



## GLOSSARY

“A real reverence for the past represents its messiness and its complexity, it does not commandeer it or hijack it for political gain”.

**Heather Humphreys TD, Irish Minister of Justice & Social Protection, delivering the annual Michael Collins commemoration at Béal na mBláth on 21st August. She described herself as a Protestant whose grandfather signed the Ulster Covenant and as someone “with an instinctive revulsion for those who attempt to promote bitterness and division”.**

### **Cram down p63**

A Chapter 11 bankruptcy filing must include a reorganization plan that typically classifies the claims against the debtor, describes how each class of creditor will be treated under the plan, and how the plan will be carried out. This is called a “cram down.”, or, often, a “cross class cram down”. They feature among the innovative features of the Irish Examinership of Norwegian Air, where the schemes formulated by the Examiner and ultimately approved by the Court have been described as ‘striking’. The judgments demonstrate the strengths of the Irish Examinership process that also provide companies with

automatic and effective protection against creditor actions, the ability to achieve cross-class cram downs and to terminate legacy contracts, according to David Maughan, adviser to the Examiner, in the Norwegian case.

### **VASPs p6, p24, p25**

The Criminal Justice (Money Laundering and Terrorist Financing) (Amendment) Act 2021 introduced a new obligation from 24 April 2021 for crypto-asset firms known as ‘virtual asset service providers’ (or VASPs) to register with the Central Bank of Ireland.

### **MiCA p24, p31**

The proposed Markets in Crypto-Assets Regulation for the European Union. It will set out a regulatory framework for crypto-assets that allows for innovation while seeking to preserve financial stability and protect investors. When enacted, MiCA will permit a crypto-asset service provider authorised by the Central Bank of Ireland to service the entire EU market without requiring additional local licences in other Member States. Prior to the enactment of MiCA, registered virtual asset service providers (VASPs) are authorised only within their own member states.

### **Cash Sweep p8, p58**

A Cash Sweep, or Debt Sweep, is the mandatory use of excess free cash flows to pay down

outstanding debt rather than distribute it to shareholders. Firms always have the option to pay down debt with excess cash, but they do not always choose to do so. This can lead to firms missing opportunities to reduce their leverage. In the Covid-19-affected debt and credit markets, notably aircraft leasing and airlines, cash sweep clauses have become prominent in the revived aviation ABS market along with expanded covenants, lower starting leverage, and faster amortisation.

### **TRIM (the Targeted Review of Internal Models) p52**

The Targeted Review of Internal Models (TRIM) was one of the most significant projects by the European Central Bank (ECB) aimed at identifying potential sources of unwarranted or non-risk based variability in Significant Institutions (SIs) risk-weighted assets (RWA) from the use of Pillar 1 internal models such as Probability of Default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF). In April 2021, the ECB published its final project report on the TRIM.

### **“Loss mitigation” and “Workout” (in Securitisation) p50**

Loss Mitigation’ is a prescribed set of default ‘Workout’ options that allow lenders to effectively

work with delinquent homeloan borrowers to find solutions to avoid foreclosure. It is what the mortgage-servicing industry calls the process where borrowers and their loan servicer work together to avoid a foreclosure.

It blossomed after the financial crisis of 2007-8. Prior to 2007 Loss Mitigation was a tiny department within most lending institutions, and in most cases nonexistent. The ten-year period up to 2007 spurred rapid increases in house prices fuelled by low interest rates and low underwriting standards. Loss Mitigation was only needed for extreme cases due to the homeowners’ ability to repeatedly refinance and avoid defaulting.

### **DAoFI p37, p40, p41**

The recent establishment of the regime for Depository of Assets other than Financial Instruments or “DAoFI” in Ireland, the specialised depository. The DAoFI is proving to be quite popular for service providers in the alternative space in Ireland and shows a willingness to develop the alternative side of the industry.

*This edition of the GLOSSARY covers terms appearing in the Finance Dublin Yearbook 2021. The page numbers refer to pages in the Yearbook. References can be accessed by using the Search feature in the E-Paper.*