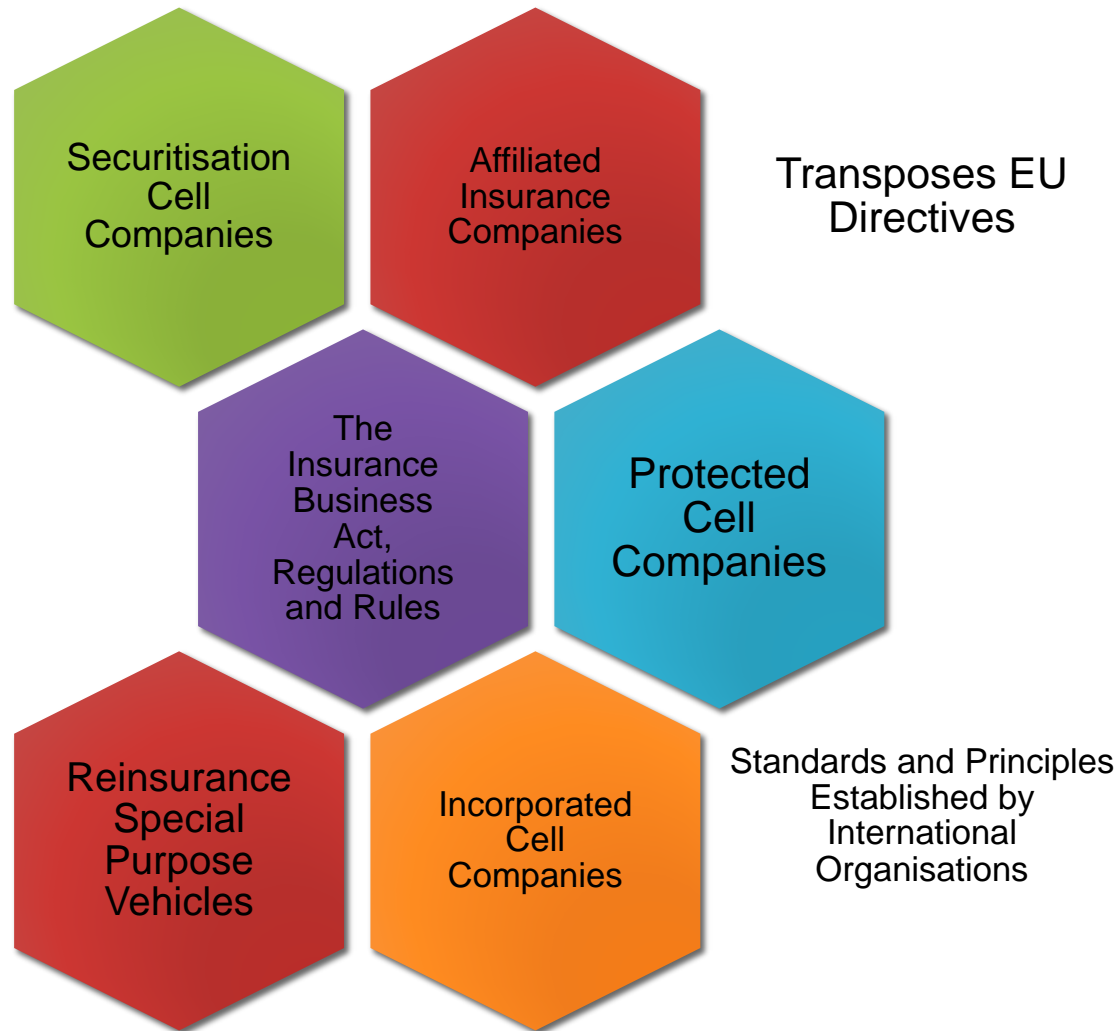


**REINSURANCE SPECIAL PURPOSE VEHICLES  
AND  
SECURITISATION CELL COMPANIES**

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# The Insurance Regulatory Framework



# THE PROTECTED CELL COMPANY

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# The Protected Cell Company

- Companies Act (Cell Companies Carrying on Business of Insurance) Regulations (SL 386.10)
- A Protected Cell Company may carry on:
  - Insurance and Reinsurance including captive business;
  - Insurance broking;
  - Insurance management

# The Protected Cell Company

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## Key Features

Segregation of Cellular Assets and Liabilities from Core and other Cells

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Own Funds requirements apply to the PCC as a whole not the Cell

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Secondary recourse to Core capital in case of insolvency of a Cell

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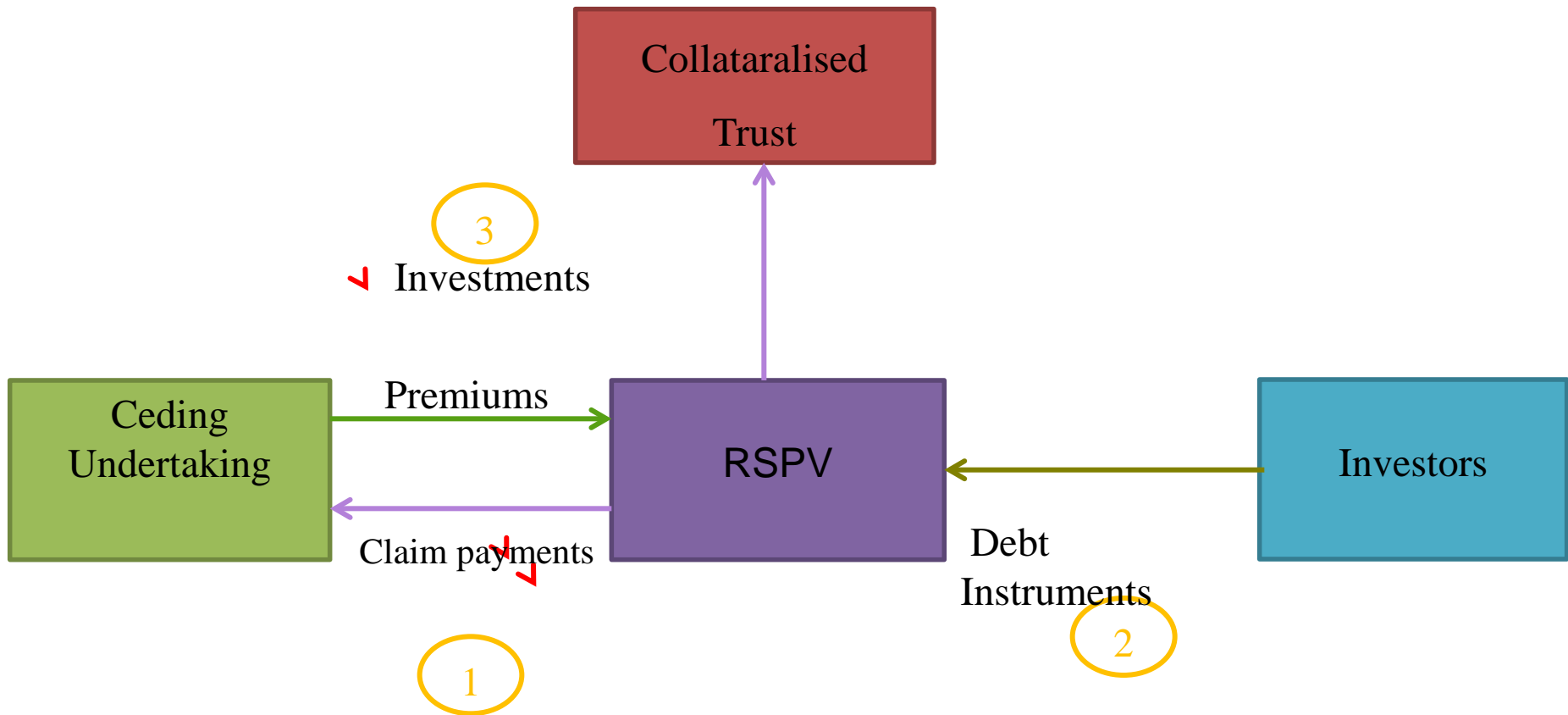
Speedier set ups for Cells

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# **THE REINSURANCE SPECIAL PURPOSE VEHICLE**

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# RSPVs – THE MECHANICS



# **RSPVS – THE PARTIES**

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# The Parties

The Ceding  
Undertaking

- A re/insurance undertaking which transfers insurance risk to the RSPV;
- Seeks adequate protection against identifiable insurance risk;
- May be authorised in any Member State or in a third country;
- Assumes risks from a single ceding undertaking or from ceding undertakings belonging to the same group

# The Parties

The RSPV

- Assumes risks from a ceding undertaking through reinsurance contracts, or assumes insurance risks through similar arrangements.
- Must be set up as limited liability company authorised in Malta
- Objects limited to carrying out solely the activities of an RSPV
- Transforms the risks assumed by a ceding undertaking into financial instruments sold to investors on the capital markets;

# The Parties

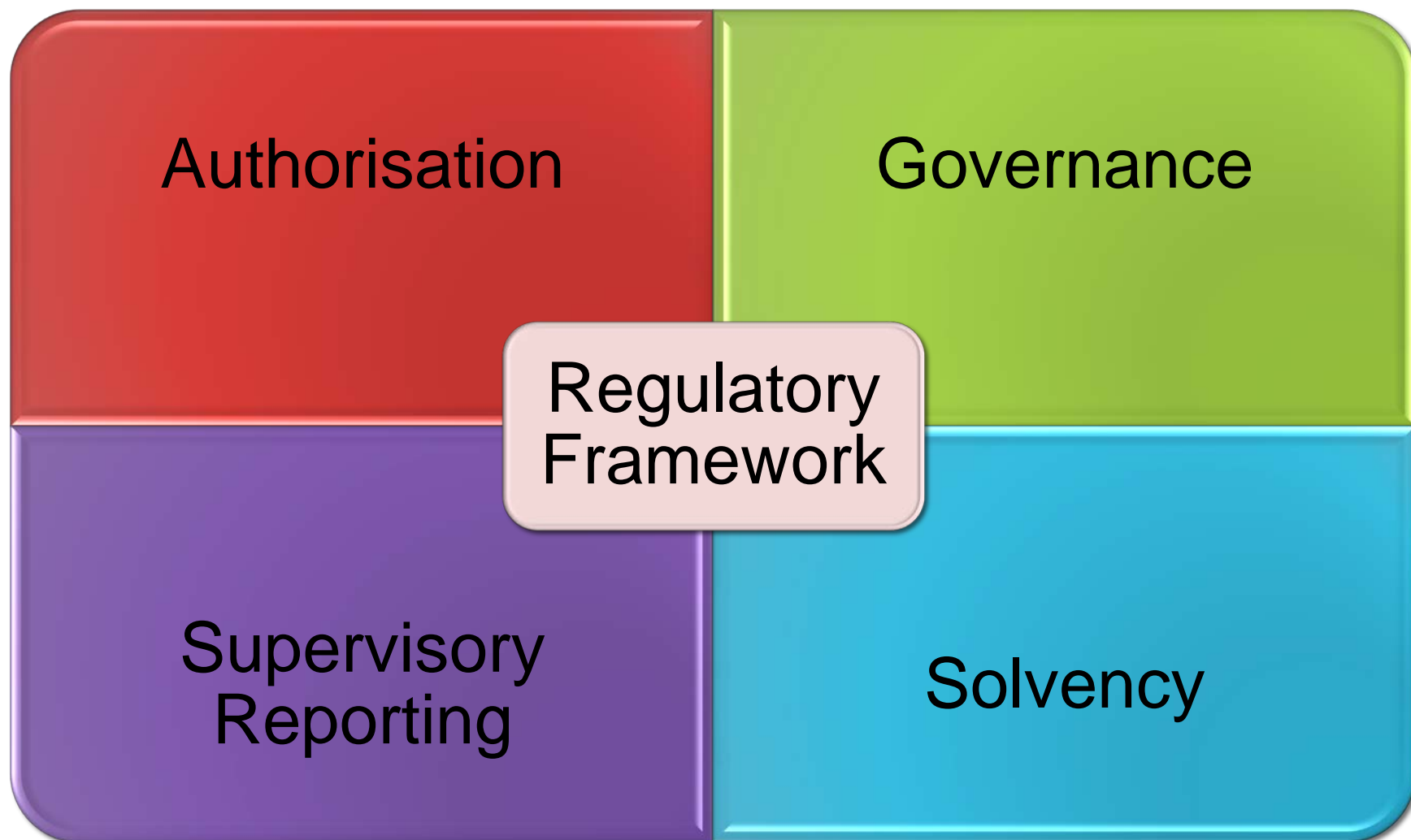
The  
Investors

- Subscribe for debt instruments issued by the RSPV;
- Regulations adopt the definition of professional client under the MiFID Directive to apply to an investor;
- Rights of investors are at all times subordinated to the obligations of RSPV under the reinsurance contract
- Assume risks in a non-correlated asset class.

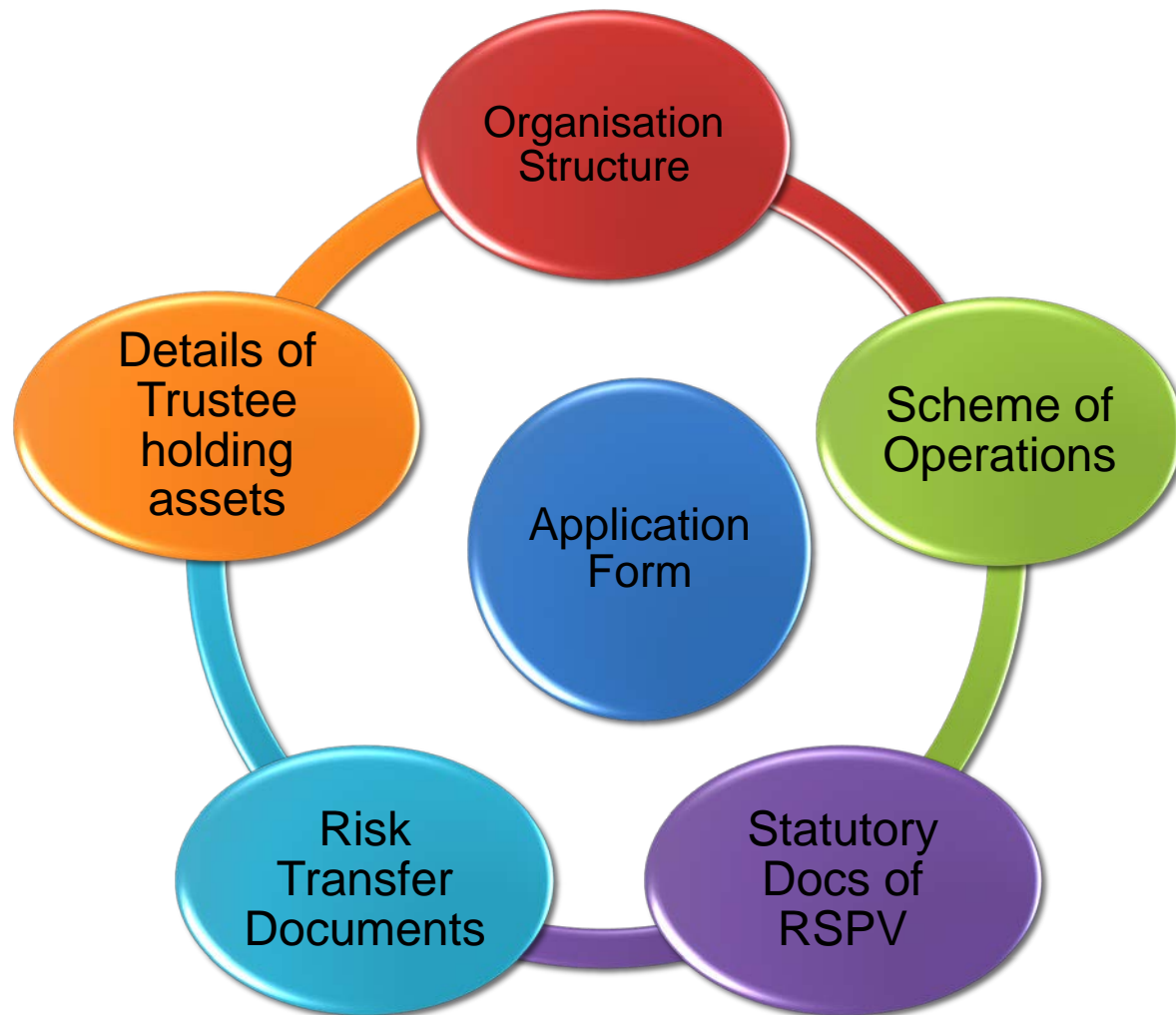
# Reinsurance Special Purpose Vehicles

- Regulatory regime for the authorisation and regulation of RSPVs under the Insurance Business Act (Cap.403). Applies Securitisation Act (Cap 484)
- Transposes the Reinsurance Directive (Directive 2005/68/EC) - Which provides a regulatory framework for (re)insurance undertakings to transfer risks to RSPVs.
- Solvency II

# Reinsurance Special Purpose Vehicles



# The Application Process



# Governance

All key  
functionaries  
shall be fit  
and proper

Can be  
managed by  
an Insurance  
manager

Effective  
system of  
governance  
in place

# Solvency



RSPV must be fully funded at all times

Applies to every risk transfer agreement



# Supervisory Reporting

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Required  
to Report

Value of Assets

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Aggregate maximum  
exposure

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Conflicts of interest

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Any significant  
transactions entered into  
within a reporting period

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# **THE SECURITISATION CELL COMPANY**

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# Securitisation Cell Company

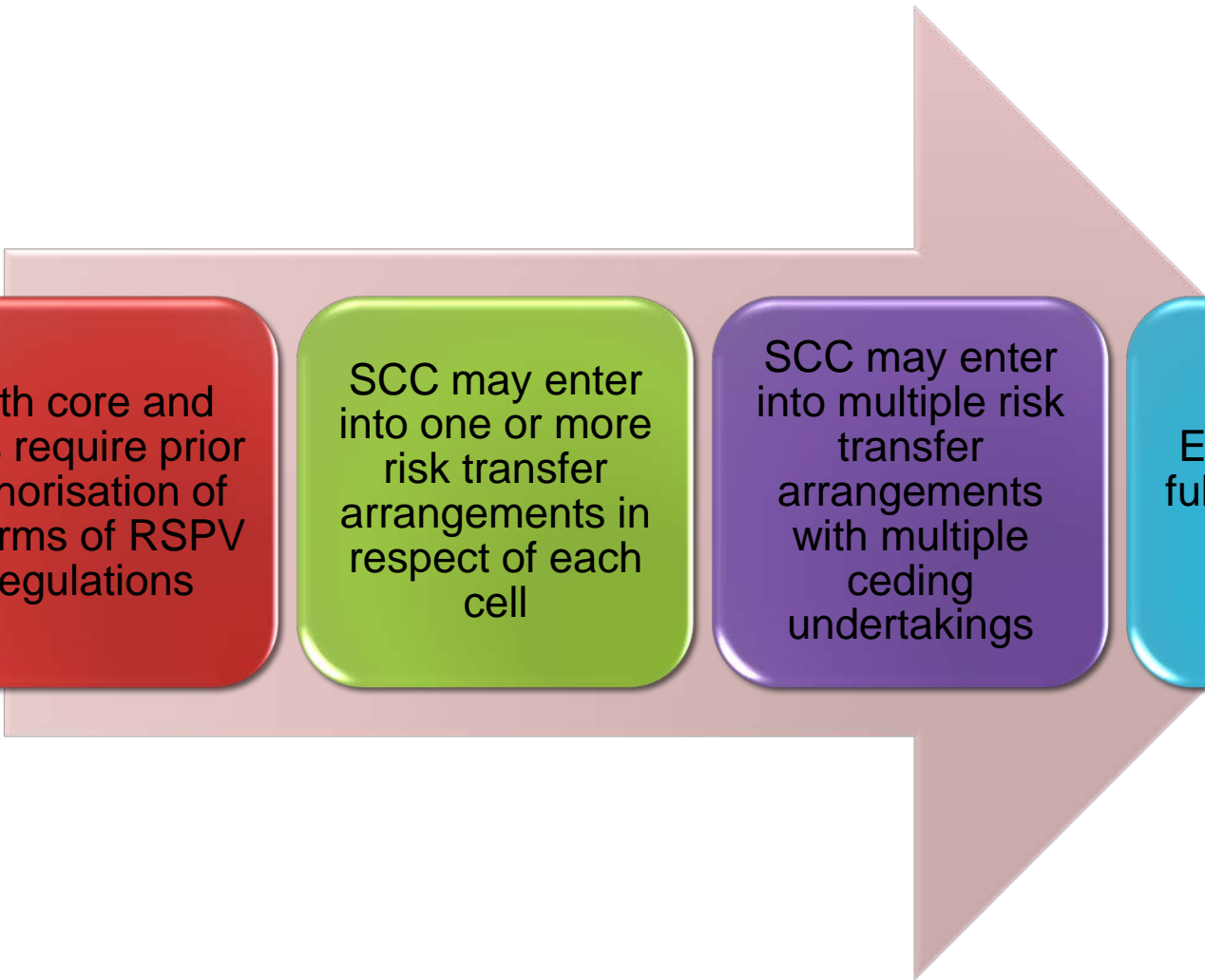
- The PCC concept has been extended to asset-backed securitisation and insurance-linked securities through the Securitisation Cell Companies Regulations, [L.N 411 of 2014]. The SCC Regulations interface with the Securitisation Act (Cap. 484) and the Reinsurance Special Purpose Vehicle Regulations (L.N. 452 of 2013) to provide a legally entrenched framework for the segregation of different sets of assets and risk instruments within a single special purpose vehicle.
- Under these regulations a Securitisation Cell Company can launch **multiple securitisation transactions or insurance-linked securities** without incurring the risk of cross-contamination between the different sets of creditors and investors.
- The SCC structure envisages: one core company (the Securitisation Cell Company) with an unlimited number of Segregated Cells.

# Securitisation Cell Company

An SCC can carry on business

- as a securitisation vehicle in accordance with the Securitisation Act; or
- as a RSPV in accordance with the Reinsurance Special Purpose Vehicles Regulations,

# SCCs carrying on business as RSPVs



Both core and cells require prior authorisation of in terms of RSPV Regulations

SCC may enter into one or more risk transfer arrangements in respect of each cell

SCC may enter into multiple risk transfer arrangements with multiple ceding undertakings

Each cell to be fully funded in its own right

# Recognised Investments Market



Malta Stock  
Exchange (MSE)

European  
Wholesale  
Securities Market  
(EWSM)



## European Wholesale Securities Market

Debt Instruments may be listed on the European Wholesale Securities Market (EWSM)

A new EU 'regulated market' for wholesale debt securities dedicated to the needs of arrangers and issuers of wholesale debt products.

Combines the strengths of the Irish Stock Exchange (ISE) and the Malta Stock Exchange (MSE) into one truly European market.

