

STS Term Master Checklist

SANTANDER CONSUMER SPAIN AUTO 2021-1

FONDO DE TITULIZACIÓN



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

30th September 2021



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This is the STS Term Master Checklist for STS Term Verifications.

This STS Term Checklist must be read together with the PCS Procedures Manual and the PCS Term Evidentiary Standards Manual. This document is based upon the materials received by PCS as at the date of this document. Any page references in this document are to the prospectus unless otherwise stated.

PCS comments in this STS Term Master Checklist are based on PCS' interpretation of the STS Regulation (the "Regulation") informed by (a) the text of the Regulation itself, (b) the EBA guidelines and recommendations issued in accordance with Article 19(2) of the Regulation (the "EBA Guidelines") and (c) any relevant national competent authorities interpretation of the STS criteria to the extent known to PCS.

It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page.

30th September 2021



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Prime Collateralised Securities (PCS) STS Verification

Individual(s) undertaking the assessment	Dr Martina Spaeth
Date of Verification	30 September 2021
The transaction to be verified (the “Transaction”)	SANTANDER CONSUMER SPAIN AUTO 2021-1
Issuer	SANTANDER CONSUMER SPAIN AUTO 2021-1, FT
Originator	SANTANDER CONSUMER FINANCE, S.A.
Joint Lead Managers	BANCO SANTANDER S.A., BANK OF AMERICA SECURITIES EUROPE SA and CITIGROUP GLOBAL MARKETS EUROPE AG
Transaction Legal Counsel	Pérez Llorca Abogados Slp y Cia, S.S. («Pérez Llorca»)
Rating Agencies	DBRS, Moody’s
Stock Exchange	AIAF, Madrid
Closing Date	30 September 2021

PCS confirms that all checklist points have been verified as detailed in the associated comment box in the checklist below.

A summary of the checklist points by article is set out in the table of contents on the next page together with a reference to the respective article contents. To examine a specific article from the list below, please click on the article description to be taken directly to the relevant section of the checklist.

Within the checklist, the relevant legislative text is set out in blue introductory boxes with specific criteria for our verification listed underneath. For the full legislative text please refer back to the blue boxes.

The checklist contains links to relevant EBA guidelines set out in the back of this document.

Article	Summary of article contents	Checklist Points	
Article 20 – Simplicity			
20(1)	True sale	1, 2	✓
20(2)	Severe clawback (part a)	2a	✓
20(3)	Severe clawback (part b)	2b	✓
20(4)	True sale with intermediate steps	3	✓
20(5)	Assignment perfection	4	✓
20(6)	Encumbrances to enforceability of true sale	5	✓
20(7)	Eligibility criteria, active portfolio management, and exposure transferred after closing	6 - 8	✓
20(8)	Homogeneity, enforceability, full recourse, periodic payment streams, no transferable securities	9 - 14	✓
20(9)	No securitisation positions	15	✓
20(10)	Origination, underwriting standards, unverified residential loans, assessment of creditworthiness, originator expertise	16 - 21	✓
20(11)	No undue delay after selection, no exposures in default or to credit-impaired or insolvent debtors/quarantors, portion of restructured debtors, adverse credit history, higher pool risk	22 - 30	✓
20(12)	At least one payment made	31	✓
20(13)	No predominant dependence on the sale of asset	32	✓
Article 21 – Standardisation			
21(1)	Risk retention	33	✓
21(2)	Appropriate mitigation of interest-rate and currency risks and disclosure, no further derivatives and hedging derivatives according to common standards	34 - 39	✓
21(3)	Referenced interest payments	40	✓
21(4)	Requirements in the event of enforcement or delivery of acceleration notice: no cash trap, sequential amortisation, no reversal, no automatic liquidation	41 - 44	✓
21(5)	Non-sequential priority of payments	45	✓
21(6)	Early amortisation provisions/triggers for termination of revolving period	46 - 50	✓
21(7)	Duties, responsibilities, and replacement of transaction parties	51 - 53	✓
21(8)	Expertise of the servicer	54, 55	✓
21(9)	Remedies and actions by servicer related to delinquency and default of debtor, priorities of payments, triggers for changes, obligation to report	56 - 61	✓
21(10)	Resolution of investor conflicts and fiduciary party responsibilities and duties	62, 63	✓
Articles 22 and 7 – Transparency			
22(1)	Historical asset data	64 - 66	✓
22(2)	AUP/asset verification	67, 68	✓
22(3)	Liability cashflow model	69, 70	✓
22(4)	Environmental performance of asset	71	✓
22(5)	Responsibility for article 7, information disclosure before pricing and 15 days after closing	72 - 75	✓
7(1)	Transparency requirements: underlying loan data, documentation, priority of payments, transaction summary, STS notification, investor report, inside information, significant event report, simultaneous, without delay	76 - 101	✓
7(2)	Transparency requirements: securitisation repository, designation of responsible entity,	102, 103	✓

1	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party.</p>		
Verified?		Yes
PCS Comment		
<p>Regarding the assignment, see prospectus section <i>ADDITIONAL INFORMATION TO BE INCLUDED IN RELATION TO ASSET-BACKED SECURITIES</i>, 3.3.2. Receivables assignment terms</p> <p>“The assignment of the Receivables will be full and unconditional and for the whole of the remaining period up to the maturity of each Receivable.”</p> <p>In <i>ESSENTIAL INFORMATION</i>, 3.1. it is stated:</p> <p>“SCF shall assign to the Fund by means of an assignment the title of the underlying Receivables. Such assignment of the title to the Fund shall not be subject to severe clawback provision in the event of the Originator's insolvency.”</p> <p>We note that a description of claw-back risks is included in the Risk Factors.</p> <p>Confirmation of true sale i.e. enforceability of assignment, an assessment of the re-characterisation risks is made in the Legal Opinion.</p> <p>PCS has been provided with and reviewed the Spanish law legal opinion provided by Pérez Llorca.</p> <p>“True sale” is not a legal concept but a rating agency creation.</p> <p><i>The essence of a “true sale” is that the property in the securitised assets has legally moved from the originator(s)/seller to the SSPE in such a way that the SSPE's ownership will be recognised as a matter of law, including and especially in the case of the insolvency of the originator(s)/seller. In a “true sale” the insolvency officer and creditors of the insolvent originator/seller are not able to satisfy the claims of the originator/seller's creditor out of the proceeds of the securitised assets. Following a “true sale” there is no legal device by which the assets can automatically revert to the originator/seller's ownership. Such automatic reversion is associated with security interests and anathema to a “true sale”.</i></p> <p><i>This is clearly stated in the wording of the Regulation (20.1). The expression “transfer to the same effect” indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.</i></p> <p><i>The issue of “true sale” is separate from the issue of “clawback”. “Clawback” refers to legal processes through which, in the insolvency of the seller of an asset, an insolvency officer is entitled to reverse the sale – even in cases where a “true sale” has taken place.</i></p> <p><i>All European jurisdictions, to PCS' knowledge, have rules allowing for clawbacks. Clawbacks are usually rules to avoid a company heading towards insolvency from “defrauding” its existing creditors either by selling assets at very low prices (to friends and relations) or unfairly preferring certain creditors over others.</i></p> <p><i>The Regulation (20.1) therefore does not require STS “true sales” to be clawback proof since this would mean that no European securitisation could ever be STS. It does require the sale not to be subject to “severe clawback”. The Regulation does not define “severe clawback” but gives an example (20.2) where a clawback may occur.</i></p> <p><i>The Regulation (20.3) also explicitly excludes from the definition of “severe clawback” the traditional European basis for such devices which all come under the general category of “preferences”.</i></p> <p><i>PCS further notes that the examples (20.2 and 20.3) refer to the insolvency law of a jurisdiction and therefore believes that clawback risk is to be assessed on a jurisdictional basis rather than on a transactional basis.</i></p> <p><i>Finally, PCS does not believe and nor is there any evidence that the legislators or regulatory authorities are seeking to craft a higher standard than that which has been used for decades by the market and was the basis for the legislative text.</i></p>		

	<p>Based on the above considerations, PCS believes that transfers from a jurisdiction meeting the following criteria – absent any other indications – shall not fall within the definition of “severe clawback”:</p> <ul style="list-style-type: none"> • Clawback requires an unfair preference “defrauding” creditors; • Clawback puts the burden of proof on the insolvency officer or creditors – in other words it cannot be automatic nor require the purchaser to prove their innocence. <p>Since “severe clawback” is a jurisdictional concept, in analysing this issue, PCS will therefore first seek to determine the Seller’s jurisdiction for the purposes of insolvency law. This would be its centre of main interest (“COMI”) or its “home member state”.</p> <p>The second step would be to determine whether the relevant COMI and/or “home member state” contains severe claw back provisions in its insolvency legislation.</p> <p>Although the determination of a COMI can be a technically fraught analysis of international conflicts of law, PCS notes that in the vast majority of securitisations there is no real issue as the COMI is self-evident.</p> <p>In the case of the Transaction, title to the assets is transferred by means of assignments from a Spanish bank to a Spanish Fondo de Titulización.</p> <p>ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, section 6).</p> <p>“By virtue of the foregoing, this section presents information regarding SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. in its capacity as Management Company creating, administering and representing SANTANDER CONSUMER SPAIN AUTO 20202021-1, FONDO DE TITULIZACIÓN.”</p> <p>See also the statement in Section 3.3.2</p> <p>“The assignment of the Receivables cannot be the subject of claw-back other than by an action brought by the Seller’s receivers, in accordance with the provisions of the Insolvency Law and after proving the existence of fraud in the transaction, as set forth in article 16.4 of Law 5/2015. The Seller has its place of business office in Spain. Therefore, and unless proof in the contrary, it is presumed that the centre of main interests is Spain.”</p> <p>Spanish insolvency law provides for clawback in the cases of preferences and transactions at an undervalue and require the insolvency officer to prove that case. Therefore, and as generally outlined in the Spanish legal opinion, the transfer is not, in our view, subject to “severe clawback”.</p> <p>Finally, the legal opinion from Pérez Llorca confirmed that the assignment from the Seller to the Issuer meets the definition of “true sale” outlined above.</p>	
2	STS criteria	SEE RELATED EBA GUIDELINES
	2. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller’s insolvency.	
	Verified?	Yes
	<p>PCS Comment</p> <p><i>The Legal Opinion confirms that the transfer of the title on the Receivables to the Fund shall not be subject to severe clawback provisions in the event of the Seller’s insolvency, as required in Article 20(1) of Regulation (EU) 2017/2402.</i></p> <p><i>The COMI of the Seller is the Kingdom of Spain.</i></p> <p><i>The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions</i></p>	

2a	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions:</p> <p>(a) provisions which allow the liquidator of the seller to invalidate the sale of the underlying exposures solely on the basis that it was concluded within a certain period before the declaration of the seller's insolvency;</p> <p>(b) provisions where the SSPE can only prevent the invalidation referred to in point (a) if it can prove that it was not aware of the insolvency of the seller at the time of sale.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
Verified?		Yes
PCS Comment		
Neither provision applies.		

2b	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.3. For the purpose of paragraph 1, clawback provisions in national insolvency laws that allow the liquidator or a court to invalidate the sale of underlying exposures in case of fraudulent transfers, unfair prejudice to creditors or of transfers intended to improperly favour particular creditors over others, shall not constitute severe clawback provisions.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
Verified?		Yes
PCS Comment		
See comment to point 1 above. The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions.		

3	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.4. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>3. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.</p>		
Verified?		Yes
PCS Comment		
See 3.2.3.2. Description of the entities participating in the issue and description of the functions to be performed by them in addition to information on the direct and indirect ownership or control between those entities		

<ul style="list-style-type: none"> Santander Consumer Finance, S.A. participates as (i) Seller or Originator of the Receivables to be acquired by the Fund (either because of having originated them directly or because it has acquired them by universal succession from Santander Consumer, E.F.C., S.A.); (ii) Servicer of the Receivables in accordance with section 3.7.1 of the Additional Information; <p>[...]</p> <p>On 30 July 2020, SCF completed the merger by acquisition of Santander Consumer, E.F.C., S.A. (as absorbed entity) that was later extinguished by way of dissolution without liquidation, and the transfer in bloc, on a universal basis, of all its assets and liabilities. Consequently, SCF acquired by universal succession all the rights and obligations of Santander Consumer, E.F.C., S.A.</p> <p>see (ii) in Section 2.2.8 (<i>Representations and collateral given to the issuer in relation to the Receivables assigned to the Fund</i>) where it is represented under</p> <p>(1) “That the granting of the Loans and all aspects relating thereto are ordinary actions in the course of its business and are and will be at arm’s length basis.”</p> <p>(21) “That as from the time of their origination, the Loans have been and are being administered by SCF in accordance with its usual established procedures.”</p> <p>(45) That the Loans have been originated by SCF or formerly by Santander Consumer, E.F.C., S.A.</p> <p>PCS notes that Santander Consumer Finance is Originator and Seller, though some of the Receivables have formally been originated by Santander Consumer E.F.C, which has been succeeded by Santander Consumer Finance S.A.</p>

4	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.5. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to affect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller’s default.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>4. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to effect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller’s default.</p>		
Verified?		Yes
PCS Comment		
<p>See Section 3.7.12, Notices</p> <p>“The Management Company and the Seller have agreed to not notify the assignment of the Receivables to the relevant Borrowers except when required by law. As of the Date of Incorporation, notice is required by law to Borrowers in (i) the Autonomous Community of Valencia, pursuant to Decree-Law 1/2019, of December 13, of the Consell, approving the consolidated version of the Statute of consumers and users of the Valencian Community; and to the extent required, (ii) Castilla-La Mancha, pursuant to Law 3/2019, of 22 March, and (iii) Comunidad Foral de Navarra, pursuant to Law 21/2019, of 4 April. For these purposes, notice to the Borrowers is not a requirement for the validity of the assignment of the Receivables under the Loans. It is worth noting that the Spanish Constitutional Court has recently declared in its Ruling 72/2021, of 18 March 2021, that article 29 of Law 6/2019, of 20 February relating to consumer protection in the Extremadura region (which</p>		

required notice of the transfer of mortgage loans to securitisation funds to be served on the relevant mortgage borrowers) is contrary to the Spanish Constitution and hence null and void on grounds that it affects the contractual relationship between the relevant parties in a manner which only state-level (rather than regional-level) legislation can affect.

In Section 2.2.8 (Representations and collateral given to the issuer relating to the assets) (ii) (8) “That the private agreements or the deeds (pólizas) granted before a public notary documenting the Loans do not contain any clauses preventing the assignment of the Loans or the Receivables thereunder or requiring any authorisation or notice in order to assign the Loans or the Receivables thereunder.”

STS Criterion 4 requires two steps:

- To determine whether the transfer of the assets is by means of an unperfected assignment; and
- If it is, whether the transaction contains the requisite triggers.

Although the transfer is not notified to most of the borrowers, the Spanish legal opinion confirms that such notification is not required such regions to fully perfect the transfer of ownership in the loans to the SSPE. In regions that require notification the borrower is notified accordingly. This transaction does not operate by way of an unperfected assignment and the issue of triggers does not arise.

5	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
	STS criteria		SEE RELATED EBA GUIDELINES
	5. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
	Verified?		Yes
	PCS Comment		
See (ii) in Section 2.2.8 of Additional Information (<i>Representations and collateral given to the issuer relating to the assets</i>) where it is represented under (ii) (4)			
“(4) That SCF is, without limitation, the owner of the Loans, which are free of any liens and encumbrances, and to the best of its knowledge there is no clause that could adversely affect the enforceability of their assignment to the Fund.”			

6	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....</p>		
Verified?		Yes
PCS Comment		
<p>See the representations in Section 2.2.8 of Additional Information (Representations and collateral given to the issuer relating to the assets) – (i) “In relation to SCF” and (ii) “In relation to the Loans and to the Receivables assigned to the Fund” containing the lists of eligibility criteria, and for the additional receivables during the revolving period, as defined under 2.2.2.2 “Additional Receivables”.</p> <p><i>The EBA Guidelines clarify that “clear” does not mean easily readable or comprehended by a non-expert. In the Regulation a criterion is “clear” when a court or tribunal could determine whether, presumably in all cases, the criterion is met for each asset. In the Regulation, “clear” is about certainty of determination.</i></p> <p>PCS has read the Eligibility Criteria in the Prospectus Santander Consumer 2021-1. As they are mandatory, they meet the “predetermined” requirement. As they are in the Prospectus they meet the “documented” requirement. PCS has also concluded that they allow determination in each case and so meet the “clear” requirement.</p>		
7	STS criteria	SEE RELATED EBA GUIDELINES
<p>7. Which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management.</p>		
Verified?		Yes
PCS Comment		
<p>See section 2.3 2.3. Assets actively managed backing the issue</p> <p>“The Management Company will not actively manage the assets backing the issue.”</p> <p>PCS notes that the selection of receivables is random. See Additional Information, section 2.2.2</p> <p>“Any Receivables (either the Initial Receivables or the Additional Receivables) to be offered by the Seller to the Fund will be randomly selected from the Preliminary Portfolio and shall meet the Eligibility Criteria set forth in section 2.2.2.2. of the Additional Information.”</p> <p>The Transaction has a revolving period. For the revolving period both the individual eligibility criteria and a set of global eligibility criteria must be met.</p> <p>See Additional Information, 2.2.2.2.2</p> <p>“In order to be assigned to and acquired by the Fund, on the respective Purchase Date (as well as on the Date of Incorporation for the Initial Receivable), the Additional Receivables must meet both the Individual Eligibility Criteria and the Global Eligibility Criteria (the “Eligibility Criteria”) set forth below.”</p> <p>Only non-conforming receivables can be replaced: see Section 2.2.9 (<i>Substitution of the securitised assets</i>) (i) and (ii) on replacement provisions for non-conforming receivables:</p> <p>“(ii) Replacement will be made for the Outstanding Balance of the Receivable plus accrued and unpaid interest and any other amount owed to the Fund until the date on which the relevant Receivable is replaced.</p>		

	<p>In order to proceed with the replacement, the Seller will notify the Management Company of the characteristics of the Receivable proposed to be assigned satisfying the Eligibility Criteria set forth in section 2.2.2.2 of this Additional Information, and having the similar purpose, term, interest rate and outstanding principal balance. Once the Management Company has verified that the characteristics set forth in section 2.2.2.2 of this Additional Information are satisfied and after having expressly communicated to the Seller that the Receivables to be assigned comply with the Eligibility Criteria (where applicable by reference to the relevant assignment date), the Seller shall proceed to replace the affected non-conforming Receivable and will assign the new Receivable or Receivables.”</p> <p>See section 2.2.8 Representations and collateral given to the issuer relating to the assets</p> <p>(51) That, on the date of assignment to the Fund, in respect of each Loan, no Covid-19 Moratoriums have been granted or requested.</p> <p>See also risk Factors, 1.1.1. Risk of payment default by the Borrowers</p> <p>“[] the Seller does not undertake to repurchase the Receivables except for the repurchase obligation foreseen in section 2.2.9 of the Additional Information”</p> <p><i>PCS notes that the seller represents not to actively manage the assets. By way of definitions, the receivables can only be actively replaced if they are non-conforming. Any additional receivables must also comply with the eligibility criteria and global pool criteria.</i></p>	
8	<p>STS criteria</p> <p>8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See item 7, above.</p>	<p>SEE RELATED EBA GUIDELINES</p>
9	<p>Legislative text – Article 20 - Requirements relating to simplicity</p> <p>20.8. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type. The underlying exposures shall contain obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors.</p> <p>STS criteria</p> <p>9. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii) where it is represented by the Seller in (45)</p> <p>(46) That the Loans are homogeneous in terms of asset type, cash flow, credit risk and prepayment characteristics and contain obligations that are contractually binding and enforceable, with full recourse to the Borrowers, and where applicable, guarantors, within the meaning of article 20.8 of the EU Securitisation Regulation. Regarding the homogeneity factor to be met, all Borrowers, as of the date of formalisation of each Loan, were individuals and legal persons with residence in Spain only.</p> <p>(53) That, to the best of its knowledge, the Borrowers are resident or registered, as applicable, in Spain as at the date of inclusion into the Aggregate Portfolio</p> <p>(47) That all Loans are (i) subject to similar approaches for underwriting standards; and (ii) serviced in accordance with procedures for monitoring, collecting and administering similar to those applied to non-securitised receivables.</p>	<p>GO TO TABLE OF CONTENTS</p> <p>SEE RELATED EBA GUIDELINES</p>

<p>The asset class is auto loans complying with article 1, (a) (v), b, c, d of the “RTS” and the homogeneity factor in Article 2, 4. (b).</p> <p>The definition of “homogeneity” in the Regulation is to be the subject of a Regulatory Technical Standard (“RTS”). Being set out in an RTS, rather than a guideline or recommendation issued by the EBA, the definition of “homogeneity” will be legally binding on all regulatory authorities. In interpreting the expression, PCS has based itself on the text of the Regulation, its knowledge of the intent of the legislators – including, crucially, the legislators’ belief that the STS Regulation was justified by the excellent performance of most “plain vanilla” European securitisations and the draft RTS adopted by the European Commission. Based on the above, it seems clear to PCS that the Regulation would not seek to exclude from the STS category securitisations that have performed extremely well and are universally considered “homogenous” by market participants. This does not exonerate any transaction from being analysed against this criterion but does set the background for such analysis.</p> <p>In the Transaction, the loans were underwritten on a similar basis, they are being serviced by Santander Consumer Finance on the same platform, they are a single asset class – auto loans – and, the loans are all originated in the same jurisdiction, Spain.</p> <p>PCS also takes great comfort from the fact that transactions containing pools with similar characteristics have always been considered to be “homogeneous” by a wide consensus of market participants.</p>			
10	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Verified?</td> <td style="text-align: center;">Yes</td> </tr> </table> <p>PCS Comment</p> <p>See the representation in Additional Information, section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), (2) where it is confirmed that “That the Loans exist and are valid and enforceable in accordance with the applicable legislation and that all applicable legal provisions have been observed in their origination, in particular and where applicable, Law 16/2011, Consumer Protection Law and any other supplementary laws, and Law 7/1998.”</p> <p>Also see (6) on guarantees and (5) on underlying security of the same section.</p> <p>See also (34) and (32) in Section 2.2.8</p> <p>(34) “That each Loan constitutes a valid payment obligation that is binding upon the Borrower and is enforceable in accordance with its own terms.”</p> <p>(32) “SCF is not aware that any of the Borrowers under the Loans is the holder of any credit right vis-à-vis SCF that would give such Borrower a set-off right that could adversely affect the rights of the Fund as holder of the Receivables arising from the Loans.”</p>	Verified?	Yes
Verified?	Yes		
11	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>11. With full recourse to debtors and, where applicable, guarantors.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Verified?</td> <td style="text-align: center;">Yes</td> </tr> </table> <p>PCS Comment</p> <p>See the representation in Additional Information, section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), (46) where it is confirmed “That the Loans are homogeneous in terms of asset type, cash flow, credit risk and prepayment characteristics and contain obligation that are contractually binding and enforceable, with full recourse to the Borrowers, and where applicable, guarantors, within the meaning of article 20.8 of the EU Securitisation Regulation. Regarding the homogeneity factor to be met all Borrowers as of the date of formalization of each Loan, were individuals and legal persons with residence or registration in Spain only.”</p>	Verified?	Yes
Verified?	Yes		

12	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.8. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts, relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
STS criteria		SEE RELATED EBA GUIDELINES
12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), In relation to the Loans and to the Receivables assigned to the Fund:</p> <p>(29) “That the instalments payable under the Loans are composed by principal and interest payments and such instalments are constant and payable on a monthly basis. None of the Loans is a balloon loan.”</p> <p>(30) “That none of the Loans have clauses envisaging deferment in payment of interest or principal, subsequently to the assignment of Receivables to the Fund.”</p> <p>See also in 2.2.2.1 Receivables, (<i>xvi</i>) <i>Information regarding the repayment system of the Loans</i>:</p> <p>“100% of the Loans have a monthly constant repayment system, without the possibility of grace periods for principal and interests.”</p>		
13	STS criteria	SEE RELATED EBA GUIDELINES
13. Relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), (5) and (28)</p> <p>(29) “That the instalments payable under the Loans are composed by principal and interest payments and such instalments are constant and payable on a monthly basis. None of the Loans is a balloon loan.”</p> <p>(31) “That none of the Loans are free of principal and/or interest payments.”</p> <p>See also 3.4.7.2 (<i>Source and application of the funds from the first Payment Date, inclusive, until the last Payment Date or the liquidation of the Fund, exclusive</i>)</p> <p>(i) Sources:</p> <p>i. the Interest Components and Principal Components (including any Interest Recoveries and Principal Recoveries received by the Fund in respect of any Defaulted Receivable) received by the Fund in respect of the Receivables during the Determination Period immediately preceding such Determination Date;</p> <p>PCS has reviewed the underlying receivables which are unsecured and constitute a payment obligation of principal and interest.</p>		

14	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.8. The underlying exposures shall not include transferable securities, as defined in Article 4(1), point 44 of Directive 2014/65/EU of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	STS criteria	SEE RELATED EBA GUIDELINES
	14. The underlying exposures shall not include transferable securities, as defined in Article 4(1), point 44 of Directive 2014/65/EU of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	Verified?	Yes
	PCS Comment	
See Section headed “Additional Information to be included”, 2. (The Underlying Assets) subsection 2.2.13 and 2.2.14 “The Receivables do not include transferable securities, as defined in point (44) of article 4(1) of Directive 2014/65/EU nor any securitization position, whether traded or not. definition in point (44) of Article 4(1) of Directive 2014/65/EU nor any securitization position.”		

15	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.9. The underlying exposures shall not include any securitisation position.	
	STS criteria	SEE RELATED EBA GUIDELINES
	15. The underlying exposures shall not include any securitisation position.	
	Verified?	Yes
	PCS Comment	
See Section headed “Additional Information to be included”, 2. (The Underlying Assets) subsection 2.2.13 and 2.2.14 “The Receivables do not include transferable securities, as defined in point (44) of article 4(1) of Directive 2014/65/EU nor any securitisation position.”		
PCS notes that there is a clear statement in the prospectus in Section headed “Additional Information to be included”, 2. (The Underlying Assets) subsection 2.2.13 and 2.2.14		

16	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
16. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business.		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (Representations and collateral given to the issuer relating to the assets) (ii).</p> <p>(ii) "In relation to the Loans and to the Receivables assigned to the Fund:</p> <p>(1) That the granting of the Loans and all aspects relating thereto are ordinary actions in the course of its business and are and will be at arm's length basis.</p> <p>(3) That, in connection with the origination or subrogation of each Loan, the Seller has faithfully applied the risk granting policy applicable from time to time. All the Receivables comply with the current SCF Policies contained in section 2.2.7 of this Additional Information."</p>		
17	STS criteria	SEE RELATED EBA GUIDELINES
17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
Verified?		Yes
PCS Comment		
<p>See Additional Information, section 2.2.7 (<i>The method of origination or creation of assets</i>),</p> <p>"The Loans of the Preliminary Portfolio have been granted by SCF according to its usual procedures of analysis and assessment of the credit risk as regards the granting of loans to natural persons or legal person for the purchase of new and used vehicles ("SCF Policies")."</p> <p>100% of the Outstanding Balance of the Initial Receivables complies with the current SCF Policies contained in this section 2.2.7.</p> <p>The Additional Receivables to be assigned to the Fund will be granted in accordance with the SCF Policies described in this section.</p> <p>See also Additional Information, section 2.2.8</p> <p>2.2.8 (ii) (3) That, in connection with the origination or subrogation of each Loan, the Seller has faithfully applied the risk granting policy applicable from time to time. All the Receivables comply with the current SCF Policies contained in section 2.2.7 of this Additional Information."</p> <p>2.2.8 (ii) (47) That all Loans are (i) subject to similar approaches for underwriting standards; and (ii) serviced in accordance with procedures for monitoring, collecting and administering similar to those applied to non-securitised receivables.</p> <p>PCS notes that the receivables are randomly selected and therefore the underwriting standards applied to securitised assets cannot differ from non-securitised receivables.</p>		

18	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.10. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.		
	STS criteria		SEE RELATED EBA GUIDELINES
	18. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.		
	Verified?		Yes
PCS Comment			
See Additional Information, section 2.2.7, 2.2.7.1 to 2.2.7.5 for the description of the underwriting standards. See section 2.2.7, last paragraph: "SCF undertakes to disclose to the Management Company without delay any material change in the SCF Policies."			

19	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.10. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.		
	STS criteria		SEE RELATED EBA GUIDELINES
	19. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.		
	Verified?		Yes
PCS Comment			
This requirement does not apply to auto loans.			

20	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.		
STS criteria		SEE RELATED EBA GUIDELINES
20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.		
Verified?		Yes
PCS Comment		
<p>See the representation in Additional Information, Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), (48) The assessment of the Borrower's creditworthiness of the Loans meets the requirements as set out in article 8 of Directive 2008/48/EC.</p> <p><i>The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. As a general principle, European Directives, in contrast to Regulations, do not have direct and immediate effect but must be implemented into national law, country by country.</i></p> <p><i>Therefore, if the assets concerned, as in the case of the Transaction, are consumer loans, the relevant Directive is 2008/48/EC. The next step is to determine which Spanish law transcribed this Directive into local law.</i></p> <p><i>PCS assumes, although the Regulation and the EBA Guidelines are silent on this point, that the requirement for mortgages and consumer loans to have been underwritten in compliance with the Directives only applies to assets underwritten after these Directives were transcribed into national law.</i></p> <p><i>This was done in Spain via an implementation act by Law 16/2011 (see in "Additional Information", the Section 2.2.1 "Legal jurisdiction by which the pool of assets is governed")</i></p> <p><i>"The Loans and the Receivables are governed by the Spanish laws. In particular, the securitised Receivables are governed by the Spanish banking regulations and, specifically and where applicable, by (i) Law 16/2011 (as regards the Additional Receivables, they will be governed by the aforementioned law or any other relevant regulation that might replace them)"</i></p> <p><i>According to the stratification tables of the initial pool (2.2.2), the first origination year is 2015, so all loans can meet this criterion (Law 16/2011 is from 24th June 2011). The Seller has provided a representation that this criterion is met, with specific and extensive discussions in 2.2. and 2.2.1 (Legal jurisdiction by which the pool assets are governed) and 2. of the Risk Factors (Risks Derived From The Issuer's Legal Nature And Operations) of the Prospectus mentioned above.</i></p>		

21	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.		
Verified?		Yes
PCS Comment		
<p>See section 3.1 Interest of the natural and legal persons involved in the issue (<i>Essential Information</i>)</p> <p>Santander Consumer Finance, S.A. ("SCF")</p>		

<p>[...]</p> <p>“SCF’s activity is subject to the Spanish legislative regime applicable to financial institutions in general and, in particular, to the supervision, control and rules of the Bank of Spain and the CNMV.</p> <p>SCF’s objective is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. In addition, SCF is the holding company of a finance group (“Consumer Group”) and handles the investments of its subsidiaries.</p> <p>SCF is fully owned by Banco Santander, S.A, which had a 100% direct and indirect ownership interest in the share capital of SCF as at 31 December 2020. Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander.”</p> <p>See paragraph 3.5 (<i>Additional Information</i>)</p> <p>“SCF as Seller and as Servicer has the relevant expertise as an entity being active in the consumer loans market for over 56 years and as servicer of consumer receivables securitisation for over 17 years.”</p> <p>PCS has also taken comfort in the fact that Santander Consumer Finance is a prudentially regulated institution.</p>
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22	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator’s or original lender’s knowledge:</p>		
STS criteria		
<p>22. The underlying exposures shall be transferred to the SSPE after selection without undue delay...</p>		
Verified?		Yes
PCS Comment		
<p><i>The receivables are to be assigned to Fund on the Incorporation Date of the Fund</i></p> <p>See statement in 3.3.1 (<i>Formalization of the assignment of the Receivables</i>)</p> <p>(i) Assignment of the Initial Receivables</p> <p>The assignment of the Initial Receivables by the Seller to the Fund will be effected on the Date of Incorporation by means of the Master Sale and Purchase Agreement which will be executed simultaneously with the Deed of Incorporation and upon incorporation of the Fund.</p> <p>(ii) Assignment of the Additional Receivables</p> <p>[...] Additional Receivables will be assigned to the Fund by means of purchase offers and their acceptance by the Fund, in compliance with the provisions of section 2.2.2.2 above and the Deed of Incorporation</p> <p><i>For the process of replenishment during the revolving period see 2.2.2.2.4 Procedure for the acquisition of Additional Receivables.</i></p> <p><i>PCS notes that the selection of the Initial receivables from the Preliminary Portfolio, from which the receivables to be assigned are selected is carried out on the day of incorporation and there is a timeline for the selection and assignment procedure during the revolving period. In both cases “without undue delay” is met</i></p>		

23	STS criteria	SEE RELATED EBA GUIDELINES
23. And shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013...		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), (49) and (51)</p> <p>(49) The Loans are not in default within the meaning of article 178(1) of CRR and the EBA Guidelines published on 2 April 2020, as amended on 25 June 2020 and 2 December 2020, as well as any other regulations or guidelines that may replace or develop them in the future.”</p> <p>(51) That, on the date of assignment to the Fund, in respect of each Loan, no Covid-19 Moratoriums have been granted or requested.</p> <p>See also 2.2.9 Substitution of securitised Assets</p> <p>“For the avoidance of doubt, the Seller will neither replace nor repurchase Receivables that are affected by Covid-19 Moratoriums or any other similar measures after their assignment to the Fund.”</p> <p><i>The EBA has issued an interpretation guide dated 2 April 2020 that clarifies its position on the regulatory treatment of e.g. COVID 19 related moratoria. It is PCS’s understanding that Article 178 must be read jointly with the EBA guidelines above, so that no default occurs in the moratorium period to the extent the relevant suspension of payment is permitted under the local legislation or is made in compliance with general agreements at industry level.</i></p>		

24	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p> <p>(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:</p> <ul style="list-style-type: none"> (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring; <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; or</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not be made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
24. Or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:		
Verified?	Yes	
PCS Comment		
<p>See the representation in Section 2.2.8 (Representations and collateral given to the issuer relating to the assets) (ii), (50)</p> <p>(50) That, on the date of assignment to the Fund, no Borrower has experienced a deterioration of its credit quality, and to the best of its knowledge, no Borrower:</p> <ul style="list-style-type: none"> i. has been declared insolvent or had a court grant his/her/its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to his/her/its non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the Fund; ii. was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history; or iii. has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the Seller which are not securitised. 		
25	STS criteria	
25 (a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination.		
Verified?	Yes	
PCS Comment		
<p>See item 24, above, see also 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>), (ii), (14)</p> <p>(14) "That on the date of assignment to the Fund, it has not come to SCF's attention that any of the Borrowers has been declared insolvent."</p>		

26	STS criteria	SEE RELATED EBA GUIDELINES
26. Or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:		
Verified?		Yes
PCS Comment See item 24, above. See also 2.2.8 (Representations and collateral given to the issuer relating to the assets), (ii), (13) (13) "That no Loan is derived from a Refinancing or Restructuring."		
27	STS criteria	
27. (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and		
Verified?		Yes
PCS Comment See items 24 and 26, above. <i>PCS understands that there are no restructurings included that have taken place prior to transfer to the SSPE.</i>		
28	STS criteria	
28. (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;		
Verified?		Yes
PCS Comment Not applicable, see item 27, above. <i>PCS notes that "Restructured Receivables" are not eligible in this transaction.</i>		
29	STS criteria	SEE RELATED EBA GUIDELINES
29. (b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender;		
Verified?		Yes
PCS Comment See item 24, above.		

30	STS criteria	SEE RELATED EBA GUIDELINES
30. (c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.		
Verified?		Yes
PCS Comment		
See item 24, (50), iii, quoted above.		

31	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.12. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.		
STS criteria		SEE RELATED EBA GUIDELINES
31. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.		
Verified?		Yes
PCS Comment		
See the representation in Section 2.2.8 (Representations and collateral given to the issuer relating to the assets) (ii), (17) "That on the date of assignment to the Fund, the Borrowers have paid at least one (1) instalment under each of the Loans."		

32	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.13. The repayment of the holders of the securitisation positions shall not have been structured to depend predominantly on the sale of assets securing the underlying exposures. This shall not prevent such assets from being subsequently rolled-over or refinanced. The repayment of the holders of the securitisation positions whose underlying exposures are secured by assets the value of which is guaranteed or fully mitigated by a repurchase obligation by the seller of the assets securing the underlying exposures or by another third party shall not be considered to depend on the sale of assets securing those underlying exposures.		
STS criteria		SEE RELATED EBA GUIDELINES
32. The repayment of the holders of the securitisation positions shall not have been structured to depend predominantly on the sale of assets securing the underlying exposures.		
Verified?		Yes
PCS Comment		
See section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (29) "That the instalments payable under the Loans are composed by principal and interest payments and such instalments are constant and payable on a monthly basis. None of the Loans is a balloon loan." <i>In PCS view, this requirement does not apply to fully amortising auto loans.</i>		

33	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
STS criteria		SEE RELATED EBA GUIDELINES
33.The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (i),</p> <p>“In relation to SFC,</p> <p>(5) SCF will comply with the risk retention requirement set out in article 6 of the EU Securitisation Regulation.</p> <p>See point 3.4.3 (<i>Risk retention requirement</i>)</p> <p>“SCF, as Originator, will undertake in the Deed of Incorporation to retain, on an ongoing basis, a material net economic interest of at least 5 (five) per cent. in the securitisation transaction described in this Prospectus in accordance with article 6(3)(c) of the EU Securitisation Regulation (<i>“the retention of randomly selected exposures, equivalent to not less than 5 % of the nominal value of the securitised exposures, where such non-securitised exposures would otherwise have been securitised in the securitisation, provided that the number of potentially securitised exposures is not less than 100 at origination”</i>) and article 7 of the Delegated Regulation (EU) 625/2014 of 13 March 2014 supplementing CRR by way of regulatory technical standards specifying the requirements for investors, sponsors, original lenders and originator institutions relating to exposures to transferred credit risk, applicable until the new regulatory technical standards to be adopted by the Commission apply, pursuant to article 43(7) of the EU Securitisation Regulation. In addition, the Seller has undertaken that the material net economic interest held by it shall not be split amongst different types of retainers and shall not be subject to any credit-risk mitigation or hedging, in accordance with article 6(1) of the EU Securitisation Regulation.”</p>		

34	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.2. The interest rate and currency risks arising from the securitisation shall be appropriately mitigated and any measures taken to that effect shall be disclosed.		
STS criteria		SEE RELATED EBA GUIDELINES
34. The interest rate...risks arising from the securitisation shall be appropriately mitigated.		
Verified?		Yes
PCS Comment		
<p><u>Assets:</u></p> <p>PCS notes the representation in Section 2.2.8 (Representations and collateral given to the issuer relating to the assets) (ii)</p> <p>(23) That each of the Loans accrue interest at a fixed interest rate, which is not lower than 3.95% annual.”</p> <p>See also Global eligibility Criteria</p> <p>(15) “That, on each Offer Date, the weighted average interest rate of the Receivables is not lower than 5.80%.”</p>		

PCS notes that the loans accrue interest on a fixed rate basis.

Liabilities:

See 4.8.2 Interest rate

Regarding the securities, the Class A and Class B notes are floating rate, Classes C to F bear fixed rates.

Mitigation of interest rate risk:

See Risk Factors, 1.1.6 Interest rate risk

“To protect the Fund from a situation where EURIBOR increases to such an extent that the collections are not sufficient to cover the Fund’s obligations under the Floating Rate Notes, the Fund has entered into an interest rate cap transaction (the “Interest Rate Cap Transaction” and the agreement governing such Interest Rate Cap Transaction, the “Interest Rate Cap Agreement”) with the Interest Rate Cap Provider, which shall at all times be (or its credit support provider shall at all times be) an institution rated in accordance with the provisions of the Interest Rate Cap Agreement, to hedge the Floating Rate Notes against potential future increase of EURIBOR 3 months above the cap rate of 0.5% (the “Cap Rate”). The Fund shall pay to the Interest Rate Cap Provider on the Disbursement Date an upfront premium for this hedge which amounts up to 500,000€ approximately.”

“In the event of early termination of the Interest Rate Cap Transaction, including any termination upon failure by the Interest Rate Cap Provider to perform its obligations, the Fund will endeavour but cannot guarantee to find a replacement Interest Rate Cap Provider. However, in such case, there is no assurance that the Fund will be able to meet its payment obligations under the Floating Rate Notes in full or even in part.”

See also 3.4.8.1 “Interest Rate Cap Agreement and Interest Rate Cap Transaction”, 3.4.8.1.4 “Early Termination”:

“If the Interest Rate Cap Transaction is terminated prior to repayment in full of the principal of the Floating Rate Notes, as the case may be, the Fund will be required to enter into an agreement on similar terms with a new Interest Rate Cap Provider. [...]

The Fund will endeavour but cannot guarantee to find a replacement Interest Rate Cap Provider upon early termination of the Interest Rate Cap Transaction.

Clearly and explicitly, “appropriate” hedging does not require “perfect” hedging. This is confirmed by the EBA Guidelines which require the hedges to cover a “major share” of the risk from an “economic perspective”. However, the definition of “appropriate” hedging or a “major share” of the risk will always contain an element of subjectivity and must be analysed on a case by case basis. The fact that the Regulation was crafted by the legislators to recognise existing high-quality European securitisations rather than raise the bar to a level not previously encountered, together with the common-sense approach of the EBA, leads to the conclusion that transactions considered adequately hedged by common investor and rating agency consensus should be held to meet this criterion. This still requires an analysis of the matter. Since PCS is not a quantitative analysis provider or a credit rating agency, our verification is based on a second-hand analysis which focuses on:

- *A statement in the Prospectus or other document setting out the boundary conditions of the hedging. This should state in effect how far the hedging stretches and under what scenario’s it will break. For example, if interbank rates rise above X%. This will provide a common-sense feel for whether, at first glance, the hedging is reasonable.*
- *Risk Factors section of the prospectus to check that no statements refer to the risks of “unhedged positions”. This is based on the legal requirement to disclose any relevant information to investors. If the originator or its advisers believed that the hedging in a transaction was unusually light, this should be disclosed in the Risk Section.*
- *The “pre-sale” report from a recognised credit rating agency (if used) so as to identify any issues with hedging. Again, rating agencies as credit specialists should highlight in their analysis any substantial and unusual hedging risks.*

Interest payable by Borrowers on the Loans is based on a pool of only fixed interest rate loans with a minimum rate of 3.95% with a weighted average of the initially selected pool of [] and a minimum weighted average interest rate of 5.80% for each addition that is made to the pool during the revolving period.

For the payments on the floating rate classes A and B notes an Interest Rate Cap Agreement is entered into with Banco Santander. The Cap Provider receives an upfront premium on the disbursement date as part of the initial expenses of the fund. Thereafter, the cap provider pays 3M Euribor in excess of 0,5% (cap rate), if any, on the full principal amount outstanding, assuming 0% CDR and 0% default rate for all floating rate notes according to a schedule to the Cap agreement. From the numbers given the interest rate hedging seems plausible to PCS.

35 STS criteria

[SEE RELATED EBA GUIDELINES](#)

35. Currency risks arising from the securitisation shall be appropriately mitigated.	
Verified?	Yes
PCS Comment	
<p><i>PCS notes that in 4.5 (of "Information Concerning the Securities to be admitted to Trading"), "Currency of the issue", it is stated that "the notes shall be denominated in EUROS". We also note that pursuant to the representation in 2.2.8 ("Additional Information to be Included"), (15), "that all of the loans are exclusively denominated and payable in euros." Therefore, in the absence of any currency mismatch, no currency hedging is necessary.</i></p>	
36	STS criteria SEE RELATED EBA GUIDELINES 36. Any measures taken to that effect shall be disclosed.
Verified?	Yes
PCS Comment	
See item 34, above.	

37	Legislative text – Article 21 - Requirements relating to standardisation GO TO TABLE OF CONTENTS 21.2. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.
	STS criteria SEE RELATED EBA GUIDELINES 37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...
Verified?	Yes
PCS Comment	
See 3.4.2.1 Credit Enhancements" (<i>The Securities</i>), last paragraphs: "The Fund has not entered into and will not enter into any kind of hedging instrument save as expressly permitted by article 21 (2) of the EU Securitisation Regulation. The Initial Receivables do not include derivatives and the Additional Receivables shall not include derivatives."	

38	STS criteria	SEE RELATED EBA GUIDELINES
	38. ...Shall ensure that the pool of underlying exposures does not include derivatives.	
	Verified?	Yes
	PCS Comment	
	See item 37, above.	
39	STS criteria	SEE RELATED EBA GUIDELINES
	39. Those derivatives shall be underwritten and documented according to common standards in international finance.	
	Verified?	Yes
	PCS Comment	
	See the definition of "Interest Rate Cap Transaction", which refers to the International Swaps and Derivatives Association (ISDA) 2002 Master Agreement (Multicurrency – Cross Border). <i>PCS notes that the Swap Agreements are underwritten according to common standards in international finance.</i>	

40	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.3. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds, and shall not reference complex formulae or derivatives.	
	STS criteria	SEE RELATED EBA GUIDELINES
	40. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds and shall not reference complex formulae or derivatives.	
	Verified?	Yes
	PCS Comment	
	Assets: 2.2.2.2.3 Eligibility Criteria (23) That each of the Loans accrue interest at a fixed interest rate, which is not lower than 3.95% annual. Liabilities: See Section 4.8.2 (<i>Interest rate</i>), where it is confirmed that the interest rates on the notes will be floating rate for classes A and B and fixed rate for classes C to F.	

41	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.4. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p> <p>(b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;</p> <p>(c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and</p> <p>(d) No provisions shall require automatic liquidation of the underlying exposures at market value.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>41. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p>		
Verified?	Yes	
PCS Comment		
<p>See Section 3.4.2.2.2 (<i>Required Level of the Cash Reserve</i>).</p> <p>See section 3.4.2.2.3 (<i>Depletion of the Cash Reserve</i>)</p> <p>The Required Level of the Cash Reserve shall become equal to ZERO EUROS (€ 0.00) the earlier of:</p> <p>(i) the Legal Maturity Date,</p> <p>(ii) the Payment Date on which there is no Non-Defaulted Receivable outstanding,</p> <p>(iii) the Payment Date on which the Class A, B, C, D and E Notes are redeemed in full, and</p> <p>(iv) the Payment Date following the delivery of an Early Redemption Notice.</p> <p>See also definition of “Post-Enforcement Available Funds”</p> <p>“Early Redemption Notice” is upon Tax Call Event or Clean-up Call Event</p> <p>See also (Additional Information to be included) Section 3.4.7.2 on the items that form part of “Available Funds” pursuant to the Pre- and Post-Enforcement Priority of Payments.</p> <p>PCS notes that there is no cash trapping.</p>		

42	STS criteria	SEE RELATED EBA GUIDELINES
42. (b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;		
Verified?		Yes
PCS Comment		
<p>See Post-Enforcement Priority of Payments in 3.4.7.3 (“<i>Additional Information to be included</i>”) and see Post-Enforcement Priority of Payments in 4.6.3.2 (“<i>Information Concerning the Securities to be admitted to trading</i>”). and see Redemption of the Notes in 4.9.2.1 in (“<i>Information Concerning the Securities to be admitted to trading</i>”)</p> <p>PCS notes that, although the notes are amortised pro rata pre-enforcement, in a post-enforcement scenario the amortisation switches to sequential.</p>		
43	STS criteria	
43. (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and		
Verified?		Yes
PCS Comment		
See item 42, above.		
44	STS criteria	SEE RELATED EBA GUIDELINES
44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.		
Verified?		Yes
PCS Comment		
<p>See Redemption of the Notes in 4.9.2.1 in (“<i>Information Concerning the Securities to be admitted to trading</i>”)</p> <p>Upon the occurrence of any of the events set forth in section 4.4.3 of the Registration Document the Management Company shall carry out the early Liquidation of the Fund and, thus, the Early Redemption of all Notes issued, and distribute the Available Funds in accordance with the Post-Enforcement Priority of Payments set out in section 3.4.7.3 of the Additional Information.</p> <p>See 4.4.3.1 of the registration document in the prospectus “Mandatory early liquidation of the Fund”</p> <p>“To enable the Management Company to carry out any Early Liquidation of the Fund, and therefore, the Early Redemption of the Notes, the Management Company shall sell the Receivables. For this purpose, the Seller will have the right to repurchase such Receivables at the time of liquidation. The Management Company shall notify the Seller, who will then have a period of five (5) Business Days from the date on which it receives such notification, to communicate its decision to repurchase or not the Receivables. The price that the Seller will have to pay in order to repurchase such Receivables will be equal to the Final Repurchase Price and the transfer of the Receivables must be completed within fifteen (15) Business Days from such decision.</p> <p>In case the Seller does not exercise such right of repurchase within the time limits established above, the Management Company shall request binding bids from, at least, three (3) entities, at its sole discretion, among entities that are active in the purchase and sale of similar assets.</p> <p>The Management Company may obtain any appraisal report it deems necessary from third party entities in order to assess the value of the Receivables. In any case, the highest bid received shall be accepted by the Management Company and will determine the value of the Receivables.</p>		

<p>The above procedure does not entitle the automatic liquidation of the underlying receivables for the purposes of Article 21.4 of the EU Securitisation Regulation.”</p> <p>See 3.7.2.2 Administration and representation of the fund:</p> <p>“(xvi) to make appropriate decisions in relation to the liquidation of the Fund, including the decision for the early redemption of the Notes and liquidation of the Fund, in accordance with the provisions of the Deed of Incorporation and this Prospectus;”</p> <p>PCS has reviewed the relevant triggers, as partially outlined above, and concluded that no provision allows for automatic liquidation.</p>
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45	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.5. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.		
STS criteria		SEE RELATED EBA GUIDELINES
45. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.		
Verified?	Yes	
PCS Comment		
<p>The transaction features pro rata priority of payments and includes triggers relating to the performance reverting to sequential.</p> <p>See 4.6.1 Order of priority of securities and extent of subordination (Securities Note), 4.6.1</p> <p>(ii) Sequential redemption: Following a Subordination Event, as described in section 4.6.3.1 of the Securities Note, Class A Notes, Class B Notes, Class C Notes, Class D, Notes and Class E Notes will cease to redeem on a pro-rata basis and will switch to redemption on a sequential basis until the liquidation of the Fund. There is however no assurance whatsoever that the subordination rules shall protect Noteholders from the risk of loss.</p> <p>(iii) Class F redemption regime: Class F Notes will amortise in accordance with the Class F Notes Target Amortisation Amount and will be redeemed according to section 4.6.3.1 of the Securities Notes.</p> <p>(iv) Redemption upon liquidation: On the liquidation of the Fund, Class A, Class B, Class C, Class D, Class E, and Class F Notes will be redeemed on a sequential basis in accordance with section 4.6.3.2 of the Securities Note.</p> <p>“Upon the occurrence of a Subordination Event Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes will be redeemed sequentially in accordance with the Pre-Enforcement Priority of Payments set forth in section 3.4.7.2 of the Additional Information so that the Principal Target Redemption ...”</p> <p>See definition of “Subordination Event” in “Redemption of the Notes” in 4.9.2.1 items (i) to (ix)</p> <p>PCS notes that the triggers leading to the subordination event include deterioration in the credit quality of the Receivables, in (ii), (iii) and (iv).</p>		

46	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <p>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p> <p>(b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p> <p>(c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);</p> <p>(d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>46. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p>		
Verified?		Yes
PCS Comment		
<p>This Transaction has a Revolving Period.</p> <p>See definition of “Revolving Period Early Termination Event”</p>		
47	STS criteria	SEE RELATED EBA GUIDELINES
<p>47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p>		
Verified?		Yes
PCS Comment		
<p>See Definitions:</p> <p>“Revolving Period Early Termination Event” (“Terminación Anticipada del Período Revolving”) means the occurrence of any of the following events shall, inter alia:</p> <ul style="list-style-type: none"> a Subordination Event occurs; or on the Payment Date immediately preceding the relevant Determination Date, the Outstanding Balance of the Non-Defaulted Receivables was less than 75.00% of the Principal Amount Outstanding of the Rated Notes on the Disbursement Date; or tax regulations are amended in such a way that the assignment of Additional Receivables proves to be excessively onerous to the Seller; or the audit reports on the Seller’s annual accounts show qualifications, which in the opinion of the CNMV, could affect the Additional Receivables. <p>The definition of “Subordination Event” includes triggers containing the deterioration of credit quality in (ii), (iii).</p>		

48	STS criteria	SEE RELATED EBA GUIDELINES
48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;		
Verified?		Yes
PCS Comment		
<p>(i) an Insolvency Event occurs in respect of the Seller; or</p> <p>(vi) an Event of Replacement of the Servicer occurs; or</p> <p>See 3.7.1.1 of Additional Information</p> <p>In the case of an Event of Replacement of the Servicer, the Management Company, with prior notice to the Rating Agencies, may take one of the following actions (at its discretion):</p> <p>(i) replace the Servicer with another entity that has at least five years of experience or is a prudentially regulated institution which holds regulatory authorisations or permissions and, in the opinion of the Management Company, has the suitable legal and technical capacity to perform the services, provided that the rating of the Rated Notes is not adversely affected;</p> <p>(ii) [...]</p> <p>In the case an Insolvency Event occurs in respect of the Servicer, the only possible action will be (i) above. In accordance with Insolvency Law, the Fund, by acting through the Management Company, will have a right of separation in respect of the assigned Receivables, pursuant to articles 239 and 240 of the said Insolvency Law. This right of separation will not necessarily extend to the money received by the Seller, in its capacity as Servicer, and kept by the latter on behalf of the Fund prior to its deposit to the account of the Fund, since, given its fungible nature, it could be subject to the result of the insolvency proceedings according to the majority interpretation of article 239 of the Insolvency Law.</p> <p>See Definitions</p> <p>“Event of Replacement of the Servicer” (“Evento de Sustitución del Administrador”) means the occurrence of any of the following events:</p> <p>(i) any breach of its obligations under the Deed of Incorporation, in the reasonable opinion of the Management Company, and in particular, its obligation to transfer to the Fund the amounts received by the Borrowers within two (2) Business Days as from receipt (except if the breach is due to a force majeure); and</p> <p>(ii) an Insolvency Event occurs in respect of the Servicer.</p> <p><i>The definition of “Subordination Event” includes triggers containing an insolvency related event with regard to the Originator in (i) and Servicer in (vi) defined as Event of Replacement of the Servicer.</i></p>		
49	STS criteria	SEE RELATED EBA GUIDELINES
49. (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);		
Verified?		Yes
PCS Comment		
<p><i>See item 47, above.</i></p> <p><i>The definition of “Revolving Period Early Termination Event” includes a trigger in (ii) which is in accordance with the Regulation.</i></p>		

50	STS criteria	SEE RELATED EBA GUIDELINES
50. (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).		
Verified?		Yes
PCS Comment		
<p>“Revolving Period Early Termination Event” (“Terminación Anticipada del Período Revolving”) means the occurrence of any of the following events shall, inter alia:</p> <ul style="list-style-type: none"> a Subordination Event occurs; or on the Payment Date immediately preceding the relevant Determination Date, the Outstanding Balance of the Non-Defaulted Receivables was less than 75.00% of the Principal Amount Outstanding of the Rated Notes on the Disbursement Date; or tax regulations are amended in such a way that the assignment of Additional Receivables proves to be excessively onerous to the Seller; or the audit reports on the Seller's annual accounts show qualifications, which in the opinion of the CNMV, could affect the Additional Receivables. 		

51	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.7. The transaction documentation shall clearly specify:</p> <ul style="list-style-type: none"> (a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers; (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable. 		
STS criteria		SEE RELATED EBA GUIDELINES
<p>51. The transaction documentation shall clearly specify:</p> <ul style="list-style-type: none"> (a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers; 		
Verified?		Yes
PCS Comment		
<p><i>PCS notes that this transaction is under Spanish securitisation law and therefore the trustee and many other functions are performed by the Management Company. The main document relating to their duties and responsibilities of the Management Company and the Servicer is the Deed of Incorporation of the Fund under Spanish law (Escritura de Constitución). We note that most of the content including Reps and W's of this deed are outlined throughout the prospectus and that in, paragraph 4.4.1 (Date of Incorporation) the Management Company represents that the content of the Deed of Incorporation will not contradict that of the Prospectus</i></p> <p>Also, the main obligations duties and responsibilities are listed under 3.7.2.1 and 3.7.2.2. and 3.7.2.3 (Additional Information)</p> <p>The duties and responsibilities of the Servicer under the Servicing Agreement are described in detail under 3.7.1.</p> <p>Other arrangements including payments of interest and principal to investors are described in 3.4.8</p>		

52	STS criteria	SEE RELATED EBA GUIDELINES
52. (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and		
Verified?		Yes
PCS Comment		
<p>See section 3.7.1.1 "Term and Replacement of the Servicer"</p> <p>See also definition of "Event of Replacement of the Servicer"</p> <p>PCS notes that there is no Back-up Servicer in place at issuance. The responsibility for replacing the Servicer lies with the Management Company on behalf of the fund.</p>		
53	STS criteria	SEE RELATED EBA GUIDELINES
53. (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.		
Verified?		Yes
PCS Comment		
<p>See Section 3.4.8.1 <i>Interest Rate Cap Agreement and Interest Rate Cap Transaction</i>, 3.4.8.1.5 (<i>Rating Downgrade Provision for the Interest Rate cap Provider</i>) and 3.4.8.1.4 (<i>Early Termination</i>).</p> <p>"The Fund will endeavour but cannot guarantee to find a replacement Interest Rate Cap Provider upon early termination of the Interest Rate Cap Transaction.</p> <p>See also Reinvestment Agreement, 4.1</p> <p>"The resignation by the Fund Accounts Provider shall not take any effect until the appointment of the New Fund Accounts Provider is effective. The termination by the Fund Accounts Provider of the performance of its functions under this Agreement, as well as the appointment of the New Fund Accounts Provider will be notified by the Management Company to the Rating Agencies and the CNMV."</p> <p>See Section 3.7.2.3 <i>Resignation and replacement of the Management Company</i></p> <p>See Section 3.4.5.1.1 and 3.4.5.1.2 <i>Treasury Account and Principal Account</i> and 3.4.5.1.4 <i>Rating Agencies Criteria for the Fund Accounts Provider</i>,</p> <p>"[...] the Management Company, in order for the ratings given to the Rated Notes by the Rating Agencies to be not adversely affected, shall within sixty (60) calendar days from the day of the occurrence of any of the abovementioned events, transfer the Fund Accounts to an institution:</p> <ul style="list-style-type: none"> • with a DBRS Minimum Rating of BBB (high), and/or • with a minimum long-term bank deposit rating according to Moody's Rating of at least A3. <p>and, the Management Company will arrange the highest possible return for the balance of the Fund Accounts, which may be lower, equal to or higher than that arranged with the Fund Accounts Provider (or the replacing entity in which the Fund Accounts are opened)."</p> <p>See section 3.4.8.2.4 <i>Termination by Management Company</i> for replacement of Paying Agent</p> <p>See also Paying Agency Agreement, 4.4 <i>Replacement of the Paying Agent</i></p>		

54	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.8. The servicer shall have expertise in servicing exposures of a similar nature to those securitised and shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.		
STS criteria		SEE RELATED EBA GUIDELINES
54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised		
Verified?		Yes
PCS Comment		
<p>See section 3.1 Interest of the natural and legal persons involved in the issue (<i>Essential Information</i>)</p> <p>Santander Consumer Finance, S.A. ("SCF")</p> <p>[...]</p> <p>"SCF's activity is subject to the Spanish legislative regime applicable to financial institutions in general and, in particular, to the supervision, control and rules of the Bank of Spain and the CNMV.</p> <p>SCF's objective is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. In addition, SCF is the holding company of a finance group ("Consumer Group") and handles the investments of its subsidiaries.</p> <p>SCF is fully owned by Banco Santander, S.A, which had a 100% direct and indirect ownership interest in the share capital of SCF as at 31 December 2020. Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander."</p> <p>See paragraph 3.5 (<i>Additional Information</i>)</p> <p>"SCF as Seller and as Servicer has the relevant expertise as an entity being active in the consumer loans market for over 56 years and as servicer of consumer receivables securitisation for over 17 years."</p> <p>See 3.7.1.1. Term and replacement of the Servicer</p> <p>(i) replace the Servicer with another entity that has at least five year of experience or is a prudentially regulated institution which holds regulatory authorisations or permissions and, in the opinion of the Management Company, has the suitable legal and technical capacity to perform the services, provided that the rating of the Rated Notes is not adversely affected;</p> <p>PCS has also taken comfort in the fact that Santander Consumer Finance is a prudentially regulated institution.</p>		
55	STS criteria	SEE RELATED EBA GUIDELINES
55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.		
Verified?		Yes
PCS Comment		
<p>See documentation of policies/procedures described in Section 2.2.7.1, 2.2.7.2, 2.2.7.3, 2.2.7.4 and 2.2.7.5</p> <p>The sections mentioned above contain a description of the SCF Criteria and Procedures Policies.</p> <p>The EBA Guidelines specify that the institution should be considered to have the requisite elements of the criterion if it is a prudentially regulated financial institution.</p> <p>This requirement is certainly met by Santander, as confirmed. The available documentation of the policies in the prospectus is sufficiently detailed.</p>		

56	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.9. The transaction documentation shall set out in clear and consistent terms definitions, remedies and actions relating to delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.		
STS criteria		SEE RELATED EBA GUIDELINES
56. The transaction documentation shall set out in clear and consistent terms definitions		
Verified?		Yes
PCS Comment		
See Additional Information 3.7.1.7. Powers and actions in relation to Loan forbearance processes		
See also policies/procedures described in Section 2.2.7.1 to 2.2.7.5.		
PCS has reviewed the relevant documentation to satisfy itself that these criteria are met.		
57	STS criteria	SEE RELATED EBA GUIDELINES
57. The transaction documentation shall set out in clear and consistent terms, remedies and actions relating to delinquency and default of debtors debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.		
Verified?		Yes
PCS Comment		
PCS has reviewed the relevant documentation to satisfy itself that these criteria are met as they apply to this particular asset class.		

58	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.9. The transaction documentation shall clearly specify the priorities of payment, events which trigger changes in such priorities of payment as well as the obligation to report such events. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.		
STS criteria		
58. The transaction documentation shall clearly specify the priorities of payment,		
Verified?		Yes
PCS Comment		
See Sections 3.4.7.2 and 3.4.7.3 (<i>The order of priority of payments made by the issuer to the holders of the class of securities in question</i>).		
PCS has reviewed the relevant documents to satisfy itself that these criteria are met.		

59	STS criteria
59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.	
Verified?	Yes
PCS Comment	
<p><i>The transaction features pro rata priority of payments and includes triggers relating to the performance reverting to sequential.</i></p> <p>Sequential Redemption Period" ("Periodo de Amortización Secuencial") means the period starting from (and including) the Payment Date immediately following the occurrence of a Subordination Event, and ending on (an including) the earlier of (i) the Legal Maturity Date; (ii) the Payment Date on which the Notes will be redeemed in full; or (iii) the Early Liquidation Date.</p> <p>See definition of "Subordination Event" in "Redemption of the Notes" in 4.9.2.1 items (i) to (x) in ("<i>Information Concerning the Securities to be admitted to trading</i>")</p> <p>See also</p> <p>"Upon the occurrence of a Subordination Event, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes will be redeemed sequentially."</p> <p><i>PCS notes that the Subordination Event described above is clearly documented and defined.</i></p>	
60	STS criteria
60. The transaction documentation shall clearly specify the obligation to report such events.	
Verified?	Yes
PCS Comment	
<p>In section 4.4.3.1 (<i>Mandatory early liquidation of the Fund</i>) <i>it is established in the last paragraph that</i></p> <p>"Notice of the liquidation of the Fund will be provided to the CNMV by publishing the appropriate material event (<i>información relevante</i>) and thereafter to the Noteholders in the manner established in section 4.2.3 of the Additional Information, at least thirty (30) Business Days in advance of the date on which the Early Liquidation is to take place."</p> <p>In section 4.4.3.2 (<i>Early liquidation of the Fund at the Seller's initiative</i>) <i>reference is made to the notices served on the CNMV, to noteholders, not less than 30 Business Days before Early Liquidation of the Fund.</i></p> <p><i>See also the document "Escritura de constitucion", 5.3 (vi) Actuaciones para la cancelación del Fondo</i></p> <p><i>PCS has reviewed the relevant documents to satisfy itself that these criteria are met.</i></p>	
61	STS criteria
61. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.	
Verified?	Yes
PCS Comment	
<p><i>PCS has identified in 4.2.2 (Extraordinary notices) (described, pursuant to Article Law 5/2015) regarding "material events" that this covenant to report exists, also in the context of being listed at AIAF.</i></p> <p>"[...] In particular, material facts will include any relevant modification to the assets or liabilities of the Fund, any amendment to the Deed of Incorporation (as described in section 4.4.1 of the Registration Document), and, if applicable, the resolution on the setting-up of the Fund or any eventual decision regarding the Early Liquidation of the Fund and Early Redemption of the Notes for any</p>	

of the causes established in this Prospectus. In the case of the latter, the Management Company will also submit to the CNMV the certificate executed before a public notary evidencing the winding-up of the Fund and subsequent liquidation procedure described in section 4.4.5 of the Registration Document [...].”

This a future event:

This criterion requires notification to investors of events occurring in the future. Therefore, this criterion is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.

However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.

PCS has identified the existence of such covenant but its attention has also been drawn to the fact that, since the notes are listed on the AIAF in Madrid, there is an obligation to inform investors of events of this nature (see also sections 4.1.2 and 4.1.3)

62	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	STS criteria	SEE RELATED EBA GUIDELINES
	62. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders	
	Verified?	Yes
	PCS Comment	
	See section 4.11 Representation of security holders (<i>securities note</i>)	
	“Pursuant to the provisions of article 26 of Law 5/2015, the Management Company shall act with utmost diligence and transparency in defence of the best interests of the Noteholders and the financial creditors of the Fund. In addition, in accordance with article 26.2 of Law 5/2015, the Management Company shall be liable to the Noteholders and other creditors of the Fund for all losses caused to them by a breach of its duties. <p>No meeting of Noteholders and other creditors of the Fund shall be established in the Deed of Incorporation.”</p> <p>We note in 3.7.2.1 (Management, administration and representation of the Fund and of the Noteholders), and listing point (v) it is established that:</p> <p>“(v) no meeting of creditors (<i>junta de acreedores</i>) will be, established.”</p> <p>Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and the interests of any of the Transaction Parties, on the other hand, as a result of the various businesses and activities of the Transaction Parties, and none of such persons is required to resolve such conflicts of interest in favour of the Noteholders except for the obligations legally vested on the Management Company, who, pursuant to article 26.1.f) of Law 5/2015 must have in place procedural and organisational measures to prevent potential conflicts of interests.”</p> <p>The Management Company will be liable to the Noteholders and other creditors of the Fund for all damages caused thereto by a breach of its obligations.” It will be liable for the penalties applicable thereto pursuant to the provisions of Law 5/2015.”</p> <p>PCS has reviewed the special legal framework in Spain regulating the role and duties of the Management Company and has come to the conclusion that in this case it is acceptable, from an STS perspective, not to establish specific contractual provisions regulating noteholders’ meetings, as otherwise required in all other cases pursuant to the STS regulation and the EBA Guidelines</p>	

63	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
STS criteria		SEE RELATED EBA GUIDELINES
63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
Verified?		Yes
PCS Comment		
See item 62, above.		
64	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
22.1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period no shorter than five years.		
STS criteria		SEE RELATED EBA GUIDELINES
64. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised,		
Verified?		Yes
PCS Comment		
Static loss and dynamic delinquency data have been provided in section 2.2.7.5 (<i>Additional Information to be included in relation to asset backed securities</i>) with the title “Arrears and recovery information of the SCF loan portfolio”. The data relates to the performance of auto loans originated by Santander Consumer:		
The data, available at the EDW Data Warehouse as well as the prospectus, is described as follows:		
2.2.7.5 Arrears and recovery information of the SCF loan portfolio		
The following table shows the historical performance of auto loans originated by SCF with similar characteristics to selected loans (i.e. a portfolio that meets with most of the Eligibility Criteria established in section 2.2.8(ii) of the Additional Information and, in particular, a portfolio where each and every Loan has a maximum Regulatory PD of 4% and where no Loan has been derived from a Refinancing or Restructuring) with the aim to inform potential investors of the performance of the auto loan portfolio.		
65	STS criteria	SEE RELATED EBA GUIDELINES
65. and the sources of those data and the basis for claiming similarity, to potential investors before pricing.		
Verified?		Yes
PCS Comment		
See item 64, above.		

66	STS criteria	SEE RELATED EBA GUIDELINES
66. Those data shall cover a period no shorter than five years.		
Verified?		Yes
PCS Comment		
<i>PCS notes that the information provided in the Prospectus, as described above, covers a period of 5 years, and complies with the requirements of the Regulation.</i>		

67	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
22.2. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party, including verification that the data disclosed in respect of the underlying exposures is accurate.		
STS criteria		SEE RELATED EBA GUIDELINES
67. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party,		
Verified?		Yes
PCS Comment		
<p>See statement in Section 3.2 (<i>Additional Information, Description of the entities participating</i>)</p> <p>“EY has prepared the Special Securitisation Report on the Preliminary Portfolio</p> <p>Special Securitisation Reports on the Preliminary Portfolio” (“Informes de Especiales de Titulización sobre la Cartera Preliminar”) means the reports issued by EY for the purposes of article 22 of the EU Securitisation Regulation on certain features and attributes of a sample of the 461 selected loans, including verification of (i) the accuracy of the data disclosed in the stratification tables included in section 2.2.2.1 of the Additional Information, (ii) the fulfilment of the Eligibility Criteria set forth in section 2.2.2.2 of the Additional Information, and (iii) the CPR tables included in section 4.10 of the Securities Notes. “</p> <p>See statement in section 2.2.2. (<i>Additional Information, General characteristics of the Borrowers, Receivables...</i>)</p> <p>“Review of the selected assets securitised thought the Fund upon being established.</p> <p>EY has reviewed a sample of 461 randomly selected loans out of the Preliminary Portfolio from which the Initial Receivables shall be selected. Additionally, EY has verified the data disclosed in the following stratification tables in respect of the Preliminary Portfolio.</p> <p>The results, applying a confidence level of at least 99%, are set out the Special Securitisation Reports on the Preliminary Portfolio prepared by EY for the purposes of complying with article 22.2 of the EU Securitisation Regulation. SCF, as Originator, confirms that no significant adverse findings have been detected“</p> <p>See also in section 3. (<i>Essential Information, Interest of the natural and legal persons involved in the issue</i>),</p> <p>“Ernst & Young, S.L. (“EY”) participates as independent company for the verification of a series of attributes of the assignable portfolio of Loans of the Fund and the fulfilment of the Eligibility Criteria, for the purposes of complying with the provisions of EU Securitisation Regulation. In addition, EY has verified the accuracy of the data disclosed in the stratification tables included in section 2.2.2.1 of the Additional Information, and the CPR tables included in section 4.10 of the Securities Notes. (“Special Securitisation Report on the Preliminary Portfolio”). “</p> <p>PCS has reviewed the AUP report issued by E&Y and it complies with the STS regulation.</p>		

68	STS criteria	SEE RELATED EBA GUIDELINES
	68. Including verification that the data disclosed in respect of the underlying exposures is accurate.	
	Verified?	Yes
	PCS Comment	
	See item 67, above.	

69	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.3. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE, and shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.	
	STS criteria	SEE RELATED EBA GUIDELINES
	69. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE.	
	Verified?	Yes
	PCS Comment	
	<p>See section 3.2. (<i>Securities Note, Essential Information</i>) “Both INTEX and Bloomberg shall provide a cash flow model in compliance with article 22.3 of the EU Securitisation Regulation.”</p> <p>See section 4. (<i>Additional Information, Post Issuance Reporting</i>), 4.2.1 (iv) Information referred to EU Securitisation Regulation, Article 22 of the EU Securitisation Regulation</p> <p>“Furthermore, in accordance with article 22 of the EU Securitisation Regulation, the Reporting Entity (or any agent on its behalf) will make available (or has made available in this Prospectus) to potential investors, before pricing, the following information:</p> <p>(2) a liability cash flow model, elaborated and published by INTEX and/or Bloomberg, which precisely represents the contractual relationship of the Receivables and the payments flowing between the Originator, the Fund and the Noteholders, (and shall, after pricing, make that model available to Noteholders on an ongoing basis and to potential investors upon request);”</p> <p><i>The criterion requires an liability model to be circulated to prospective investors pre-pricing must be made publicly available on-going. PCS is not a modelling firm nor has any modelling expertise. Therefore, it will not verify the model's accuracy or perform any due diligence whatsoever on the model. However, it will seek to satisfy itself indirectly as to the likelihood of the model's accuracy by requesting details of the individuals (if employed by the originator) or the firms (if the model is outsourced) responsible for the model. PCS will then assess whether, in its sole opinion, the model was put together by persons or firms with a reputation and a track-record in such models.</i></p> <p><i>Having seen the model, read a statement in the prospectus that the model will be made available in accordance with the requirements of the criteria and assessed the firm responsible for the model, PCS is prepared to verify this criterion.</i></p>	

70	STS criteria	SEE RELATED EBA GUIDELINES
70. And shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.		
Verified?		Yes
PCS Comment		
See item 69, above.		
<i>Although technically covering the period between pricing and close, this is primarily a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</i>		
<i>PCS notes the existence of such covenant in the Prospectus, see item 69, above.</i>		

71	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
22.4. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1). By way of derogation from the first subparagraph, originators may, from 1 June 2021, decide to publish the available information related to the principal adverse impacts of the assets financed by underlying exposures on sustainability factors		
22.6 By 10 July 2021, the ESAs shall develop, through the Joint Committee of the European Supervisory Authorities, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in the second subparagraph of paragraph 4 of this Article, in respect of the sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts.		
STS criteria		SEE RELATED EBA GUIDELINES
71. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).		
Verified?		Yes
PCS Comment		
See 3.7.1.5 <i>Information</i>		
"In particular, the Servicer shall provide in a timely manner to the Originator, as Reporting Entity, any reports, data and other information in the correct format to fulfil the reporting requirements of article 7 of the Securitisation Regulation (including, inter alia, the information, if available, related to the environmental performance of the vehicles)."		
<i>PCS would like to point out that according to the article 22.6 of the amended Securitisation Regulation the ESAs shall develop a draft RTS which may affect reporting requirements.</i>		

72	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
STS criteria		
72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.		
Verified?		Yes
PCS Comment		
<p>See section 4 (<i>Additional Information, Post Issuance reporting</i>), (iv) Information referred to EU Securitisation Regulation</p> <p>“The Originator shall be responsible for compliance with article 7, in accordance with article 22.5 of the EU Securitisation Regulation and has been designated as the “Reporting Entity” for the purposes of article 7.2 of the EU Securitisation Regulation.”</p> <p>See section 3 (<i>Essential Information</i>), 3.1 Interest of the natural and legal persons involved in the issue</p> <p>“Santander de Titulización, S.G.F.T., S.A. (“Management Company”) participates as the Management Company of the Fund.</p> <p>In addition, the Management Company shall be liable (together with the Originator) for the fulfilment of the disclosure obligations under article 7 of the EU Securitisation Regulation and the applicable legislation, without prejudice to the appointment of the Originator as the Reporting Entity in charge of the fulfilment of those disclosure obligations as set forth in section 4.2.1 of the Additional Information.”</p>		

73	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
STS criteria		
73. The information required by point (a) the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request.		
Verified?		Yes
PCS Comment		
<p>See section 4.2.1, (<i>Post Issuance Reporting</i>) Ordinary periodic notices, (iv) Information referred to EU Securitisation Regulation, Article 22 of the EU Securitisation Regulation</p> <p>Furthermore, in accordance with article 22 of the EU Securitisation Regulation, the Reporting Entity (or any agent on its behalf) will make available (or has made available in this Prospectus) to potential investors, before pricing, the following information:</p> <p>“(3) the loan-by-loan information required by point (a) of the first subparagraph of article 7(1) of the Securitisation Regulation”</p>		

74	STS criteria	
	74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.	
	Verified?	Yes
	PCS Comment	
	<p>See section 4.2.1, (<i>Post Issuance Reporting</i>) Ordinary periodic notices, (iv) Information referred to EU Securitisation Regulation, Article 22 of the EU Securitisation Regulation</p> <p>Furthermore, in accordance with article 22 of the EU Securitisation Regulation, the Reporting Entity (or any agent on its behalf) will make available (or has made available in this Prospectus) to potential investors, before pricing, the following information:</p> <p>(4) draft versions of the Transaction Documents, the STS Notification and this Prospectus;</p>	

75	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.	
	STS criteria	
	75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.	
	Verified?	Yes
	PCS Comment	
	<p>See section 4.2.1, (<i>Post Issuance Reporting</i>) Ordinary periodic notices, (iv) Information referred to EU Securitisation Regulation,</p> <p>The Reporting Entity, directly or delegating to any other agent on its behalf, will:</p> <p>(1) following the Date of Incorporation:</p> <p>(4) make available in accordance with the article 7(1)(b) and article 22.5 of the EU Securitisation Regulation, in any case within fifteen (15) calendar days of the Date of Incorporation, copies of the relevant Transaction Documents, the STS Notification and this Prospectus.”</p>	

76	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:	
	(a) information on the underlying exposures on a quarterly basis, or, in the case of ABCP, information on the underlying receivables or credit claims on a monthly basis;	
	STS criteria	
	76. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:	
	(a) information on the underlying exposures on a quarterly basis,	

Verified?	Yes
PCS Comment	
<p>See section 4.2.1, (<i>Post Issuance Reporting</i>) Ordinary periodic notices, (iv) Information referred to EU Securitisation Regulation, "The Reporting Entity, directly or delegating to any other agent on its behalf, will</p> <p>(1) following the Date of Incorporation:</p> <p>(i) publish a quarterly investor report in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(e) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date; and</p> <p>(ii) publish on a quarterly basis certain loan-by-loan information in relation to the Receivables in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(a) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date and simultaneously with the quarterly investor report described in paragraph (1) immediately above;"</p>	

77	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <p>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p> <p>(ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</p> <p>(iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator;</p> <p>(iv) the servicing, back-up servicing, administration and cash management agreements;</p> <p>(v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value;</p> <p>(vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;</p>		
STS criteria		
<p>77. (b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <p>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p>		
Verified?	Yes	
PCS Comment		
<p>See section 4.2.1, (<i>Post Issuance Reporting</i>) Ordinary periodic notices, (iv) Information referred to EU Securitisation Regulation, The Reporting Entity, directly or delegating to any other agent on its behalf, will:</p> <p>(1) following the Date of Incorporation:</p> <p>(4) make available in accordance with the article 7(1)(b) and article 22.5 of the EU Securitisation Regulation, in any case within fifteen (15) calendar days of the Date of Incorporation, copies of the relevant Transaction Documents, the STS Notification and this Prospectus.</p> <p>See Definitions:</p>		

	<p>“Transaction Documents” (“Documentos de la Operación”) means the Deed of Incorporation, The Subordinated Loan Agreement; the Reinvestment Agreement; the Management, Placement and Subscription Agreement; the Paying Agency Agreement; the Sale and Purchase Agreement; the Seller Loan (if any), and the Interest Rate Cap Agreement.</p>	
78	STS criteria	
	78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;	
	Verified?	Yes
	PCS Comment	
	See item 77, above.	
79	STS criteria	
	79. (iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator;	
	Verified?	Yes
	PCS Comment	
	See item 77, above.	
80	STS criteria	
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;	
	Verified?	Yes
	PCS Comment	
	There is no Servicing or Back-up Servicing Agreement. The Management Company’s duties are regulated and described in the Prospectus.	
81	STS criteria	
	81. (v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value;	
	Verified?	Yes
	PCS Comment	
	See item 77, above.	

82	STS criteria
	82. (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;
	Verified? Yes
	PCS Comment
See item 77, above.	

83	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;	
	STS criteria	
	83. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;	
	Verified? Yes	
	PCS Comment	
See prospectus, sections <i>Additional Information, The order of priority of payments made by the issuer to the holders of the class of securities in question</i> 3.4.7.2 Source and application of the funds from the first Payment Date, inclusive, until the last Payment Date or the liquidation of the Fund, exclusive and 3.4.7.3 Post-Enforcement Priority of Payments		

84	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(c) where a prospectus has not been drawn up in compliance with Directive 2003/71/EC of the European Parliament and of the Council, a transaction summary or overview of the main features of the securitisation, including, where applicable:</p> <ul style="list-style-type: none"> (i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure; (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features; (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors; (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position; 		
STS criteria		
<p>84. (c) where a prospectus has not been drawn up in compliance with Directive 2003/71/EC of the European Parliament and of the Council, a transaction summary or overview of the main features of the securitisation, including, where applicable:</p> <p>(i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure;</p>		
Verified?		Yes
PCS Comment		
<p>The Prospectus is made in compliance with the Prospectus Regulation. This requirement and those in points 85, 86 and 87 are therefore not applicable.</p>		
85	STS criteria	
<p>85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</p>		
Verified?		Yes
PCS Comment		
<p>Not applicable.</p>		
86	STS criteria	
<p>86. (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;</p>		
Verified?		Yes
PCS Comment		
<p>Not applicable.</p>		

87	STS criteria
	87. (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position;
	Verified? Yes
	PCS Comment
Not applicable.	

88	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	STS criteria	
	88. (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	Verified?	Yes
	PCS Comment	
See item 77, above. As stated in <i>Post-Issuance Reporting</i> 4.2.1., (iv) Information referred to EU Securitisation Regulation (4) (4) make available in accordance with the article 7(1)(b) and article 22.5 of the EU Securitisation Regulation, in any case within fifteen (15) calendar days of the Date of Incorporation, copies of the relevant Transaction Documents, the STS Notification and this Prospectus.		

89	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p> <ul style="list-style-type: none"> (i) all materially relevant data on the credit quality and performance of underlying exposures; (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties, and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation; (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6. 		
STS criteria		
89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:		
Verified?		Yes
PCS Comment		
See item 76, above.		
90	STS criteria	
90. (i) all materially relevant data on the credit quality and performance of underlying exposures;		
Verified?		Yes
PCS Comment		
<p>See 4 Post Issuance Reporting, 4.2.1 Ordinary Periodic Notices, (iv) Information referred to EU Securitisation Regulation</p> <p>“The EU Disclosure RTS set out the information and the details to be made available by the originator, sponsor and SSPE of a securitisation and the EU Disclosure ITS set out the format and standardised templates for making available the information and details of a securitisation.”</p>		
91	STS criteria	
91. (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties,		
Verified?		Yes
PCS Comment		
See item 90, above.		

92	STS criteria		
92. (ii)...and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation;			
<table border="1" style="width:100%"> <tr> <td style="width:50%">Verified?</td> <td style="text-align:right">Yes</td> </tr> </table>		Verified?	Yes
Verified?	Yes		
PCS Comment			
See item 90, above.			
93	STS criteria		
93. (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6.			
<table border="1" style="width:100%"> <tr> <td style="width:50%">Verified?</td> <td style="text-align:right">Yes</td> </tr> </table>		Verified?	Yes
Verified?	Yes		
PCS Comment			
See item 90, above.			
See 4 Post Issuance Reporting, 4.2.1 Ordinary Periodic Notices, (iv) Information referred to EU Securitisation Regulation			
"The quarterly investor reports shall include, in accordance with article 7(1), subparagraph (e)(iii) of the EU Securitisation Regulation, information about the risk retention, including information on which of the modalities provided for in article 6(3) has been applied, in accordance with article 6 of the EU Securitisation Regulation."			
94	Legislative text – Article 22 - Requirements relating to transparency <table border="1" style="float:right"> <tr> <td>GO TO TABLE OF CONTENTS</td> </tr> </table>	GO TO TABLE OF CONTENTS	
GO TO TABLE OF CONTENTS			
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p>			
STS criteria			
94. (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;			
<table border="1" style="width:100%"> <tr> <td style="width:50%">Verified?</td> <td style="text-align:right">Yes</td> </tr> </table>		Verified?	Yes
Verified?	Yes		
PCS Comment			
See 4 Post Issuance Reporting, 4.2.1 Ordinary Periodic Notices, (iv) Information referred to EU Securitisation Regulation			
"The Reporting Entity, directly or delegating to any other agent on its behalf, will:			
(2) publish, in accordance with article 7(1)(f) of the EU Securitisation Regulation, without delay any inside information made public in accordance with article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;"			

95	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <ul style="list-style-type: none"> (i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach; (ii) a change in the structural features that can materially impact the performance of the securitisation; (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation; (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions; (v) any material amendment to transaction documents. 		
STS criteria		
<p>95. (g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p>		
Verified?		Yes
PCS Comment		
<p>See 4 Post Issuance Reporting, 4.2.1 Ordinary Periodic Notices, (iv) Information referred to EU Securitisation Regulation</p> <p>“The Reporting Entity, directly or delegating to any other agent on its behalf, will:</p> <p>(3) publish without delay any significant event including any significant events described in article 7(1)(g) of the EU Securitisation Regulation; and”</p> <p>See also 4.2.3 Procedure</p> <ul style="list-style-type: none"> (i) Ordinary notices (ii) Extraordinary notices (v) Information to be furnished by the Servicer to the Management Company. 		
96	STS criteria	
<p>96. (ii) a change in the structural features that can materially impact the performance of the securitisation;</p>		
Verified?		Yes
PCS Comment		
<p>See item 95, above.</p>		

97	STS criteria
	97. (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment See item 95, above.
98	STS criteria
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions;
	Verified? Yes
	PCS Comment See item 95, above. See also Additional Information, 1.2 STS compliance "The Seller, as originator, shall be responsible for the fulfilment of the requirements of articles 19 to 22 of the EU Securitisation Regulation and shall immediately notify ESMA and inform its competent authority (when duly appointed) when the transaction no longer meets the requirements of article 19 to 22 of the EU Securitisation Regulation."
99	STS criteria
	99. (v) any material amendment to transaction documents.
	Verified? Yes
	PCS Comment See item 95, above.

100	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
7.1. The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one month after the due date for the payment of interest [...ABCP provisions]		
STS criteria		
100. The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one month after the due date for the payment of interest [...ABCP provisions]		
Verified?		Yes
PCS Comment		
See item 76, above.		

101	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
7.1. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay When complying with this paragraph, the originator, sponsor and SSPE of a securitisation shall comply with national and Union law governing the protection of confidentiality of information and the processing of personal data in order to avoid potential breaches of such law as well as any confidentiality obligation relating to customer, original lender or debtor information, unless such confidential information is anonymised or aggregated. In particular, with regard to the information referred to in point (b) the originator, sponsor and SSPE may provide a summary of the concerned documentation. Competent authorities referred to in Article 29 shall be able to request the provision of such confidential information to them in order to fulfil their duties under this Regulation.		
STS criteria		
101. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay		
Verified?		Yes
PCS Comment		
See item 94, above.		

102	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Or</p> <p>The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC.</p> <p>Or</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation. 		
STS criteria		
<p>102. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation 		
Verified?		Yes
PCS Comment		
<p>Section 4 (<i>Post-Issuance Reporting</i>) 4.2.1 (iv) Information referred to EU Securitisation Regulation</p> <p>Pursuant to the obligations set forth in article 7(2) of the EU Securitisation Regulation, the originator, the securitisation special purpose entity (SSPE) of a securitisation shall designate amongst themselves one entity to submit the information set out in points (a), (b), (d), (e), (f) and (g) of article 7(1) to a registered securitisation repository of the EU Securitisation Regulation. The disclosure requirements of article 7 of the EU Securitisation Regulation apply in respect of the Notes.</p> <p>The Reporting Entity, directly or delegating to any other agent on its behalf, will publish or make otherwise available the reports and information referred to in paragraphs (1) to (4) (inclusive) above as required under article 7 and article 22 of the EU Securitisation Regulation. Such reports will be made available through the Securitisation Repository, a securitisation repository registered pursuant to Article 10 of the Securitisation Regulation.</p> <p>The Originator shall be responsible for compliance with article 7, in accordance with article 22.5 of the EU Securitisation Regulation and has been designated as the “Reporting Entity” for the purposes of article 7.2 of the EU Securitisation Regulation.</p> <p><i>The Originator is the designated reporting Entity. See also statement on appointment of EDW, and criterion 103, below.</i></p>		

103	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (c), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
STS criteria		
<p>103. The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
Verified?		Yes
PCS Comment		
<p>See section 4.2.1 (iv) (2) as quoted in 102, above.</p> <p>See also Securities Note, 3.1. ESSENTIAL INFORMATION, 3.1. Interest of the natural and legal persons involved in the issue</p> <p>The Securitisation Repository has been appointed by the Management Company, on behalf of the Fund, as securitisation repository registered with ESMA in accordance with articles 10 and 12 of the EU Securitisation Regulation to satisfy the reporting obligations under article 7 of the EU Securitisation Regulation.</p>		

Definitions:

“AUP”: the agreed upon procedures through which an external firm verifies certain aspects of the asset pool.

“COMI”: centre of main interest – broadly, the legal jurisdiction where the insolvency of the seller of assets will be primarily determined.

“Issuer Notification”: the notification provided by the originator or sponsor pursuant to article 27 of the STS Regulation.

“Jurisdiction List”: the list of jurisdictions where it has been determined that severe clawback provisions do not apply.

“Legal Opinion”: an opinion signed by a law firm qualified in the relevant jurisdiction and acting for the originator or the arranger where the law firm sets out the reasons why, in its opinion and subject to customary assumptions and qualifications, the assets are transferred in such a way as to meet the STS Criterion for “true sale” or the same type of opinion for prior sales together with an opinion on the enforceability of the underlying assets.

“Marketing Documents”: Documents prepared by or on behalf of the originator and used in the marketing of the transaction with potential investors.

“Model”: a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE.

“Prospectus/Deal Sheet”: the prospectus, or for a deal where no prospectus needs to be drawn up, the deal sheet envisaged by article 7.1(c) of the STS Regulation.

“Prospectus Regulation”: Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

“Transaction Document”: a document entered into in relation to the transaction binding on one or more parties connected to the transaction.

EBA Final non-ABCP STS Guidelines:

1,	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
2	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
<p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>16. The criterion specified in Article 20(1) aims to ensure that the underlying exposures are beyond the reach of, and are effectively ring-fenced and segregated from, the seller, its creditors and its liquidators, including in the event of the seller's insolvency, enabling an effective recourse to the ultimate claims for the underlying exposures.</p> <p>22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;</p> <p>(b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>True sale, assignment or transfer with the same legal effect</p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <p>(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;</p> <p>(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;</p> <p>(c) assessment of clawback risks and re-characterisation risks</p> <p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p> <p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>		

2a	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>17. The criterion in Article 20(2) is designed to ensure the enforceability of the transfer of legal title in the event of the seller's insolvency. More specifically, if the underlying exposures sold to the SSPE could be reclaimed for the sole reason that their transfer was effected within a certain period before the seller's insolvency, or if the SSPE could prevent the reclaim only by proving that it was unaware of the seller's insolvency at the time of transfer, such clauses would expose investors to a high risk that the underlying exposures would not effectively back their contractual claims. For this reason, Article 20(2) specifies that such clauses constitute severe clawback provisions, which may not be contained in STS securitisation.</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <ul style="list-style-type: none"> (a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale; (b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework; (c) assessment of clawback risks and re-characterisation risks. <p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p> <p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>		

2b	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>18. Whereas, pursuant to Article 20(2), contractual terms and conditions attached to the transfer of title that expose investors to a high risk that the securitised assets will be reclaimed in the event of the seller's insolvency should not be permissible in STS securitisations, such prohibition should not include the statutory provisions granting the right to a liquidator or a court to invalidate the transfer of title with the aim of preventing or combating fraud, as referred to in Article 20(3).</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <p>(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;</p> <p>(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;</p> <p>(c) assessment of clawback risks and re-characterisation risks.</p> <p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p> <p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>		

3	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
19. Article 20(4) specifies that, where the transfer of title occurs not directly between the seller and the SSPE but through one or more intermediary steps involving further parties, the requirements relating to the true sale, assignment or other transfer with the same legal effect, apply at each step.	
EBA Final non-ABCP STS Guidelines	
4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))	
<i>True sale, assignment or transfer with the same legal effect</i>	
10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:	
(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;	
(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;	
(c) assessment of clawback risks and re-characterisation risks.	
11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.	
12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.	

4	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))	
20. The objective of the criterion in Article 20(5) is to minimise legal risks related to unperfected transfers in the context of an assignment of the underlying exposures, by specifying a minimum set of events subsequent to closing that should trigger the perfection of the transfer of the underlying exposures.	
22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:	
(a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;	
(b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.	
EBA Final non-ABCP STS Guidelines	
4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))	
<i>Severe deterioration in the seller credit quality standing</i>	
13. For the purposes of Article 20(5) of Regulation (EU) 2017/2402, the transaction documentation should identify, with regard to the trigger of 'severe deterioration in the seller credit quality standing', credit quality thresholds that are objectively observable and related to the financial health of the seller.	
<i>Insolvency of the seller</i>	
14. For the purposes of Article 20(5) of Regulation (EU) 2017/2402, the trigger of 'insolvency of the seller' should refer, at least, to events of legal insolvency as defined in national legal frameworks.	

5	<u>BACK TO CHECKLIST</u>
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>21. The objective of the criterion in Article 20(6), which requires the seller to provide the representations and warranties confirming to the seller's best knowledge that the transferred exposures are neither encumbered nor otherwise in a condition that could potentially adversely affect the enforceability of the transfer of title, is to ensure that the underlying exposures are not only beyond the reach not only of the seller but equally of its creditors, and to allocate the commercial risk of the encumbrance of the underlying exposures to the seller.</p>	
EBA Final non-ABCP STS Guidelines	

6	<u>BACK TO CHECKLIST</u>
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))	
<p>23. The objective of this criterion in Article 20(7) is to ensure that the selection and transfer of the underlying exposures in the securitisation is done in a manner which facilitates in a clear and consistent fashion the identification of which exposures are selected for/transferred into the securitisation, and to enable the investors to assess the credit risk of the asset pool prior to their investment decisions.</p>	
EBA Final non-ABCP STS Guidelines	
4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))	
<i>Clear eligibility criteria</i>	
<p>17. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, the criteria should be understood to be 'clear' where compliance with them is possible to be determined by a court or tribunal, as a matter of law or fact or both.</p>	

7	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p>24. Consistently with this objective, the active portfolio management of the exposures in the securitisation should be prohibited, given that it adds a layer of complexity and increases the agency risk arising in the securitisation by making the securitisation's performance dependent on both the performance of the underlying exposures and the performance of the management of the transaction. The payments of STS securitisations should depend exclusively on the performance of the underlying exposures.</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p>Active portfolio management</p> <p>15. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, active portfolio management should be understood as portfolio management to which either of the following applies:</p> <p>(a) the portfolio management makes the performance of the securitisation dependent both on the performance of the underlying exposures and on the performance of the portfolio management of the securitisation, thereby preventing the investor from modelling the credit risk of the underlying exposures without considering the portfolio management strategy of the portfolio manager;</p> <p>(b) the portfolio management is performed for speculative purposes aiming to achieve better performance, increased yield, overall financial returns or other purely financial or economic benefit.</p> <p>16. The techniques of portfolio management that should not be considered active portfolio management include:</p> <p>(a) substitution or repurchase of underlying exposures due to the breach of representations or warranties;</p> <p>(b) substitution or repurchase of the underlying exposures that are subject to regulatory dispute or investigation to facilitate the resolution of the dispute or the end of the investigation;</p> <p>(c) replenishment of underlying exposures by adding underlying exposures as substitutes for amortised or defaulted exposures during the revolving period;</p> <p>(d) acquisition of new underlying exposures during the 'ramp up' period to line up the value of the underlying exposures with the value of the securitisation obligation(e) repurchase of underlying exposures in the context of the exercise of clean-up call options, in accordance with Article 244(3)(g) of Regulation (EU) 2017/2401;</p> <p>(f) repurchase of defaulted exposures to facilitate the recovery and liquidation process with respect to those exposures;</p> <p>(g) repurchase of underlying exposures under the repurchase obligation in accordance with Article 20(13) of Regulation (EU) 2017/2402.</p>		

8	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p>25. Revolving periods and other structural mechanisms resulting in the inclusion of exposures in the securitisation after the closing of the transaction may introduce the risk that exposures of lesser quality can be transferred into the pool. For this reason, it should be ensured that any exposure transferred into the securitisation after the closing meets the eligibility criteria, which are no less strict than those used to structure the initial pool of the securitisation.</p> <p>26. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) the purpose of the requirement on the portfolio management, and the provision of examples of techniques which should not be regarded as active portfolio management: this criterion should be considered without prejudice to the existing requirements with respect to the similarity of the underwriting standards in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, which requires that all the underlying exposures in a securitisation be underwritten according to similar underwriting standards;</p> <p>(b) interpretation of the term ‘clear’ eligibility criteria;</p> <p>(c) clarification with respect to the eligibility criteria that need to be met with respect to the exposures transferred to the SSPE after the closing.</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p><i>Eligibility criteria to be met for exposures transferred to the SSPE after the closing of the transaction</i></p> <p>18. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, ‘meeting the eligibility criteria applied to the initial underlying exposures’ should be understood to mean eligibility criteria that comply with either of the following:</p> <p>(a) with regard to normal securitisations, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the closing of the transaction;</p> <p>(b) with regard to securitisations that issue multiple series of securities including master trusts, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the most recent issuance, with the results that the eligibility criteria may vary from closing to closing, with the agreement of securitisation parties and in accordance with the transaction documentation.</p> <p>19. Eligibility criteria to be applied to the underlying exposures in accordance with paragraph 18 should be specified in the transaction documentation and should refer to eligibility criteria applied at exposure level.</p>		
9	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p>27. The criterion on the homogeneity as specified in the first subparagraph of Article 20(8) has been further clarified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402.</p>		
EBA Final non-ABCP STS Guidelines		

10,	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
11	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))		
<p>28. The objective of the criterion specified in the third sentence in the first subparagraph and in the second subparagraph of Article 20(8) is to ensure that the underlying exposures contain valid and binding obligations of the debtor/guarantor, including rights to payments or to any other income from assets supporting such payments that result in a periodic and well-defined stream of payments to the investors.</p> <p>30. To facilitate consistent interpretation of this criterion, a clarification should be provided with respect to:</p> <p>(a) interpretation of the term 'contractually binding and enforceable obligations';</p>		
EBA Final non-ABCP STS Guidelines		
4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))		
<i>Contractually binding and enforceable obligations</i>		
<p>20. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, 'obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors' should be understood to refer to all obligations contained in the contractual specification of the underlying exposures that are relevant to investors because they affect any obligations by the debtor and, where applicable, the guarantor to make payments or provide security.</p>		

12,	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
13	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))		
<p>30 (b) a non-exhaustive list of examples of exposures types that should be considered to have defined periodic payment streams. The individual examples are without prejudice to applicable requirements, such as the requirement with respect to the defaulted exposures in accordance with Article 20(11) of Regulation (EU) 2017/2402 and the requirement with respect to the residual value in accordance with Article 20(13) of that regulation.</p>		
EBA Final non-ABCP STS Guidelines		
4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))		
<i>Exposures with periodic payment streams</i>		
<p>21. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, exposures with defined periodic payment streams should include:</p> <p>(a) exposures payable in a single instalment in the case of revolving securitisation, as referred to in Article 20(12) of Regulation (EU) 2017/2402;</p> <p>(b) exposures related to credit card facilities;</p> <p>(c) exposures with instalments consisting of interest and where the principal is repaid at the maturity, including interest-only mortgages;</p> <p>(d) exposures with instalments consisting of interest and repayment of a portion of the principal, where either of the following conditions is met:</p> <p style="padding-left: 20px;">(i) the remaining principal is repaid at the maturity;</p> <p style="padding-left: 20px;">(ii) the repayment of the principal is dependent on the sale of assets securing the exposure, in accordance with Article 20(13) of Regulation (EU) 2017/2402 and paragraphs 47 to 49;</p> <p>(e) exposures with temporary payment holidays as contractually agreed between the debtor and the lender.</p>		

14	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))	
29. The objective of the criterion specified in the third subparagraph is that the underlying exposures do not include transferable securities, as they may add to the complexity of the transaction and of the risk and due diligence analysis to be carried out by the investor.	
EBA Final non-ABCP STS Guidelines	

15	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
No resecuritisation (Article 20(9))	
31. The objective of this criterion is to prohibit resecuritisation subject to derogations for certain cases or for resecuritisation as specified in Regulation (EU) 2017/2402. This is a lesson learnt from the financial crisis, when resecuritisations were structured into highly leveraged structures in which notes of lower credit quality could be re-packaged and credit enhanced, resulting in transactions whereby small changes in the credit performance of the underlying assets had severe impacts on the credit quality of the resecuritisation bonds. The modelling of the credit risk arising in these bonds proved very difficult, also due to high levels of correlations arising in the resulting structures.	
32. The criterion is deemed sufficiently clear and does not require any further clarification.	
EBA Final non-ABCP STS Guidelines	

16	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Underwriting standards (Article 20(10))	
33. The objective of the criterion specified in the first subparagraph of Article 20(10) is to prevent cherry picking and to ensure that the exposures that are to be securitised do not belong to exposure types that are outside the ordinary business of the originator, i.e. types of exposures in which the originator or original lender may have less expertise and/or interest at stake. This criterion is focused on disclosure of changes to the underwriting standards and aims to help the investors assess the underwriting standards pursuant to which the exposures transferred into securitisation have been originated.	
EBA Final non-ABCP STS Guidelines	

17	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Underwriting standards (Article 20(10))</p> <p>37. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) the term ‘similar exposures’, with reference to requirements specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;</p> <p>(b) the term ‘no less stringent underwriting standards’: independently of the guidance provided in these guidelines, it is understood that, in the spirit of restricting the ‘originate-to-distribute’ model of underwriting, where similar exposures exist on the originator’s balance sheet, the underwriting standards that have been applied to the securitised exposures should also have been applied to similar exposures that have not been securitised, i.e. the underwriting standards should have been applied not solely to securitised exposures;</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.4 Underwriting standards, originator’s expertise (Article 20(10))</p> <p><i>No less stringent underwriting standards</i></p> <p>23. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the underwriting standards applied to securitised exposures should be compared to the underwriting standards applied to similar exposures at the time of origination of the securitised exposures.</p> <p>24. Compliance with this requirement should not require either the originator or the original lender to hold similar exposures on its balance sheet at the time of the selection of the securitised exposures or at the exact time of their securitisation, nor should it require that similar exposures were actually originated at the time of origination of the securitised exposures.</p>		

18	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Underwriting standards (Article 20(10))</p> <p>37 (c) clarification of the requirement to disclose material changes from prior underwriting standards to potential investors without undue delay: the guidance clarifies that this requirement should be forward-looking only, referring to material changes to the underwriting standards after the closing of the securitisation. The guidance clarifies the interactions with the requirement for similarity of the underwriting standards set out in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, which requires that all the underlying exposures in securitisation be underwritten according to similar underwriting standards;</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.4 Underwriting standards, originator's expertise (Article 20(10))</p> <p><i>Disclosure of material changes from prior underwriting standards</i></p> <p>25. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, material changes to the underwriting standards that are required to be fully disclosed should be understood to be those material changes to the underwriting standards that are applied to the exposures that are transferred to, or assigned by, the SSPE after the closing of the securitisation in the context of portfolio management as referred to in paragraphs 15 and 16.</p> <p>26. Changes to such underwriting standards should be deemed material where they refer to either of the following types of changes to the underwriting standards:</p> <p>(a) changes which affect the requirement of the similarity of the underwriting standards further specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;</p> <p>(b) changes which materially affect the overall credit risk or expected average performance of the portfolio of underlying exposures without resulting in substantially different approaches to the assessment of the credit risk associated with the underlying exposures.</p> <p>27. The disclosure of all changes to underwriting standards should include an explanation of the purpose of such changes.</p> <p>28. With regard to trade receivables that are not originated in the form of a loan, reference to underwriting standards in Article 20(10) should be understood to refer to credit standards applied by the seller to short-term credit generally of the type giving rise to the securitised exposures and proposed to its customers in relation to the sales of its products and services.</p>		

19	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Underwriting standards (Article 20(10))	
<p>34. The objective of the criterion specified in the second subparagraph of Article 20(10) is to prohibit the securitisation of self-certified mortgages for STS purposes, given the moral hazard that is inherent in granting such types of loans.</p> <p>37 (d) the scope of the criterion with respect to the specific types of residential loans as referred to in the second subparagraph of Article 20(10) and to the nature of the information that should be captured by this criterion;</p>	
EBA Final non-ABCP STS Guidelines	
4.4 Underwriting standards, originator’s expertise (Article 20(10))	
Residential loans	
<p>29. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the pool of underlying exposures should not include residential loans that were both marketed and underwritten on the premise that the loan applicant or intermediaries were made aware that the information provided might not be verified by the lender.</p> <p>30. Residential loans that were underwritten but were not marketed on the premise that the loan applicant or intermediaries were made aware that the information provided might not be verified by the lender, or become aware after the loan was underwritten, are not captured by this requirement.</p> <p>31. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the ‘information’ provided should be considered to be only relevant information. The relevance of the information should be based on whether the information is a relevant underwriting metric, such as information considered relevant for assessing the creditworthiness of a borrower, for assessing access to collateral and for reducing the risk of fraud.</p> <p>32. Relevant information for general non-income-generating residential mortgages should normally be considered to constitute income, and relevant information for income-generating residential mortgages should normally be considered to constitute rental income. Information that is not useful as an underwriting metric, such as mobile phone numbers, should not be considered relevant information.</p>	

20	BACK TO CHECKLIST
Article 20 - Requirements relating to simplicity	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Underwriting standards (Article 20(10))	
<p>35. The objective of the criterion specified in the third subparagraph of Article 20(10) is to ensure that the assessment of the borrower’s creditworthiness is based on robust processes. It is expected that the application of this article will be limited in practice, given that the STS is limited to originators based in the EU, and the criterion is understood to cover only exposures originated by the EU originators to borrowers in non-EU countries.</p> <p>37. (e) clarification of the criterion with respect to the assessment of a borrower’s creditworthiness based on equivalent requirements in third countries;</p>	
EBA Final non-ABCP STS Guidelines	

21	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
Underwriting standards (Article 20(10))		
<p>36. The objective of the criterion specified in the fourth subparagraph of Article 20(10) is for the originator or original lender to have an established performance history of credit claims or receivables similar to those being securitised, and for an appropriately long period of time.</p>		
<p>37. (f) identification of criteria on which the expertise of the originator or the original lender should be determined:</p>		
<p>(i) when assessing if the originator or the original lender has the required expertise, some general principles should be set out against which the expertise should be assessed. The general principles have been designed to allow a robust qualitative assessment of the expertise. One of these principles is the regulatory authorisation: this is to allow for more flexibility in such qualitative assessments of the expertise if the originator or the original lender is a prudentially regulated institution which holds regulatory authorisations or permissions that are relevant with respect to origination of similar exposures. The regulatory authorisation in itself should, however, not be a guarantee that the originator or original lender has the required expertise;</p>		
<p>(ii) irrespective of such general principles, specific criteria should be developed, based on specifying a minimum period for an entity to perform the business of originating similar exposures, compliance with which would enable the entity to be considered to have a sufficient expertise. Such expertise should be assessed at the group level, so that possible restructuring at the entity level would not automatically lead to non-compliance with the expertise criterion. It is not the intention of such specific criteria to form an impediment to the entry of new participants to the market. Such entities should also be eligible for compliance with the expertise criterion, as long as their management body and senior staff with managerial responsibility for origination of similar exposures, have sufficient experience over a minimum specified period.</p>		
<p>38. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>		
EBA Final non-ABCP STS Guidelines		
4.4 Underwriting standards, originator's expertise (Article 20(10))		
Similar exposures		
<p>22. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, exposures should be considered to be similar when one of the following conditions is met:</p>		
<p>(a) the exposures belong to one of the following asset categories referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402:</p>		
<p>(i) residential loans secured with one or several mortgages on residential immovable property, or residential loans fully guaranteed by an eligible protection provider among those referred to in Article 20(1) of Regulation (EU) No 575/2013 qualifying for credit quality step 2 or above as set out in Part Three, Title II, Chapter 2 of that regulation;</p>		
<p>(ii) commercial loans secured with one or several mortgages on commercial immovable property or other commercial premises;</p>		
<p>(iii) credit facilities provided to individuals for personal, family or household consumption purposes;</p>		
<p>(iv) auto loans and leases;</p>		
<p>(v) credit card receivables;</p>		
<p>(vi) trade receivables;</p>		
<p>(b) the exposures fall under the asset category of credit facilities provided to micro-, small-, medium-sized and other types of enterprises and corporates including loans and leases, as referred to in Article 2(d) of the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, as underlying exposures of a certain type of obligor;</p>		
<p>(c) where they do not belong to any of the asset categories referred to in points (a) and (b) of this paragraph and as referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous for the purposes of Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, the underlying exposures share similar characteristics with respect to the type of obligor, ranking of security rights, type of immovable property and/or jurisdiction.</p>		
<p><i>Criteria for determining the expertise of the originator or original lender</i></p>		
<p>34. For the purposes of determining whether an originator or original lender has expertise in originating exposures of a similar nature to those securitised in accordance with Article 20(10) of Regulation (EU) 2017/2402, both of the following should apply:</p>		

- (a) the members of the management body of the originator or original lender and the senior staff, other than the members of the management body, responsible for managing the originating of exposures of a similar nature to those securitised should have adequate knowledge and skills in the origination of exposures of a similar nature to those securitised;
- (b) any of the following principles on the quality of the expertise should be taken into account:
- (i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;
 - (ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;
 - (iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of originating the exposures should be appropriate;
 - (iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to origination of exposures of a similar nature to those securitised.
35. An originator or original lender should be deemed to have the required expertise when either of the following applies:
- (a) the business of the entity, or of the consolidated group to which the entity belongs for accounting or prudential purposes, has included the originating of exposures similar to those securitised, for at least five years;
- (b) where the requirement referred to in point (a) is not met, the originator or original lender should be deemed to have the required expertise where they comply with both of the following:
- (i) at least two of the members of the management body have relevant professional experience in the origination of exposures similar to those securitised, at a personal level, of at least five years;
 - (ii) senior staff, other than members of the management body, who are responsible for managing the entity's originating of exposures similar to those securitised, have relevant professional experience in the origination of exposures of a similar nature to those securitised, at a personal level, of at least five years.
36. For the purposes of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.

23	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on background and rationale		
<p>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>39. The objective of the criterion in Article 20(11) is to ensure that STS securitisations are not characterised by underlying exposures whose credit risk has already been affected by certain negative events such as disputes with credit-impaired debtors or guarantors, debt restructuring processes or default events as identified by the EU prudential regulation. Risk analysis and due diligence assessments by investors become more complex whenever the securitisation includes exposures subject to certain ongoing negative credit risk developments. For the same reasons, STS securitisations should not include underlying exposures to credit-impaired debtors or guarantors that have an adverse credit history. In addition, significant risk of default normally rises as rating grades or other scores are assigned that indicate highly speculative credit quality and high likelihood of default, i.e. the possibility that the debtor or guarantor is not able to meet its obligations becomes a real possibility. Such exposures to credit-impaired debtors or guarantors should therefore also not be eligible for STS purposes.</p> <p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) Interpretation of the term ‘exposures in default’: given the differences in interpretation of the term ‘default’, the interpretation of this criterion should refer to additional guidance on this term provided in the existing delegated regulations and guidelines developed by the EBA, while taking into account the limitation of scope of that additional guidance to certain types of institutions;</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>Exposures in default</p> <p>37. For the purposes of the first subparagraph of Article 20(11) of Regulation (EU) 2017/2402, the exposures in default should be interpreted in the meaning of Article 178(1) of Regulation (EU) 575/2013, as further specified by the Delegated Regulation on the materiality threshold for credit obligations past due developed in accordance with Article 178 of that Regulation, and by the EBA Guidelines on the application of the definition of default developed in accordance with Article 178(7) of that regulation.</p> <p>38. Where an originator or original lender is not an institution and is therefore not subject to Regulation (EU) 575/2013, the originator or original lender should comply with the guidance provided in the previous paragraph to the extent that such application is not deemed to be unduly burdensome. In that case, the originator or original lender should apply the established processes and the information obtained from debtors on origination of the exposures, information obtained from the originator in the course of its servicing of the exposures or in the course of its risk management procedure or information notified to the originator by a third party.</p>		

24	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on background and rationale		
No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
<p>39. The objective of the criterion in Article 20(11) is to ensure that STS securitisations are not characterised by underlying exposures whose credit risk has already been affected by certain negative events such as disputes with credit-impaired debtors or guarantors, debt-restructuring processes or default events as identified by the EU prudential regulation. Risk analysis and due diligence assessments by investors become more complex whenever the securitisation includes exposures subject to certain ongoing negative credit risk developments. For the same reasons, STS securitisations should not include underlying exposures to credit-impaired debtors or guarantors that have an adverse credit history. In addition, significant risk of default normally rises as rating grades or other scores are assigned that indicate highly speculative credit quality and high likelihood of default, i.e. the possibility that the debtor or guarantor is not able to meet its obligations becomes a real possibility. Such exposures to credit-impaired debtors or guarantors should therefore also not be eligible for STS purposes.</p>		
<p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p>		
<p>(b) Interpretation of the term ‘exposures to a credit-impaired debtor or guarantor’: the interpretation should also take into account the interpretation provided in recital 26 of Regulation (EU) 2017/2402, according to which the circumstances specified in points (a) to (c) of Article 24(9) of that regulation are understood as specific situations of credit-impairedness to which exposures in the STS securitisation may not be exposed. Consequently, other possible circumstances of credit-impairedness that are not captured in points (a) to (c) should be outside the scope of this requirement. Moreover, taking into account the role of the guarantor as a risk bearer, it should be clarified that the requirement to exclude ‘exposures to a credit-impaired debtor or guarantor’ is not meant to exclude (i) exposures to a credit-impaired debtor when it has a guarantor that is not credit impaired; or (ii) exposures to a non-credit-impaired debtor when there is a credit-impaired guarantor;</p>		
<p>(c) Interpretation of the term ‘to the best knowledge of’: the interpretation should follow the wording of recital 26 of Regulation (EU) 2017/2402, according to which an originator or original lender is not required to take all legally possible steps to determine the debtor’s credit status but is only required to take those steps that the originator/original lender usually takes within its activities in terms of origination, servicing, risk management and use of information that is received from third parties. This should not require the originator or original lender to check publicly available information, or to check entries in at least one credit registry where an originator or original lender does not conduct such checks within its regular activities in terms of origination, servicing, risk management and use of information received from third parties, but rather relies, for example, on other information that may include credit assessments provided by third parties. Such clarification is important because corporates that are not subject to EU financial sector regulation and that are acting as sellers with respect to STS securitisation may not always check entries in credit registries and, in line with the best knowledge standard, should not be obliged to perform additional checks at origination of any exposure for the purposes of later fulfilling this criterion in terms of any credit-impaired debtors or guarantors;</p>		
EBA Final non-ABCP STS Guidelines		
4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
Exposures to a credit-impaired debtor or guarantor		
<p>39. For the purposes of Article 20(11) of Regulation (EU) 2017/2402, the circumstances specified in points (a) to (c) of that paragraph should be understood as definitions of credit-impairedness. Other possible circumstances of credit-impairedness that are not captured in points (a) to (c) should be considered to be excluded from this requirement.</p>		
<p>40. The prohibition of the selection and transfer to SSPE of underlying exposures ‘to a credit-impaired debtor or guarantor’ as referred to in Article 20(11) of Regulation (EU) 2017/2402 should be understood as the requirement that, at the time of selection, there should be a recourse for the full securitised exposure amount to at least one non-credit-impaired party, irrespective of whether that party is a debtor or a guarantor. Therefore, the underlying exposures should not include either of the following:</p>		
<p>(a) exposures to a credit-impaired debtor, when there is no guarantor for the full securitised exposure amount;</p>		
<p>(b) exposures to a credit-impaired debtor who has a credit-impaired guarantor.</p>		
To the best of the originator’s or original lender’s knowledge		
<p>41. For the purposes of Article 20(11) of Regulation (EU) 2017/2402, the ‘best knowledge’ standard should be considered to be fulfilled on the basis of information obtained only from any of the following combinations of sources and circumstances:</p>		
<p>(a) debtors on origination of the exposures;</p>		
<p>(b) the originator in the course of its servicing of the exposures or in the course of its risk management procedures;</p>		
<p>(c) notifications to the originator by a third party;</p>		
<p>(d) publicly available information or information on any entries in one or more credit registries of persons with adverse credit history at the time of origination of an underlying exposure, only to the extent that this information had already been taken into account in the context of (a), (b) and (c), and in accordance with the applicable regulatory and supervisory requirements, including with respect</p>		

to sound credit granting criteria as specified in Article 9 of Regulation (EU) 2017/2402. This is with the exception of trade receivables that are not originated in the form of a loan, with respect to which credit-granting criteria do not need to be met.

26	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:		
(d) Interpretation of the criterion with respect to the debtors and guarantors found on the credit registry: it is important to interpret this requirement in a narrow sense to ensure that the existence of a debtor or guarantor on the credit registry of persons with adverse credit history should not automatically exclude the exposure to that debtor/guarantor from compliance with this criterion. It is understood that this criterion should relate only to debtors and guarantors that are, at the time of origination of the exposure, considered entities with adverse credit history. Existence on a credit registry at the time of origination of the exposure for reasons that can be reasonably ignored for the purposes of the credit risk assessment (for example due to missed payments which have been resolved in the next two payment periods) should not be captured by this requirement. Therefore, this criterion should not automatically exclude from the STS framework exposures to all entities that are on the credit registries, taking into account that this would unintentionally exclude a significant number of entities given that different practices exist across EU jurisdictions with respect to entry requirements of such credit registries, and the fact that credit registries in some jurisdictions may contain both positive and negative information about the clients;		
EBA Final non-ABCP STS Guidelines		
4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
<i>Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process</i>		
42. For the purposes of Article 20(11)(a) of Regulation (EU) 2017/2402, the requirement to exclude exposures to credit-impaired debtors or guarantors who have undergone a debt-restructuring process with regard to their non-performing exposures should be understood to refer to both the restructured exposures of the respective debtor or guarantor and those of its exposures that were not themselves subject to restructuring. For the purposes of this Article, restructured exposures which meet the conditions of points (i) and (ii) of that Article should not result in a debtor or guarantor becoming designated as credit-impaired.		

29	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
<p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(d) Interpretation of the criterion with respect to the debtors and guarantors found on the credit registry: it is important to interpret this requirement in a narrow sense to ensure that the existence of a debtor or guarantor on the credit registry of persons with adverse credit history should not automatically exclude the exposure to that debtor/guarantor from compliance with this criterion. It is understood that this criterion should relate only to debtors and guarantors that are, at the time of origination of the exposure, considered entities with adverse credit history. Existence on a credit registry at the time of origination of the exposure for reasons that can be reasonably ignored for the purposes of the credit risk assessment (for example due to missed payments which have been resolved in the next two payment periods) should not be captured by this requirement. Therefore, this criterion should not automatically exclude from the STS framework exposures to all entities that are on the credit registries, taking into account that this would unintentionally exclude a significant number of entities given that different practices exist across EU jurisdictions with respect to entry requirements of such credit registries, and the fact that credit registries in some jurisdictions may contain both positive and negative information about the clients;</p>		
EBA Final non-ABCP STS Guidelines		
4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
<i>Credit registry</i>		
<p>43. The requirement referred to in Article 20(11)(b) of Regulation (EU) 2017/2402 should be limited to exposures to debtors or guarantors to which both of the following requirements apply at the time of origination of the underlying exposure:</p> <p>(a) the debtor or guarantor is explicitly flagged in a credit registry as an entity with adverse credit history due to negative status or negative information stored in the credit registry;</p> <p>(b) the debtor or guarantor is on the credit registry for reasons that are relevant to the purposes of the credit risk assessment.</p>		

30	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on background and rationale		
No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:		
(e) Interpretation of the term 'significantly higher risk of contractually agreed payments not being made for comparable exposures': the term should be interpreted with a similar meaning to the requirement aiming to prevent adverse selection of assets referred to in Article 6(2) of Regulation (EU) 2017/2402, and further specified in the Article 16(2) of the Delegated Regulation specifying in greater detail the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/24027, given that in both cases the requirement (i) aims to prevent adverse selection of underlying exposures and (ii) relates to the comparison of the credit quality of exposures transferred to the SSPE and comparable exposures that remain on the originator's balance sheet. To facilitate the interpretation, a list is given of examples of how to achieve compliance with the requirement.		
EBA Final non-ABCP STS Guidelines		
4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
Risk of contractually agreed payments not being made being significantly higher than for comparable exposures		
44. For the purposes of Article 20(11)(c) of Regulation (EU) 2017/2402, the exposures should not be considered to have a 'credit assessment of a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised' when the following conditions apply:		
(a) the most relevant factors determining the expected performance of the underlying exposures are similar;		
(b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.		
45. The requirement in the previous paragraph should be considered to have been met where either of the following applies:		
(a) the underlying exposures do not include exposures that are classified as doubtful, impaired, non-performing or classified to the similar effect under the relevant accounting principles;		
(b) the underlying exposures do not include exposures whose credit quality, based on credit ratings or other credit quality thresholds, significantly differs from the credit quality of comparable exposures that the originator originates in the course of its standard lending operations and credit risk strategy.		
31	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on background and rationale		
At least one payment made (Article 20(12))		
41. STS securitisations should minimise the extent to which investors are required to analyse and assess fraud and operational risk. At least one payment should therefore be made by each underlying borrower at the time of transfer, since this reduces the likelihood of the loan being subject to fraud or operational issues, unless in the case of revolving securitisations in which the distribution of securitised exposures is subject to constant changes because the securitisation relates to exposures payable in a single instalment or with an initial legal maturity of an exposure of below one year.		
42. To facilitate consistent interpretation of this criterion, its scope and the types of payments referred to therein should be further clarified.		
EBA Final non-ABCP STS Guidelines		
4.6 At least one payment made (Article 20(12))		
Scope of the criterion		
46. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, further advances in terms of an exposure to a certain borrower should not be deemed to trigger a new 'at least one payment' requirement with respect to such an exposure.		
At least one payment		
47. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, the payment referred to in the requirement according to which 'at least one payment' should have been made at the time of transfer should be a rental, principal or interest payment or any other kind of payment.		

32	Article 20 - Requirements relating to simplicity EBA Final non-ABCP STS Guidelines – statements on background and rationale	BACK TO CHECKLIST
<p>No predominant dependence on the sale of assets (Article 20(13))</p> <p>43. Dependence of the repayment of the holders of the securitisation positions on the sale of assets securing the underlying exposures increases the liquidity risks, market risks and maturity transformation risks to which the securitisation is exposed. It also makes the credit risk of the securitisation more difficult for investors to model and assess.</p> <p>44. The objective of this criterion is to ensure that the repayment of the principal balance of exposures at the contract maturity – and therefore repayment of the holders of the securitisation positions – is not intended to be predominantly reliant on the sale of assets securing the underlying exposures, unless the value of the assets is guaranteed or fully mitigated by a repurchase obligation.</p> <p>45. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) the term 'predominant dependence' on the sale of assets securing the underlying exposures should be further interpreted:</p> <p>(i) when assessing whether the repayment of the holders of the securitisation positions is or is not predominantly dependent on the sale of assets, the following three aspects should be taken into account: (i) the principal balance at contract maturity of underlying exposures that depend on the sale of assets securing those underlying exposures to repay the balance; (ii) the distribution of maturities of such exposures across the life of the transaction, which aims to reduce the risk of correlated defaults due to idiosyncratic shocks; and (iii) the granularity of the pool of exposures, which aims to promote sufficient distribution in sale dates and other characteristics that may affect the sale of the underlying exposures.</p> <p>(i) no types of securitisations should be excluded ex ante from the compliance with this criterion and from the STS securitisation as long as they meet all the requirements specified in the guidance. For example, this criterion does not aim to exclude leasing transactions and interest-only residential mortgages from STS securitisation, provided they comply with the guidance provided and all other applicable STS requirements. However, it is expected that commercial real estate transactions, or securitisations where the assets are commodities (e.g. oil, grain, gold), or bonds whose maturity dates fall after the maturity date of the securitisation, would not meet these requirements, as in all these cases it is expected that the repayment is predominantly reliant on the sale of the assets, that other possible ways to repay the securitisation positions are substantially limited, and that the granularity of the portfolio is low.</p> <p>46. With respect to the exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402, it should be ensured that the entity providing the guarantee or the repurchase obligation of the assets securing the underlying exposures is not an empty-shell or defaulted entity, so that it has sufficient loss absorbency to exercise the guarantee of the repurchase of the assets.</p>		
EBA Final non-ABCP STS Guidelines		
<p>4.7 No Predominant dependence on the sale of assets</p> <p><i>Predominant dependence on the sale of assets</i></p> <p>48. For the purposes of Article 20(13) of Regulation (EU) 2017/2402, transactions where all of the following conditions apply, at the time of origination of the securitisation in cases of amortising securitisation or during the revolving period in cases of revolving securitisation, should be considered not predominantly dependent on the sale of assets securing the underlying exposures, and therefore allowed:</p> <p>(a) the contractually agreed outstanding principal balance, at contract maturity of the underlying exposures that depend on the sale of the assets securing those underlying exposures to repay the principal balance, corresponds to no more than 50% of the total initial exposure value of all securitisation positions of the securitisation;</p> <p>(b) the maturities of the underlying exposures referred to in point (a) are not subject to material concentrations and are sufficiently distributed across the life of the transaction;</p> <p>(c) the aggregate exposure value of all the underlying exposures referred to in point (a) to a single obligor does not exceed 2% of the aggregate exposure value of all underlying exposures in the securitisation.</p> <p>49. Where there are no underlying exposures in the securitisation that depend on the sale of assets to repay their outstanding principal balance at contract maturity, the requirements in paragraph 48 should not apply.</p> <p><i>Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402</i></p> <p>50. The exemption referred to in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402 with regard to the repayment of holders of securitisation positions whose underlying exposures are secured by assets, the value of which is guaranteed or fully mitigated by a repurchase obligation of either the assets securing the underlying exposures or of the underlying exposures themselves by another third party or parties, the seller or the third parties should meet both of the following conditions:</p> <p>(a) they are not insolvent;</p> <p>(b) there is no reason to believe that the entity would not be able to meet its obligations under the guarantee or the repurchase obligation.</p>		

33	BACK TO CHECKLIST
Article 21 - Requirements relating to standardisation	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Risk retention (Article 21(1))	
<p>47. The main objective of the risk retention criterion is to ensure an alignment between the originators'/sponsors'/original lenders' and investors' interests, and to avoid application of the originate-to-distribute model in securitisation.</p> <p>48. The content of the criterion is deemed sufficiently clear that no further guidance in addition to that provided by the Delegated Regulation further specifying the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/2402 is considered necessary.</p>	
EBA Final non-ABCP STS Guidelines	

34	BACK TO CHECKLIST
Article 21 - Requirements relating to standardisation	
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Appropriate mitigation of interest-rate and currency risks (Article 21(2))	
<p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term 'common standards in international finance'.</p>	
EBA Final non-ABCP STS Guidelines	
5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))	
Appropriate mitigation of interest-rate and currency risks	
<p>51. For the purposes of Article 21(2) of Regulation (EU) 2017/2402 in order for the interest-rate and currency risks arising from the securitisation to be considered 'appropriately mitigated', it should be sufficient that a hedge or mitigation is in place, on condition that it is not unusually limited with the effect that it covers a major share of the respective interest-rate or currency risks under relevant scenarios, understood from an economic perspective. Such a mitigation may also be in the form of derivatives or other mitigating measures including reserve funds, over collateralisation, excess spread or other measures.</p> <p>52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply:</p> <p>(a) the derivatives should be used only for genuine hedging of asset and liability mismatches of interest rates and currencies, and should not be used for speculative purposes;</p> <p>(b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards;</p> <p>(c) the derivative documentation should provide, in the event of the loss of sufficient creditworthiness of the counterparty below a certain level, measured either on the basis of the credit rating or otherwise, that the counterparty is subject to collateralisation requirements or makes a reasonable effort for its replacement or guarantee by another counterparty.</p>	

	53. Where the mitigation of interest-rate and currency risks referred to in Article 21(2) of Regulation (EU) 2017/2402 is carried out not through derivatives but by other risk-mitigating measures, those measures should be designed to be sufficiently robust. When such risk-mitigating measures are used to mitigate multiple risks at the same time, the disclosure required by Article 21(2) of Regulation (EU) 2017/2402 should include an explanation of how the measures hedge the interest-rate risks and currency risks on one hand, and other risks on the other hand.
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35	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on background and rationale		
Appropriate mitigation of interest-rate and currency risks (Article 21(2))		
<p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term ‘common standards in international finance’.</p>		
EBA Final non-ABCP STS Guidelines		
5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))		
Appropriate mitigation of interest-rate and currency risks		
<p>51. For the purposes of Article 21(2) of Regulation (EU) 2017/2402 in order for the interest-rate and currency risks arising from the securitisation to be considered ‘appropriately mitigated’, it should be sufficient that a hedge or mitigation is in place, on condition that it is not unusually limited with the effect that it covers a major share of the respective interest-rate or currency risks under relevant scenarios, understood from an economic perspective. Such a mitigation may also be in the form of derivatives or other mitigating measures including reserve funds, over collateralisation, excess spread or other measures.</p> <p>52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply:</p> <p>(a) the derivatives should be used only for genuine hedging of asset and liability mismatches of interest rates and currencies, and should not be used for speculative purposes;</p> <p>(b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards;</p> <p>(c) the derivative documentation should provide, in the event of the loss of sufficient creditworthiness of the counterparty below a certain level, measured either on the basis of the credit rating or otherwise, that the counterparty is subject to collateralisation requirements or makes a reasonable effort for its replacement or guarantee by another counterparty.</p> <p>53. Where the mitigation of interest-rate and currency risks referred to in Article 21(2) of Regulation (EU) 2017/2402 is carried out not through derivatives but by other risk-mitigating measures, those measures should be designed to be sufficiently robust. When such risk-mitigating measures are used to mitigate multiple risks at the same time, the disclosure required by Article 21(2) of Regulation (EU) 2017/2402 should include an explanation of how the measures hedge the interest-rate risks and currency risks on one hand, and other risks on the other hand.</p> <p>54. The measures referred to in paragraphs 52 and 53, as well as the reasoning supporting the appropriateness of the mitigation of the interest-rate and currency risks through the life of the transaction, should be disclosed.</p>		

36	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> (a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks; (b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion; (c) clarification of the term 'common standards in international finance'. 		
EBA Final non-ABCP STS Guidelines		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>54. The measures referred to in paragraphs 52 and 53, as well as the reasoning supporting the appropriateness of the mitigation of the interest-rate and currency risks through the life of the transaction, should be disclosed.</p>		

37,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
38	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> (a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks; (b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion; (c) clarification of the term ‘common standards in international finance’. 		
EBA Final non-ABCP STS Guidelines		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>Derivatives</p> <p>55. For the purpose of Article 21(2) of Regulation (EU) 2017/2402, exposures in the pool of underlying exposures that merely contain a derivative component exclusively serving the purpose of directly hedging the interest-rate or currency risk of the respective underlying exposure itself, which are not themselves derivatives, should not be understood to be prohibited.</p>		

39	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> (a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks; (b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion; (c) clarification of the term 'common standards in international finance'. 		
EBA Final non-ABCP STS Guidelines		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>Common standards in international finance</p> <p>56. For the purposes of Article 21(2) of Regulation (EU) 2017/2402, common standards in international finance should include ISDA or similar established national documentation standards.</p>		

40	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Referenced interest payments (Article 21(3))</p> <p>53. The objective of this criterion is to prevent securitisations from making reference to interest rates that cannot be observed in the commonly accepted market practice. The credit risk and cash flow analysis that investors must be able to carry out should not involve atypical, complex or complicated rates or variables that cannot be modelled on the basis of market experience and practice.</p> <p>54. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) the scope of the criterion (by specifying the common types and examples of interest rates captured by this criterion);</p> <p>(b) the term ‘complex formulae or derivatives’.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.2 Referenced interest payments (Article 21(3))</p> <p>Referenced rates</p> <p>57. For the purposes of Article 21(3) of Regulation (EU) 2017/2402, interest rates that should be considered to be an adequate reference basis for referenced interest payments should include all of the following:</p> <p>(a) interbank rates including the Libor, Euribor and other recognised benchmarks;</p> <p>(b) rates set by monetary policy authorities, including FED funds rates and central banks’ discount rates;</p> <p>(c) sectoral rates reflective of a lender’s cost of funds, including standard variable rates and internal interest rates that directly reflect the market costs of funding of a bank or a subset of institutions, to the extent that sufficient data are provided to investors to allow them to assess the relation of the sectoral rates to other market rates.</p> <p>Complex formulae or derivatives</p> <p>58. For the purposes of Article 21(3) of Regulation (EU) 2017/2402, a formula should be considered to be complex when it meets the definition of an exotic instrument by the Global Association of Risk Professionals (GARP), which is a financial asset or instrument with features that make it more complex than simpler, plain vanilla, products. A complex formula or derivative should not be deemed to exist in the case of the mere use of interest-rate caps or floors.</p>		

41	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>55. The objective of this criterion is to prevent investors from being subjected to unexpected repayment profiles and to provide appropriate legal comfort regarding their enforceability, for instances where an enforcement or an acceleration notice has been delivered.</p> <p>56. STS securitisations should be such that the required investor's risk analysis and due diligence do not have to factor in complex structures of the payment priority that are difficult to model, nor should the investor be exposed to complex changes in such structures throughout the life of the transaction. Therefore, it should be ensured that junior noteholders do not have inappropriate payment preference over senior noteholders that are due and payable.</p> <p>57. In addition, taking into account that market risk on the underlying collateral constitutes an element of complexity in the risk and due diligence analysis to be carried out by investors, the objective is also to ensure that the performance of STS securitisations does not rely, due to contractual triggers, on the automatic liquidation at market price of the underlying collateral.</p> <p>58. To facilitate consistent interpretation of this criterion, the scope and operational functioning of conditions specified under letters (a), (b) and (d) of Article 21(4) should be specified further.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p><i>Exceptional circumstances</i></p> <p>59. For the purposes of Article 21(4)(a) of Regulation (EU) 2017/2402, a list of 'exceptional circumstances' should, to the extent possible, be included in the transaction documentation.</p> <p>60. Given the nature of 'exceptional circumstances' and in order to allow some flexibility with respect to potential unusual circumstances requiring that cash be trapped in the SSPE in the best interests of investors, where a list of 'exceptional circumstances' is included in the transaction documentation in accordance with paragraph 59, such a list should be non-exhaustive.</p> <p><i>Amount trapped in the SSPE in the best interests of investors</i></p> <p>61. For the purposes of Article 21(4)(a) of Regulation (EU) 2017/2402, the amount of cash to be considered as trapped in the SSPE should be that agreed by the trustee or other representative of the investors who is legally required to act in the best interests of the investors, or by the investors in accordance with the voting provisions set out in the transaction documentation.</p> <p>62. For the purposes of Article 21(4)(a) of Regulation (EU) 2017/2402, it should be permissible to trap the cash in the SSPE in the form of a reserve fund for future use, as long as the use of the reserve fund is exclusively limited to the purposes set out in Article 21(4)(a) of Regulation (EU) 2017/2402 or to orderly repayment to the investors.</p>		

42	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>55. The objective of this criterion is to prevent investors from being subjected to unexpected repayment profiles and to provide appropriate legal comfort regarding their enforceability, for instances where an enforcement or an acceleration notice has been delivered.</p> <p>56. STS securitisations should be such that the required investor's risk analysis and due diligence do not have to factor in complex structures of the payment priority that are difficult to model, nor should the investor be exposed to complex changes in such structures throughout the life of the transaction. Therefore, it should be ensured that junior noteholders do not have inappropriate payment preference over senior noteholders that are due and payable.</p> <p>57. In addition, taking into account that market risk on the underlying collateral constitutes an element of complexity in the risk and due diligence analysis to be carried out by investors, the objective is also to ensure that the performance of STS securitisations does not rely, due to contractual triggers, on the automatic liquidation at market price of the underlying collateral.</p> <p>58. To facilitate consistent interpretation of this criterion, the scope and operational functioning of conditions specified under letters (a), (b) and (d) of Article 21(4) should be specified further.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>Repayment</p> <p>63. The requirements in Article 21(4)(b) of Regulation (EU) 2017/2402 should be understood as covering only the repayment of the principal, without covering the repayment of interest.</p> <p>64. For the purposes of Article 21(4)(b) of Regulation (EU) 2017/2402, non-sequential payments of principal in a situation where an enforcement or an acceleration notice has been delivered should be prohibited. Where there is no enforcement or acceleration event, principal receipts could be allowed for replenishment purposes pursuant to Article 20(12) of that Regulation.</p>		

44	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
EBA Final non-ABCP STS Guidelines		
<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>Liquidation of the underlying exposures at market value</p> <p>65. For the purposes of Article 21(4)(d) of Regulation (EU) 2017/2402, the investors' decision to liquidate the underlying exposures at market value should not be considered to constitute an automatic liquidation of the underlying exposures at market value.</p>		

45	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
Non-sequential priority of payments (Article 21(5))		
<p>59. The objective of this criterion is to ensure that non-sequential (pro rata) amortisation should be used only in conjunction with clearly specified contractual triggers that determine the switch of the amortisation scheme to a sequential priority, safeguarding the transaction from the possibility that credit enhancement is too quickly amortised as the credit quality of the transaction deteriorates, thereby exposing senior investors to a decreasing amount of credit enhancement.</p>		
<p>60. To facilitate consistent interpretation of this criterion, a non-exhaustive list of examples of performance-related triggers that may be included is provided in the guidance.</p>		
EBA Final non-ABCP STS Guidelines		
5.4 Non-sequential priority of payments (Article 21(5))		
Performance-related triggers		
<p>66. For the purposes of Article 21(5) of Regulation (EU) 2017/2402, the triggers related to the deterioration in the credit quality of the underlying exposures may include the following:</p>		
<p>(a) with regard to underlying exposures for which a regulatory expected loss (EL) can be determined in accordance with Regulation (EU) 575/2013 or other relevant EU regulation, cumulative losses that are higher than a certain percentage of the regulatory one-year EL on the underlying exposures and the weighted average life of the transaction;</p>		
<p>(b) cumulative non-matured defaults that are higher than a certain percentage of the sum of the outstanding nominal amount of tranche held by the investors and the tranches that are subordinated to them;</p>		
<p>(c) the weighted average credit quality in the portfolio decreasing below a given pre-specified level or the concentration of exposures in high credit risk (probability of default) buckets increasing above a pre-specified level.</p>		

46,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
47,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
48,	Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))	
49,	61. The objective of this criterion is to ensure that, in the presence of a revolving period mechanism, investors are sufficiently protected from the risk that principal amounts may not be fully repaid. In all such transactions, irrespective of the nature of the revolving mechanism, investors should be protected by a minimum set of early amortisation triggers or triggers for the termination of the revolving period that should be included in the transaction documentation.	
50	62. In order to facilitate the consistent interpretation of this criterion, interactions of this criterion with the criterion under Article 21(7)(b) with respect to the insolvency-related event with respect to the servicer should be further clarified.	
EBA Final non-ABCP STS Guidelines		
5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))		
<i>Insolvency-related event with regard to the servicer</i>		
67. For the purposes of Article 21(6)(b) of Regulation (EU) 2017/2402, an insolvency-related event with respect to the servicer should lead to both of the following:		
(a) it should enable the replacement of the servicer in order to ensure continuation of the servicing;		
(b) it should trigger the termination of the revolving period.		

51,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
52,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
53	Transaction Documentation (Article 21(7))	
63. The objective of this criterion is to help provide full transparency to investors, assist investors in the conduct of their due diligence and prevent investors from being subject to unexpected disruptions in cash flow collections and servicing, as well as to provide investors with certainty about the replacement of counterparties involved in the securitisation transaction.		
64. This criterion is considered sufficiently clear and no further guidance is considered necessary.		
EBA Final non-ABCP STS Guidelines		

54	<p>Article 21 - Requirements relating to standardisation</p> <p>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></p> <p>Expertise of the Servicer (Article 21(8))</p> <p>65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.</p> <p>66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) criteria for determining the expertise of the servicer;</p> <p>(b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer.</p> <p>67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>	BACK TO CHECKLIST
	<p>EBA Final non-ABCP STS Guidelines</p> <p>5.8 Expertise of the servicer (Article 21(8))</p> <p><i>Criteria for determining the expertise of the servicer</i></p> <p>68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:</p> <p>(a) the members of the management body of the servicer and the senior staff, other than members of the management body, responsible for servicing exposures of a similar nature to those securitised should have adequate knowledge and skills in the servicing of exposures similar to those securitised;</p> <p>(b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise:</p> <p>(i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;</p> <p>(ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;</p> <p>(iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of servicing the exposures should be appropriate;</p> <p>(iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to the servicing of similar exposures to those securitised.</p> <p>69. A servicer should be deemed to have the required expertise where either of the following applies:</p> <p>(a) the business of the entity, or of the consolidated group, to which the entity belongs, for accounting or prudential purposes, has included the servicing of exposures of a similar nature to those securitised, for at least five years;</p> <p>(b) where the requirement referred to in point (a) is not met, the servicer should be deemed to have the required expertise where they comply with both of the following:</p> <p>(i) at least two of the members of its management body have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at personal level, of at least five years;</p> <p>(ii) senior staff, other than members of the management body, who are responsible for managing the entity's servicing of exposures of a similar nature to those securitised, have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at a personal level, of at least five years;</p> <p>(iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a).</p> <p>70. For the purpose of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.</p> <p><i>Exposures of similar nature</i></p> <p>71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.</p>	

55	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Expertise of the Servicer (Article 21(8))</p> <p>65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.</p> <p>66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) criteria for determining the expertise of the servicer;</p> <p>(b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer.</p> <p>67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>		
EBA Final non-ABCP STS Guidelines		
<p>Expertise of the Servicer (Article 21(8))</p> <p><i>Well-documented and adequate policies, procedures and risk management controls</i></p> <p>72. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, the servicer should be considered to have well documented and adequate policies, procedures and risk management controls relating to servicing of exposures' where either of the following conditions is met:</p> <p>(a) The servicer is an entity that is subject to prudential and capital regulation and supervision in the Union and such regulatory authorisations or permissions are deemed relevant to the servicing;</p> <p>(b) The servicer is an entity that is not subject to prudential and capital regulation and supervision in the Union, and a proof of existence of well-documented and adequate policies and risk management controls is provided that also includes a proof of adherence to good market practices and reporting capabilities. The proof should be substantiated by an appropriate third-party review, such as by a credit rating agency or external auditor.</p>		

56,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
57	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Remedies and actions related to delinquency and default of debtor (Article 21(9))</p> <p>68. Investors should be in a position to know, when they receive the transaction documentation, what procedures and remedies are planned in the event that adverse credit events affect the underlying exposures of the securitisation. Transparency of remedies and procedures, in this respect, allows investors to model the credit risk of the underlying exposures with less uncertainty. In addition, clear, timely and transparent information on the characteristics of the waterfall determining the payment priorities is necessary for the investor to correctly price the securitisation position.</p> <p>69. To facilitate consistent interpretation of this criterion, the terms ‘in clear and consistent terms’ and ‘clearly specify’ should be further clarified.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.7 Remedies and actions related to delinquency and default of debtor (Article 21(9))</p> <p><i>Clear and consistent terms</i></p> <p>For the purposes of Article 21(9) of Regulation (EU) 2017/2402, to ‘set out clear and consistent terms’ and to ‘clearly specify’ should be understood as requiring that the same precise terms are used throughout the transaction documentation in order to facilitate the work of investors.</p>		

62,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
63	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Resolution of conflicts between different classes of investors</p> <p>70. The objective of this criterion is to help ensure clarity for securitisation noteholders of their rights and ability to control and enforce on the underlying credit claims or receivables. This should make the decision-making process more effective, for instance in circumstances where enforcement rights on the underlying assets are being exercised.</p> <p>71. To facilitate consistent interpretation of this criterion, the term ‘clear provisions that facilitate the timely resolution of conflicts between different classes of investors’ should be further interpreted.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.8 Resolution of conflicts between different classes of investors (Article 20(10))</p> <p><i>Clear provisions facilitating the timely resolution of conflicts between different classes of investors</i></p> <p>73. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, provisions of the transaction documentation that ‘facilitate the timely resolution of conflicts between different classes of investors’, should include provisions with respect to all of the following:</p> <ul style="list-style-type: none"> (a) the method for calling meetings or arranging conference calls; (b) the maximum timeframe for setting up a meeting or conference call; (c) the required quorum; (d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision; (e) where applicable, a location for the meetings which should be in the Union. <p>74. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, where mandatory statutory provisions exist in the applicable jurisdiction that set out how conflicts between investors have to be resolved, the transaction documentation may refer to these provisions.</p>		

64,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
65,	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
66	<p>Data on historical default and loss performance (Article 22(1))</p> <p>72. The objective is to provide investors with sufficient information on an asset class to conduct appropriate due diligence and to provide access to a sufficiently rich data set to enable a more accurate calculation of expected loss in different stress scenarios. These data are necessary for investors to carry out proper risk analysis and due diligence, and they contribute to building confidence and reducing uncertainty regarding the market behaviour of the underlying asset class. New asset classes entering the securitisation market, for which a sufficient track record of performance has not yet been built up, may not be considered transparent in that they cannot ensure that investors have the appropriate tools and knowledge to carry out proper risk analysis.</p> <p>73. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) its application to external data;</p> <p>(b) the term ‘substantially similar exposures’.</p>	
	EBA Final non-ABCP STS Guidelines	
	<p>6.1 Data on historical default and loss performance (Article 22(1))</p> <p>Data</p> <p>75. For the purposes of Article 22(1) of Regulation (EU) 2017/2402, where the seller cannot provide data in line with the data requirements contained therein, external data that are publicly available or are provided by a third party, such as a rating agency or another market participant, may be used, provided that all of the other requirements of that article are met.</p> <p>Substantially similar exposures</p> <p>76. For the purposes of Article 22(1) of Regulation (EU) 2017/2402, the term ‘substantially similar exposures’ should be understood as referring to exposures for which both of the following conditions are met:</p> <p>(a) the most relevant factors determining the expected performance of the underlying exposures are similar;</p> <p>(b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction, or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.</p> <p>77. The substantially similar exposures should not be limited to exposures held on the balance sheet of the originator.</p>	

67,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
68	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Verification of a sample of the underlying exposures (Article 22(2))</p> <p>74. The objective of the criterion is to provide a level of assurance that the data on and reporting of the underlying credit claims or receivables is accurate and that the underlying exposures meet the eligibility criteria, by ensuring checks on the data to be disclosed to the investors by an external entity not affected by a potential conflict of interest within the transaction.</p> <p>75. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> (a) requirements on the sample of the underlying exposures subject to external verification; (b) requirements on the party executing the verification; (c) scope of the verification; (d) requirement on the confirmation of the verification. 		
EBA Final non-ABCP STS Guidelines		
<p>6.2 Verification of a sample of the underlying exposures (Article 22(2))</p> <p><i>Sample of the underlying exposures subject to external verification</i></p> <p>78. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, the underlying exposures that should be subject to verification prior to the issuance should be a representative sample of the provisional portfolio from which the securitised pool is extracted and which is in a reasonably final form before issuance.</p> <p><i>Party executing the verification</i></p> <p>79. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, an appropriate and independent party should be deemed to be a party that meets both of the following conditions:</p> <ul style="list-style-type: none"> (a) it has the experience and capability to carry out the verification; (b) it is none of the following: <ul style="list-style-type: none"> (i) a credit rating agency; (ii) a third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402; (iii) an entity affiliated to the originator. <p><i>Scope of the verification</i></p> <p>80. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, the verification to be carried out based on the representative sample, applying a confidence level of at least 95%, should include both of the following:</p> <ul style="list-style-type: none"> (a) verification of the compliance of the underlying exposures in the provisional portfolio with the eligibility criteria that are able to be tested prior to issuance; (b) verification of the fact that the data disclosed to investors in any formal offering document in respect of the underlying exposures is accurate. <p><i>Confirmation of the verification</i></p> <p>81. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, confirmation that this verification has occurred and that no significant adverse findings have been found should be disclosed.</p>		

69,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
70	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Liability cashflow model (Article 22(3))</p> <p>76. The objective of this criterion is to assist investors in their ability to appropriately model the cash flow waterfall of the securitisation on the liability side of the SSPE.</p> <p>77. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) interpretation of the term ‘precise’ representation of the contractual relationships;</p> <p>(b) implications when the model is provided by third parties.</p>		
EBA Final non-ABCP STS Guidelines		
<p>Liability cash flow model (Article 22(3))</p> <p>Precise representation of the contractual relationship</p> <p>82. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, the representation of the contractual relationships between the underlying exposures and the payments flowing among the originator, sponsor, investors, other parties and the SSPE should be considered to have been done ‘precisely’ where it is done accurately and with an amount of detail sufficient to allow investors to model payment obligations of the SSPE and to price the securitisation accordingly. This may include algorithms that permit investors to model a range of different scenarios that will affect cash flows, such as different prepayment or default rates.</p> <p>Third parties</p> <p>83. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, where the liability cash flow model is developed by third parties, the originator or sponsor should remain responsible for making the information available to potential investors.</p>		

71	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Environmental performance of assets (Article 22(4))</p> <p>78. It should be clarified that this is a requirement of disclosure about the energy efficiency of the assets when this information is available to the originator, sponsor or SSPE, rather than a requirement for a minimum energy efficiency of the assets.</p> <p>79. To facilitate consistent interpretation of this criterion, the term ‘available information related to the environmental performance’ should be further clarified.</p>		
EBA Final non-ABCP STS Guidelines		
<p>Environmental performance of assets (Article 22(4))</p> <p>Available information related to the environmental performance</p> <p>84. This requirement should be applicable only if the information on the energy performance certificates for the assets financed by the underlying exposures is available to the originator, sponsor or the SSPE and captured in its internal database or IT systems. Where information is available only for a proportion of the underlying exposures, the requirement should apply only in respect of the proportion of the underlying exposures for which information is available.</p>		