
PCS Fact Sheet

Overview

- PCS is a market-led initiative developed to apply a label to securitisation issues which meet specific eligibility criteria with the aim of increasing the funding of real economy assets through securitisation thereby supporting the recovery and future growth of the European economy.
- The PCS label is intended to be a simple way of communicating and identifying securitisations that meet predefined best practice standards with regard to quality, transparency and simplicity/standardisation. The aim of setting these standards is to increase the depth of the securitisation investor base so as to allow for an increase in primary issuance and improve secondary market liquidity.
- PCS is not intended to replace investor due diligence or credit ratings or to act as an alternative form of credit analysis. PCS eligibility is, however, limited to the most senior tranches in a securitisation capital structure.
- An independent, not-for-profit, organisation has been set up to develop, launch, promote and administer the PCS label. The PCS organisation will comprise the PCS Association which will own the label and the PCS Secretariat which will be responsible for day to day operations including label issuance and monitoring.
- PCS will be governed by an independent Board made up of a mix of senior non-industry professionals and senior financial services industry professionals.
- The PCS organisation will be a self-financing entity after an initial period of pre-funded operation.
- PCS will appoint a small panel of specialist firms with extensive experience in documentation review, audit and checking to assist it with verifying whether a securitisation satisfies the PCS eligibility criteria.
- PCS benefits from the support of large group of stakeholders including investors, public authority bodies, industry associations, Issuers and other securitisation industry participants. This diverse stakeholder group has developed PCS taking into account the views of a wide range of constituents from across Europe.

Eligible asset classes and requirements of PCS

- The PCS label will only be awarded to securitisations that are backed by asset classes that have performed well through the financial crisis and also that are of direct relevance to the real economy. These include European auto loans and leases, residential mortgage loans, loans to small and medium enterprises, consumer loans and credit card receivables.

- PCS has intentionally excluded certain asset classes from its eligibility criteria. These excluded asset classes currently include CMBS, CDOs, synthetic securitisations, re-securitisations and residential mortgages which do not meet defined quality criteria.
- The PCS eligibility criteria may be adapted in the future, without ever compromising its quality standards, to allow it to cater for material developments in the European securitisation and financial markets. The PCS Board will govern any decisions to amend the PCS eligibility criteria (advised a by a Board sub-committee known as the Market Committee).
- PCS eligibility criteria will include a requirement on issuers to meet certain ongoing obligations for PCS labelled securities (e.g. reporting standards). PCS will monitor these issuer obligations and will withdraw the PCS label from securities which do not comply with any of the ongoing PCS eligibility criteria.
- PCS eligibility criteria have been developed to include existing market standards where these are considered by PCS to be current best practice (e.g. ECB, Bank of England and HFC reporting standards).
- PCS will not replace credit ratings although the existing PCS eligibility criteria include the requirement for a security to have been rated by at least two credit rating agencies and to be the most senior tranche in a securitisation capital structure.
- All securitisations which meet the PCS eligibility criteria at the time of request for a PCS label are in principle eligible. Therefore, securitisations issued prior to the creation of PCS are capable of obtaining a PCS label if they meet the PCS eligibility criteria.

Labelling process

- The PCS label will be awarded on a deal by deal basis following a review of the relevant transaction documentation to ensure that an issue complies with the PCS eligibility criteria.
- The PCS Secretariat will engage a small panel of respected specialist firms to assist it with verifying that a securitisation meets the PCS eligibility criteria. PCS has selected this outsourced model to ensure that it can respond to labelling requests promptly and so that it has the best possible expertise for documentation review, audit and checking at its disposal.
- Granting of the PCS label will follow a strict, rigorous and standardised review procedure.
- Issuers seeking a label for their securities will pay a fee in order for the PCS Secretariat to undertake the evaluation as to whether a security is PCS eligible. The fee remains payable irrespective of whether the security is found to be PCS eligible or not.

Corporate framework and governance

- The PCS organisation will comprise the PCS Association and PCS Secretariat. The PCS Association will be based in Brussels, where the Board will also sit, and will own the PCS label. The PCS Secretariat will be based in London and be responsible for day to day operations including label issuance and monitoring.
- The PCS Board will be the executive oversight body for PCS and will govern the activities of PCS.
- The PCS Board will be made up of senior independent non-industry professionals as well as senior professionals in the financial services industry, with experience of securitisation and other financial instruments.
- The PCS Board will appoint certain Board sub-committees which will specialise in advising the Board on certain topics (e.g. the Market Committee will advise on matters relating to the PCS eligibility criteria and the securitisation market in general, Audit Committee, External Affairs Committee). The Board sub-committees will be chaired by a PCS Board member and will include individuals from outside the PCS Board with specialist knowledge of the focus area of the sub-committee (e.g. in the case of the Market Committee, industry specialists including traders, investors, issuers, lawyers etc).

PCS Funding Members

1. Allen & Overy
2. Barclays
3. Bank of America Merrill Lynch
4. BBVA
5. Bishopsfield Capital Partners
6. Bloomberg
7. BNP Paribas
8. BNY Mellon
9. Clifford Chance
10. Credit Suisse
11. Deutsche Bank
12. DNB Bank ASA
13. European Banking Federation
14. HSBC
15. ING
16. Intesa San Paolo
17. J P Morgan
18. Lewtan Technologies
19. Linklaters
20. Lloyds Banking Group
21. Nationwide
22. NIBC Bank
23. Obvion
24. Rabobank
25. Royal Bank of Scotland
26. Santander
27. Securitisation Services
28. Societe Generale
29. Twenty Four Asset Management
30. UBS
31. UniCredit
32. Weil, Gotshal & Manges

Additional supporters of PCS

A number of other institutions and associations have contributed their time and expertise to assist in the development of PCS. These include:

1. AFME
2. Allianz SE
3. AXA Investment Management
4. EFAMA
5. EFR
6. EFRP
7. Holland Financial Centre
8. Insurance Europe
9. RBS Asset Management
10. Swiss Re
11. True Sale International