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Sent: Friday, April 26, 2024 3:48 PM
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Subject: SB 011 annotated agenda and related annexes

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Dear Supervisory Body,

I am writing on behalf of Cygnum Capital to provide feedback on Annex 11 'Draft Procedure Article 6.4 mechanism registry'.

Cygnum is an investment banking and asset management firm and provides debt financing in respect of carbon projects through our fund Africa Go Green.

Please see below our high level feedback on the Draft Procedure:

- A critical issue for carbon financing is that financiers must be able to take security over registry accounts / credits maintained in such accounts. Such security rights must be recognised by carbon credit registries and permitted and acknowledged under registry terms and conditions. In particular, the registry should have a mechanism for acknowledging the creation of security interests (i.e. depending on the relevant governing law, this would normally be notified in writing to the registry and the registry's written acknowledgment obtained) and for facilitating the enforcement of security interests. For example, a challenge we have experienced is that some voluntary credit registries do not acknowledge the existence of security interests (and only recognise ownership rights of the named account holder).
- The registry should also provide for the ability of financiers to step-in and control the relevant account following an enforcement of security, to enable the on-going operation of the account by the security holder.
- As a related point, we have also experienced that voluntary registries require representations that the account holder holds all legal and beneficial interests in the credits maintained in its account. This ignores security rights. Any representations or undertakings of the account holder should contemplate third party security interests.
- Security holders should not have any liability in respect of the registry, account holder and credits.
- We acknowledge the necessity of suspension, re-activation and termination of accounts by the registry administrator in order to ensure the integrity of the registry process, but we request that such conditions and specific and clear. We have experienced that some private credit registries provide complete discretion for the registry administrator to take such actions, the effect of this on financiers is uncertainty over any security interest in such accounts.
- Consideration should be given as to how the proposed registry interacts with existing registries.

Kind regards

Holly Quirke, on behalf of Cygnum Capital



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