

STS Term Master Checklist
AUTO ABS SPANISH LOANS 2022-1
FONDO DE TITULIZACIÓN



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

31st May 2022

Analyst: Dr Martina Spaeth – +33 1 75 85 01 40 | M: +33 6 26 63 23 40, martina.spaeth@pcsmarket.org

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.

31st May 2022

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Prime Collateralised Securities (PCS) STS Verification

Individual(s) undertaking the assessment	Dr Martina Spaeth
Date of Verification	31 st May 2022
The transaction to be verified (the “Transaction”)	AUTO ABS SPANISH LOANS 2022-1
Issuer	AUTO ABS SPANISH LOANS 2022-1, Fondo de Titulización
Originator	PSA FINANCIAL SERVICES SPAIN, E.F.C., S.A..
Arranger	Banco Santander S.A.
Transaction Legal Counsel	Allen & Overy
Rating Agencies	DBRS, Moody’s
Stock Exchange	AIAF, Madrid
Target Closing Date	31 st May 2022

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

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

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

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

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

1	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party.</p>		
Verified?		Yes
PCS Comment		
<p>Regarding the assignment, see prospectus section <i>ADDITIONAL INFORMATION TO BE INCLUDED IN RELATION TO ASSET-BACKED SECURITIES, Terms and conditions of the assignment of the Receivables</i> 3.3.2.1</p> <p>(ii) The assignment of the Receivables to the Fund shall be complete and unconditional and shall be have legal effects from the Initial Assignment Date with respect to the Initial Receivables or the relevant Assignment Date with respect to the Additional Receivables and will be made for the duration of the entire term remaining until the maturity of such Receivables. Notwithstanding this, the assignment of the Receivables will have economic effects (i) in respect of the Initial Receivables, from (and including) the Initial Assignment Cut-Off Date, and (ii) in respect of the Additional Receivables, from (and including) the relevant Assignment Date,</p> <p>See 2.2. Assets backing the issue, A) Receivables</p> <p>The Fund will pool in its assets the Receivables arising from Loans granted by the Seller to Borrowers, who are individuals resident in Spain as of the date of execution of the relevant Loan Agreement for the financing of the acquisition of New Vehicles or Used Vehicles, which have been granted pursuant to Law 16/2011, of 24 June, on consumer credit agreements (Law 16/2011) (and, with respect to the Additional Receivables, pursuant to Law 16/2011 and/or any other relevant regulations applicable from time to time).</p> <p>The Loans from which the Receivables arise are Amortising Loans and Balloon Loans:</p> <p>(i) Amortising Loans are Loans amortising on the basis of fixed monthly instalments of equal amounts throughout the term of the relevant Loan, up to and including maturity.</p> <p>(ii) Balloon Loans are Loans with a balloon payment, amortising on the basis of equal monthly instalments, but with a Balloon Instalment.</p> <p>See 3.1.2, last paragraph</p> <p>The Seller shall assign in favour of the Fund title to the underlying Receivables by means of assignment transaction(s). Such assignment shall not be subject to severe clawback provisions in the event of the Seller's insolvency.</p> <p>See 3.4.6.1.3</p> <p>Actions available to the Servicer under Loan Agreements including a reservation of title provision</p> <p><i>Confirmation of true sale i.e. enforceability of assignment, an assessment of the re-characterisation risks is made in the Legal Opinion. The Legal Opinion confirms that the transfer of the title on the Receivables to the Fund shall not be subject to severe clawback provisions in the event of the Seller's insolvency, as required in Article 20(1) of Regulation (EU) 2017/2402.</i></p> <p><i>The COMI of the Seller is the Kingdom of Spain. The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions.</i></p> <p>PCS has been provided with and reviewed the Spanish law legal opinion issued by Allen & Overy.</p> <p><i>"True sale" is not a legal concept but a rating agency creation.</i></p> <p><i>The essence of a "true sale" is that the property in the securitised assets has legally moved from the originator(s)/seller to the SSPE in such a way that the SSPE's ownership will be recognised as a matter of law, including and especially in the case of the insolvency of the originator(s)/seller. In a "true sale" the insolvency officer and creditors of the insolvent originator/seller are not able to satisfy the claims of the originator/seller's creditor out of the proceeds of the securitised assets. Following a "true sale" there is no legal device by which the assets can automatically revert to the originator/seller's ownership. Such automatic reversion is associated with security interests and anathema to a "true sale".</i></p>		

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 may occur.

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 a jurisdiction 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 Seller’s jurisdiction for the purposes of insolvency law. This would be its centre of main interest (“COMI”) or its “home member state”.

The second step would be to determine whether the relevant COMI and/or “home member state” contains severe claw back provisions in its insolvency legislation.

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.

In the case of the Transaction, title to the assets is transferred by means of assignments from a Spanish bank to a Spanish “Fondo de Titulización”. (see ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES, section 6).

See also the statement in Section 3.3.2.3 “With regard to potential insolvency of the Seller”, that “The assignment of the Receivables will not be subject to claw-back other than by an action brought by the Seller’s receivers, in accordance with the provisions of the Insolvency Law and after proving the existence of fraud in the transaction, as set out in article 16.4 of Law 5/2015. The Seller has its place of business office in Spain. Therefore, and unless proof in the contrary, it is presumed that the centre of main interests is Spain.”.

Spanish insolvency law provides for clawback in the cases of preferences and transactions at an undervalue and require the insolvency officer to prove that case. Therefore, and as generally outlined in the Spanish legal opinion, the transfer is not, in our view, subject to “severe clawback”.

Finally, the legal opinion from Allen & Overy confirmed that the assignment from the Seller to the Issuer meets the definition of “true sale” outlined above.

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 point 1, above.		

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	
	Neither provision applies.	

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 comment to point 1 above. The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions.	

3	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.4. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>3. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.</p>		
Verified?		Yes
PCS Comment		
<p><i>This requirement does not apply to this transaction since the Loans have been originated by PSA Financial Services, that is also the Seller to the Fund/Issuer:</i></p> <p>See prospectus, 2.2.8, Representations and collateral given to the issuer relating to the assets</p> <p>The Seller, in its own name and as owner of the Loans and the Receivables, will make the representations and warranties to the Fund:</p> <p>(i) In relation to the Seller: (1) to (5)</p> <p>(5) The Seller, as indicated in section 3.1.2 of the Securities Note, is an originator, for the purposes of the EU Securitisation Regulation, and complies with such regulation.</p> <p>See also (ii) in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) where it is represented</p> <p>(ii) in relation to the Loan Agreements</p> <p>(4) The Loan agreements have been entered into in connection with the granting of a sales agreement for (i) a New Vehicle, or (ii) a Used Vehicle, formalised between one or more Borrowers and a Peugeot Dealer, Citroën Dealer or DS Dealer in Spain.</p> <p>(5) The Loan Agreements have been executed by the Seller, in accordance with their own customary procedures for the approval of auto loans, in accordance with the procedures described in section 2.2.7. of this Additional Information, within the course of its normal and usual credit activities. The Seller will undertake in the Deed of Incorporation to disclose to the Management Company without undue delay any material changes in its underwriting standards.</p> <p><i>The originator has confirmed to PCS that no previously securitised assets have been added to this transaction.</i></p>		

4	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.5. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to affect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>4. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to effect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p>		
Verified?		Yes
PCS Comment		
<p><i>Not applicable as the assignment is perfected without the need for notification to obligors except for in certain circumstances or regions as described in the Prospectus.</i></p> <p>See Prospectus, Additional Information, Section 3.7.1.12, Notices</p> <p>"The Management Company and the Seller have agreed not to notify the assignment of the Receivables in favour of the Fund to the respective Borrowers, guarantors, insurance companies and PSAG except when:"</p> <p>(i) required by law. in which case notice will be made on the relevant Assignment Date; and/or</p> <p>(ii) upon the occurrence of any of the circumstances below:</p> <p>(a) an Insolvency Event of the Servicer; or</p> <p>(b) any other circumstance that, in the opinion of the Management Company, indicates or could reasonably indicate that an Insolvency Event of the Servicer may occur in the future; or</p> <p>(c) any other Event of Replacement of the Servicer; or</p> <p>(d) if the Management Company otherwise reasonably requests so, provided that such request is duly justified;</p> <p>In connection with (i) above, as of the date of this Prospectus, notice is required by law to Borrowers in (a) the Autonomous Community of Valencia, pursuant to Decree-Law 1/2019, of December 13, of the Consell, approving the consolidated version of the Statute of consumers and users of the Valencian Community; and to the extent required, (b) Castilla-La Mancha, pursuant to Law 3/2019, of 22 March, and (c) Comunidad Foral de Navarra, pursuant to Law 21/2019, of 4 April. For these purposes, notice is not a requirement for the validity of the assignment of the Loans.</p> <p><i>The Spanish legal opinion confirms that such notification is not required to fully perfect the transfer of ownership in the loans to the SSPE and therefore the transfer does not need to be notified to the borrowers. Where a notice is required by law to the Borrowers (Valencia, Castilla-L Mancha and Navarra) notice is not a requirement for the validity of the assignment of the Loans. Accordingly, this transaction does not operate by way of an unperfected assignment and the issue of triggers does not arise.</i></p>		

5	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See Additional Information, Section, 2.2.8. Representations and collateral given to the issuer relating to the assets</p> <p>The Management Company hereby reproduces the representations and warranties that PSA Financial, as holder of the Receivables until their assignment to the Fund, has declared in respect of paragraphs (ii) and (iii) below:</p> <p>(ii) In relation to the Loan Agreements:</p> <p>(2) The Loan Agreements and their corresponding Ancillary Rights constitute valid, binding, collectable and enforceable obligations under applicable law.</p> <p>(3) None of the Loan Agreements contains any legal defects that might lead to their annulment, rescission or termination.</p> <p>See (iii) in Section 2.2.8 (In relation to the Receivables) where it is represented under</p> <p>(2) The Seller is the owner of the Receivables and their Ancillary Rights, and neither the Receivables nor the Ancillary Rights are subject, in whole or in part, to any assignment, pledge, security rights, or any claims, compensation or charges of any kind that might adversely affect the assignment of the Receivables and the Ancillary Rights, without prejudice to the fact that such Loan agreements may require notice to the Borrower with respect to the assignment of the Receivables to a third party (in which case such notice has been served prior to their assignment to the Fund)</p>		

6	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....</p>		
Verified?		Yes
PCS Comment		
<p>See representations and warranties in Section 2.2.8 (i), (ii), (iii) containing the lists of Individual Eligibility Criteria, as defined under 2.2.2.8 “Eligibility Criteria”, 2.2.2.8.1 Individual Eligibility Criteria and 2.2.2.8.2 Global Eligibility Criteria</p> <p>For the process initially and during the revolving period see 3.3.1 “Formalisation of the assignment of the Receivables”, 3.3.1.1, Assignment of the Initial Receivables and 3.3.1.2. Assignment of the Additional Receivables”</p> <p>Please also see Section 2.2.9 (Remedial actions in connection with the Receivables)</p>		

	<p>"If at any time after the Incorporation Date, the Seller (as Seller or Servicer) or the Management Company detects or otherwise becomes aware that any Receivable was not in compliance as of the Initial Assignment Cut-Off Date or the relevant Assignment Date with the Eligibility Criteria, the Seller agrees, subject to the Management Company's consent, to proceed forthwith to remedy such failure, and provided that such remedy is not possible, to replace or redeem the affected Receivable by automatically terminating the assignment of the affected Receivable, subject to the following rules:</p> <p>(i) [...]</p> <p>(ii) Replacement will be made for the Outstanding Balance of the Receivable plus accrued and unpaid interest and any other amount owed to the Fund until the date on which the relevant non-conforming Receivable is replaced.</p> <p>In order to proceed with the replacement, the Seller will notify the Management Company of the characteristics of the Receivable proposed to be assigned satisfying the Eligibility Criteria, and having similar characteristics to those of the non-conforming Receivable (in terms of purpose, term, interest rate and outstanding balance). When replacing a Receivable, the Seller must attest that the new Receivable conforms to the Eligibility Criteria. Once the Management Company has verified the suitability of the terms of the new Receivable, the Seller shall proceed to replace the non-conforming Receivable and will assign the new Receivable or Receivables (i)</p> <p>For the avoidance of doubt, the Seller will not replace, repurchase or redeem Receivables that are affected by Covid-19 Moratoriums or any other Moratoriums after their assignment to the Fund."</p> <p><i>The EBA Guidelines clarify that "clear" does not mean easily readable or comprehended by a non-expert. In the Regulation a criterion is "clear" when a court or tribunal could determine whether, presumably in all cases, the criterion is met for each asset. In the Regulation, "clear" is about certainty of determination.</i></p> <p>PCS has read the Eligibility Criteria in the Prospectus Auto ABS Spanish Loans 2022-1. As they are mandatory, they meet the "predetermined" requirement. As they are in the Prospectus, they meet the "documented" requirement. PCS has also concluded that they allow determination in each case and so meet the "clear" requirement. Covid 19-related repurchases are not permitted in this transaction. Initially no Covid-19 Moratoriums are eligible.</p>	
7	<p>STS criteria</p> <p>7. Which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management.</p>	<p>SEE RELATED EBA GUIDELINES</p>
	<p>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p> <p>See statement of absence of active management in 2.3 (Assets actively managed backing the issue).</p> <p>"The Management Company will not actively manage the assets backing the issue."</p> <p>See also section 2.2.2.1 "Any Initial Receivables to be offered by the Seller to the Fund on the Date of Incorporation will be randomly selected from the Preliminary Portfolio and shall meet the Eligibility Criteria set out in section 2.2.2.8 of the Additional Information."</p> <p>"Any Additional Receivables to be offered by the Seller to the Fund on each relevant Assignment Date will be existing eligible receivables held by the Seller as at the relevant Assignment Date and shall meet the Eligibility Criteria set out in section 2.2.2.8 of the Additional Information"</p> <p>As for the active management by way of repurchase, we note that in Section 3.7.1.11. (Liability of the Servicer and indemnity) it is stated that: "PSA Financial Services, in its condition as Servicer (iii) does not assume any liability for directly or indirectly guaranteeing the success of the transaction, nor will it provide security or enter into agreements for the repurchase of the Receivables other than in accordance with the terms and conditions set out in section 2.2.9 of the Additional Information."</p> <p>See "Additional Information, 2.2.9 (ii)", second paragraph</p> <p>"When replacing a Receivable, the Seller must attest that the new Receivable conforms to the Eligibility Criteria. Once the Management Company has verified the suitability of the terms of the new Receivable, the Seller shall proceed to replace the non-conforming Receivable and will assign the new Receivable or Receivables.</p>	

	<p>Once a month, the replacement of the Receivables shall be communicated to CNMV by delivering the following documents: (i) via CIFRADOC, a list of Receivables that have been assigned to the Fund up to such date; and (ii) a statement by the Management Company and signed by the Seller that such Receivables meet all the Eligibility Criteria for their assignment to the Fund.”</p> <p>See Additional Information, 3.7.1.7 (Powers and actions in relation to Loan forbearance processes)</p> <p>“In addition to this, in accordance with the representation given by the Seller under section 2.2.8(iii)(28) of the Additional Information, no Receivables assigned to the Fund shall be affected by Covid-19 Moratoriums at the time of their assignment to the Fund. However, the Seller will neither replace nor repurchase Receivables affected by Covid-19 Moratoriums or any other similar measures (including any other Moratoriums of any type) after their assignment to the Fund.”</p> <p>PCS has reviewed all the repurchase devices set out in the Prospectus and these are acceptable within the context of the EBA final guidelines. Defaulted Assets and Covid related restructurings are not repurchased. Repurchases are only permitted to the extent they do not lead to guaranteeing the success of the transaction as represented by the Seller. All mechanisms described for this transaction do not allow for active portfolio management and are in accordance with the regulation.</p>	
8	<p>STS criteria</p> <p>8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See 3.3.1.21 Revolving Period</p> <p>After the Date of Incorporation, on each Assignment Date during the Revolving Period, the Fund will purchase Additional Receivables to compensate the reduction in the Outstanding Balance of the Receivables pooled in the Fund up to the maximum amount equal to the Principal Target Redemption Amount on the Determination Date preceding the relevant Payment Date, provided that the Seller has sufficient Additional Receivables to be assigned to the Fund meeting the Eligibility Criteria. For the avoidance of doubt, the payment of the portion of the Acquisition Amount relating to Receivables Principal of the relevant Additional Receivables will be made on the Purchase Date immediately following the relevant Assignment Date on which the Additional Receivables were assigned in favour of the Fund.</p> <p>See also point 6 above.</p>	<p>SEE RELATED EBA GUIDELINES</p>
9	<p>Legislative text – Article 20 - Requirements relating to simplicity</p> <p>20.8. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type. The underlying exposures shall contain obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors.</p> <p>STS criteria</p> <p>9. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (iii) (<i>in relation to receivables</i>) where it is represented by the Seller in (23) and (24)</p> <p>(22) The Loans are homogeneous in terms of asset type, cash flow, credit risk and prepayment characteristics and contain obligations that are contractually binding and enforceable, with full recourse to Borrowers, and where applicable, guarantors, within the meaning of article 20.8 of the EU Securitisation Regulation. Regarding the homogeneity factor to be met all Borrowers (as at the moment of the relevant Assignment Date) are resident in the same jurisdiction (Spain) only.</p>	<p>GO TO TABLE OF CONTENTS</p> <p>SEE RELATED EBA GUIDELINES</p>

<p>(23) That the Loans have been underwritten according to standards that apply similar approaches for assessing associated credit risk; and are serviced in accordance with similar procedures for monitoring, collecting and administering.”</p> <p>The asset class is auto loans complying with article 1, (a) (v), b, c, d of the “RTS” and the homogeneity factor in Article 2, 4. (b).</p> <p><i>The definition of “homogeneity” in the Regulation is the subject of a Regulatory Technical Standard (“RTS”). Being set out in an RTS, rather than a guideline or recommendation issued by the EBA, the definition of “homogeneity” will be legally binding on all regulatory authorities.</i></p> <p><i>In interpreting the expression, PCS has based itself on the text of the Regulation, its knowledge of the intent of the legislators – including, crucially, the legislators’ belief that the STS Regulation was justified by the excellent performance of most “plain vanilla” European securitisations and the draft RTS adopted by the European Commission.</i></p> <p><i>Based on the above, it seems clear to PCS that the Regulation would not seek to exclude from the STS category securitisations that have performed extremely well and are universally considered “homogenous” by market participants. This does not exonerate any transaction from being analysed against this criterion but does set the background for such analysis.</i></p> <p>In the Transaction, the loans were underwritten on a similar basis, they are being serviced by PSA Financial Services on the same platform, they are a single asset class – auto loans to individuals – and the loans are all originated in the same jurisdiction, Spain.</p> <p>PCS also takes great comfort from the fact that transactions containing pools with similar characteristics have always been considered to be “homogenous” by a wide consensus of market participants.</p>							
10	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</p> <table border="1"> <tr> <td>Verified?</td> <td>Yes</td> </tr> <tr> <td colspan="2">PCS Comment</td> </tr> <tr> <td colspan="2"> <p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer (ii) in relation to the Loan Agreements</i>),</p> <p>(2) The Loan agreements and their corresponding Ancillary Rights constitute valid, binding, collectable and enforceable obligations under applicable law.</p> </td> </tr> </table>	Verified?	Yes	PCS Comment		<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer (ii) in relation to the Loan Agreements</i>),</p> <p>(2) The Loan agreements and their corresponding Ancillary Rights constitute valid, binding, collectable and enforceable obligations under applicable law.</p>	
Verified?	Yes						
PCS Comment							
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11	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>11. With full recourse to debtors and, where applicable, guarantors.</p> <table border="1"> <tr> <td>Verified?</td> <td>Yes</td> </tr> <tr> <td colspan="2">PCS Comment</td> </tr> <tr> <td colspan="2"> <p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>), (iii) (<i>in relation to the Receivables</i>)</p> <p>(22) The Loans are homogeneous in terms of asset type, cash flow, credit risk and prepayment characteristics and contain obligations that are contractually binding and enforceable, with full recourse to Borrowers, and where applicable, guarantors, within the meaning of article 20.8 of the EU Securitisation Regulation. Regarding the homogeneity factor to be met all Borrowers (as at the relevant Assignment Date) are resident in the same jurisdiction (Spain) only.</p> <p>See also the representation in Section 2.2.8 (<i>in relation to the Receivables</i>)</p> </td> </tr> </table>	Verified?	Yes	PCS Comment		<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>), (iii) (<i>in relation to the Receivables</i>)</p> <p>(22) The Loans are homogeneous in terms of asset type, cash flow, credit risk and prepayment characteristics and contain obligations that are contractually binding and enforceable, with full recourse to Borrowers, and where applicable, guarantors, within the meaning of article 20.8 of the EU Securitisation Regulation. Regarding the homogeneity factor to be met all Borrowers (as at the relevant Assignment Date) are resident in the same jurisdiction (Spain) only.</p> <p>See also the representation in Section 2.2.8 (<i>in relation to the Receivables</i>)</p>	
Verified?	Yes						
PCS Comment							
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12	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.8. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts, relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
STS criteria		SEE RELATED EBA GUIDELINES
12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8, <i>(in relation to the loan agreements)</i> (ii),</p> <p>(8) None of the Loan Agreements contains a clause allowing for the deferral of the periodic payment of interest or the repayment of principal.</p> <p>See the representation in Section 2.2.8, <i>(in relation to the receivables)</i> (iii),</p> <p>(8) The Loan Agreements (other than the Balloon Loans) give rise to monthly constant payments of principal and interest (with the exception of the first instalment which may include, depending on the Loan Agreement, the payment of expenses relating to the granting of the financing).</p> <p>(21) Each Balloon Loan has a final guarantee value (Valor Final Garantizado) under the Global Agreement equal to or lower than 70% of the Vehicle's purchase price. Each Balloon Loan is under the scope of the purchase obligation of PSAG in the Global Agreement in the terms described in section 2.2.D) of the Additional Information.</p>		
13	STS criteria	SEE RELATED EBA GUIDELINES
13. Relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
Verified?		Yes
PCS Comment		
<p>See RISK FACTORS, Risks derived from the securities 1.1.8</p> <p>See also 1.1.1 Balloon exposure</p> <p>41.18% of the Initial Receivables amounting to 57.45% of the Outstanding Balance of the Initial Receivables) are Balloon Loans (whilst 58.82% of the Initial Receivables amounting to 42.55% of the Outstanding Balance of the Initial Receivables are Amortising Loans).</p> <p>Under the terms of the Balloon Loans, the Borrowers are offered the possibility of settling the final "Balloon Instalment" by the delivery of the Vehicle financed under the relevant Balloon Loan. [...]</p> <p>However, as further explained in section 2.2.D) of the Additional Information, in connection with the Balloon Loans under which the Borrower has chosen Option #1 or Option #4, which allow the Borrower to return the financed Vehicle to the Seller as payment of the Balloon Instalment, thus settling the Balloon Loan in full without paying in cash the Balloon Instalment, the Seller and PSAG Automóviles Comercial España, S.A. (PSAG) entered into, on 26 November 2019, an agreement whereby the latter, or any third party appointed by it, is contractually bound to repurchase the relevant Vehicle within a maximum term of forty-five (45) calendar days since its return date, for a purchase price that is equal to the initially agreed Balloon Instalment (the Global Agreement).</p> <p>[...] See also 2.2. <i>(Assets Backing the Issue)</i> in Additional Information, D) Further description of Balloon Loans</p> <p>Options of the Borrowers at maturity</p> <p>Under the Balloon Loans, PSA Financial Services offers the Borrower the following four (4) options at maturity of the Loan for the payment of the Balloon Instalment:</p>		

(i) Option #1: the Borrower (i) returns the relevant Vehicle as payment of the Balloon Instalment as provided by Option #4 below, without paying the Balloon Instalment in cash and (ii) enters with the Seller into a new financing transaction in similar terms for the acquisition of another Vehicle. Such new financing will be considered a new financing transaction between the Seller and the Borrower.

(ii) Option #2: the Borrower: (i) keeps the relevant Vehicle; and (ii) requests to the Seller a refinancing of the Balloon Instalment. Such refinancing will be considered a new financing transaction between the Seller and the Borrower. With regard to the payment of the Balloon Instalment to the Fund, according to the disbursement mechanics of such new financing transaction between the Seller (as lender), and the Borrower (as debtor) an amount equal to the Balloon Instalment shall be credited by the Seller in favour of the Fund, on behalf of the Borrower, in order to repay and cancel the Balloon Loan.

(iii) Option #3: the Borrower: (i) keeps the relevant Vehicle; and (ii) pays in cash the Balloon Instalment.

(iv) Option #4: the Borrower (i) returns the relevant Vehicle as payment of the Balloon Instalment and final repayment of the Balloon Loan, without paying in cash the Balloon Instalment. Therefore, the payment by the relevant Borrower of the Balloon Instalment is made by means of the delivery of the Vehicle.

As described above, in all Options #1 to #4 exercised by the Borrower, the relevant Balloon Loan is contractually set to be amortised at its agreed maturity.

In addition, the new financing transactions foreseen in Option #1 or Option #2 are considered as different financing transactions between the Seller and the relevant Borrower and therefore, outside the perimeter of the Fund (unless those new financing transactions assigned to the Fund as Additional Receivables).

2.2.8. Representations and collateral given to the issuer relating to the assets, (iii) in relation to the Receivables

Ancillary Rights means, with respect to each Receivable: (a) any ancillary rights including without limitation any security interests, guarantees or indemnities (whether over real or personal property and including, but not limited to, reservation of title provisions); and (b) any rights or compensations corresponding to the Seller under any insurance policy (including Optional Supplementary Services).

See also the representation in Section 2.2.8, (in relation to the Receivables) (iii):

(21) Each Balloon Loan has a final guarantee value (*Valor Final Garantizado*) under the Global Agreement equal or lower than 70% of the Vehicle's purchase price. Each Balloon Loan is under the scope of the purchase obligation of PSAG in the Global Agreement in the terms described in section 2.2.D) of the Additional Information.

PCS notes that that the underlying assets serve as security for both types of loans. The repayment of the balloon loans does not depend on their sale due to the existence of the buy-back guarantee through PSA (Global Agreement). See also point 32 for further information.

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

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 point 14, above.		
PCS notes that there is a clear statement in the prospectus in Section headed “Additional Information to be included”, 2. (The Underlying Assets) subsection 2.2.13 and 2.2.14		

16	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The underlying exposures shall be originated in the ordinary course of the originator’s or original lender’s business pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
16. The underlying exposures shall be originated in the ordinary course of the originator’s or original lender’s business.		
Verified?		Yes
PCS Comment		
See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer</i>), (iii) in relation to the Receivables, (30)		
(29) All Loans are subject to approaches for underwriting standards similar to those applied to similar non securitised receivables and in particular, in the case of Balloon Loans, to approaches for establishing the final guaranteed values similar to those applied to similar non securitised receivables with balloon instalment.		
See also representation in Section 2.2.8 (<i>Representations and collateral given to the issuer</i>) (i) in relation to the Seller) (6)		
(6) The Seller, in accordance with article 9(1) of the EU Securitisation Regulation confirms that:		
a. it has applied to the Receivables which will be transferred to the Fund the same sound and well-defined criteria for credit-granting which it applies to non-securitised receivables.		
b. it has applied the same clearly established processes for approving and, where relevant, amending, renewing and refinancing the Receivables which it applies to non-securitised receivables; and		
c. it has effective systems in place to apply those criteria and processes in order to ensure that credit granting is based on a thorough assessment of the relevant Borrower’s creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Borrower meeting his/her obligations under the relevant Loan agreement.		
See also 2.2.7 (<i>the method of origination or creation of assets</i>):		
The Loans comprising the Preliminary Portfolio have been originated by PSA Financial Services according to its usual analysis and assessment credit risk procedures for the origination of loans granted to Borrowers resident in Spain for the financing of the acquisition of New Vehicles and Used Vehicles (PSA Financial Services Policies).		

17	STS criteria	SEE RELATED EBA GUIDELINES
17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
Verified?		Yes
PCS Comment		
<p>See representation in Additional Information, Section 2.2.8 (<i>Representations and collateral given to the issuer</i>), (iii) <i>in relation to the Receivables</i>, (29)</p> <p>(29) All Loans are subject to approaches for underwriting standards similar to those applied to similar non securitised receivables and, in particular, in the case of Balloon Loans, to approaches for establishing the final guaranteed values similar to those applied to similar non securitised receivables with balloon instalment.</p> <p>See Additional Information, 2.2.2. General Characteristics,</p> <p>2.2.2.1 Assignment</p> <p>“Any Receivables (either the Initial Receivables or the Additional Receivables) to be offered by the Seller to the Fund on the Date of Incorporation (in respect of the Initial Receivables) or the relevant Purchase Date (in respect of the Additional Receivables) will be randomly selected (in the case of the Initial Receivables, from the Preliminary Portfolio), and shall meet the Eligibility Criteria set out in section 2.2.2.8 of the Additional Information.</p> <p>PCS notes that the Seller represents the underwriting standards to be similar for securitised and non-securitised assets, which is further proven by the random selection of the initial and additional receivables.</p>		

18	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.		
STS criteria		SEE RELATED EBA GUIDELINES
18. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.		
Verified?		Yes
PCS Comment		
<p>See prospectus, 2.2.7. The method of origination or creation of assets...</p> <p>“The Seller undertakes to disclose to the Management Company without delay any material change in the PSA Financial Services Policies. Any material changes in the underwriting standards after the date of this Prospectus that affect the Additional Receivables will be fully disclosed to investors and potential investors, as an extraordinary notice, pursuant to sections 4.2.1 and 4.2.2 of the Additional Information.”</p>		

19	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p><i>Not applicable.</i></p>		

20	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>), (iii) <i>in Relation to the Receivables</i>, (24)</p> <p>(24) The assessment of the Borrowers' creditworthiness under the Loans meets the requirements as set out in article 8 of Directive 2008/48/EC.</p> <p>See also the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>), (ii) <i>in Relation to the Loan agreements</i></p> <p>(1) The Loan Agreements have been entered into with the Borrower, in accordance with:</p> <ul style="list-style-type: none"> a. the laws and regulations applicable in Spain and, in particular, the Retail Instalment Sales Act and Law 16/2011; and b. the forms and models of A.S.N.E.F. (National Association of Financial Credit Institutions) approved by the General Direction of Registries and Notaries (Dirección General de los Registros y del Notariado) by Resolution of 4 February 2000, as amended by Resolutions of 23 May 2006, 29 September 2011 and 2 July 2013. <p><i>The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. As a general principle, European Directives, in contrast to Regulations, do not have direct and immediate effect but must be implemented into national law, country by country.</i></p> <p><i>Therefore, if the assets concerned, as in the case of the Transaction, are consumer loans, the relevant Directive is 2008/48/EC. The next step is to determine which Spanish law transcribed this Directive into local law.</i></p> <p><i>PCS assumes, although the Regulation and the EBA Guidelines are silent on this point, that the requirement for mortgages and consumer loans to have been underwritten in compliance with the Directives only applies to assets underwritten after these Directives were transcribed into national law.</i></p>		

This was done in Spain via an implementation act by Law 16/2011 (see in “Additional Information”, the Section 2.2.1 “Legal jurisdiction by which the pool of assets is governed”). According to the stratification tables of the Preliminary Portfolio (2.2.2.3), the first vintage year is confirmed to be 2016 (2.2.2.3.8), so all loans can meet this criterion (Law 16/2011 is from 24th June 2011). The Seller has provided a representation that this criterion is met, with specific and extensive discussions in 2.2. and 2.2.1 (Legal jurisdiction by which the pool assets is governed) and 2. of the Risk Factors (Risks Derived From The Issuer’s Legal Nature And Operations) of the Prospectus mentioned above.

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 paragraph 3.5 of Additional Information:		
PSA Financial Services is a credit financial institution (<i>establecimiento financiero de crédito</i>) duly incorporated under the Spanish law, which was incorporated by virtue of a public deed granted on 30 June 2015, before the notary public of Madrid Mr. Pedro de la Herrán Matorras, under the number 1.706 of his official records.		
PSA Financial Services, as Originator and Servicer, has the relevant expertise as an entity being active in the auto loan market for over 59 years and as servicer of consumer receivables securitisation for over 15 years. The Seller has its origin back in 1963 with the incorporation of the company Efisa Entidad de Financiación, S.A. and other companies have followed since then: Cofic, Compañía de Financiación, S.A., SefiCitróen Financiaciones, PSA Leasing España, S.A., PSA Credit España S.A. and Banque PSA Finance Holding, Sucursal en España, among others.		
The main activities of PSA Financial are related to the offer of financial products to the customers of Peugeot and Citroën, as well as the financing for spare parts from such manufacturers.		
<i>PCS has been provided with Due Diligence materials as well as a detailed disclosure document of Underwriting and Servicing procedures.</i>		

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		
<i>The receivables are to be assigned to Fund on or just before the Incorporation Date of the Fund (9th October 2020), see statement in 3.3.1 (Formalization of the assignment of the Receivables)</i>		
<i>“The assignment of the Initial Receivables by the Seller to the Fund will be effected on the Date of Incorporation (the Initial Assignment Date) by means of the Master Sale and Purchase Agreement executed simultaneously with the Deed of Incorporation and upon incorporation of the Fund.”</i>		

	<p>For the description of the exact timing, see Additional Information, 3.3.1.2.2 (<i>Relevant dates</i>)</p> <p>The section 3.3.1.2.2 of Additional Information defines the dates relevant for the assignment of Additional Receivables.</p> <p>See section 3.3.2 of Additional Information, “Terms and conditions of the assignment of the Receivables” for the timing of the assignment of the Initial Receivables.</p> <p>“(1) the Outstanding Balance of the Receivables: (i) on the Initial Assignment Cut-Off Date (included), in relation to the Initial Receivables; or (ii) if applicable, on the corresponding Acceptance Date (included) during the Revolving Period in relation to the Additional Receivables (the Receivables Principal); and</p> <p>Initial Assignment Cut-Off Date means 16 May 2022. Notwithstanding the assignment of the Initial Receivables will take place on the Initial Assignment Date, the Seller and the Management Company have agreed that the assignment of the Initial Receivables to the Fund will have economic effects from (and including) the Initial Assignment Cut-Off Date.</p> <p>The “Initial Assignment Date” is the same date as the “Date of incorporation” which is the 26 May 2022</p> <p>Initial Receivables (<i>Derechos de Crédito Iniciales</i>) means each and any of the Receivables assigned to the Fund on the Initial Assignment Date</p> <p>The pool which is selected from the Preliminary Portfolio which dates to the Portfolio Cut-Off Date (Fecha de Corte) means 16 May 2022.</p> <p>See also 2.2.5 (<i>Amount of Receivables</i>) “The Preliminary Portfolio from which the Loans to be assigned on the Date of Incorporation will be extracted is described in section 2.2.2.1 of the Additional Information above”.</p> <p>PCS notes that in this case “without undue delay” is met by the factual statements above (the economic effect takes place from the initial assignment cut-off date, so there is no delay) regarding the Initial Receivables and any Additional Receivables during the revolving period.</p>	
23	<p>STS criteria</p>	<p>SEE RELATED EBA GUIDELINES</p>
	<p>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...</p>	
	<p>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p> <p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (iii), In relation to the Receivables (26), (28)</p> <p>(26) The Loans are not in default within the meaning of article 178(1) of CRR, pursuant to article 20 (11) of the EU Securitisation Regulation and the EBA guidelines published on 2 April 2020, as well as any other regulations that may replace or develop them in the future.</p> <p>(28) No Covid-19 Moratoriums have been granted or requested in respect of the Loans.</p> <p>See also Risk Factors, 1.1.3 Macroeconomic Risk and Covid-19, Covid-19 Legal Moratoriums for the description of the Royal Decree Law 11/2020 and the requirements to be met to apply a moratorium.</p> <p>The EBA has issued an interpretation guide dated 2 April 2020 that clarifies its position on the regulatory treatment of e.g. COVID 19 related moratoria. It is PCS’s understanding that Article 178 must be read jointly with the EBA guidelines above, so that no default occurs in the moratorium period to the extent the relevant suspension of payment is permitted under the local legislation or is made in compliance with general agreements at industry level. Loans in Moratorium shall be repurchased in accordance with the EBA guidelines, see also item 6, above.</p>	

24	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p> <p>(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:</p> <ul style="list-style-type: none"> (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring; <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; or</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not be made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
24. Or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:		
Verified?	Yes	
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (ii), <i>in relation to the Receivables</i> (28)</p> <p>(27) No Borrower has experienced a deterioration of its credit quality, and to the best of its knowledge, no Borrower:</p> <p>a. has been declared insolvent or had a court grant his/her/its creditors a final non-appealable right of enforcement; or material damages as a result of a missed payment within three years prior to the date of execution of the Loan Agreement; or</p> <p>b. has undergone a debt-restructuring process with regard to his/her non-performing exposures within three years prior to the relevant Assignment Date, except if:</p> <ul style="list-style-type: none"> (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring, which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the Fund; and (ii) the information provided by the Seller as Reporting Entity in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation explicitly sets out the proportion of restructured receivables, the time and details of the restructuring as well as their performance since the date of the restructuring; or <p>c. was, at the time of execution of the Loan Agreement, on a public credit registry of persons with adverse credit history; or</p> <p>d. had, at the time of execution of the Loan Agreement, a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the Seller which are not securitised.</p> <p>(28) No Covid-19 Moratoriums have been granted or requested in respect of the Loans.</p>		

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	
<i>See point 24, above.</i>		
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	
<i>See point 24, above.</i>		
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	
<i>See point 24, above.</i>		
28	STS criteria	
	28. (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;	
	Verified?	Yes
	PCS Comment	
<i>See point 24, above.</i>		

29	STS criteria	SEE RELATED EBA GUIDELINES
29. (b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender;		
Verified?		Yes
PCS Comment		
See point 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 point 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 the representation in Section 2.2.8 (Representations and collateral given to the issuer relating to the assets), in Relation to the Receivables (iii), (18) The relevant Borrower has paid at least one (1) instalment under the relevant Loan Agreement.		

32	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>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.</p> <p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?	Yes	
PCS Comment		
<p>See RISK FACTORS, <i>Risks derived from the securities</i> 1.1.1 Balloon exposure</p> <p>41.18% of the Initial Receivables amounting to 57.45% of the Outstanding Balance of the Initial Receivables are Balloon Loans (whilst 58.82% of the Initial Receivables amounting to 42.55% of the Outstanding Balance of the Initial Receivables are Amortising Loans).</p> <p>Under the terms of the Balloon Loans, the Borrowers are offered the possibility of settling the final Balloon Instalment by the delivery of the Vehicle financed under the relevant Balloon Loan. [...]</p> <p>The estimated exposure of the Fund to PSAG under the Global Agreement is 19.30% of the Outstanding Balance of the Receivables (assuming no Adhered Concessionaires exercise their option to repurchase any Vehicles in the terms described above). The Balloon Instalment represents (i) 80.55% of the Outstanding Balance of the Receivables arising from Balloon Loans, and (ii) 46.28% of the financed Vehicles as a percentage of the Outstanding Balance of the Receivables. The full description of this calculation, together with relevant additional information about (i) PSAG, (ii) the Balloon Loans, and (iii) the Global Agreement, can be found in section 2.2.D) of the Additional Information and in the table included in section 2.2.2.5.2 of the Additional Information.</p> <p>See also 2.2. (<i>Assets Backing the Issue</i>) in Additional Information,</p> <p>C) Further description of Balloon Loans</p> <p><i>Options of the Borrower at maturity:</i></p> <p>Under the Balloon Loans, the relevant Borrowers can choose one of the following four (4) options at maturity of the Loan for the payment of the Balloon Instalment:</p> <p>(i) Option #1: the Borrower (i) returns the relevant Vehicle as payment of the Balloon Instalment as provided by Option #4 below, without paying the Balloon Instalment in cash and (ii) enters with the Seller into a new financing transaction in similar terms for the acquisition of another Vehicle. Such new financing will be considered a new financing transaction between the Seller and the Borrower.</p> <p>(ii) Option #2: the Borrower: (i) keeps the relevant Vehicle; and (ii) requests to the Seller a refinancing of the Balloon Instalment. Such refinancing will be considered a new financing transaction between the Seller and the Borrower. With regard to the payment of the Balloon Instalment to the Fund, according to the disbursement mechanics of such new financing transaction between the Seller (as lender), and the Borrower (as debtor) an amount equal to the Balloon Instalment shall be credited by the Seller in favour of the Fund, on behalf of the Borrower, in order to repay and cancel the Balloon Loan.</p> <p>(iii) Option #3: the Borrower: (i) keeps the relevant Vehicle; and (ii) pays in cash the Balloon Instalment.</p> <p>(iv) Option #4: the Borrower (i) returns the relevant Vehicle as payment of the Balloon Instalment and final repayment of the Balloon Loan, without paying in cash the Balloon Instalment. Therefore, the payment by the relevant Borrower of the Balloon Instalment is made by means of the delivery of the Vehicle.:</p> <p>As described above, in all Options #1 to #4 exercised by the Borrower, the relevant Balloon Loan is contractually set to be amortised at its agreed maturity.</p> <p>In addition, the new financing transactions foreseen in Option #1 or Option #2 are considered as different financing transactions between the Seller and the relevant Borrower and therefore, outside the perimeter of the Fund (unless those new financing transactions assigned to the Fund as Additional Receivables).</p>		

Conditions that the Borrowers shall fulfil in order to select Options #1 or #4:

For those options involving the return of the Vehicle by the relevant Borrower (i.e. Option #1 and Option #4), the Balloon Loans establish a number of conditions that must be fulfilled by the relevant Borrower:

- (i) the Borrower shall authorise the Seller to: (i) arrange for the sale of the relevant Vehicle and (ii) use the proceeds of such sale to amortise the Balloon Instalment;
- (ii) none of prior instalments under the Balloon Loan, nor any other obligations thereunder, shall be due and not paid; and
- (iii) fulfilment of certain additional conditions and certain several elements of the Vehicle shall be observed at the moment of its delivery, e.g.: (i) mileage below the agreed threshold (ii) certain Vehicle's features shall be in good standing (tires, electric and mechanic components, etc.); (iii) maintenance of the Vehicle must have followed the agreed manual; and (iv) the Vehicle's permit must be signed together with the transfer documentation, and must be free and clear of charges, liens and encumbrances as well as fines, taxes, and any other charges (other than reservation of title provisions in favour of the Seller).

If these conditions are not fulfilled by the relevant Borrower, then Option #1 or Option #4 (that involve the return of the financed Vehicle) cannot be chosen - being exclusively available to the Borrower Option #2 or Option #3.

Repurchase of the Vehicles in case Option #1 or Option #4 is chosen by the Borrowers [...]

See also the representation in Section 2.2.8, (in relation to the Receivables) (iii):

(21) Each Balloon Loan has a final guarantee value (Valor Final Garantizado) under the Global Agreement equal to or lower than 70% of the Vehicle's purchase price. Each Balloon Loan is under the scope of the purchase obligation of PSAG in the Global Agreement in the terms described in section 2.2.D) of the Additional Information.

in combination with 2.2.2.8.2 ("Global Eligibility Criteria"):

- (iv) That the Outstanding Balance of the Receivables corresponding to Balloon Loans does not exceed 58% of the total Outstanding Balance of the Non-Defaulted Receivables
- (v) That the Balloon Instalments corresponding to Balloon Loans do not exceed 50% of the total Outstanding Balance of the Non-Defaulted Receivables.
- (vi) That the Outstanding Balance of the Receivables corresponding to Balloon Loans with a final guarantee value (*Valor Final Garantizado*) between 55% and 70% of the Vehicle's purchase price does not exceed 38% of the total Outstanding Balance of the Non-Defaulted Receivables.

See also Securities Note, 4.9.2.1.1, definition of "Revolving Period Early Termination Event"

"Revolving Period Early Termination Event" means the occurrence of any of the following events on any Determination Date during the Revolving Period:

- (ix) the Global Agreement is terminated or cancelled, or its term expires, or the terms and conditions thereof are materially modified in a way that it is detrimental to the transaction.

PCS notes that the residual value payment obligation is below 50% (initially 46%), since the Balloon Loans overall nominals represent up to 50% of the pool. In addition to this, the balloon payment is purchased by PSA through the so-called Global Agreement. The revolving period ends if the Global Agreement does not get extended or materially modified.

It is PCS's understanding from the memorandum provided by Cuatrecasas that in the event of termination, the obligations of the guarantor shall survive only with respect to the Vehicles financed up to the termination date of the Global agreement. In addition, PSAG makes a representation in 2.2.8 of Additional Information (21) that each Balloon Loan is under the scope of the purchase obligation under the Global Agreement and the revolving period ends as soon as the Global Agreement gets cancelled or expires

33	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
STS criteria		SEE RELATED EBA GUIDELINES
33.The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
Verified?		Yes
PCS Comment		
<p>See the representation in Section 2.2.8 (<i>Representations and collateral given to the issuer relating to the assets</i>) (i), <i>In relation to PSA Financial Services</i>,</p> <p>(8) The Seller shall undertake, in the Deed of Incorporation, to comply with the undertakings to retain a significant net economic interest under the terms required by Article 6 of the Securitisation Regulation and any other rules that may be applicable, and to notify the Management Company, on a quarterly basis, of the maintenance of the retention commitment which has been undertaken.”</p> <p>See point 3.4.3 (<i>Risk retention requirement</i>)</p> <p>“The Originator will undertake in the Deed of Incorporation to retain, on an ongoing basis, a material net economic interest of at least 5 (five) per cent. in the securitisation transaction described in this Prospectus in accordance with article 6(3)(c) of the EU Securitisation Regulation and article 7 of the Delegated Regulation (EU) 625/2014 of 13 March 2014 supplementing CRR by way of regulatory technical standards specifying the requirements for investors, sponsors, original lenders and originator institutions relating to exposures to transferred credit risk (the “Delegated Regulation 625/2014”), applicable until the new regulatory technical standards to be adopted by the Commission apply, pursuant to article 43(7) of the EU Securitisation Regulation. In addition, the Seller has undertaken that the material net economic interest held by it shall not be split amongst different types of retainers and shall not be subject to any credit-risk mitigation or hedging, in accordance with article 6(1) of the EU Securitisation Regulation.”</p>		

34	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.2. The interest rate and currency risks arising from the securitisation shall be appropriately mitigated and any measures taken to that effect shall be disclosed.		
STS criteria		SEE RELATED EBA GUIDELINES
34. The interest rate...risks arising from the securitisation shall be appropriately mitigated.		
Verified?		Yes
PCS Comment		
<p><u>Assets:</u> See 2.2.8, In relation to the Receivables:</p> <p>(3) The interest rate applicable to each Loan is a fixed interest rate.</p> <p>(4) The interest rate applicable to each Loan is not lower than 2%.</p> <p>See also, 2.2.2.8.2 Global Eligibility Criteria</p> <p>(ii) That the weighted average interest rate of the Non-Defaulted Receivables is higher than 6%.</p> <p>See 4.8.2 Interest rate for the notes’ interest rates.</p>		

<p>Regarding the <u>Securities</u>, the Class A to Class E notes are floating rate (see Definitions, Interpretation), the Class F notes bear a fixed rate.</p> <p>See also 4.10 Indication of investor yield and calculation method</p> <p>(iv) the weighted average margin of the Floating Rate Notes on the Disbursement Date is equal to 0.64% and the weighted average interest rate of the Notes on the Disbursement Date is equal to 0.69% (under the assumption that EURIBOR 1-month was -0.542% on 20 May 2022;</p> <p>There is a Swap Transaction in place with Banco Santander as “Interest Rate Swap Counterparty” under the Interest Rate Swap Transaction (see 3.1.3.) to mitigate the interest rate risk from the Floating Rate Notes, i.e. classes A to C notes. See 3.4.8.1 in Additional Information for a description of the Interest Rate Swap Transaction.</p> <p>See 3.4.8.1 “Interest Rate Swap Agreement”, for the description of the Swap Agreement</p> <p>See 3.4.8.1.5 “Early Termination”</p> <p>“If the Interest Rate Swap Transaction is terminated prior to redemption in full of the principal of the Floating Rate Notes, the Fund will be required to enter into a transaction on similar terms with a new Interest Rate Swap Counterparty. [...]”</p> <p>The Management Company, in the name and on behalf of the Fund, shall use its best efforts to find a replacement Interest Rate Swap Counterparty upon early termination of the Interest Rate Swap Transaction, but none of the Management Company or any other party to the Transaction Documents will assume any liability for not finding such a replacement Interest Rate Swap Counterparty in accordance with the terms of the Transaction Documents.</p> <p>See Risk Factors, 1.1.7. Interest Rate Risk</p> <p>To provide a hedge against the possible variance between the fixed rates of interest received from the Non-Defaulted Receivables and the rate of interest under the Floating Rate Notes calculated by reference to 1-Month EURIBOR, the Fund will enter into an interest rate swap transaction (the Interest Rate Swap Transaction) on the Date of Incorporation with Banco Santander, S.A. (the Swap Counterparty), [...]</p> <p>In the event of early termination of the Interest Rate Swap Transaction, including any termination upon failure by the Swap Counterparty to perform its obligations, the Fund will use its best endeavours to but cannot guarantee that it will be able to find a replacement Swap Counterparty. In such circumstances, there is no assurance that the Fund will be able to meet its payment obligations under the Notes in full or even in part.</p> <p>The Interest Rate Risk is also described in the Risk Factors (Risk derived from the Securities) and can be considered as hedged according to the requirements.</p> <p>Interest payable by Borrowers on the Loans is based on a pool of only fixed interest rate loans with a minimum rate of 2%, with a weighted average according to the Global Eligibility Criteria of at least 6%. The weighted average interest rate of the Initial Receivables is 6.68%.</p> <p>The weighted average interest rate of the Loans in the Preliminary Portfolio as of the Portfolio Cut-Off Date, as detailed in section 2.2.2.3.16 above, amounts to 6.68%, which is higher than the nominal interest rate of each Classes of Notes.</p> <p>For the payments on the floating rate classes A to E notes (the floating rate notes) an Interest Rate Swap Transaction is entered into with Banco Santander, the terms of which are defined in the Interest Rate Swap Agreement. The Notional Amounts for the fixed to floating rate swap transaction are based on the outstanding notional amount of performing receivables outstanding. The remaining risks are described by the risk factors in 1.1.7 of the prospectus.</p>							
35	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>35. Currency risks arising from the securitisation shall be appropriately mitigated.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Verified?</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td colspan="2">PCS Comment</td> </tr> <tr> <td colspan="2">See 3.4.2.1.2 Interest Rate Swap Transaction</td> </tr> </table>	Verified?	Yes	PCS Comment		See 3.4.2.1.2 Interest Rate Swap Transaction	
Verified?	Yes						
PCS Comment							
See 3.4.2.1.2 Interest Rate Swap Transaction							

<p>The Interest Rate Swap Transaction mitigates the interest rate risk arising from the floating nature of the interest rate applicable to the Floating Rate Notes and the fixed nature of the interest rate applicable under the Non-Defaulted Receivables. The main terms and conditions of the Interest Rate Swap Transaction and the Interest Rate Swap Agreement are described in section 3.4.8.1 of this Additional Information.</p> <p>Additionally, there is no currency risk given that both the Receivables and the Notes are denominated in the same currency (euros).</p> <p>PCS notes that in 4.5 (of “Information Concerning the Securities to be admitted to Trading”), “Currency of the issue”, it is stated that “the notes shall be denominated in EUROS”.</p> <p>PCS also notes that pursuant to the representation in 2.2.8 (“Additional Information to be Included”), (iii) in relation to the Receivables (5), “The loans are exclusively denominated and payable in EUROS.” Therefore, in the absence of any currency mismatch, no currency hedging is necessary.</p>	
36	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>36. Any measures taken to that effect shall be disclosed.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 34 above.</p>

37	<p>Legislative text – Article 21 - Requirements relating to standardisation GO TO TABLE OF CONTENTS</p> <p>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.</p> <p>Those derivatives shall be underwritten and documented according to common standards in international finance.</p>
	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See “Additional Information, 3.4.2.1.2 Interest Rate Swap Transaction, last paragraphs:</p> <p>“The Fund has not entered into and will not enter into any kind of hedging instrument or derivative transaction save as expressly permitted by article 21 (2) of the EU Securitisation Regulation.</p> <p>The Initial Receivables do not include derivatives and the Additional Receivables shall not include derivatives.”</p>

38	STS criteria	SEE RELATED EBA GUIDELINES
38. ...Shall ensure that the pool of underlying exposures does not include derivatives.		
Verified?		Yes
PCS Comment		
<i>See point 37, above.</i>		
39	STS criteria	SEE RELATED EBA GUIDELINES
39. Those derivatives shall be underwritten and documented according to common standards in international finance.		
Verified?		Yes
PCS Comment		
See Additional Information, 3.4.8.1 "Interest Rate Swap Agreement", "General", which refers to the International Swaps and Derivatives Association 1992 Master Agreement (Multicurrency – Cross Border), together with the relevant Schedule, Credit Support Annex and the confirmations thereunder.		
3.4.8.1.1 The Interest Rate Swap Agreement incorporates the 2006 ISDA Definitions, including Supplement no. 70 thereto, which provides for the application of certain fallback rates to the Interest Rate Swap Transaction instead of EURIBOR in certain circumstances		
PCS notes that the Swap Agreements are underwritten according to common standards in international finance.		
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		
See representations in 2.2.8. (iii) In relation to the Receivables:		
(3) The interest rate applicable to each Loan is a fixed interest rate.		
(4) The interest rate applicable to each Loan is not lower than 2%.		
Liabilities:		
See Section 4.8.2 (<i>Interest rate</i>), where it is confirmed that the interest rates on the notes will be floating rate (Reference Rate plus a margin) for Classes A to E and fixed rate for Class F.		
4.8.3.Reference Rate		
Regarding the securities, the Class A to Class E notes are floating rate (see Definitions, Interpretation), Class F bears a fixed rate. The receivables are fixed rate.		

41	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.4. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p> <p>(b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;</p> <p>(c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and</p> <p>(d) No provisions shall require automatic liquidation of the underlying exposures at market value.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>41. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p>		
Verified?	Yes	
PCS Comment		
<p>See Section 3.4.2.2.3 (<i>Adjustment of the Required Level of the Cash Reserve</i>)</p> <p>The required level of the Cash Reserve (the Required Level of the Cash Reserve) shall be equal to:</p> <p>(iii) Zero euros (€ 0.00), following the earlier of:</p> <ol style="list-style-type: none"> (1) the Legal Maturity Date; (2) the Payment Date on which the Non-Defaulted Receivables have been repaid in full; (3) the Payment Date on which the Rated Notes are redeemed in full; or (4) the Payment Date following the delivery of an Early Redemption Notice. See also definition of "Early Redemption Notice" <p>See also definition of "Early Liquidation of the Fund"</p> <p>See also definition of "Post-Enforcement Available Funds"</p> <p>See also (Additional Information to be included) Sections 3.4.7.2 and 3.4.7.3 on the items that form part of "Available Funds" pursuant to the Pre- and Post-Enforcement Priority of Payments.</p>		

42	STS criteria	SEE RELATED EBA GUIDELINES
42. (b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;		
Verified?		Yes
PCS Comment		
<p>See Post-Enforcement Priority of Payments in 3.4.7.3 (“<i>Additional Information to be included</i>”) and see Post-Enforcement Priority of Payments in 4.6.3.2 (“<i>Information Concerning the Securities to be admitted to trading</i>”).</p> <p>and see Redemption of the Notes in 4.9.2.1.4 “Early Redemption of all the Notes issued” in (“<i>Information Concerning the Securities to be admitted to trading</i>”) PCS notes that, although pre-enforcement the notes are amortised pro rata, in a post-enforcement scenario the amortisation switches to sequential.</p>		
43	STS criteria	
43. (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and		
Verified?		Yes
PCS Comment		
<i>See point 42 above.</i>		
44	STS criteria	SEE RELATED EBA GUIDELINES
44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.		
Verified?		Yes
PCS Comment		
<p>See Redemption of the Notes in 4.9.2.1.4 in (“<i>Information Concerning the Securities to be admitted to trading</i>”)</p> <p>Upon the occurrence of any of the events set out in section 4.4.3 of the Registration Document, the Management Company shall carry out the Early Liquidation of the Fund and, thus, the Early Redemption of all Notes issued, and distribute the Available Funds in accordance with the Post-Enforcement Priority of Payments set out in section 3.4.7.3 of the Additional Information</p> <p>See Registration Document, 4.4.3.1 “Mandatory early liquidation of the Fund”</p> <p>In order for the Management Company to carry out the Early Liquidation of the Fund, and therefore, the Early Redemption of the Notes, the Management Company shall sell the Receivables and any remaining assets of the Fund in accordance with the provisions below.</p> <p>Pre-emptive right of the Seller to acquire the Receivables</p> <p>Upon the occurrence of any of the events indicated in paragraphs (i) and (ii) above, the Seller will have the right, but not the obligation, to repurchase the outstanding Receivables at the time of early liquidation of the Fund at a price equal to the Final Repurchase Price (as defined below). [...]</p> <p><i>Sale of the Receivables to third parties</i></p> <p>In case the Seller decides not to exercise its right of repurchase the Receivables in accordance with the provisions of the preceding section, the Management Company shall request binding bids from at least three (3) entities, at its sole discretion, among those active in the purchase and sale of similar assets.</p> <p>The Management Company shall be entitled to obtain any valuation reports it deems necessary from any one or several specialised entities in order to assess the value of the Receivables. The Management Company shall set out the terms and conditions of the bidding process (including, without limitation, the information to be provided to the bidders and deadline to submit the bids) in the</p>		

manner it considers best to maximise the value of the Receivables. [...]
Common provisions

[...] The above procedure does not entitle the automatic liquidation of the underlying receivables for the purposes of article 21.4 of the EU Securitisation Regulation.

3.7.2.2 “Administration and representation of the fund”:

(xv) to make appropriate decisions in relation to the liquidation and cancellation of the Fund, including the decision for the Early Redemption of the Notes and Early Liquidation of the Fund, in accordance with the provisions of the Deed of Incorporation and this Prospectus

PCS has reviewed the relevant triggers, as partially outlined above, and has concluded that no provision allows for automatic liquidation.

45	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.5. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.		
STS criteria		SEE RELATED EBA GUIDELINES
45. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.		
Verified?		Yes
PCS Comment		
<p><i>The transaction features pro rata priority of payments and includes triggers relating to the performance reverting to sequential.</i></p> <p><i>See 4. (Information Concerning the securities to be admitted to trading), 4.6.1, 4.6.1.2.1 Pro-rata Redemption Period</i></p> <p>“According to section 4.6.3.1 of the Securities Note, the principal repayment of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be on a pro-rata basis during the Pro-Rata Redemption Period and, if applicable, during the Revolving Period.”</p> <p>4.6.1.2.2 Sequential Redemption Period</p> <p>As described in section 4.6.3.1 of the Securities Note, during the Sequential Redemption Period, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will cease to redeem on a pro-rata basis, if applicable, and will switch to redemption on a sequential basis until the liquidation of the Fund. There is however no assurance whatsoever that the subordination rules shall protect Noteholders from the risk of loss.</p> <p>For these purposes, Sequential Redemption Period means the period starting from (and including) the Payment Date immediately following the occurrence of a Subordination Event, and ending on (and including) the earlier of (i) the Legal Maturity Date; (ii) the Payment Date on which the Rated Notes are redeemed in full; or (iii) the Early Redemption Date.</p> <p>See definition of “Subordination Events” (i) to (x) in 4.9.2.1.3 and the definition of “Revolving Period Early Termination Event” (i) to (ix) in 4.9.2.1.1 , both in “Securities Note, Redemption of the Notes” and in the Glossary of Definitions.</p> <p>PCS notes that the triggers leading to the Subordination Event (in Securities Note, 4.9.2.1.3) include deterioration in the credit quality of the Receivables, in (ii), (iii) and (iv) and if a Subordination Event occurs, the amortisation switches to sequential.</p> <p>The “Revolving Period Early Termination Event” triggers include the Subordination Event, in (viii) and a further performance related trigger in (ii). In case a Subordination Event occurs during the Revolving Period, the Revolving Period ends and the amortisation switches to sequential.</p>		

46	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <ul style="list-style-type: none"> (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
<p>46. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p>		
Verified?		Yes
PCS Comment		
<p>See definition of “Revolving Period Early Termination Event” in “Redemption of the Notes” in 4.9.2.1.1 items (i) to (ix)</p> <p>See also 2.2.2.7.2 Early termination of the Revolving Period</p> <p>The Revolving Period will be definitely early terminated in advance following the occurrence of a Revolving Period Early Termination Event as described in section 4.9.2 of the Securities Note.</p>		
47	STS criteria	SEE RELATED EBA GUIDELINES
<p>47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p>		
Verified?		Yes
PCS Comment		
<p>See definition of “Revolving Period Early Termination Event” in 4.9.2.1.1 of the Securities Note)</p> <p>(ii) The Cumulative Loss Ratio exceeds the relevant percentage set out below on the Determination Date immediately preceding the following Payment Dates:</p> <ul style="list-style-type: none"> a. Between the Date of Incorporation (included) and 28 September 2022 (included): 0.35%, and b. Between 28 September 2022 (excluded) and 28 December 2022 (included): 0.55%, <p>(iii) the Cash Reserve is not funded up to the Required Level of the Cash Reserve after paying or retaining the relevant amounts required to be paid or retained in priority by the Fund on such date in accordance with the Pre-Enforcement Priority of Payments;</p> <p>(viii) a Subordination Event occurs;</p> <p>PCS notes that the triggers leading to the Revolving Period Early Termination Event include deterioration in the credit quality of the Receivables, in (ii), (iii) and (viii).</p>		

48	STS criteria	SEE RELATED EBA GUIDELINES
48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;		
Verified?		Yes
PCS Comment		
<p>See definition of “Revolving Period End Date” in 4.9.2.1.1 of the Securities Note</p> <p>“Revolving Period Early Termination Event” means the occurrence of any of the following events on any Determination Date during the Revolving Period:</p> <p>(iv) an Insolvency Event occurs in respect of the Seller; or</p> <p>(v) the Seller breaches any of the representations and warranties in respect of itself envisaged in paragraph (i) of section 2.2.8 of the Additional Information; or</p> <p>(viii) a Subordination Event occurs</p> <p>See also definition of “Subordination Event”:</p> <p>(vii) an Event of Replacement of the Servicer occurs;</p> <p>See also 3.7.1.1.2, Event of Replacement of the Servicer</p> <p>An “Event of Replacement of the Servicer” will be triggered upon the occurrence of any of the following events:</p> <p>(i) any breach of its obligations under the Deed of Incorporation, in the reasonable opinion of the Management Company, and in particular, its obligation to transfer to the Fund the amounts received by the Borrowers (or, if applicable, PSAG) within two (2) Business Days as from receipt (except if the breach is due to a force majeure); and</p> <p>(ii) an Insolvency Event occurs in respect of the Servicer.</p>		
49	STS criteria	SEE RELATED EBA GUIDELINES
49. (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);		
Verified?		Yes
PCS Comment		
<p>See definition of “Revolving Period End Date” in 4.9.2.1.1 of the Securities Note</p> <p>See definition of “Revolving Period Early Termination Event”</p> <p>(i) on each of the two (2) Determination Dates immediately preceding the two (2) immediately preceding Payment Dates, the Outstanding Balance of the Non-Defaulted Receivables is less than 90.00% of the Principal Amount Outstanding of the Rated Notes;</p> <p>(vii) the Principal Amount Outstanding of the Rated Notes on the preceding Determination Date is higher than the sum of (i) the Outstanding Balance of the Non-Defaulted Receivables on the Determination Date, (ii) the Outstanding Balance of the Additional Receivables to be acquired on that Payment Date, and (iii) the remaining Principal Account balance on that Payment Date after payment of the purchase price related to the Receivables Principal of the Additional Receivables;</p>		

50	STS criteria	SEE RELATED EBA GUIDELINES
50. (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).		
Verified?		Yes
PCS Comment		
<p>See definition of “Revolving Period Early Termination Event” in 4.9.2.1.1</p> <p>(i) on each of the two (2) Determination Dates immediately preceding the two (2) immediately preceding Payment Dates, the Outstanding Balance of the Non-Defaulted Receivables is less than 90.00% of the Principal Amount Outstanding of the Rated Notes;</p>		

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<p>21.7. The transaction documentation shall clearly specify:</p> <p>(a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers;</p> <p>(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</p> <p>(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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>51. The transaction documentation shall clearly specify:</p> <p>(a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers;</p>		
Verified?		Yes
PCS Comment		
<p>PCS notes that this transaction is under Spanish securitisation law and therefore the trustee and many other functions are performed by the Management Company. The main document relating to their duties and responsibilities of the Management Company and the Servicer is the Deed of Incorporation of the Fund under Spanish law. We note that most of the content including Reps and Warranties of this deed are outlined throughout the prospectus and that in, paragraph 4.4.1 (Date of Incorporation) the Management Company represents that the content of the Deed of Incorporation will not contradict that of the Prospectus.</p> <p>Also, the main obligations duties and responsibilities are listed under 3.7.2.1 and 3.7.2.2. and 3.7.2.3 (<i>Additional Information to be included in relation to the asset backed securities, 3.7.Management, administration and representation of the Fund and of the Noteholders</i>)</p> <p>The duties and responsibilities of the Servicer under the Servicing Agreement are described in detail under 3.7.1.</p> <p>Other arrangements, including payments of interest and principal to investors, are described in 3.4.8. (<i>Additional Information to be included in relation to the asset backed securities, 3.4.8. Details of any other agreements affecting the payments of interest and principal made to the Noteholders.</i>)</p>		

52	STS criteria	SEE RELATED EBA GUIDELINES
52. (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and		
Verified?		Yes
PCS Comment		
See section 3.7.1.1 "Term and Replacement of the Servicer".		
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 Section 3.4.8.1 <i>Interest Rate Swap Agreement</i> , 3.4.8.1.6 <i>Rating Downgrade Provision for the Interest Rate Swap Counterparty</i> and 3.4.8.1.5 <i>Early Termination</i> .		
See Risk Factors, 1.1.7 Interest rate risk		
In the event of early termination of the Interest Rate Swap Transaction, including any termination upon failure by the Swap Counterparty to perform its obligations, the Fund will use its best endeavours to but cannot guarantee that it will be able to find a replacement Swap Counterparty. In such circumstances, there is no assurance that the Fund will be able to meet its payment obligations under the Notes in full or even in part.		
See Section 3.7.1.1.3 and 3.7.1.1.4 <i>Replacement</i> , also describing the account bank to be replaced after notification of borrowers.		
See Section 3.7.2.3 <i>Resignation and replacement of the Management Company</i>		
See Section 3.4.5.1. <i>Fund Accounts</i> and 3.4.5.1.5 (iii) Rating Agencies Criteria for the Fund Accounts Provider. Downgrade event		
<i>The sections above described the replacement of the Fund Accounts Provider within 30 or 60 calendar days, depending on the event that has occurred.</i>		
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		
<i>The Servicer and Originator is PSA FINANCIAL SERVICES SPAIN, E.F.C., S.A which is a Spanish bank and credit institution, and this is stated in the prospectus (see Additional Information, section 3.5) and a further description of its role as Servicer in section 3.7.1.</i>		

	<p>3.5 Name, address and significant business activities of the Seller</p> <p>“PSA Financial Services is a credit financial institution (<i>establecimiento financiero de crédito</i>) duly incorporated under the Spanish law, which was incorporated by virtue of a public deed (<i>escritura</i>) granted on 30 June 2015, before the notary public of Madrid, Mr. Pedro de la Herrán Matorras, under the number 1,706 of his official records.</p> <p>The main activities of PSA Financial are related to the offer of financial products to the customers of Peugeot and Citroën, as well as the financing for spare parts from such manufacturers.</p> <p>PSA Financial Services, as Originator and Servicer, has the relevant expertise in the origination and servicing of auto-loans as an entity being active in the auto loan market for over 59 years and as servicer of consumer receivables securitisation for over 15 years. PSA Financial Services has its origin back in 1963 with the incorporation of the company Efisa Entidad De Financiación, S.A. and other companies have followed since then: Cofic, Compañía De Financiación, S.A., Seficitroën Financiaciones, Psa Leasing España, S.A., Psa Credit España S.A. And Banque Psa Finance Holding, Sucursal En España, among others.”</p> <p>See also Additional Information, 3.7.1 Servicer</p> <p>(i) to carry out the servicing and management of the Receivables acquired by the Fund in accordance with the ordinary rules and procedures of servicing and management set out in the Deed of Incorporation;</p> <p>(iii) to continue to service the Loans, dedicating the same time and attention and the same level of expertise, care and diligence in their administration as it would dedicate and exercise in the administration of its own loans. In any case, it will exercise an appropriate level of expertise, care and diligence in the provision of the services foreseen in this Additional Information and in the Deed of Incorporation;</p> <p>PCS has been provided with due diligence materials as well as a detailed disclosure document of underwriting and servicing procedures.</p> <p>PCS has gained enough comfort that the servicer has sufficient expertise and experience.</p>	
55	STS criteria	SEE RELATED EBA GUIDELINES
55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.		
Verified?		Yes
PCS Comment		
<p>See Additional Information, 3.7.1 Servicer</p> <p>The Management Company shall be responsible for the servicing and management of the Loans in accordance with article 26.1 b) of Law 5/2015. Notwithstanding, it shall be entitled to subdelegate such duties to third parties in accordance with article 30.4 of Law 5/2015, which shall not affect its responsibility.</p> <p>See Deed of Incorporation (<i>Escritura de Constitucion</i>) – 8.1 <i>administración y custodia de los derechos de crédito</i>.</p> <p>See documentation of policies/procedures described in Section 2.2.7.1 and 2.2.7.2 (“<i>Criteria and procedures to grant loans</i>” and “<i>Risk study</i>”) of Additional Information.</p> <p>The EBA Guidelines specify that the institution should be considered to have the requisite elements of the criterion if it is a prudentially regulated financial institution. PSA Financial is 50% owned by Grupo Banco Santander through Santander Consumer Finance, and as such consolidated into the bank. PCS notes that under the Spanish securitisation law the Management Company is responsible for the Servicing and has subdelegated it to PSA Financial Services, who has been appointed the Servicer. In addition, Santander Consumer Finance S.A. has been appointed Back-up Servicer Facilitator.</p>		

56	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.9. The transaction documentation shall set out in clear and consistent terms definitions, remedies and actions relating to delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.		
STS criteria		SEE RELATED EBA GUIDELINES
56. The transaction documentation shall set out in clear and consistent terms definitions		
Verified?		Yes
PCS Comment		
See also policies/procedures described in Section 2.2.7.1 and 2.2.7.2 PCS has reviewed the relevant documents to satisfy itself that these criteria are met.		
57	STS criteria	SEE RELATED EBA GUIDELINES
57. The transaction documentation shall set out in clear and consistent terms, remedies and actions relating to delinquency and default of debtors debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.		
Verified?		Yes
PCS Comment		
See the policies/procedures described in “Additional Information”, section 2.2.7.1 to 2.2.7.4 for origination procedures and 2.2.7.5 and 2.2.7.6 for the description of the servicing aspects including recoveries and losses(in particular 2.2.7.5 <u>Recovery process for non-performing loans</u>). See also 3.7.1.7 “Powers and actions in relation to Loan forbearance processes” for the description of restructuring and forbearance processes. There is no Servicing Agreement since the Management company appoints the Servicer. PCS has reviewed the deed of incorporation where the Servicer sub-delegation is documented. The servicing procedures carried out by the PSA Financial Services must comply with its ordinary procedures.		
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 Additional Information, sections 3.4.7.2 and 3.4.7.3 (<i>The order of priority of payments made by the issuer to the holders of the class of securities in question</i>). PCS has reviewed the relevant documents to satisfy itself that these criteria are met.		

59	STS criteria
59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.	
Verified?	Yes
PCS Comment	
<p><i>The transaction features pro rata priority of payments and includes triggers relating to the performance reverting to sequential.</i></p> <p>Sequential Redemption Period" (<i>"Periodo de Amortización Secuencial"</i>) means the period starting from (and including) the Payment Date immediately following the occurrence of a Subordination Event, and ending on (and including) the earlier of (i) the Legal Maturity Date; (ii) the Payment Date on which the Rated Notes will be redeemed in full; or (iii) the Early Liquidation Date.</p> <p>See definition of "Subordination Event" in "Redemption of the Notes" in 4.9.2.1.3 items (i) to (x) in the <i>Securities Note</i></p> <p>See also 4.9.2.1.3 <i>During the Sequential Redemption Period</i></p> <p>"Upon the occurrence of a Subordination Event, Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes will be redeemed sequentially..."</p> <p><i>PCS notes that the Subordination Event is clearly documented and defined.</i></p>	
60	STS criteria
60. The transaction documentation shall clearly specify the obligation to report such events.	
Verified?	Yes
PCS Comment	
<p>In section 4.4.3.1 (<i>Mandatory early liquidation of the Fund</i>) it is established that</p> <p>"Notice of the liquidation of the Fund will be provided to CNMV by publishing the appropriate relevant fact communication (<i>comunicación de otra información relevante</i>) and thereafter to the Rating Agencies and the Noteholders in the manner set out in section 4.2.3 of the Additional Information, at least thirty (30) Business Days in advance to the Early Redemption Date."</p> <p>In Section 4.4.3.2 (<i>Early liquidation of the Fund at the Seller's initiative</i>) reference is made to the notices served on the CNMV, to noteholders, within 30 Business Days from the date of the Early Redemption Notice; and</p> <p><u>4.2.1.1.4 Information referred to the EU Securitisation Regulation</u></p> <p>(ii) publish, in accordance with article 7(1)(f) of the EU Securitisation Regulation, without delay, any inside information made public in accordance with article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p> <p>(iii) publish without delay any significant event including any significant events described in article 7(1)(g) of the EU Securitisation Regulation; and</p> <p><i>PCS has reviewed the relevant documents to satisfy itself that these criteria are met.</i></p>	

61	STS criteria	
	61. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.	
	Verified?	Yes
	PCS Comment	
	<p>PCS has identified in “Extraordinary notices” (described in 4.2.2, pursuant to Article Law 5/2015) regarding “material events” that this covenant to report exists, also in the context of being listed at AIAF.</p> <p>“[...]In particular, material facts will include any relevant modification to the assets or liabilities of the Fund, the occurrence of any of the events referred to in the definition of the Revolving Period Early Termination Event, any amendment to the Deed of Incorporation, and, if applicable, the resolution on the setting-up of the Fund or any eventual decision regarding the Early Liquidation of the Fund and Early Redemption of the Notes for any of the causes established in this Prospectus. In the case of the latter, the Management Company will also submit to CNMV the certificate executed before a notary public evidencing the winding-up of the Fund and subsequent liquidation procedure described in section 4.4.5 of the Registration Document.[...]”</p> <p><i>This a future event:</i></p> <p><i>This criterion requires notification to investors of events occurring in the future. Therefore, this criterion is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</i></p> <p><i>However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</i></p> <p>PCS has identified the existence of such covenant but its attention has also been drawn to the fact that, since the notes are listed on the AIAF in Madrid, there is an obligation to inform investors of events of this nature (see also sections 4.1. and 4.2).</p>	

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	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	
	<p>See Securities Note, section 4.11 Representation of security holders</p> <p>“Pursuant to the provisions of article 26 of Law 5/2015, the Management Company shall act with the utmost diligence and transparency in defence of the best interests of the Noteholders and the rest of the creditors of the Fund. In addition, in accordance with article 26.2 of Law 5/2015, the Management Company shall be liable to the Noteholders and other creditors of the Fund for all losses caused to them by a breach of its duties.</p> <p>No meeting of Noteholders or other creditors of the Fund shall be established in the Deed of Incorporation.”</p> <p>We note that in Additional Information, 3.7.2.1 (Management, administration and representation of the Fund and of the Noteholders), in listing point (v) it is established that:</p> <p>“(v) no meeting of creditors (<i>junta de acreedores</i>) will be established.”</p>	

<p>Various potential and actual conflicts of interest may arise between the interests of the Noteholders, on the one hand, and the interests of any of the Transaction Parties, on the other hand, as a result of the various businesses and activities of the Transaction Parties, and none of such persons is required to resolve such conflicts of interest in favour of the Noteholders except for the obligations legally vested on the Management Company, who, pursuant to article 26.1.f) of Law 5/2015 must have in place procedural and organisational measures to prevent potential conflicts of interests."</p> <p>The Management Company will be liable to the Noteholders and other creditors of the Fund for all damages caused thereto by a breach of its obligations." It will be liable for the penalties applicable thereto pursuant to the provisions of Law 5/2015."</p> <p>PCS has reviewed the special legal framework in Spain regulating the role and duties of the Management Company and has come to the conclusion that in this case it is acceptable, from an STS perspective, not to establish specific contractual provisions regulating noteholders' meetings, as otherwise required in all other cases pursuant to the STS regulation and the EBA Guidelines.</p>

63	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
STS criteria		SEE RELATED EBA GUIDELINES
63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
Verified?		Yes
PCS Comment		
See point 62 above, there is no noteholder meeting.		

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		
<p>Static loss and dynamic delinquency data have been provided in section 2.2.7.7 (<i>Additional Information to be included in relation to asset backed securities</i>).</p> <p>2.2.7.7 Arrears and recovery information of the PSA Financial Services loan portfolio</p> <p>The following tables show the historical performance of a similar portfolio of auto loans originated by the PSA Financial Services to the Loans included in the Preliminary Portfolio with the aim to inform potential investors of the performance of the auto loan portfolio.</p>		

	<p>2.2.7.7.1 Delinquency ratio</p> <p>2.2.7.7.2 Cumulative default rate of Defaulted Receivables</p> <p>2.2.7.7.3 Cumulative recovery rate of Defaulted Receivables</p> <p>PCS has reviewed the historical data that was made available to investors and has been published in the prospectus. The historical data meets the requirements of the regulation.</p>
65	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>65. and the sources of those data and the basis for claiming similarity, to potential investors before pricing.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 64 above.</p> <p>The historical information (2.2.7.7) is derived from PSA Financial Services' own auto loan portfolio.</p>
66	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>66. Those data shall cover a period no shorter than five years.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 64 above.</p> <p>PCS can confirm that the data meet this requirement.</p>
67	<p>Legislative text – Article 22 - Requirements relating to transparency GO TO TABLE OF CONTENTS</p> <p>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.</p> <p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>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,</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See statement in Section 3.2.9 (Description of the entities participating...)</p> <p>3.2.9 Deloitte, S.L. has prepared the Special Securitisation Report on the Preliminary Portfolio</p> <p>See Securities Note, 3.1.8.</p> <p>3.1.8. Deloitte, S.L. participates as:</p>

	<p>(i) independent company for the verification of a series of attributes of the assignable portfolio of Loans of the Fund and the fulfilment of the Eligibility Criteria, for the purposes of complying with the provisions of EU Securitisation Regulation;</p> <p>(ii) in addition, has verified the accuracy of the data disclosed in the stratification tables included in section 2.2.2.1 of the Additional Information, and the CPR tables included in section 4.10 of the Securities Notes (Special Securitisation Report on the Preliminary Portfolio); and</p> <p>(iii) auditor of the Fund.</p> <p>See Additional Information (Statement on capacity...), 7.</p> <p>Deloitte, S.L. has issued a Special Securitisation Report on the Preliminary Portfolio for the purposes of complying with the provisions of article 22 of the EU Securitisation Regulation, on the fulfilment of the Eligibility Criteria set out in section 2.2.2 of the Additional Information. In addition, Deloitte, S.L. has verified the accuracy of the data disclosed in the stratification tables included in section 2.2.2.1 of the Additional Information, and the CPR tables included in section 4.10 of this Securities Notes.</p> <p>See Prospectus, Additional Information, 2.2.2. (General characteristics of the Borrowers, Receivables...), 2.2.2.2</p> <p><u>2.2.2.2 Review of the selected assets securitised through the Fund upon being established</u></p> <p>Deloitte, S.L. has reviewed a sample of the 547 randomly selected loans out of the Preliminary Portfolio from which the Initial Receivables shall be selected. Additionally, Deloitte, S.L. has verified the data disclosed in the following stratification tables in respect of the Preliminary Portfolio.</p> <p>The results, applying a confidence level of at least 99%, are set out in a special securitisation report prepared by Deloitte, S.L. for the purposes of complying with article 22.2 of the EU Securitisation Regulation. The Originator confirms that no significant adverse findings have been detected.</p> <p>The Management Company has requested from CNMV the exemption to submitting the special securitisation report according to second paragraph of article 22.1.c) of Law 5/2015.</p> <p>PCS has reviewed the final audit on the loan to file audit and the eligibility criteria check, performed by Deloitte. There have been no adverse findings. The report and its findings are in compliance with the STS regulation.</p>	
68	STS criteria	SEE RELATED EBA GUIDELINES
	68. Including verification that the data disclosed in respect of the underlying exposures is accurate.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, Securities Note, section 3. (Essential Information), 3.1.8.</p> <p>Deloitte, S.L. participates as:</p> <p>(i) independent company for the verification of a series of attributes of the assignable portfolio of Loans of the Fund and the fulfilment of the Eligibility Criteria, for the purposes of complying with the provisions of EU Securitisation Regulation.</p> <p>(ii) in addition, has verified the accuracy of the data disclosed in the stratification tables included in section 2.2.2.1 of the Additional Information, and the CPR tables included in section 4.10 of the Securities Notes. ("Special Securitisation Report on the Preliminary Portfolio"); and</p> <p>(iii) auditor of the Fund.</p> <p>PCS is not an auditing firm, nor has it or has it sought access to the underlying information which was the basis of the AUP. However, it has read the AUP with the aim of determining whether, on its face, it appears to cover the items required by the criterion.</p>	

69	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, Additional Information, 3.2. <i>(Description of the entities participating in the issue...)</i></p> <p>3.1.12.Intex Solutions, Inc. (Intex) shall provide a cash flow model in compliance with article 22.3 of the EU Securitisation Regulation.</p> <p>3.1.13.Bloomberg Finance LP (Bloomberg) shall provide a cash flow model in compliance with article 22.3 of the EU Securitisation Regulation.</p> <p><i>PCS is not a modelling firm nor has any modelling expertise. Therefore, it will not verify the model's accuracy or perform any due diligence whatsoever on the model. However, it will seek to satisfy itself indirectly as to the likelihood of the model's accuracy by requesting details of the individuals (if employed by the originator) or the firms (if the model is outsourced) responsible for the model. PCS will then assess whether, in its sole opinion, the model was put together by persons or firms with a reputation and a track-record in such models.</i></p> <p>Both INTEX and Bloomberg provide a cash flow model in compliance with article 22.3 of the EU Securitisation Regulation. Having seen the model, read a statement in the prospectus that the model will be made available in accordance with the requirements of the criteria and assessed the firm responsible for the model, PCS is prepared to verify this criterion.</p>		
70	STS criteria	SEE RELATED EBA GUIDELINES
<p>70. And shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, Additional Information, 4. (Post Issuance Reporting), 4.2.1 (Ordinary periodic notices), 4.2.1.1.4 <i>Information referred to EU Securitisation Regulation</i></p> <p>Furthermore, in accordance with article 22 of the EU Securitisation Regulation, the Seller, as Originator, (or any agent on its behalf) will make available (or has made available on https://www.psafinancialservices.es/ and/or the EU Securitisation Repository) to potential investors, before pricing, the following information:</p> <p>(ii)a liability cash flow model, elaborated and published by INTEX and/or Bloomberg, which precisely represents the contractual relationship of the Receivables and the payments flowing between the Seller, the Fund and the Noteholders, (and shall, after pricing, make that model available to Noteholders on an ongoing basis and to potential investors upon request);</p> <p><i>Although technically covering the period between pricing and close, this is primarily a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</i></p> <p>PCS notes the existence of such covenant in the Prospectus, see above.</p>		

71	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>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</p> <p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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).</p>		
Verified?		Yes
PCS Comment		
<p>Additional Information, 3.7.1.5. Information</p> <p>In particular, the Servicer shall provide in a timely manner to the Originator, as Reporting Entity, any reports, data and other information in the correct format to fulfil the reporting requirements of article 7 of the EU Securitisation Regulation (including, inter alia, the information, if available, related to the environmental performance of the Vehicles).</p>		

72	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
STS criteria		
<p>72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.</p>		
Verified?		Yes
PCS Comment		
<p>See Additional Information, 4.2.1.1.4 Information referred to EU Securitisation Regulation</p> <p>The Seller shall be responsible for compliance with article 7, in accordance with article 22.5 of the EU Securitisation Regulation and has been designated as the “Reporting Entity” for the purposes of article 7.2 of the EU Securitisation Regulation.</p>		

73	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
STS criteria		
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See Additional Information, 4. (<i>Post Issuance Reporting</i>), section 4.2.1 Ordinary periodic notices, 4.2.1.1.4 <i>Information referred to EU Securitisation Regulation</i>, <u>Article 22 of the EU Securitisation Regulation</u></p> <p>Furthermore, in accordance with article 22 of the EU Securitisation Regulation, the Seller, as Originator, (or any agent on its behalf) will make available (or has made available on https://www.psafinancialservices.es/ and/or the EU Securitisation Repository) to potential investors, before pricing, the following information:</p> <p>(iii) upon request, the loan-by-loan information (including, inter alia, the information, if available related to the environmental performance of the assets) required by point (a) of the first subparagraph of article 7(1) of the EU Securitisation Regulation; and</p>		
74	STS criteria	
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See section 4 (<i>Post Issuance Reporting</i>) 4.2.1 Ordinary periodic notices, 4.2.1.1.4 <i>Information referred to EU Securitisation Regulation</i>,</p> <p>Furthermore, in accordance with article 22 of the EU Securitisation Regulation, the Seller, as Originator, (or any agent on its behalf) will make available (or has made available on https://www.psafinancialservices.es/ and/or the EU Securitisation Repository) to potential investors, before pricing, the following information:</p> <p>(iv) draft versions of the Transaction Documents and the STS Notification</p>		

75	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.</p>		
STS criteria		
<p>75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.</p>		
Verified?		Yes
PCS Comment		
<p>See Additional Information, section 4 (Post Issuance Reporting) 4.2.1 Ordinary periodic notices, 4.2.1.1.4 Information referred to EU Securitisation Regulation, Article 7, in accordance with article 22.5 of the EU Securitisation Regulation</p> <p>(iv) make available, in accordance with the article 7(1)(b) and article 22.5 of the EU Securitisation Regulation, in any case within fifteen (15) calendar days of the Date of Incorporation, copies of the relevant Transaction Documents and this Prospectus.</p> <p><i>This criterion requires 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 Seller will need to inform ESMA and the STS status of the securitisation will be lost.</i></p> <p><i>Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</i></p> <p><i>However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</i></p> <p>PCS notes the existence of such covenant in the Prospectus.</p>		

76	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(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;</p>		
STS criteria		
<p>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:</p> <p>(a) information on the underlying exposures on a quarterly basis,</p>		
Verified?		Yes
PCS Comment		
<p>See Additional Information, section 4 (Post Issuance Reporting) 4.2.1 Ordinary periodic notices, 4.2.1.1.4 Information referred to EU Securitisation Regulation, Article 7, in accordance with article 22.5 of the EU Securitisation Regulation</p> <p>PSA Financial Services, in its capacity as reporting entity under the EU Securitisation Regulation (the Reporting Entity), directly or delegating to any other agent on its behalf, will:</p> <p>(i) following the Date of Incorporation:</p>		

<p>(a) publish a quarterly investor report in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(e) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date;</p> <p>(b) publish on a quarterly basis certain loan-by-loan information in relation to the Receivables in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(a) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date, and simultaneously with the quarterly investor report;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' analysis in Note 75 above.</i></p> <p>PCS notes the existence in the Prospectus of a covenant to provide all the Article 7 information.</p>

77	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <p>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p> <p>(ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</p> <p>(iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator;</p> <p>(iv) the servicing, back-up servicing, administration and cash management agreements;</p> <p>(v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value;</p> <p>(vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;</p>		
STS criteria		
<p>77. (b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <p>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p>		
Verified?		Yes
PCS Comment		
<p>See Additional Information, section 4 (Post Issuance Reporting) 4.2.1 Ordinary periodic notices, 4.2.1.1.4 Information referred to EU Securitisation Regulation, Article 7, in accordance with article 22.5 of the EU Securitisation Regulation</p> <p>(v) "make available in accordance with the article 7(1)(b) and article 22.5 of the EU Securitisation Regulation, in any case within fifteen (15) calendar days of the Date of Incorporation, copies of the relevant Transaction Documents and this Prospectus."</p>		
78	STS criteria	
<p>78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</p>		
Verified?		Yes
PCS Comment		
<p><i>See point 77 above, all part of the Transaction Documents, which are defined as:</i></p> <p>Transaction Documents (Documentos de la Operación) means the Deed of Incorporation, the Master Sale and Purchase Agreement, the Start-Up Expenses Loan Agreement, the Reinvestment Agreement, the Management, Placement and Subscription Agreement, the Paying Agency Agreement, the Seller Loan (if any) and the Interest Rate Swap Agreement.</p>		

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 <i>See point 77 and 78 above, all part of the "Transaction Documents".</i>
80	STS criteria
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;
	Verified? Yes
	PCS Comment <i>See point 78 above</i>
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 <i>See point 78 above</i>
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 <i>See point 78 above</i>

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 Additional Information, sections 3.4.7.2 and 3.4.7.3 (<i>The order of priority of payments made by the issuer to the holders of the class of securities in question</i>) of the Prospectus.		

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		
<i>The Prospectus is made in compliance with the Prospectus Regulation. This requirement and those in points 85, 86 and 87 are therefore not applicable.</i>		

85	STS criteria
	85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;
	Verified? Yes
	PCS Comment <i>Not applicable.</i>
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 <i>Not applicable.</i>
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 <i>Not applicable.</i>

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 <i>STS notification is part of the information provided before pricing, as stated in Post-Issuance Reporting 4.2.1., 4.2.1.1.4 Information referred to EU Securitisation Regulation (iv) (iv) draft versions of the Transaction Documents and the STS Notification.</i>		

The final STS Notification will be made available to Noteholders on or about the Date of Incorporation or the Disbursement Date, and the competent authorities referred to in article 29 of the Securitisation Regulation and, upon request, to potential investors.
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89	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p> <p>(i) all materially relevant data on the credit quality and performance of underlying exposures;</p> <p>(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;</p> <p>(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.</p>		
STS criteria		
89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:		
Verified?	Yes	
PCS Comment		
<p>See Additional Information, Post Issuance Reporting, section 4.2.1.1.4</p> <p>PSA Financial Services, in its capacity as reporting entity under the EU Securitisation Regulation (the Reporting Entity), directly or delegating to any other agent on its behalf, will:</p> <p>(i) following the Date of Incorporation:</p> <p>(a) publish a quarterly investor report in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(e) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date;</p> <p>(b) publish on a quarterly basis certain loan-by-loan information in relation to the Receivables in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(a) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date, and simultaneously with the quarterly investor report;</p> <p>PCS notes that the Originator will report according to the ESMA disclosure templates.</p>		
90	STS criteria	
90. (i) all materially relevant data on the credit quality and performance of underlying exposures;		
Verified?	Yes	
PCS Comment		
See point 89 above.		

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	
Additional Information, 4.2.1. (Post-Issuance Reporting) (4.2.1.1.4) (iii) "publish without delay any significant event including any significant events described in article 7(1)(g) of the EU Securitisation Regulation; and"	
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	
<i>Intex and Bloomberg will both provide cash flow models.</i> See Additional Information 4.2.1. (Post-Issuance Reporting) 4.2.1.1.4, (ii) as quoted for criterion 70 above. (ii) a liability cash flow model, elaborated and published by INTEX and/or Bloomberg, which precisely represents the contractual relationship of the Receivables and the payments flowing between the Originator, the Fund and the Noteholders, (and shall, after pricing, make that model available to Noteholders on an ongoing basis and to potential investors upon request);	
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 3.4.3 (<i>additional information to be included in relation to asset-backed securities</i>) Risk retention requirement, 3.4.3.1 EU Retention Requirement <i>This section describes the initial risk retention and includes Originator's undertakings in relation to keeping to the risk retention requirements on an ongoing basis.</i> See also 4.2.1, section 4.2.1.1.4 "The quarterly investor reports shall include, in accordance with article 7(1), subparagraph (e)(iii) of the EU Securitisation Regulation, information about the risk retention, including information on which of the modalities provided for in article 6(3) has been applied, in accordance with article 6 of the EU Securitisation Regulation."	

94	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p>		
STS criteria		
94. (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;		
Verified?		Yes
PCS Comment		
<p>A covenant to publish without delay any inside information make public in accordance with Article 17 of Regulation (EU) No 596/2014 is contained in:</p> <p>Prospectus, Additional Information, Section 4 (Post-Issuance Reporting) 4.2.1, section 4.2.1.14, (ii)</p> <p>(ii) publish, in accordance with article 7(1)(f) of the EU Securitisation Regulation, without delay, any inside information made public in accordance with article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse;</p>		

95	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p> <p>(ii) a change in the structural features that can materially impact the performance of the securitisation;</p> <p>(iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;</p> <p>(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;</p> <p>(v) any material amendment to transaction documents.</p>		
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		
<p>A covenant to publish without delay any significant event including any significant events described in article 7(1)(g) of the STS Regulation is contained in:</p> <p>Prospectus, Additional Information, Section 4 (Post-Issuance Reporting) 4.2.1 section 4.2.1.1.4 (iii)</p> <p>“publish without delay any significant event including any significant events described in article 7(1)(g) of the EU Securitisation Regulation;”</p>		

96	STS criteria
	96. (ii) a change in the structural features that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment <i>See point 95, above.</i>
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 <i>See point 95, above.</i>
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 <i>See point 95, above.</i>
99	STS criteria
	99. (v) any material amendment to transaction documents.
	Verified? Yes
	PCS Comment <i>See point 95, above.</i>

100	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>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]</p>		
STS criteria		
<p>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]</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, Additional Information, Section 4 (<i>Post-Issuance Reporting</i>) 4.2.1. section 4.2.1.1.4 , (i)(b)</p> <p>(i) (b) publish on a quarterly basis certain loan-by-loan information in relation to the Receivables in respect of each Interest Accrual Period, as required by and in accordance with article 7(1)(a) of the EU Securitisation Regulation, the EU Disclosure RTS and the EU Disclosure ITS, no later than one (1) month after the relevant Payment Date, and simultaneously with the quarterly investor report;</p>		

101	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>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</p> <p>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.</p> <p>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.</p> <p>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.</p>		
STS criteria		
<p>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</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, Additional Information, Section 4 (<i>Post-Issuance Reporting</i>) 4.2.1, 4.2.1.1.4) (ii) and (iii).</p> <p>(ii) publish, in accordance with article 7(1)(f) of the EU Securitisation Regulation, without delay, any inside information made public in accordance with article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse;</p> <p>(iii) publish without delay any significant event including any significant events described in article 7(1)(g) of the EU Securitisation Regulation; and</p>		

102	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Or</p> <p>The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC.</p>		
STS criteria		
<p>102. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, Additional Information, Section 4 (<i>Post-Issuance Reporting</i>) 4.2.1 (<i>Ordinary periodic notices</i>)</p> <p>The Seller shall be responsible for compliance with article 7, in accordance with article 22.5 of the EU Securitisation Regulation and has been designated as the Reporting Entity for the purposes of article 7.2 of the EU Securitisation Regulation.</p> <p>The Reporting Entity, directly or delegating to any other agent on its behalf, will publish or make otherwise available the reports and information referred to above as required under article 7 and article 22 of the EU Securitisation Regulation by means of the EU Securitisation Repository.</p> <p><i>The Prospectus is made in compliance with the Prospectus Regulation.</i></p>		
103	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (c), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
STS criteria		
<p>103. The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
Verified?		Yes
PCS Comment		
<p>See 102, above.</p>		

Definitions:

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

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

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

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

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

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

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

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

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

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

EBA Final non-ABCP STS Guidelines:

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

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

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

3	<p>Article 20 - Requirements relating to simplicity</p> <p>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></p> <p>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.</p> <p>EBA Final non-ABCP STS Guidelines</p> <p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <p>(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;</p> <p>(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;</p> <p>(c) assessment of clawback risks and re-characterisation risks.</p> <p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p> <p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>	<p>BACK TO CHECKLIST</p>
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4	<p>Article 20 - Requirements relating to simplicity</p> <p>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></p> <p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>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.</p> <p>22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;</p> <p>(b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.</p> <p>EBA Final non-ABCP STS Guidelines</p> <p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>Severe deterioration in the seller credit quality standing</i></p> <p>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.</p> <p><i>Insolvency of the seller</i></p> <p>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.</p>	<p>BACK TO CHECKLIST</p>
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5	<i>Article 20 - Requirements relating to simplicity</i>	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>21. The objective of the criterion in Article 20(6), which requires the seller to provide the representations and warranties confirming to the seller's best knowledge that the transferred exposures are neither encumbered nor otherwise in a condition that could potentially adversely affect the enforceability of the transfer of title, is to ensure that the underlying exposures are not only beyond the reach not only of the seller but equally of its creditors, and to allocate the commercial risk of the encumbrance of the underlying exposures to the seller.</p>		
EBA Final non-ABCP STS Guidelines		

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

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

8	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p>25. Revolving periods and other structural mechanisms resulting in the inclusion of exposures in the securitisation after the closing of the transaction may introduce the risk that exposures of lesser quality can be transferred into the pool. For this reason, it should be ensured that any exposure transferred into the securitisation after the closing meets the eligibility criteria, which are no less strict than those used to structure the initial pool of the securitisation.</p> <p>26. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) the purpose of the requirement on the portfolio management, and the provision of examples of techniques which should not be regarded as active portfolio management: this criterion should be considered without prejudice to the existing requirements with respect to the similarity of the underwriting standards in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, which requires that all the underlying exposures in a securitisation be underwritten according to similar underwriting standards;</p> <p>(b) interpretation of the term ‘clear’ eligibility criteria;</p> <p>(c) clarification with respect to the eligibility criteria that need to be met with respect to the exposures transferred to the SSPE after the closing.</p>		
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<p>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p><i>Eligibility criteria to be met for exposures transferred to the SSPE after the closing of the transaction</i></p> <p>18. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, ‘meeting the eligibility criteria applied to the initial underlying exposures’ should be understood to mean eligibility criteria that comply with either of the following:</p> <p>(a) with regard to normal securitisations, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the closing of the transaction;</p> <p>(b) with regard to securitisations that issue multiple series of securities including master trusts, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the most recent issuance, with the results that the eligibility criteria may vary from closing to closing, with the agreement of securitisation parties and in accordance with the transaction documentation.</p> <p>19. Eligibility criteria to be applied to the underlying exposures in accordance with paragraph 18 should be specified in the transaction documentation and should refer to eligibility criteria applied at exposure level.</p>		
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<p>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p>27. The criterion on the homogeneity as specified in the first subparagraph of Article 20(8) has been further clarified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402.</p>		
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<p>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p>28. The objective of the criterion specified in the third sentence in the first subparagraph and in the second subparagraph of Article 20(8) is to ensure that the underlying exposures contain valid and binding obligations of the debtor/guarantor, including rights to payments or to any other income from assets supporting such payments that result in a periodic and well-defined stream of payments to the investors.</p> <p>30. To facilitate consistent interpretation of this criterion, a clarification should be provided with respect to:</p> <p>(a) interpretation of the term 'contractually binding and enforceable obligations';</p>		
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<p>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p><i>Contractually binding and enforceable obligations</i></p> <p>20. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, 'obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors' should be understood to refer to all obligations contained in the contractual specification of the underlying exposures that are relevant to investors because they affect any obligations by the debtor and, where applicable, the guarantor to make payments or provide security.</p>		

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

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

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

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

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Underwriting standards (Article 20(10))	
<p>35. The objective of the criterion specified in the third subparagraph of Article 20(10) is to ensure that the assessment of the borrower’s creditworthiness is based on robust processes. It is expected that the application of this article will be limited in practice, given that the STS is limited to originators based in the EU, and the criterion is understood to cover only exposures originated by the EU originators to borrowers in non-EU countries.</p> <p>37. (e) clarification of the criterion with respect to the assessment of a borrower’s creditworthiness based on equivalent requirements in third countries;</p>	
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<p>Underwriting standards (Article 20(10))</p> <p>36. The objective of the criterion specified in the fourth subparagraph of Article 20(10) is for the originator or original lender to have an established performance history of credit claims or receivables similar to those being securitised, and for an appropriately long period of time.</p> <p>37. (f) identification of criteria on which the expertise of the originator or the original lender should be determined:</p> <p>(i) when assessing if the originator or the original lender has the required expertise, some general principles should be set out against which the expertise should be assessed. The general principles have been designed to allow a robust qualitative assessment of the expertise. One of these principles is the regulatory authorisation: this is to allow for more flexibility in such qualitative assessments of the expertise if the originator or the original lender is a prudentially regulated institution which holds regulatory authorisations or permissions that are relevant with respect to origination of similar exposures. The regulatory authorisation in itself should, however, not be a guarantee that the originator or original lender has the required expertise;</p> <p>(ii) irrespective of such general principles, specific criteria should be developed, based on specifying a minimum period for an entity to perform the business of originating similar exposures, compliance with which would enable the entity to be considered to have a sufficient expertise. Such expertise should be assessed at the group level, so that possible restructuring at the entity level would not automatically lead to non-compliance with the expertise criterion. It is not the intention of such specific criteria to form an impediment to the entry of new participants to the market. Such entities should also be eligible for compliance with the expertise criterion, as long as their management body and senior staff with managerial responsibility for origination of similar exposures, have sufficient experience over a minimum specified period.</p> <p>38. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>		
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<p>4.4 Underwriting standards, originator's expertise (Article 20(10))</p> <p>Similar exposures</p> <p>22. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, exposures should be considered to be similar when one of the following conditions is met:</p> <p>(a) the exposures belong to one of the following asset categories referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402:</p> <ul style="list-style-type: none"> (i) residential loans secured with one or several mortgages on residential immovable property, or residential loans fully guaranteed by an eligible protection provider among those referred to in Article 20(1) of Regulation (EU) No 575/2013 qualifying for credit quality step 2 or above as set out in Part Three, Title II, Chapter 2 of that regulation; (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; <p>(b) the exposures fall under the asset category of credit facilities provided to micro-, small-, medium-sized and other types of enterprises and corporates including loans and leases, as referred to in Article 2(d) of the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, as underlying exposures of a certain type of obligor;</p> <p>(c) where they do not belong to any of the asset categories referred to in points (a) and (b) of this paragraph and as referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous for the purposes of Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, the underlying exposures share similar characteristics with respect to the type of obligor, ranking of security rights, type of immovable property and/or jurisdiction.</p> <p><i>Criteria for determining the expertise of the originator or original lender</i></p> <p>34. For the purposes of determining whether an originator or original lender has expertise in originating exposures of a similar nature to those securitised in accordance with Article 20(10) of Regulation (EU) 2017/2402, both of the following should apply:</p>		

(a) the members of the management body of the originator or original lender and the senior staff, other than the members of the management body, responsible for managing the originating of exposures of a similar nature to those securitised should have adequate knowledge and skills in the origination of exposures of a similar nature to those securitised;

(b) any of the following principles on the quality of the expertise should be taken into account:

(i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;

(ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;

(iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of originating the exposures should be appropriate;

(iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to origination of exposures of a similar nature to those securitised.

35. An originator or original lender should be deemed to have the required expertise when either of the following applies:

(a) the business of the entity, or of the consolidated group to which the entity belongs for accounting or prudential purposes, has included the originating of exposures similar to those securitised, for at least five years;

(b) where the requirement referred to in point (a) is not met, the originator or original lender should be deemed to have the required expertise where they comply with both of the following:

(i) at least two of the members of the management body have relevant professional experience in the origination of exposures similar to those securitised, at a personal level, of at least five years;

(ii) senior staff, other than members of the management body, who are responsible for managing the entity's originating of exposures similar to those securitised, have relevant professional experience in the origination of exposures of a similar nature to those securitised, at a personal level, of at least five years.

36. For the purposes of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.

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

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

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

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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.		

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

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<p>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(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.</p>		
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<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>Risk of contractually agreed payments not being made being significantly higher than for comparable exposures</p> <p>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:</p> <p>(a) the most relevant factors determining the expected performance of the underlying exposures are similar;</p> <p>(b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.</p> <p>45. The requirement in the previous paragraph should be considered to have been met where either of the following applies:</p> <p>(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;</p> <p>(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.</p>		
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<p>At least one payment made (Article 20(12))</p> <p>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.</p> <p>42. To facilitate consistent interpretation of this criterion, its scope and the types of payments referred to therein should be further clarified.</p>		
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<p>4.6 At least one payment made (Article 20(12))</p> <p>Scope of the criterion</p> <p>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.</p> <p>At least one payment</p> <p>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.</p>		

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

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Risk retention (Article 21(1))		
<p>47. The main objective of the risk retention criterion is to ensure an alignment between the originators'/sponsors'/original lenders' and investors' interests, and to avoid application of the originate-to-distribute model in securitisation.</p> <p>48. The content of the criterion is deemed sufficiently clear that no further guidance in addition to that provided by the Delegated Regulation further specifying the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/2402 is considered necessary.</p>		
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Appropriate mitigation of interest-rate and currency risks (Article 21(2))		
<p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term 'common standards in international finance'.</p>		
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5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))		
Appropriate mitigation of interest-rate and currency risks		
<p>51. For the purposes of Article 21(2) of Regulation (EU) 2017/2402 in order for the interest-rate and currency risks arising from the securitisation to be considered 'appropriately mitigated', it should be sufficient that a hedge or mitigation is in place, on condition that it is not unusually limited with the effect that it covers a major share of the respective interest-rate or currency risks under relevant scenarios, understood from an economic perspective. Such a mitigation may also be in the form of derivatives or other mitigating measures including reserve funds, over collateralisation, excess spread or other measures.</p> <p>52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply:</p> <p>(a) the derivatives should be used only for genuine hedging of asset and liability mismatches of interest rates and currencies, and should not be used for speculative purposes;</p> <p>(b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards;</p> <p>(c) the derivative documentation should provide, in the event of the loss of sufficient creditworthiness of the counterparty below a certain level, measured either on the basis of the credit rating or otherwise, that the counterparty is subject to collateralisation requirements or makes a reasonable effort for its replacement or guarantee by another counterparty.</p>		

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

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<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term 'common standards in international finance'.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>54. The measures referred to in paragraphs 52 and 53, as well as the reasoning supporting the appropriateness of the mitigation of the interest-rate and currency risks through the life of the transaction, should be disclosed.</p>		

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<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p>		
<p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p>		
<p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p>		
<p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p>		
<p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p>		
<p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p>		
<p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p>		
<p>(c) clarification of the term ‘common standards in international finance’.</p>		
<p>EBA Final non-ABCP STS Guidelines</p>		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p>		
<p>Derivatives</p>		
<p>55. For the purpose of Article 21(2) of Regulation (EU) 2017/2402, exposures in the pool of underlying exposures that merely contain a derivative component exclusively serving the purpose of directly hedging the interest-rate or currency risk of the respective underlying exposure itself, which are not themselves derivatives, should not be understood to be prohibited.</p>		

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<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term 'common standards in international finance'.</p>		
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<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>Common standards in international finance</p> <p>56. For the purposes of Article 21(2) of Regulation (EU) 2017/2402, common standards in international finance should include ISDA or similar established national documentation standards.</p>		

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

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

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

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<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>Liquidation of the underlying exposures at market value</p> <p>65. For the purposes of Article 21(4)(d) of Regulation (EU) 2017/2402, the investors' decision to liquidate the underlying exposures at market value should not be considered to constitute an automatic liquidation of the underlying exposures at market value.</p>		

45	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Non-sequential priority of payments (Article 21(5))</p> <p>59. The objective of this criterion is to ensure that non-sequential (pro rata) amortisation should be used only in conjunction with clearly specified contractual triggers that determine the switch of the amortisation scheme to a sequential priority, safeguarding the transaction from the possibility that credit enhancement is too quickly amortised as the credit quality of the transaction deteriorates, thereby exposing senior investors to a decreasing amount of credit enhancement.</p> <p>60. To facilitate consistent interpretation of this criterion, a non-exhaustive list of examples of performance-related triggers that may be included is provided in the guidance.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.4 Non-sequential priority of payments (Article 21(5))</p> <p>Performance-related triggers</p> <p>66. For the purposes of Article 21(5) of Regulation (EU) 2017/2402, the triggers related to the deterioration in the credit quality of the underlying exposures may include the following:</p> <ul style="list-style-type: none"> (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,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
47,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
48,	Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))	
49,	61. The objective of this criterion is to ensure that, in the presence of a revolving period mechanism, investors are sufficiently protected from the risk that principal amounts may not be fully repaid. In all such transactions, irrespective of the nature of the revolving mechanism, investors should be protected by a minimum set of early amortisation triggers or triggers for the termination of the revolving period that should be included in the transaction documentation.	
50	62. In order to facilitate the consistent interpretation of this criterion, interactions of this criterion with the criterion under Article 21(7)(b) with respect to the insolvency-related event with respect to the servicer should be further clarified.	
EBA Final non-ABCP STS Guidelines		
5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))		
<i>Insolvency-related event with regard to the servicer</i>		
67. For the purposes of Article 21(6)(b) of Regulation (EU) 2017/2402, an insolvency-related event with respect to the servicer should lead to both of the following:		
(a) it should enable the replacement of the servicer in order to ensure continuation of the servicing;		
(b) it should trigger the termination of the revolving period.		

51,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
52,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
53	Transaction Documentation (Article 21(7))	
63. The objective of this criterion is to help provide full transparency to investors, assist investors in the conduct of their due diligence and prevent investors from being subject to unexpected disruptions in cash flow collections and servicing, as well as to provide investors with certainty about the replacement of counterparties involved in the securitisation transaction.		
64. This criterion is considered sufficiently clear and no further guidance is considered necessary.		
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54	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Expertise of the Servicer (Article 21(8))</p> <p>65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.</p> <p>66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) criteria for determining the expertise of the servicer;</p> <p>(b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer.</p> <p>67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>		
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<p>5.8 Expertise of the servicer (Article 21(8))</p> <p><i>Criteria for determining the expertise of the servicer</i></p> <p>68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:</p> <p>(a) the members of the management body of the servicer and the senior staff, other than members of the management body, responsible for servicing exposures of a similar nature to those securitised should have adequate knowledge and skills in the servicing of exposures similar to those securitised;</p> <p>(b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise:</p> <p>(i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;</p> <p>(ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;</p> <p>(iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of servicing the exposures should be appropriate;</p> <p>(iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to the servicing of similar exposures to those securitised.</p> <p>69. A servicer should be deemed to have the required expertise where either of the following applies:</p> <p>(a) the business of the entity, or of the consolidated group, to which the entity belongs, for accounting or prudential purposes, has included the servicing of exposures of a similar nature to those securitised, for at least five years;</p> <p>(b) where the requirement referred to in point (a) is not met, the servicer should be deemed to have the required expertise where they comply with both of the following:</p> <p>(i) at least two of the members of its management body have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at personal level, of at least five years;</p> <p>(ii) senior staff, other than members of the management body, who are responsible for managing the entity's servicing of exposures of a similar nature to those securitised, have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at a personal level, of at least five years;</p> <p>(iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a).</p> <p>70. For the purpose of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.</p> <p><i>Exposures of similar nature</i></p> <p>71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.</p>		

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

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

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

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

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

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

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