Single Rulebook Q&A

Question ID	2020_5454
Status	Final Q&A
Legal act	Regulation (EU) 2017/2402 (SecReg)
Topic	Provisions applicable to all securitisations
Article	2
Paragraph	10
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	-
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Synthetic securitisatios
Question	Can ‘vendor financing’ constitute a synthetic securitisation?
Background on the question	“Vendor financing” can be described as follows: A manufacturer sells its products to his own off takers but would like to see its invoices paid at short notice while his off takers need longer payments terms. The manufacturer and a bank agree that the bank will provide financing to a selected group of these off takers under the condition that the manufacturer provides a 15% first risk guarantee to the bank. The bank provides the loans directly to the off takers and the bank will take the loans in its lending book. The definition of synthetic securitisation of Article 2(10) of Regulation (EU) 2017/2402 (SecReg) states that ‘synthetic securitisation’ means a securitisation where the transfer of risk is achieved by the use of credit derivatives or guarantees, and the exposures being securitised remain exposures of the originator. In the structure as described above, the bank holds a pool of loans and partial transfer of credit risk is achieved via the guarantee provided by the manufacturer. The first 15% of losses on the pool will be reimbursed by the manufacturer to the bank. Losses above the 15% will be borne by the bank. It is unclear whether this kind of structure can be classified as ‘synthetic securitisation under Article 2(10) of the EU Securitisation Regulation.

Final answer	*Note: The answer to this Q&A has been prepared by the three ESAs, and is part of guidance provided by the ESAs in the context of Regulation (EU) 2017/2402 (SecReg)). The answer is included here for infromation only. (Q&As on other legislation is of relevance to more than one ESA can be accessed under https://www.eba.europa.eu/about-us/organisation/joint-committee/q-and-s.)* The transaction described constitutes a securitisation within the meaning of Article 2(1) Regulation (EU) 2017/2402 (SecReg) because the credit risk associated with the pool of exposures held by the institution is tranched, the payments in the transaction are dependent upon the performance of the pool of exposures and because it does not meet the characteristics listed in Article 147(8) of Regulation (EU) No 575/2013 applicable to specialised lending. The transaction also constitutes a synthetic securitisation within the meaning of Article 2(10) SecReg because the tranching is achieved by means of a guarantee under which the manufacturer has to reimburse the first 15% of losses on the pool to the institution and losses above the 15% are borne by the institution.
Link	https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2020_5454

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