03	87.3	87.5
Aug-03	88.0	88.8
Sep-03	88.6	88.3
Oct-03	89.9	89.9
Nov-03	91.1	90.3
Dec-03	92.4	91.5
Jan-04	93.1	91.7
Feb-04	94.0	92.0
Mar-04	94.6	93.5
Apr-04	96.0	94.2
May-04	96.6	95.1
Jun-04	97.8	95.3
Jul-04	98.5	96.4
Aug-04	99.5	98.0
Sep-04	100.7	98.4
Oct-04	100.2	99.4
Nov-04	100.1	99.3
Dec-04	99.7	99.6
Jan-05	100.0	100.0

This regulatory notice was published in Iris Oifigiúil on 9 December 2011 and comes into operation on that date.