STS Term Master Checklist

VCL MULTI-COMPARTMENT S.A.

“VCL 34”

PRIME COLLATERALISED SECURITIES (PCS) EU SAS

25th November 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 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.

25th November 2021

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When entering any of the "Transaction" sections of the PCS Website, you will be asked to declare that you are allowed to do so under the legislation of your country. The circulation and distribution of information regarding securitisation instruments (including securities) that is available on the PCS Website may be restricted in certain jurisdictions. Persons receiving any information or documents with respect to or in connection with instruments (including securities) available on the PCS Website are required to inform themselves of and to observe all applicable restrictions.

Prime Collateralised Securities (PCS) STS Verification

Individual(s) undertaking the assessment	Dr Martina Spaeth
Date of Verification	25 November 2021
The transaction to be verified (the "Transaction")	**VCL 34**

Issuer	VCL Multi-Compartment S.A., (acting for and on behalf of its) Compartment VCL 34
Originator	Volkswagen Leasing GmbH ("VWL")
Joint Lead Manager(s)	BofA Securities, Landesbank Baden-Württemberg, MUFG Securities Europe N.V.
Transaction Legal Counsel	Hogan Lovells International LLP
Rating Agencies	DBRS, Fitch
Stock Exchange	Bourse Luxembourg
Closing Date	25 November 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/guarantors, 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**
	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.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	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.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables* See also RPA, 4. WARRANTIES BY VWL WITH RESPECT TO THE PURCHASED LEASE RECEIVABLES, 4.1 (a) that the Lease Contracts are legally valid and binding agreements (b) that the Leased Vehicles under the Lease Contracts (i) are existing and (ii) are situated (*belegen*) in Germany based on the assumption that (ii) is fulfilled if the Lessee (*Leasingnehmer*) is resident in Germany; (d) that it may (subject to the provisions set out in clause 2.2 herein) dispose of the Purchased Lease Receivables free from rights of third parties; (q) that, subject to the provisions set out in clause 2.2 herein, it may freely dispose of title to the Leased Vehicles and that no third-party's rights prevent such dispositions; ***In this context also refer to RPA, 2. 2 and 2.3*** *"True sale" is not a legal concept but a rating agency creation.* *The essence of a "true sale" is that the property in the securitised assets has legally moved from the originator/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/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".* *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.* *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.* *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.* *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 happens for no reasons. 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".* *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. 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.* *Based on the above considerations, PCS believes that transfers from jurisdictions meeting the following criteria – absent any other indications – shall not fall within the definition of "severe clawback":* • *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.*	

	Since "severe clawback" is a jurisdictional concept, in analysing this issue PCS will therefore first seek to determine the Originator's jurisdiction for the purposes of insolvency law. This would be its centre of main interest or "COMI". *The second step would be to determine whether the relevant COMI contains severe claw back provisions in its insolvency legislation. 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.* ***The lease receivables have been originated by VWL under Lease Contracts with commercial customers or private customers, as the case may be. In the case of the Transaction, the lease receivables held by VCL Master Compartment 1 are assigned to the Issuer.*** ***VCL Master Security Trustee, before entering into any transaction has full title, free and clear of any charge, encumbrance, other security interest or right whatsoever of any other person to the Purchased Lease Receivables and the related Lease Collateral other than the Leased Vehicles relating to the Partially Securitised Lease Receivables and VWL has full title, free and clear of any charge, encumbrance, other security interest or right whatsoever of any other person to the Leased Vehicles relating to the Partially Securitised Lease Receivables.*** ***The German Legal Opinion by Hogan Lovells confirms the True Sale aspects, also upon insolvency of the Seller. The Lessees are resident in Germany and it is assumed that the vehicle is also situated in Germany. In the case of this Transaction German insolvency law is applicable since the COMI is in Germany.***
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**
	PCS Comment	
	See RPA, 4. WARRANTIES BY VWL WITH RESPECT TO THE PURCHASED LEASE RECEIVABLES (b) that the Purchased Lease Receivables are denominated, payable in Euro and assignable; ***COMI is in Germany. According to clause 5 of the RPA, the Lessees are not notified of the assignment except in the event of revocation or withdrawal of VWL's collection authority. The legal opinion confirms that the assignment is valid without the notification of the lessees. The German Legal Opinion confirms that the reclassification risk is limited and that there are no severe clawback provisions in Germany.***	

2a	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions: (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; (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.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	Verified?	**Yes**
	PCS Comment	
	COMI is in Germany. There is no severe clawback, see above.	

2b	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	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.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	Verified?	**Yes**
	PCS Comment	
	See above.	

3	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	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.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	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.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *Warranties and Guarantees in relation to the Sale of the Purchased Receivables* See also Receivables Purchase Agreement, sections 2 and 4 2.2 The VCL Master Security Trustee and VCL Master C1, acting for and on behalf of its Compartment 1, hereby each authorise (*ermächtigen*) VWL within the meaning of section 185 of the German Civil Code (i) to assign the Lease Receivables together with the related Lease Collateral held by the VCL Master Security Trustee to the Issuer, and (ii) to transfer for security purposes (*Sicherungsübereignung*) to the Issuer title to the relevant Leased Vehicles relating to the Lease Receivables. 2.3 VWL, acting with the authority granted under clause 2.2 above, hereby sells and assigns to the Issuer the Purchased Lease Receivables. VWL shall not select assets to be transferred to the Issuer with the aim of rendering losses on the assets transferred to the Issuer, measured over the life of the Transaction, higher than the losses over the same period on comparable assets held on the balance sheet of VWL. 4.4 VWL warrants and guarantees that the Purchased Lease Receivables are originated in the ordinary course of the business of VWL pursuant to lease granting standards which also apply to leases which will not be securitised. ***Although the lease receivables were sold to VCL Master S.A acting for and on behalf of its Compartment ("VCL Master C1") for warehousing purposes before they were assigned to VCL 34 for the Transaction, the transfer can still be considered a direct sale by VWL being also the original lender. VWL has been authorised by the VCL Master Security Trustee, acting for VCL Master C1, who had originally purchased these Receivables, to on-sell such Receivables, with all the Seller warranties as for a direct sale. The sale of the receivables is therefore construed as a tripartite agreement between VWL, the VCL Master C1, the Issuer and their respective representatives. The effectiveness of the true sale is confirmed by the German legal opinion issued by Hogan Lovells. PCS notes that there is no intermediate seller within the meaning of article 20.4.***	

4	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	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: (a) severe deterioration in the seller credit quality standing; (b) insolvency of the seller; and (c) unremedied breaches of contractual obligations by the seller, including the seller's default.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	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: (a) severe deterioration in the seller credit quality standing; (b) insolvency of the seller; and (c) unremedied breaches of contractual obligations by the seller, including the seller's default.	
	Verified?	**Yes**
	PCS Comment	
	Not applicable. *The legal Opinion confirms that the transfer from VWL to the Issuer takes place on the Closing Date. There is no perfection at a later stage within the meaning of article 20.5.*	

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 Prospectus, *Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables,* Warranties and Representations for the Sale of the Purchased Receivables (a) that the Lease Contracts are legally valid and binding agreements; (d) that it may (subject to the provisions set out in clause 2.2 (Purchase agreement concerning the Purchased Lease Receivables) of the Receivables Purchase Agreement) dispose of the Purchased Lease Receivables free from rights of third parties; (e) that the Purchased Lease Receivables are free of defences, whether pre-emptory or otherwise (*Einwendungen oder Einreden*) for the agreed term of the Lease Contract as well as (subject to the provisions set out in clause 2.2 (*Purchase agreement concerning the Purchased Lease Receivables*) free from rights of third parties and that the Lessees in particular have no set-off claim;; (g) that the status and enforceability of the Purchased Lease Receivables is not impaired due to warranty claims or any other rights (including claims which may be set off) of the Lessee (even if the Issuer knew or could have known of the existence of such defences or rights on the Cut-off Date);	

6	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	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.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria….	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables* See also RPA, 4. WARRANTIES BY VWL WITH RESPECT TO THE PURCHASED LEASE RECEIVABLES, section 4, 4.1 (a) to (u). *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.* *PCS has read the warranties and representations (eligibility criteria) in the Prospectus and RPA. As they are mandatory, they meet the "predetermined" requirement. As they are in the Prospectus and RPA, they meet the "documented" requirement. PCS has also concluded that they allow determination in each case and so meet the "clear" requirement.*	
7	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	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.	
	Verified?	**Yes**
	PCS Comment	
	See RPA, sections 4.3. and 4.1 4.3 In the event of a breach of any of the warranties set forth above (or, in case of clause 4.1(c), if the assumption set out therein proves wrong) at the Closing Date which materially and adversely affects the interests of the Issuer or the Noteholders, VWL shall have until the end of the Monthly Period which includes the 60th day (or, if VWL so elects, an earlier date) after the date that VWL became aware or was notified of such breach (whichever is earlier) to cure or correct such breach. The Issuer's sole remedy will be to require VWL to take one of the following remedial actions: (a) […] (b) replace the relevant Purchased Lease Receivable by taking into account the warranties and guaranties set out in clauses 4.1 above, with a Lease Receivable the present value of which shall be at least the Settlement Amount of such Purchased Lease Receivable as at the Monthly Period immediately preceding such replacement, provided that, if a remedy within the time period specified above is not practicable, VWL may replace such Purchased Lease Receivable by the last day of the following Monthly Period; (c) repurchase the relevant Purchased Lease Receivable and all related Lease Collateral at a price equal to, or, in case of a breach of clause 4.1(a), pay to the Issuer, the Settlement Amount of such Purchased Lease Receivable as of the Monthly Period immediately preceding such repurchase provided that, if it is not practicable to repurchase such Purchased Lease Receivable within the time period provided above, VWL may repurchase such Purchased Lease Receivable on the Payment Date immediately following the last day of the following Monthly Period. 4.1 VWL warrants and guarantees with respect to the Purchased Lease Receivables transferred with the authority granted by the VCL Master Security Trustee and VCL Master C1 acting for and on behalf of its Compartment 1 under clause 2.2 hereof, in the form of a separate guarantee undertaking pursuant to section 311 (1) of the German Civil Code, that as of the Cut-off Date the following selection criteria have been fulfilled (for the avoidance of doubt, when applying the selection criteria below the Purchased Lease Receivables have been selected randomly and not with the intention to prejudice the Noteholders):	

	The EBA Guidelines set out seven devices to repurchase securitised assets which are not to be considered indicative of "active portfolio management". To the extent that a transaction only contains some or all of those seven devices and does not provide any other form of repurchase, then the STS criterion will be met. If the transaction should contain a repurchase device that is not included in the EBA's list, then an analysis will need to be conducted as to whether this additional device offends against the principles set out in the EBA Guidelines (15.a and b) as defining "active portfolio management". *The three available options to the seller in case of a breach of warranties of a receivable are (a) remedy, (b) replacement and (c) repurchase.* ***PCS has reviewed all the repurchase devices set out in the Prospectus//RPA and these are acceptable within the context of the EBA final guidelines. The selection of the receivables was random and according to the same warranties, i.e. eligibility criteria as the set out for the Transaction. There is no revolving period.***	
8	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.	
	Verified?	**Yes**
	PCS Comment	
	There is no revolving period in this transaction. For replacement provisions see above.	

9	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	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.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	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.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *DESCRIPTION OF THE PORTFOLIO*, *The Purchased Lease Receivables under the Receivables Purchase Agreement* See also Prospectus, *BUSINESS PROCEDURES OF VOLKSWAGEN GMBH* According to the Commission Delegated Regulation (EU) 2019/1851 on Homogeneity: Art. 1 (a): the asset class falls into the category of (v) auto loans and leases Art. 1 (b): the receivables have been originated by various dealers as agents and underwritten by VWL according to similar standards, as stated in the Originator Notification STSS27 ("which apply similar approaches to the assessment of credit risk associated with the Lease Receivables and without prejudice to Article 9(1) of the Securitisation Regulation.") Art. 1 (c): they are serviced, i.e. "are to be administered together with all other lease receivables of VWL and the Leased Vehicles are to be realised according to VWL's customary practices in effect from time to time" (BUSINESS PROCEDURES OF VOLKSWAGEN GMBH)	

	Art. 1 (d)/Art. 2: the homogeneity factor 4b) shall apply since all the obligors are all resident in the same jurisdiction, Germany. See also RPA, 4.1. (k) (k) that the Lease Contracts have been entered into exclusively with Lessees which, if they are corporate entities have their registered office or, if they are individuals have their place of residence in Germany;	
10	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	10. The underlying exposures shall contain obligations that are contractually binding and enforceable.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *DESCRIPTION OF THE PORTFOLIO*, *Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables* (a) that the Lease Contracts are legally valid and binding agreements; (g) that the status and enforceability of the Purchased Lease Receivables is not impaired due to warranty claims or any other rights (including claims which may be set off) of the Lessee (even if the Issuer knew or could have known of the existence of such defences or rights on the Cut-Off Date);	
11	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	11. With full recourse to debtors and, where applicable, guarantors.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *DESCRIPTION OF THE PORTFOLIO*, *The Purchased Lease Receivables under the Receivables Purchase Agreement* The Purchased Lease Receivables include the monthly payments for the use of the Leased Vehicles with full recourse against the respective Lessee.	

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	
	See Prospectus, *DESCRIPTION OF THE PORTFOLIO, The Purchased Lease Receivables under the Receivables Purchase Agreement*	

	The Purchased Lease Receivables include the monthly payments for the use of the Leased Vehicles with full recourse against the respective Lessee. The amounts payable in each month which have been acquired pursuant to the Receivables Purchase Agreement do not include claims to special payments or insurance premiums or VAT attributable to any payments for the use of the Leased Vehicles or claims arising from service components such as maintenance fees or fees for the excessive use of the Leased Vehicle. The Purchased Lease Receivables include Lease Receivables originated under open end Lease Contracts (*Verträge mit Gebrauchtwagenabrechnung* – "Open End Lease Contracts") and closed end Lease Contracts (*Verträge ohne Gebrauchtwagenabrechnung* – "Closed End Lease Contract"). Open End Lease Contracts have no fixed residual values guaranteed by the dealers but the buy-back of the car is based on the state of the vehicle and the general state of the market on the date of the return of the Leased Vehicle to VWL. Therefore, upon the re-marketing of the car, the Lessee bears the risk of a loss and partly participates in a profit. Closed End Lease Contracts are based on fixed residual values based on the contractual mileage and term of the contract, both being guaranteed by the vehicle dealer in respect of a return of the car in compliance with the term of the contract at the end of the contract term arranging the conclusion of the respective Closed End Lease Contract and VWL. […]. Under Closed End Lease Contracts, the risk of realisation of the residual value is borne entirely by the respective vehicle dealer. However vehicle dealers may have the option to transfer the residual value risk to Volkswagen Leasing GmbH. If vehicle dealers exercise such option, Volkswagen Leasing GmbH takes back the car from the relevant vehicle dealer at the end of the respective Lease Contract for a pre-agreed price and cares for remarketing. ***PCS notes that the portfolio consists of closed end and open-end contracts and according to Table 14 in the Prospectus (Description of the Lease Contracts) an amount of 99,91% are Closed End Contracts and 0,10% are Open Lease Contracts. The Residual Values are not part of the Purchased Receivables. The exposures all pay in monthly instalments.***
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 See Prospectus, *DESCRIPTION OF THE PORTFOLIO, Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables* (l) that on the Cut-Off Date at least two (2) lease instalments have been paid in respect of each of the Lease Contracts and that the Lease Contracts require substantially equal monthly payments to be made within 12-60 months of the date of origination of the Lease Contract; See also Prospectus, The Purchased Lease Receivables under the Receivables Purchase Agreement See Prospectus, *DESCRIPTION OF THE PORTFOLIO, Realisation of Leased Vehicles* See also Trust Agreement, REALISATION OF THE LEASED VEHICLES, 18.2 OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES, Realisation of Security Upon the occurrence of a Foreclosure Event, the Security Trustee is authorised and obliged to adequately realise the ownership interest given in the form of a directly enforceable security interest in the Leased Vehicles by selling the Leased Vehicles or having the Leased Vehicles sold by third parties commissioned by the Security Trustee. The proceeds of realisation thus gained shall be divided between the Issuer, VWL and VCL Master Residual Value as provided in clause 18 of the Trust Agreement. ***See also point 12 above. The Receivables do not have a balloon payment, only the monthly lease instalments are sold to the Issuer. In case of an early termination of a lease contract or an enforcement event, proceeds from the sale of the vehicle are allocated on a proportionate basis to the Issuer and the VCL Master Residual Value. The receivables are transferred from the VCL Master C1 discounted by the Discount rate, at which they had previously been purchased into the VCL Master C1.***

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 STS notification, STSS 27 "Furthermore, the Seller hereby confirms that the underlying exposures do not contain any transferable securities for purposes of Article 20(8) of the Securitisation Regulation."	

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 STS Notification, STSS28: "The Seller hereby confirms that the underlying exposures do not contain any securitisation position. The underlying exposures exclusively consist of automotive lease receivables."	

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	
	See Prospectus, *DESCRIPTION OF THE PURCHASED RECEIVABLES, Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables*	

	VWL warrants and guarantees that the Purchased Lease Receivables are originated in the ordinary course of the business of VWL pursuant to lease granting standards which also apply to leases which will not be securitised. In particular, VWL warrants and guarantees that it has in place (i) effective systems to apply its standard lease criteria for granting the Purchased Lease Receivables and (ii) processes for approving and, where relevant, amending, renewing and re-financing the Purchased Lease Receivables, in order to ensure that granting of the Purchased Lease Receivables is based on a thorough assessment of each Lessee's creditworthiness. Furthermore, VWL warrants and guarantees that the assessment of each Lessee's creditworthiness (i) will be performed on the basis of sufficient information, where appropriate obtained from the Lessee and, where necessary, on the basis of a consultation of the relevant database, and (ii) will be repeated before any significant increase in the total amount is granted after the conclusion of the lease, in combination with an update of the Lessee's financial information. ***PCS also notes that the Purchased receivables are randomly selected and according to information from the due diligence materials it is not known to the car dealers whether a receivable is securitised or not.***
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** ***See 16 above.*** See also *Description of the Lease Contracts, Lease Receivables, Leased Vehicles and Lessees as at the Cut-Off Date as at 31 August 2021,* last paragraph The Purchased Lease Receivables have not been selected by the Seller with the aim of rendering losses on the Purchased Lease Receivables to the Issuer, measured over the life of the Transaction, higher than the losses over the same period on comparable Lease Receivables held on the balance sheet of the Seller.

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 Prospectus, ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT, Reporting Duties of the Servicer and Duties under the Swap Agreements The Servicer further undertakes to disclose to the Noteholders without undue delay any material change to VWL's customary practices, which either refer to the similarity of the underwriting standards further specified in the Commission Delegated Regulation 2019/1851 or changes which materially affect the overall credit risk or expected average performance of the Portfolio. *Although somewhat confusingly drafted, the EBA Guidelines make clear that the part of the criterion referring to changes from prior underwriting is a future event criterion. It applies changes in underwriting criteria that occur post-closing. 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 whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.*

	PCS notes that this transaction has no revolving period, therefore this criterion does not strictly apply to this transaction. PCS also notes that VWL undertakes to disclose changes to underwriting standards or other changes which may affect the overall credit risk and expected performance.

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	
	Not applicable.	

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	
	The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. European Directives, in contrast to Regulations, do not have direct effect but must be implemented into national law country by country. *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.* See Prospectus, DESCRIPTION OF THE PURCHASED RECEIVABLES, Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables VWL warrants and guarantees that the Purchased Lease Receivables are originated in the ordinary course of the business of VWL pursuant to lease granting standards which also apply to leases which will not be securitised. In particular, VWL warrants and guarantees that it has in place (i) effective systems to apply its standard lease criteria for granting the Purchased Lease Receivables and (ii) processes for approving and, where relevant, amending, renewing and re-financing the Purchased Lease Receivables, in order to ensure that granting of the Purchased Lease Receivables is based on a thorough assessment of each Lessee's creditworthiness. Furthermore, VWL warrants and guarantees that the assessment of each Lessee's creditworthiness (i) will be performed on the basis of	

	sufficient information, where appropriate obtained from the Lessee and, where necessary, on the basis of a consultation of the relevant database, and (ii) will be repeated before any significant increase in the total amount is granted after the conclusion of the lease, in combination with an update of the Lessee's financial information. See Prospectus, BUSINESS AND ORGANISATION OF VOLKSWAGEN LEASING GMBH, Incorporation, Registered Office and Purpose VWL is a financial services institution (Finanzdienstleistungsinstitut) according to §1 (1a) German Banking Act. As such, the Originator is supervised by BaFin as competent supervisory authority. As a precaution VWL performs the „Assessment of the borrower's creditworthiness" with respect to lease contracts with consumers in accordance with paragraphs 1 to 4, point (a) of paragraph 5 and paragraph 6 of Article 18 of Directive 2014/17/EU as reflected in § 505 a and § 505 b German Civil Code (BGB). ***PCS notes that VWL is a 100% subsidiary of Volkswagen Financial Services AG, regulated by BaFin, and performs the borrowers' assessment according to the German legislation reflecting the requirements set out in the EU directive 2008/48/EC.***

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	
	See Prospectus, *BUSINESS AND ORGANISATION OF VOLKSWAGEN LEASING GMBH*. Origination, Servicing and Securitisation Expertise As already set out under the section "Incorporation, Registered Office and Purpose" one of the main purposes of VWL for the last five decades has been the origination, underwriting and servicing of lease receivables of a similar nature to those securitised under this Transaction. The members of its management body and the senior staff of VWL have adequate knowledge and skills in originating, underwriting and servicing lease receivables, similar to the lease receivables included in the Portfolio, gained through years of practice and continuing education. The members of the management body and VWL senior staff have been appropriately involved within the governance structure of the functions of originating, underwriting and servicing of the Portfolio. Additionally, VWL has been securitising lease receivables actively since 1996 through private as well as public securitisation transactions, similar to this Transaction. The members of its management body and the senior staff responsible for the securitisation transactions of VWL have also professional experience in the securitisation of lease receivables of many years, gained through years of practice and continuing education. Other subsidiaries of Volkswagen AG have also been securitising lease receivables and loan receivables all across Europe, Australia, Brazil, Canada, Japan, China, Turkey and USA. ***An entity originating assets similar to those securitised for at least five years is deemed, according to the EBA Guidelines, to have "expertise".***	

22	**Legislative text – *Article 20 - Requirements relating to simplicity***	GO TO TABLE OF CONTENTS
	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:	
	STS criteria	
	22. The underlying exposures shall be transferred to the SSPE after selection without undue delay…	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus "Cut-Off Date" means 31 October 2021. "Issue Date" means 25th November 2021. The Pool is selected on the Cut-Off-Date and transferred at the Issue Date. ***PCS has assumed that any period of three-and-a-half months or less between pool cut date and closing will meet the requirements of the criterion. The time difference here is in line with market standards.***	
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	
	See Prospectus, *DESCRIPTION OF THE PORTFOLIO, Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables* See also clause 4.1 (t) (i) of the RPA. (s) the Purchased Lease Receivables will not include Lease Receivables relating to: (i) a Lessee who VWL considers as unlikely to pay its obligations to VWL and/or to a Lessee who is past due more than 90 days on any material credit obligation to VWL; or (ii) a credit-impaired Lessee or guarantor who, on the basis of information obtained (i) from the Lessee of the relevant Lease Receivable, (ii) in the course of VWL's servicing of the Lease Receivables or VWL's risk management procedures, or (iii) from a third party, ***The warranty given by the Originator for the Purchased Lease Receivables is in accordance with the definition of default of Article 178(1) of Regulation (EU) No 575/2013.***	

24	**Legislative text – *Article 20 - Requirements relating to simplicity***	**GO TO TABLE OF CONTENTS**
	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: (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: (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; (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 (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.	
	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	
	See Prospectus, *DESCRIPTION OF THE PORTFOLIO, Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables* See also RPA, clause 4.1 (s) (ii) (ii) a credit-impaired Lessee or guarantor who, on the basis of information obtained (i) from the Lessee of the relevant Lease Receivable, (ii) in the course of VWL's servicing of the Lease Receivables or VWL's risk management procedures, or (iii) from a third party, (1) 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 of the Purchased Receivable to the Issuer; (2) 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 VWL; or (3) 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 receivables held by VWL 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	
	See 24 above.	

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 24 above.	
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 24 above.	
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	
	See 24 above.	
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 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 24 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 Prospectus, *DESCRIPTION OF THE PORTFOLIO, Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables ,(l)* and clause 4.1 (l) of the RPA "(l) that on the Cut-off Date at least two (2) lease instalments have been paid in respect of each of the Lease Contracts and that the Lease Contracts require substantially equal monthly payments to be made within 12-60 months of the date of origination of the Lease Contract;"	

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 Prospectus, *DESCRIPTION OF THE PORTFOLIO*, *The Purchased Lease Receivables under the Receivables Purchase Agreement* The Purchased Lease Receivables include the monthly payments for the use of the Leased Vehicles with full recourse against the respective Lessee. The amounts payable in each month which have been acquired pursuant to the Receivables Purchase Agreement do not include claims to special payments or insurance premiums or VAT attributable to any payments for the use of the Leased Vehicles or claims arising from service components such as maintenance fees or fees for the excessive use of the Leased Vehicle. See also RPA, *ASSIGNMENT OF PURCHASED LEASE RECEIVABLES AND CLOSING DATE, 3.3* VWL, acting with the authority granted under clause 2.2 above, shall simultaneously assign to the Issuer as security for the acquired Purchased Lease Receivables and as security for all of the Issuer's current and future claims against VWL arising from this Agreement and the Servicing Agreement including all future damage claims pursuant to section 280 (1) in connection with section 280 (3) (*Schadensersatz statt der Leistung*) of the German Civil Code, and further including all claims arising out of a withdrawal from this Agreement, notwithstanding the transfer of auxiliary or preferential rights pursuant to section 401 of the German Civil Code, when the assignment is effectuated pursuant to clause 3.1, the following Purchased Lease Receivables and rights: […] See also RPA, 7.1, last paragraph "provided that the Collateral Ownership Interest is transferred solely for the purpose of securing the existence and fulfilment of the Purchased Lease Receivables and the rights and claims of the Issuer against VWL arising under this Agreement or any other Transaction Document and any potential obligations on the grounds of invalidity or unenforceability of any Transaction Document, in	

	particular claims on the grounds of unjustified enrichment (*ungerechtfertigte Bereicherung*). The transfer of title for security purposes is subject to the resolutory condition (*auflösende Bedingung*) of the occurrence of a Lease Contract Termination Event. The parties hereto agree that the transfer of title to the Leased Vehicles shall not affect the expectancy rights to such Leased Vehicles transferred by VWL to VCL Master Residual Value, and further transferred from VCL Master Residual Value to the Expectancy Rights Trustee (section 161 (2) of the German Civil Code)." ***The Lease Receivables are sold into this transaction without the residual value component of the contract, so that they constitute claims to the respective lessees only and do not depend on the sale of the assets securing the underlying exposure. The concentration of the open-end lease contracts, that have residual value risk is only 0,1% of the initial portfolio.***

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	
	See Prospectus, *Securitisation Regulation* The Seller will, whilst any of the Notes remain outstanding, retain for the life of the Transaction a material net economic interest of not less than 5 per cent. with respect to the Transaction in accordance with Article 6(3)(c) of Regulation (EU) 2017/2402 (the "Securitisation Regulation") and undertakes that it will not reduce, hedge or otherwise mitigate its credit exposure to the material net economic interest for the purposes of Article 6(1) of the Securitisation Regulation and Article 12 of Commission Delegated Regulation specifying the risk retention requirements pursuant to the Securitisation Regulation and, pursuant to Article 43(7) of the Securitisation Regulation, until regulatory technical standards are adopted by the Commission pursuant to Article 6(7) of the Securitisation Regulation, provided that the level of retention may reduce over time in compliance with Article 10 (2) of Commission Delegated Regulation (EU) 625/2014 or any successor delegated regulation. As at the Closing Date, such interest will, in accordance with Article 6(3)(c) of the Securitisation Regulation, and, pursuant to Article 43(7) of the Securitisation Regulation, until regulatory technical standards are adopted by the Commission pursuant to Article 6(7) of the Securitisation Regulation, be comprised of an interest in randomly selected exposures equivalent to no less than 5 percent. of the nominal value of the securitised exposures.	

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	
	See Prospectus, *Swap Agreements* The Issuer will enter into the Class A Swap Agreement and the Class B Swap Agreement, each with the Swap Counterparty. Each Swap Agreement will hedge the interest rate risk deriving from fixed rate interest payments owed by the Lessees to the Issuer under the Purchased Lease Receivables and floating rate interest payments owed by the Issuer under the Notes.	

	See also Prospectus, *SWAP AGREEMENTS AND SWAP COUNTERPARTY* The Swap Agreements Under the Class A Swap Agreement the Issuer will undertake to pay to the Class A Swap Counterparty on each Payment Date an amount equal to the amount of interest on the nominal amount of the Class A Notes outstanding on each Payment Date, calculated on the basis of a fixed rate of interest of 0.38 per cent. per annum on the basis of 30/360. The Class A Swap Counterparty will undertake to pay to the Issuer on each Payment Date an amount equal to the floating rate of interest on such outstanding nominal amount of the Class A Notes, calculated on the basis of EURIBOR plus 0.70 per cent. per annum on the basis of the actual number of days elapsed in an Interest Period divided by 360, and subject to a floor of zero The same applies to the Class B notes. See Prospectus, *RISK FACTORS*. Interest Rate Risk / Risk of Swap Counterparty Insolvency *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.* ***In the case of the Transaction, payments from the underlying receivables are based on fixed rate payments, while the notes are floating rate. The Fixed Interest Rate of the Lease Receivables is the Discount Rate (5.7016%), which was fixed (on a yearly basis) for the original sale to the VCL Master C1 and contains a 2% buffer. An interest rate swap based on the nominal amount outstanding on each payment date is used in the Transaction to mitigate and fully hedge fixed-to-floating interest rate risk, subject to a floor of zero.***
35	**STS criteria** — **SEE RELATED EBA GUIDELINES** 35. Currency risks arising from the securitisation shall be appropriately mitigated. **Verified?** — **Yes** **PCS Comment** See Prospectus, *DESCRIPTION OF THE PORTFOLIO,* RPA, 4. WARRANTIES BY VWL WITH RESPECT TO THE PURCHASED LEASE RECEIVABLES (b) that the Purchased Lease Receivables are denominated, payable in Euro and assignable; See Prospectus, cover page, description of the Notes. ***See PCS comment under 34 above. Both notes and Loans are currently denominated in Euros and in the absence of any currency mismatch, no currency hedging is therefore necessary.***

36	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	36. Any measures taken to that effect shall be disclosed.	
	Verified?	**Yes**
	PCS Comment	
	Actions taken to mitigate interest rate risk in the Transaction have been disclosed in the transaction documents	

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 Prospectus, 5. Further Covenants of the Issuer (1) As long as any of the Notes and/or the Subordinated Loan remains outstanding, the Issuer is not entitled, without the prior consent of the Security Trustee, to develop any activities described in clause 38 of the Trust Agreement. See also Prospectus, Actions of the Issuer requiring Consent As long as the Notes and the Subordinated Loan are outstanding, the Issuer is not authorised without prior written consent of the Security Trustee to 38.1 to 38.15 See STS Notification, STSS36: “The SSPE has not entered into derivative contracts except in the circumstances of interest rate hedging as referred to above.”	
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 STS Notification, STSS35: “Furthermore, the Seller hereby confirms that the underlying exposures do not contain any derivatives for purposes of article 21(2) of the Securitisation Regulation.” See also Prospectus, *Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables, (k)*	

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	
	"Class A Swap Agreement" means the class A interest rate swap agreement between the Issuer and the Swap Counterparty pursuant to the 2002 ISDA Master Agreement, the associated schedule and the credit support annex and a confirmation dated 3 November 2021. ***PCS notes that the Swap Agreements have been underwritten according to International Standards.***	

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: Purchased Receivables: See Prospectus, *Assumed Amortisation of the Notes*: “the Discount Rate according to linear method is to be 5.7016 per cent. per annum and the Monthly Payments are discounted back to the Cut-Off Date;” **LIABILITIES:** Class A: EURIBOR-rate for one month deposits plus 0.70 per cent. *per annum*, subject to a floor of zero Class B: EURIBOR-rate for one month deposits plus 0.80 per cent. *per annum*, subject to a floor of zero ***For the fixed cash flow from the fixed rate paying assets of this Transaction, the monthly instalments are discounted as described above. The Portfolio Information provides a “Run Out Schedule” with “Interest” and “Principal” components. The liabilities are referencing generally used market rates.***	

41	**Legislative text – *Article 21 - Requirements relating to standardisation***	**GO TO TABLE OF CONTENTS**
	21.4. Where an enforcement or an acceleration notice has been delivered: (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; (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; (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and (d) No provisions shall require automatic liquidation of the underlying exposures at market value.	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	41. Where an enforcement or an acceleration notice has been delivered: (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;	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *TRUST AGREEMENT, Part E. ACCOUNTS; ORDER OF PRIORITY, 22.2 (c)* Order of Priority-following the occurrence of an Enforcement Event. See also Prospectus, definition of “Available Distribution Amount” ***According to the Priority of Payments no cash is trapped in the SSPE within the meaning of the Regulation***	
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	
	See Prospectus, *TRUST AGREEMENT, Part E. ACCOUNTS; ORDER OF PRIORITY, 22.2 (c)* Order of Priority-following the occurrence of an Enforcement Event. ***The Notes are repaid sequentially following the occurrence of an Enforcement Event.***	

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 Prospectus, *TRUST AGREEMENT, Part E. ACCOUNTS; ORDER OF PRIORITY, 22.2 (c)* Order of Priority-following the occurrence of an Enforcement Event. ***The Notes are repaid sequentially following the occurrence of an Enforcement Event and the order of priority is not reversed.***	
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	
	See Prospectus, TRUST AGREEMENT, PART D ,17. FORECLOSURE ON THE SECURITY; FORECLOSURE EVENT 17.3 “For the avoidance of doubt, upon the occurrence of an Enforcement Event, the Security Trustee is not automatically required to liquidate the Purchased Lease Receivables at market value.” ***After the occurrence of a Foreclosure Event the Security Trustee will enforce the security with the consent of the Expectancy Rights Trustee and foreclose or enforce or cause the foreclosure or enforcement of the Security (clause 17.2 of the TRUST AGREEMENT)***	

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	
	PCS notes that there is an element of pro-rata amortisation in this transaction. The performance related trigger to revert to sequential amortisation is the “Level 2 Credit Enhancement Increase Condition”. "Level 2 Credit Enhancement Increase Condition" shall be deemed to be in effect if the Cumulative Net Loss Ratio exceeds 1.60 per cent. for any Payment Date. "Class A Targeted Overcollateralisation Percentage" means: (a) 12.25 per cent. until a Credit Enhancement Increase Condition has once occurred;	

	(b) 14 per cent. if a Level 1 Credit Enhancement Increase Condition has once occurred; and (c) 100 per cent. until the Legal Maturity Date if a Level 2 Credit Enhancement Increase ***The pro-rata element of the amortisation does not apply in 22.2 (c) quoted above***.

46	**Legislative text – *Article 21 - Requirements relating to standardisation***	**GO TO TABLE OF CONTENTS**
	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: (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold; (b) the occurrence of an insolvency-related event with regard to the originator or the servicer; (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event); (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).	
	STS criteria	**SEE RELATED EBA GUIDELINES**
	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:	
	Verified?	**Yes**
	PCS Comment	
	Does not apply, since there is no revolving period.	
47	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;	
	Verified?	**Yes**
	PCS Comment	
	See 46 above.	
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	
	See 46 above.	

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	
	See 46 above.	
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	
	See 46 above.	

51	**Legislative text – *Article 21 - Requirements relating to standardisation***	**GO TO TABLE OF CONTENTS**
	21.7. The transaction documentation shall clearly specify: (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**
	51. The transaction documentation shall clearly specify: (a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers;	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, • ***Security Trustee***: see section "TRUST AGREEMENT" of the Prospectus • ***Other ancillary providers***: See section "ACCOUNT BANK, CASH ADMINISTRATOR, CALCULATION AGENT, PAYING AGENT" of the Prospectus • ***Data Trustee***: see section DATA PROTECTION TRUSTEE of the Prospectus ***See also underlying transaction documents***: See Trust Agreement, 4. Assets of the Issuer for the Purpose of Payments on the Notes and on the Subordinated Loan, Provision of Security, Limited Payment Obligation, Non Petition	

	Furthermore, the Issuer has entered into additional agreements in connection with the acquisition of the Purchased Lease Receivables and Lease Collateral and the Issue of the Notes and the raising of the Subordinated Loan, in particular, the Subordinated Loan Agreement with an Affiliate of Volkswagen AG, the Data Protection Trust Agreement with the Data Protection Trustee and the Security Trustee, the Agency Agreement with VWL and the Paying Agent, two Swap Agreements with the Swap Counterparty and the Account Agreement with the Account Bank. See definition of Servicing Agreement “Servicing Agreement" means the servicing agreement between the Servicer, the Issuer, the Security Trustee and the Expectancy Rights Trustee dated on or about the Signing Date. ***PCS notes that the TRUST AGREEMENT is part of the Prospectus in this Transaction.***	
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	
	See Prospectus, *ADMINISTRATION OF THE LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT* The Servicer may be replaced in case of a Servicer Replacement Event as outlined below. In that case the costs of replacing it are also to be paid from income from the investment of the funds in the Distribution Account and the Cash Collateral Account. If these proceeds do not cover the said costs, the difference is to be made up from the General Cash Collateral Amount. See definition of “Servicer Replacement Event” (d) the Servicer suffers a Servicer Insolvency Event; ***PCS notes that the Servicer Replacement Events (a) to (c) are curable, (d) is not curable as required by the regulation.*** See also Prospectus, *DISMISSAL AND REPLACEMENT OF THE SERVICER* After a Servicer Replacement Event, the Issuer is entitled to dismiss the Servicer by written notification. The Issuer shall use its best efforts to replace the Servicer and to appoint a new Servicer. The dismissal and the appointment of a new Servicer shall only become effective after the new Servicer has (i) taken over all the rights and obligations of the Servicer hereunder and (ii) agreed to indemnify and hold harmless the dismissed Servicer. However, the Servicer shall use best efforts that the appointment of the new Servicer shall become effective no later than three (3) months after the Servicer Replacement Event.	
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	
	See Prospectus, *RISK FACTORS, Interest Rate Risk / Risk of Swap Counterparty Insolvency* The Swap Counterparty may become insolvent or may suffer from a rating downgrade, in which case it would have to be replaced or, in case of a certain rating downgrade would have to provide collateral. A Swap Agreement may also be terminated by either party due to an event of default or a termination event. However, there can be no assurance that a guarantor or replacement Swap Counterparty will be found or that the amount of collateral will be sufficient to meet the Swap Counterparty's obligations. Nevertheless, the Issuer shall use its best efforts to find a replacement Swap Counterparty. In such events the Noteholders may experience delays and/or reductions in the interest and principal payments due in respect of such Notes. See Prospectus, *13 Accounts*	

	See also Account Agreement, section 15 Change of Account Bank and/or Cash Administrator The Account Bank shall promptly notify each of the Issuer and the Security Trustee if its short-term or long-term ratings fall below the Account Bank Required Rating. If the Account Bank ceases to have the Account Bank Required Rating, the Account Bank shall notify the Issuer and the Security Trustee thereof and within thirty (30) calendar days, at its own cost (for the avoidance of doubt, it shall cover the external legal fees as separately agreed in a side letter between, amongst others, the Issuer and the Account Bank, but shall not extend to the fees or to any interest rate differential charged by such Successor Bank which shall be paid by the Issuer), shall do one of the following:

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	
	See Prospectus, *BUSINESS AND ORGANISATION OF VOLKSWAGEN LEASING GMBH*, *Origination and Securitisation Expertise* **Origination, Servicing and Securitisation Expertise** As already set out under the section "Incorporation, Registered Office and Purpose" one of the main purposes of VWL for the last five decades has been the origination, underwriting and servicing of lease receivables of a similar nature to those securitised under this Transaction. The members of its management body and the senior staff of VWL have adequate knowledge and skills in originating, underwriting and servicing lease receivables, similar to the lease receivables included in the Portfolio, gained through years of practice and continuing education. The members of the management body and VWL senior staff have been appropriately involved within the governance structure of the functions of originating, underwriting and servicing of the Portfolio. Additionally, VWL has been securitising lease receivables actively since 1996 through private as well as public securitisation transactions, similar to this Transaction. The members of its management body and the senior staff responsible for the securitisation transactions of VWL have also professional experience in the securitisation of lease receivables of many years, gained through years of practice and continuing education. Other subsidiaries of Volkswagen AG have also been securitising lease receivables and loan receivables all across Europe, Australia, Brazil, Canada, Japan, China, Turkey and USA. See Prospectus, *ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT*. ***The EBA Guidelines provide that an entity that has serviced similar assets for at least five years will be deemed to meet the expertise criterion.***	
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	
	See Prospectus, *BUSINESS AND ORGANISATION OF VOLKSWAGEN LEASING GMBH*, *Origination and Securitisation Expertise*. See also Prospectus, *ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT*.	

	PCS has received Due Diligence Materials from VWL. The EBA Guidelines provide that an entity that has serviced similar assets for at least five years will be deemed to meet the expertise criterion.

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 Prospectus, *BUSINESS PROCEDURES OF VOLKSWAGEN LEASING GMBH* See also Servicing Agreement, *COLLECTIONS*	
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	
	The servicer duties are set out in the Prospectus, BUSINESS PROCEDURES OF VOLKSWAGEN LEASING GMBH, and the Servicing Agreement section 2., COLLECTION OF THE PURCHASED LEASE RECEIVABLES *They include a more detailed description of the Negotiation of the Lease Contracts • Debts Management including forbearance, restructuring and payment holidays • Termination of Lease Contracts • Enforcement • Write-Off and Losses •* *The Originator and Servicer has also provided investors with a due diligence presentation that describes the debt management and Collection Center in detail.*	

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 Prospectus, *TRUST AGREEMENT*, *section E., ACCOUNTS; ORDER OF PRIORITY, section 22.2* (a) Prior to the occurrence of an Enforcement Event, (b) Distribution will be made from the Cash Collateral Account on any Payment Date on which the General Cash Collateral Amount exceeds the Specified Cash Collateral Account Balance provided that no Credit Enhancement Increase Condition is in effect: (c) Following the occurrence of an Enforcement Event, distributions will be made by the Security Trustee from the Available Distribution Amount according to the following Order of Priority: *See also Prospectus, Order of Priority of Distributions*	
59	**STS criteria**	
	59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, definition of Enforcement Event "Enforcement Event" means the event that (in the sole judgment of the Security Trustee) a Foreclosure Event has occurred and the Security Trustee has served an Enforcement Notice upon the Issuer. See also Prospectus, definitions of “Level 1 Credit Enhancement Increase Event” and “Level 2 Credit Enhancement Increase Event”.	
60	**STS criteria**	
	60. The transaction documentation shall clearly specify the obligation to report such events.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *Trust Agreement*, *Part D, DUTIES OF THE SECURITY TRUSTEE AFTER OCCURRENCE OF A FORECLOSURE EVENT,* The Security Trustee shall without undue delay give notice to the Expectancy Rights Trustee, Noteholders of the relevant Class and the Subordinated Lender and notify the Rating Agencies of the occurrence of a Foreclosure Event. See Prospectus, *ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT, Reporting Duties of the Servicer and Duties under the Swap Agreements*:	

	(vii) the Cumulative Net Loss Ratio and whether a Credit Enhancement Increase Condition is in effect;	
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	
	See Prospectus***, definition of "Enforcement Event"*** "Enforcement Event" means the event that (in the sole judgment of the Security Trustee) a Foreclosure Event has occurred and the Security Trustee has served an Enforcement Notice upon the Issuer. See Prospectus, Trust Agreement, Part D, DUTIES OF THE SECURITY TRUSTEE AFTER OCCURRENCE OF A FORECLOSURE EVENT, The Security Trustee shall without undue delay give notice to the Expectancy Rights Trustee, Noteholders of the relevant Class and the Subordinated Lender and notify the Rating Agencies of the occurrence of a Foreclosure Event and of the occurrence of an Enforcement Event and the corresponding change to the Order of Priority. See also Prospectus, ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT, Reporting Duties of the Servicer and Duties under the Swap Agreements (vii) the Cumulative Net Loss Ratio and whether a Credit Enhancement Increase Condition is in effect; See also Prospectus, *GENERAL INFORMATION, Inspection of Documents,* (g) ***Both types of changes of Priorities of Payment are reported by the Servicer. In the case of a Foreclosure Event a notice is served without undue delay. In the case of a so-called "Credit Enhancement Increase Condition" coming into effect, this is reported monthly, as part of the investor report and the information therein, which, due to the monthly reporting frequency, is as soon as it becomes known. It would also get reported in the Significant Event Report.***	

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 Prospectus, *TERMS AND CONDITIONS OF THE CLASS A NOTES*, *12 Miscellaneous,* (5) The Class A Noteholders may agree to amendments of the Conditions of the Class A Notes by majority vote and appoint a noteholders' representative (*gemeinsamer Vertreter*) for all Class A Noteholders for the preservation of their rights pursuant to the provisions of the German Debenture Act (*Gesetz über Schuldverschreibungen aus Gesamtemissionen* – "*SchVG*") (section 5 (1) sentence 1 *SchVG*). ***The notes will be issued on the basis of the German Debenture Act (Schuldverschreibungsgesetz - SchVG), see section "TERMS AND CONDITIONS OF THE CLASS A NOTES" and "TERMS AND CONDITIONS OF THE CLASS B NOTES", condition 12 of each class of notes, enabling noteholders to take resolutions within one class of notes.***	

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 Prospectus, *TRUST AGREEMENT*. See underlying transaction documents: Trust Agreement, Security Assignment Deed.	

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	
	See Prospectus, *Historical Performance Data*. • Portfolio Delinquencies • Portfolio Losses ***PCS has reviewed the historical static and dynamic performance data made available to PCS in connection with the transaction, and it is in line with the requirements. It describes cumulative static losses (net write-offs) and dynamic losses and dynamic delinquencies for the overall lease portfolio of VWL.***	
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 Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* For the purposes of Article 7 and Article 22 of the Securitisation Regulation the Servicer (on behalf of the Seller as the originator for the purposes of the Securitisation Regulation) confirms and (where applicable) will make available the following information: (a) Before pricing of the Notes, for the purpose of compliance with Article 22(1) of the Securitisation Regulation, the Servicer will make available to investors and potential investors information on static and dynamic historical default and loss performance, for a period of at least 5 years. In this regard, see the section "HISTORICAL PERFORMANCE DATA" of this Prospectus. ***The overall portfolio of VWL is similar to the portfolio securitised, as also confirmed above and in the description of the selection process as part of PCSs due diligence.***	
66	**STS criteria**	**SEE RELATED EBA GUIDELINES**
	66. Those data shall cover a period no shorter than five years.	
	Verified?	**Yes**
	PCS Comment	
	See point 64 above. The data covers a period of more than five years, for delinquencies more than 10 years, for losses 10 years..	

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	
	See Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION*, (b) (b) For the purpose of compliance with Article 22(2) of the Securitisation Regulation, the Servicer confirms that a sample of Lease Contracts has been externally verified by an appropriate and independent party prior to the date of this Prospectus (see also the section " *Description of the Lease Contracts, Lease Receivables, Leased Vehicles and Lessees as at 31 August 2021*") (as well as an agreed upon procedures review, amongst other things, of the conformity of the Lease Contracts in the Portfolio with certain of the Warranties and Guarantees in relation to the Sale of the Purchased Lease Receivables (where applicable)). For the purposes of the verification a confidence level of at least 95% was applied. The Servicer confirms no significant adverse findings have been found. The independent party has also performed agreed upon procedures on the data included in the stratification tables in the section "*Description of the Lease Contracts, Lease Receivables, Leased Vehicles and Lessees as at 31 August 2021*" in order to verify that the stratification tables are accurate. The Servicer confirms no significant adverse findings have been found. Based on the review by the independent party, the Servicer confirms that to the best of its knowledge such information is accurate and in accordance with the facts and does not omit anything likely to affect its import. ***PCS has reviewed the report on "agreed upon procedures" (AUP) commonly known as a "pool audit". PCS can confirm that this was done by an appropriate and independent third party.***	
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 67 above. ***PCS has reviewed all parts of the audit performed by the appropriate and independent party, and can confirm that the eligibility criteria, the WAL tables and the stratification tables were appropriately audited with no findings***	

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	
	See Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* (c) Before pricing of the Notes, for the purpose of compliance with Article 22(3) of the Securitisation Regulation, the Servicer will make available a cashflow liability model of the Transaction on the website of Moody's Analytics https://www.sfportal.com/deal/cashflows/YBI.VCL34 which precisely represents the contractual relationship between the Purchased Lease Receivables and the payments flowing between the Seller and investors in the Notes. Such cashflow model will be available after the Closing Date to investors on an ongoing basis and to potential investors on request. See Originator Notification, STSS60 Data is available on the Website of Moody's Analytics https://www.sfportal.com/deal/cashflows/YBI.VCL34	
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. *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 whilst noting, at the same time, that the absence of any such covenant – although possibly unsettling for some investors - would not invalidate the STS status of the transaction at closing.*	

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 Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* (d) For the purpose of compliance with Article 22(4) of the Securitisation Regulation, the Servicer confirms that, so far as it is aware, information on environmental performance of the Vehicles relating to the Purchased Lease Receivables is not available to be reported pursuant to Article 22(4). The Servicer confirms that once information on environmental performance of the Vehicles relating to the Purchased Lease Receivables is available and able to be reported, it will make such information available to investors on an ongoing basis in order to comply with the requirements of Article 22(4) of the Securitisation Regulation. See also Originator Notification, STSS61 Please refer to the following statement in the Prospectus: *"*For the purpose of compliance with Article 22(4) of the Securitisation Regulation, the Servicer confirms that, so far as it is aware, information on environmental performance of the Vehicles relating to the Purchased Lease Receivables is not available to be reported pursuant to Article 22(4). The Servicer confirms that once information on environmental performance of the Vehicles relating to the Purchased Lease Receivables is available and able to be reported, it will make such information available to investors on an ongoing basis in order to comply with the requirements of Article 22(4) of the Securitisation Regulation.*"* *This environmental impact criterion only applies to mortgages and car loan securitisations. The EBA Guidelines though make it clear that an originator is only required to disclose information that is in its possession and captured in its internal data base or IT systems.* ***PCS notes the statement made in the prospectus by the Servicer that such information is currently not available, but that it shall be reported once such information is available.***	

72	**Legislative text – *Article 22 - Requirements relating to transparency***	**GO TO TABLE OF CONTENTS**
	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.	
	STS criteria	
	72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT, Reporting Duties of the Servicer and Duties under the Swap Agreements* Additionally, VWL in its capacity as originator as designated reporting entity under Article 7 of the Securitisation Regulation undertakes to the Issuer under the Servicing Agreement that it will make the information available to the Noteholders, to competent authorities, as referred to in Article 29 of the Securitisation Regulation and to potential Noteholders all such information as the Issuer is required to make available pursuant to and in compliance with the Securitisation Regulation Disclosure Requirements. The Servicer will make such information available via the Securitisation Repository. "Securitisation Regulation Disclosure Requirements" means the disclosure requirements set out in Article 7 and Commission Delegated Regulation (EU) 2020/1224.	

73	**Legislative text – *Article 22 - Requirements relating to transparency***	**GO TO TABLE OF CONTENTS**
	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.	
	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	
	See Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* (g) For the purposes of Article 7(1)(a) and (e) of the Securitisation Regulation, information on the Purchased Lease Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Lease Receivables and an investor report (such information to be provided simultaneously) in accordance with the Securitisation Regulation Disclosure Requirements via the Securitisation Repository.	

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	
	See Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* (e) Before pricing of the Notes and within 15 days of the Closing Date, for the purposes of compliance with Article 22(5) and Article 7(1)(b) of the Securitisation Regulation, the Servicer will make available certain Transaction Documents and the Prospectus. It is not possible to make final documentation available before pricing of the Notes and so the Servicer has made available the Prospectus and drafts of the Trust Agreement, Security Assignment Deed, Agency Agreement, Account Agreement, Receivables Purchase Agreement, Servicing Agreement, Data Protection Trust Agreement, Subordinated Loan Agreement and template Swap Agreements via the Securitisation Repository.	

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	
	See item 74, above. *This criterion speaks to document disclosure within 15 days of closing and therefore is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if it is not met within the specified 15-day period, 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 whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.*	

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	
	See Prospectus, ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION (g) For the purposes of Article 7(1)(a) and (e) of the Securitisation Regulation, information on the Purchased Lease Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Lease Receivables and an investor report (such information to be provided simultaneously) in accordance with the Securitisation Regulation Disclosure Requirements via the Securitisation Repository. See Prospectus, ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT, Reporting Duties of the Servicer and Duties under the Swap Agreements Additionally, VWL in its capacity as originator as designated reporting entity under Article 7 of the Securitisation Regulation undertakes to the Issuer under the Servicing Agreement that it will make the information available to the Noteholders, to competent authorities, as referred to in Article 29 of the Securitisation Regulation and to potential Noteholders all such information as the Issuer is required to make available pursuant to and in compliance with the Securitisation Regulation Disclosure Requirements. To the extent no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation, the Servicer will make such information available on the website of the European DataWarehouse (www.eurodw.eu) which, for the avoidance of doubt, will comply with the Securitisation Regulation Disclosure Requirements. The Servicer will make the information available via the Securitisation Repository. "Securitisation Regulation Disclosure Requirements" means the disclosure requirements set out in Article 7 and Commission Delegated Regulation (EU) 2020/1224. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above*.	

77	**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: (b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents: (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust; (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; (iv) the servicing, back-up servicing, administration and cash management agreements; (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; (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;	
	STS criteria	
	77. (b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents: (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;	
	Verified?	**Yes**
	PCS Comment	
	See item 74, above. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.*	
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 74, 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 74, above.	

80	**STS criteria**	
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;	
	Verified?	**Yes**
	PCS Comment	
	See item 74, above.	
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 74, 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 74, 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 Trust Agreement, clause 22.2 (*Order of Priority*) (a) Prior to the occurrence of an Enforcement Event, distributions will be made on each Payment Date from the Available Distribution Amount according to the following Order of Priority:	

	[…] (b) Distribution will be made from the Cash Collateral Account on any Payment Date on which the General Cash Collateral Amount exceeds the Specified Cash Collateral Account Balance provided that no Credit Enhancement Increase Condition is in effect: […] (c) Following the occurrence of an Enforcement Event, distributions will be made by the Security Trustee from the Available Distribution Amount according to the following Order of Priority […]

84	**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: (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: (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	
	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: (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;	
	Verified?	**Yes**
	PCS Comment	
	Not applicable. The Prospectus is made in compliance with the Prospectus Regulation	
85	**STS criteria**	
	85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;	
	Verified?	**Yes**
	PCS Comment	
	Not applicable.	

86	**STS criteria**	
	86. (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;	
	Verified?	**Yes**
	PCS Comment	
	Not applicable.	
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 Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* (f) Before pricing of the Notes in initial form and on or around the Closing Date in final form, for the purposes of compliance with Article 7(1)(d) of the Securitisation Regulation, the Servicer will make available a STS notification referred to in Article 27 of the Securitisation Regulation via the Securitisation Repository. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.*	

89	**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: (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following: (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 Prospectus, *GENERAL INFORMATION*, *Inspection of Documents* The Servicer will publish monthly investor reports regarding the Notes and the performance of the underlying assets. Monthly investor reports may be published by the Servicer on each respective 16th day of a calendar month, or in the event this is not a Business Day, then on the next succeeding Business Day, on https://www.vwfs.com/investor-relations.html; such monthly investor reports will provide, inter alia, the following information: *This contains a listing of items (a) to (m) to be found in the Investor Report*. "Business Day" means any day on which TARGET2 or the successor system to TARGET2 is open for business provided that this day is also a day on which banks are open for business in London and Luxembourg. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above*.	
90	**STS criteria**	
	90. (i) all materially relevant data on the credit quality and performance of underlying exposures;	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *GENERAL INFORMATION,* All information to be given to the Noteholders pursuant to Condition 6 of the Notes, including monthly information on the development of the Portfolio as set out in Condition 6 of the Notes, will be available and may be obtained (free of charge) at the specified office of the Issuer. *Inspection of documents* The Servicer will publish monthly investor reports regarding the Notes and the performance of the underlying assets. Monthly investor reports may be published by the Servicer on each respective 16th day of a calendar month, or in the event this is not a Business Day, then on the next succeeding Business Day, on https://www.vwfs.com/investor-relations.html; such monthly investor reports will provide, inter alia, the following information: (a) the aggregate amount to be distributed on each Class A Note, on each Class B Note and on the Subordinated Loan on the Payment Date immediately following (in the form defined in Schedule 1 of the Servicing Agreement);	

	(b) the repayment of the nominal amount attributed to each Class A Note, to each Class B Note and the Subordinated Loan as distributed together with the interest payment; (c) the nominal amount still outstanding on each Class A Note, on each Class B Note and on the Subordinated Loan as of each respective Payment Date; (d) the Note Factor of the Class A Notes and Class B Notes; (e) the General Cash Collateral Amount and the VWL Risk Reserve still available on the immediately following Payment Date; (f) the sums corresponding to the administration fees and servicing fees; (g) the Cumulative Net Loss Ratio and whether a Credit Enhancement Increase Condition is in effect; (h) the current Class A Actual Overcollateralisation Percentage and the current Class B Actual Overcollateralisation Percentage; (i) the applicable Class A Targeted Overcollateralisation Percentage and the applicable Class B Targeted Overcollateralisation Percentage; (j) delinquency information for delinquency periods of up to one month, up to two months, up to three months and more than three months with respect to the number of Delinquent Lease Contracts, the amount of delinquent Purchased Lease Receivables and the total outstanding Discounted Receivables Balance of Delinquent Lease Contracts; (k) in the event of the final Payment Date, the fact that such date is the final Payment Date; and (l) the confirmation that VWL has complied with its statutory obligation to pay VAT to its tax office on the Purchased Lease Receivables when such VAT became due for payment. Should VWL fail to deliver such confirmation, the Servicer will report the actual VAT deficiency ledger; (m) the Buffer Release Rate; The Servicer will make the information required by the Securitisation Regulation Disclosure Requirements available via the Securitisation Repository.
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 (g) and item 60, 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;
	Verified? | **Yes**
	PCS Comment
	See item 90 above and 69, 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.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *Securitisation Regulation*, The Seller will, whilst any of the Notes remain outstanding, retain for the life of the Transaction a material net economic interest of not less than 5 per cent. with respect to the Transaction in accordance with Article 6(3)(c) of Regulation (EU) 2017/2402 (the "**Securitisation Regulation**") and undertakes that it will not reduce, hedge or otherwise mitigate its credit exposure to the material net economic interest for the purposes of Article 6(1) of the Securitisation Regulation and Article 12 of Commission Delegated Regulation specifying the risk retention requirements pursuant to the Securitisation Regulation and, pursuant to Article 43(7) of the Securitisation Regulation, until regulatory technical standards are adopted by the Commission pursuant to Article 6(7) of the Securitisation Regulation, provided that the level of retention may reduce over time in compliance with Article 10 (2) of Commission Delegated Regulation (EU) 625/2014 or any successor delegated regulation. As at the Closing Date, such interest will, in accordance with Article 6(3)(c) of the Securitisation Regulation, and, pursuant to Article 43(7) of the Securitisation Regulation, until regulatory technical standards are adopted by the Commission pursuant to Article 6(7) of the Securitisation Regulation, be comprised of an interest in randomly selected exposures equivalent to no less than 5 per cent. of the nominal value of the securitised exposures.	

94	**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: (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;	
	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;	
	Verified?	**Yes**
	PCS Comment	
	See point 75 above. See Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* For the purposes of Article 7(1)(f) of the Securitisation Regulation the Issuer will, without delay, publish any inside information relating to the Transaction. The Servicer is not required to comply with Article 7(1)(f). *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.*	

95	**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: (g) where point (f) does not apply, any significant event such as: (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	
	95. (g) where point (f) does not apply, any significant event such as: (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;	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION* (i) For the purposes of Article 7(1)(g) of the Securitisation Regulation and pursuant to its obligation to comply with the Securitisation Regulation Disclosure Requirements, the Servicer will, without delay, publish information in respect of any significant event such as (i) a material breach of the obligations laid down in the Transaction Documents, (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 Transaction or the Purchased Lease Receivables that can materially impact the performance of the securitisation, (iv) if the Transaction ceases to meet the STS requirements or if competent authorities have taken remedial or administrative actions and (v) any material amendments to the Transaction Documents. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.*	
96	**STS criteria**	
	96. (ii) a change in the structural features that can materially impact the performance of the securitisation;	
	Verified?	**Yes**
	PCS Comment	
	See point 95 above.	

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 point 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 point 95 above.	
99	**STS criteria**	
	99. (v) any material amendment to transaction documents.	
	Verified?	**Yes**
	PCS Comment	
	See point 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 Prospectus, *ARTICLE 7 AND ARTICLE 22 OF THE SECURITISATION REGULATION*	

	For the purposes of Article 7(1)(a) and (e) of the Securitisation Regulation, information on the Purchased Lease Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Lease Receivables and an investor report (such information to be provided simultaneously) in accordance with the Securitisation Regulation Disclosure Requirements. See also the definition of "Securitisation Regulation Disclosure Requirements. "Securitisation Regulation Disclosure Requirements" means the disclosure requirements set out in Article 7 and Commission Delegated Regulation (EU) 2020/1224. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 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 points 94 and 95 above. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.*	

102	**Legislative text – *Article 22 - Requirements relating to transparency***	[GO TO TABLE OF CONTENTS]
	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. The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository. Or 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. Or 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: (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	
	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. The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, *GENERAL INFORMATION*, *Inspection of documents, last paragraph* The Servicer will make the information required by the Securitisation Regulation Disclosure Requirements available via the Securitisation Repository. See also Prospectus, *Risk Retention and Due Diligence Requirements, IV. Risks related to regulatory changes* After the Issue Date, VWL in its capacity as originator as designated reporting entity under Article 7 of the Securitisation Regulation, will prepare Monthly Reports wherein relevant information with regard to the Purchased Lease Receivables will be disclosed publicly together with an overview of the retention of the material net economic interest by the Seller for the purposes of which the Seller will provide the Issuer with all information reasonably required in accordance with Article 7 of the Securitisation Regulation. See Prospectus, ADMINISTRATION OF THE PURCHASED LEASE RECEIVABLES UNDER THE SERVICING AGREEMENT Additionally, VWL in its capacity as originator as designated reporting entity under Article 7 of the Securitisation Regulation undertakes to the Issuer under the Servicing Agreement that it will make the information available to the Noteholders, to competent authorities, as referred to in Article 29 of the Securitisation Regulation and to potential Noteholders all such information as the Issuer is required to make available pursuant to and in compliance with the Securitisation Regulation Disclosure Requirements. The Servicer will make such information available via the Securitisation Repository. See Servicing Agreement, 9.1 Reporting Duties See also “Investor compliance with due diligence requirements under the UK Securitisation Regulation” In respect of the due diligence requirements under Article 5 of the UK Securitisation Regulation, potential UK institutional investors (as defined in the UK Securitisation Regulation) should note in particular that:	

	• in respect of the transparency requirements set out in Article 7 of the UK Securitisation Regulation, the Servicer in its capacity as designated reporting entity under Article 7 of the Securitisation Regulation will make use of the standardised templates developed by ESMA in respect of the Securitisation Regulation Disclosure Requirements for the purposes of this Transaction and will not make use of the standardised templates adopted by the FCA. • in respect of the transparency requirements set out in Article 7 of the UK Securitisation Regulation, the Servicer in its capacity as designated reporting entity under Article 7 of the Securitisation Regulation will make use of the standardised templates developed by ESMA in respect of the Securitisation Regulation Disclosure Requirements for the purposes of this Transaction and will not make use of the standardised templates adopted by the FCA.

103	**Legislative text – *Article 22 - Requirements relating to transparency***	**GO TO TABLE OF CONTENTS**
	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. 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.	
	STS criteria	
	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.	
	Verified?	**Yes**
	PCS Comment	
	See Prospectus, "Securitisation Repository" means European DataWarehouse GmbH, in its capacity as securitisation repository and registered in accordance with Article 10 of the Securitisation Regulation. See Servicing Agreement, 9.1 Reporting Duties (c) The Issuer and Volkswagen Leasing GmbH in its capacity as originator agree that the Volkswagen Leasing GmbH in its capacity as originator shall be the designated reporting entity pursuant to and for the purposes of Article 7 of the Securitisation Regulation. *All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.*	

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, 2	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
	True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6)) 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. 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)) ***True sale, assignment or transfer with the same legal effect*** 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.	

2a	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6)) 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.	
	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)) ***True sale, assignment or transfer with the same legal effect*** 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.	

2b	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6)) 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).	
	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)) ***True sale, assignment or transfer with the same legal effect*** 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.	

3	***Article 20 - Requirements relating to simplicity***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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)) ***True sale, assignment or transfer with the same legal effect*** 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	***Article 20 - Requirements relating to simplicity***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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)) ***Severe deterioration in the seller credit quality standing*** 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. ***Insolvency of the seller*** 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	***Article 20 - Requirements relating to simplicity***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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.	
	EBA Final non-ABCP STS Guidelines	

6	***Article 20 - Requirements relating to simplicity***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7)) 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.	
	EBA Final non-ABCP STS Guidelines	
	4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7)) ***Clear eligibility criteria*** 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.	

7	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7)) 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.	
	EBA Final non-ABCP STS Guidelines	
	4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7)) ***Active portfolio management*** 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: (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; (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. 16. The techniques of portfolio management that should not be considered active portfolio management include: (a) substitution or repurchase of underlying exposures due to the breach of representations or warranties; (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; (c) replenishment of underlying exposures by adding underlying exposures as substitutes for amortised or defaulted exposures during the revolving period; (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; (f) repurchase of defaulted exposures to facilitate the recovery and liquidation process with respect to those exposures; (g) repurchase of underlying exposures under the repurchase obligation in accordance with Article 20(13) of Regulation (EU) 2017/2402.	

8	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7)) 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. 26. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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; (b) interpretation of the term 'clear' eligibility criteria; (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.	
	EBA Final non-ABCP STS Guidelines	
	4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7)) *Eligibility criteria to be met for exposures transferred to the SSPE after the closing of the transaction* 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: (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; (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. 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.	

9	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8)) 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.	
	EBA Final non-ABCP STS Guidelines	

10, 11	***Article 20 - Requirements relating to simplicity***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8)) 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. 30. To facilitate consistent interpretation of this criterion, a clarification should be provided with respect to: (a) interpretation of the term 'contractually binding and enforceable obligations';	
	EBA Final non-ABCP STS Guidelines	
	4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8)) ***Contractually binding and enforceable obligations*** 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.	

12, 13	***Article 20 - Requirements relating to simplicity***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8)) 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.	
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	4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8)) ***Exposures with periodic payment streams*** 21. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, exposures with defined periodic payment streams should include: (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; (b) exposures related to credit card facilities; (c) exposures with instalments consisting of interest and where the principal is repaid at the maturity, including interest-only mortgages; (d) exposures with instalments consisting of interest and repayment of a portion of the principal, where either of the following conditions is met: (i) the remaining principal is repaid at the maturity; (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; (e) exposures with temporary payment holidays as contractually agreed between the debtor and the lender.	

14	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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.	
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15	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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.	
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16	*Article 20 - Requirements relating to simplicity*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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.	
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17	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Underwriting standards (Article 20(10)) 37. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (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; (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;	
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	4.4 Underwriting standards, originator's expertise (Article 20(10)) ***No less stringent underwriting standards*** 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. 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.	

18	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Underwriting standards (Article 20(10)) 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;	
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	4.4 Underwriting standards, originator's expertise (Article 20(10)) ***Disclosure of material changes from prior underwriting standards*** 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. 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: (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; (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. 27. The disclosure of all changes to underwriting standards should include an explanation of the purpose of such changes. 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.	

19	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Underwriting standards (Article 20(10)) 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. 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;	
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	4.4 Underwriting standards, originator's expertise (Article 20(10)) **Residential loans** 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. 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. 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. 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.	

20	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Underwriting standards (Article 20(10)) 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. 37. (e) clarification of the criterion with respect to the assessment of a borrower's creditworthiness based on equivalent requirements in third countries;	
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21	***Article 20 - Requirements relating to simplicity***	BACK TO CHECKLIST

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Underwriting standards (Article 20(10))

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.

37. (f) identification of criteria on which the expertise of the originator or the original lender should be determined:

(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;

(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.

38. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.

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4.4 Underwriting standards, originator's expertise (Article 20(10))

Similar exposures

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:

(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:

(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 201(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;

(ii) commercial loans secured with one or several mortgages on commercial immovable property or other commercial premises;

(iii) credit facilities provided to individuals for personal, family or household consumption purposes;

(iv) auto loans and leases;

(v) credit card receivables;

(vi) trade receivables;

(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;

(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.

Criteria for determining the expertise of the originator or original lender

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:

	(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*	
	No exposures in default and to credit-impaired debtors/guarantors (Article 20(11)) 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. 40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (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;	
	EBA Final non-ABCP STS Guidelines	
	4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11)) ***Exposures in default*** 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. 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.	

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)) 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. 40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (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; (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;	
	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*** 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. 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: (a) exposures to a credit-impaired debtor, when there is no guarantor for the full securitised exposure amount; (b) exposures to a credit-impaired debtor who has a credit-impaired guarantor. ***To the best of the originator's or original lender's knowledge*** 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: (a) debtors on origination of the exposures; (b) the originator in the course of its servicing of the exposures or in the course of its risk management procedures; (c) notifications to the originator by a third party; (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	

	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 *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: (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;	
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	4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11)) ***Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process*** 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 *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: (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)) ***Credit registry*** 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: (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; (b) the debtor or guarantor is on the credit registry for reasons that are relevant to the purposes of the credit risk assessment.	

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.	
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	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*	BACK TO CHECKLIST
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	No predominant dependence on the sale of assets (Article 20(13)) 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. 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. 45. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (a) the term 'predominant dependence' on the sale of assets securing the underlying exposures should be further interpreted: (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. (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. 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.	
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	4.7 No Predominant dependence on the sale of assets ***Predominant dependence on the sale of assets*** 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: (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; (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; (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. 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. ***Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402*** 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: (a) they are not insolvent; (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.	

33	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
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	Risk retention (Article 21(1)) 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. 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.	
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34	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
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	Appropriate mitigation of interest-rate and currency risks (Article 21(2)) 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. 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. 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. 52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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	
	5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2)) ***Appropriate mitigation of interest-rate and currency risks*** 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. 52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply: (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; (b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards; (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.	

	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.

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)) 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. 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. 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. 52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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	
	5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2)) ***Appropriate mitigation of interest-rate and currency risks*** 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. 52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply: (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; (b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards; (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. 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. 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.	

36	*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)) 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. 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. 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. 52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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	
	5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2)) 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.	

37, 38	***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)) 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. 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. 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. 52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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	
	5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2)) ***Derivatives*** 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.	

39	*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)) 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. 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. 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. 52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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	
	5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2)) **Common standards in international finance** 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.	

40	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Referenced interest payments (Article 21(3)) 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. 54. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (a) the scope of the criterion (by specifying the common types and examples of interest rates captured by this criterion); (b) the term 'complex formulae or derivatives'.	
	EBA Final non-ABCP STS Guidelines	
	5.2 Referenced interest payments (Article 21(3)) ***Referenced rates*** 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: (a) interbank rates including the Libor, Euribor and other recognised benchmarks; (b) rates set by monetary policy authorities, including FED funds rates and central banks' discount rates; (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. ***Complex formulae or derivatives*** 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.	

41	***Article 21 - Requirements relating to standardisation***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4)) 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. 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. 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. 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.	
	EBA Final non-ABCP STS Guidelines	
	5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4)) ***Exceptional circumstances*** 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. 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. ***Amount trapped in the SSPE in the best interests of investors*** 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. 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.	

42	*Article 21 - Requirements relating to standardisation*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4)) 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. 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. 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. 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.	
	EBA Final non-ABCP STS Guidelines	
	5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4)) ***Repayment*** 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. 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.	

44	*Article 21 - Requirements relating to standardisation*	BACK TO CHECKLIST
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	5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4)) ***Liquidation of the underlying exposures at market value*** 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.	

45	***Article 21 - Requirements relating to standardisation***	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Non-sequential priority of payments (Article 21(5)) 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. 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.	
	EBA Final non-ABCP STS Guidelines	
	5.4 Non-sequential priority of payments (Article 21(5)) **Performance-related triggers** 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: (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; (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; (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.	

46, 47, 48, 49, 50	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
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	Early amortisation provisions/triggers for termination of the revolving period (Article 21(6)) 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. 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)) ***Insolvency-related event with regard to the servicer*** 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, 52, 53	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	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.	
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54	*Article 21 - Requirements relating to standardisation*	BACK TO CHECKLIST
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	Expertise of the Servicer (Article 21(8)) 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. 66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (a) criteria for determining the expertise of the servicer; (b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer. 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.	
	EBA Final non-ABCP STS Guidelines	
	5.8 Expertise of the servicer (Article 21(8)) ***Criteria for determining the expertise of the servicer*** 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: (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; (b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise: (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 servicing 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 the servicing of similar exposures to those securitised. 69. A servicer should be deemed to have the required expertise where 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 servicing of exposures of a similar nature to those securitised, for at least five years; (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: (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; (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; (iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a). 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. *Exposures of similar nature* 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.	

55	*Article 21 - Requirements relating to standardisation*	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Expertise of the Servicer (Article 21(8)) 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. 66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (a) criteria for determining the expertise of the servicer; (b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer. 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.	
	EBA Final non-ABCP STS Guidelines	
	Expertise of the Servicer (Article 21(8)) ***Well-documented and adequate policies, procedures and risk management controls*** 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: (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; (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.	

56, 57	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Remedies and actions related to delinquency and default of debtor (Article 21(9)) 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. 69. To facilitate consistent interpretation of this criterion, the terms 'in clear and consistent terms' and 'clearly specify' should be further clarified.	
	EBA Final non-ABCP STS Guidelines	
	5.7 Remedies and actions related to delinquency and default of debtor (Article 21(9)) ***Clear and consistent terms*** 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.	

62, 63	***Article 21 - Requirements relating to standardisation***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Resolution of conflicts between different classes of investors 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. 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.	
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	5.8 Resolution of conflicts between different classes of investors (Article 20(10)) ***Clear provisions facilitating the timely resolution of conflicts between different classes of investors*** 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: (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. 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.	

64, 65, 66	***Article 22 - Requirements relating to transparency***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Data on historical default and loss performance (Article 22(1)) 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. 73. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified: (a) its application to external data; (b) the term 'substantially similar exposures'.	
	EBA Final non-ABCP STS Guidelines	
	6.1 Data on historical default and loss performance (Article 22(1)) ***Data*** 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. ***Substantially similar exposures*** 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: (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. 77. The substantially similar exposures should not be limited to exposures held on the balance sheet of the originator.	

67, 68	***Article 22 - Requirements relating to transparency***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Verification of a sample of the underlying exposures (Article 22(2)) 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. 75. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (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	
	6.2 Verification of a sample of the underlying exposures (Article 22(2)) ***Sample of the underlying exposures subject to external verification*** 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. ***Party executing the verification*** 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: (a) it has the experience and capability to carry out the verification; (b) it is none of the following: (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. ***Scope of the verification*** 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: (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. ***Confirmation of the verification*** 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.	

69, 70	***Article 22 - Requirements relating to transparency***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Liability cashflow model (Article 22(3)) 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. 77. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (a) interpretation of the term 'precise' representation of the contractual relationships; (b) implications when the model is provided by third parties.	
	EBA Final non-ABCP STS Guidelines	
	Liability cash flow model (Article 22(3)) **Precise representation of the contractual relationship** 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. **Third parties** 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.	

71	***Article 22 - Requirements relating to transparency***	**BACK TO CHECKLIST**
	EBA Final non-ABCP STS Guidelines – statements on *background and rationale*	
	Environmental performance of assets (Article 22(4)) 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. 79. To facilitate consistent interpretation of this criterion, the term 'available information related to the environmental performance' should be further clarified.	
	EBA Final non-ABCP STS Guidelines	
	Environmental performance of assets (Article 22(4)) ***Available information related to the environmental performance*** 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.	