

STS Term Master Checklist

LT AUTORAHOITUS DAC



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

26th April 2021

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

This STS Term Master Checklist must be read together with the PCS Procedures Manual and the PCS Term Evidentiary Standards Manual. This document is based upon the draft 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.

26th April 2021



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PCS UK and PCS EU are authorised respectively by the UK Financial Conduct Authority and the French *Autorité des Marchés Financiers* as third parties verifying STS compliance pursuant to article 28 of the Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "**STS Regulation**").

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

Prime Collateralised Securities (PCS) STS Verification

Individual(s) undertaking the assessment	Robert Leach
Date of Verification	26 April 2021
The transaction to be verified (the “Transaction”)	LT AUTORAHOITUS DAC
Issuer	LT AUTORAHOITUS DAC
Originator	LocalTapiola Finance Ltd
Lead Manager(s)	BNP Paribas
Transaction Legal Counsel	Waselius & Wist
Rating Agencies	Moody’s, S&P
Stock Exchange	Irish Stock Exchange (Euronext Dublin)
Target Closing Date	26 April 2021

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

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

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

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

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

1	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Auto Portfolio Purchase Agreement</p> <p>On 21 October 2020, the Seller and the Purchaser entered into the Auto Portfolio Purchase Agreement pursuant to which the Purchaser has, on the relevant Purchase Dates, purchased the Portfolio from the Seller. On the Note Issuance Date, the Seller the Purchaser, the Issuer and the Trustee have agreed to amend and restate the Original Auto Portfolio Purchase Agreement (referred to herein as the "Amended Auto Portfolio Purchase Agreement"), pursuant to which the Issuer and the Issuer Security Trustee have acceded to the Amended Auto Portfolio Purchase Agreement and the parties have agreed to certain features and mechanics related to the Portfolio, as described below.</p> <p>The Amended Auto Portfolio Purchase Agreement requires that, as at the Purchase Cut-Off Date, the Portfolio and any part thereof will have to meet the eligibility criteria set out in "Eligibility Criteria" herein. Pursuant to the Amended Auto Portfolio Purchase Agreement, the Seller represents and warrants that, as at the Purchase Cut-Off Date, each Purchased HP Contract meets such eligibility criteria.</p> <p>Upon payment of the Purchase Price for the relevant Purchased HP Contracts, the Purchaser has acquired unrestricted title to such Purchased HP Contract (including legal title to the related Financed Vehicles) as from the relevant Purchase Date of such Purchased HP Contract (other than any Instalments which have become due prior to or on such Purchase Cut-Off Date) in accordance with the Original Auto Portfolio Purchase Agreement. As a result, the Purchaser has obtained the full economic ownership in the Portfolio, including principal and interest, and is free to transfer or otherwise dispose of the Portfolio, subject only to the contractual restrictions applying to the Purchased HP Contracts and all applicable laws.</p> <p>The sale and assignment was perfected (fi: "julkivarmistus") by notifying the Debtors of such sale and directing the Debtors to make payments to the Purchaser or to its order. Since the Financed Vehicles are in the possession of the Debtors, the transfer of the title to the Financed Vehicles was also perfected by notifying the Debtors of the sale (lat: "traditio longa manu"). Under the Original Auto Portfolio Purchase Agreement, the Seller agreed to deliver such notices by mailing them on or about the relevant Purchase Date and, within seven (7) days from the transfer of the Portfolio to the Purchaser, has given instructions to the Finnish Transport and Communications Agency to register the Purchaser as the owner of each Financed Vehicle in the Vehicle Register.</p> <p>See also Prospectus, <i>LEGAL MATTERS — FINLAND</i>.</p> <p>Transfer of HP Contracts to the Purchaser</p> <p>Under Finnish law and the terms and conditions of the Purchased HP Contracts, the Purchased HP Contracts may be freely transferred by way of ownership or security. A notification to each of the Debtors is, however, required in order to perfect the transfer of the Purchased HP Contracts and for such transfer to be effective against the Seller's creditors and other third parties, including bankruptcy creditors. After the delivery of the notice, the Debtors may no longer settle their debt by payment to the Seller and subsequently claim protection of payment against the Purchaser.</p> <p>Pursuant to the Original Auto Portfolio Purchase Agreement, the Seller agreed to procure that, when completed in accordance with the Original Auto Portfolio Purchase Agreement, the sale and transfer of the Purchased HP Contracts obtained legal perfection by virtue of a notification to be mailed to each of the Debtors on or about the relevant Purchase Date. Further, the Finnish Transport and Communications Agency must be notified of the transfer of title to the Financed Vehicles. Such notifications have been mailed to Debtors and the holders of the Financed Vehicles on or about the relevant Purchase Date and to the Finnish Transport and Communications Agency on or prior to the date falling seven (7) calendar days after the relevant Purchase Date.</p> <p>As security for the loans under the Purchased HP Contracts, the Seller has retained title to the Financed Vehicles until all payments under the relevant Purchased HP Contract have been made in full. The transfer of title to the Financed Vehicles to the Purchaser was perfected through notification to the holders of the vehicles. In addition, the Purchaser was registered as the owner of the Financed Vehicles in the Vehicle Register.</p>		

While legal title to each Financed Vehicle is vested with the Purchaser under the Purchased HP Contracts, the Purchaser is not, prior to the repossession of a Financed Vehicle, entitled to sell or otherwise dispose of the Financed Vehicle, whether voluntarily or involuntarily, or to pledge or create other encumbrances over the Financed Vehicles on a stand-alone basis separately from the claims against the Debtors under the Purchased HP Contracts. In the event of enforcement of claims of a creditor, including those of the Issuer, against the Purchaser or in the event of the insolvency of the Purchaser, only the Purchased HP Contracts together with the Financed Vehicles, but not the Financed Vehicles separately from the claims against the Debtors under the Purchased HP Contracts, may be realised to settle the Purchaser's obligations.

"True sale" is not a legal concept but a rating agency creation.

The essence of a "true sale" is that the property in the securitised assets has legally moved from the originator/seller to the SSPE in such a way that the SSPE's ownership will be recognised as a matter of law, including and especially in the case of the insolvency of the originator/seller. In a "true sale" the insolvency officer and creditors of the insolvent originator/seller are not able to satisfy the claims of the originator/seller's creditor out of the proceeds of the securitised assets. Following a "true sale" there is no legal device by which the assets can automatically revert to the originator/seller's ownership. Such automatic reversion is associated with security interests and anathema to a "true sale".

This is clearly stated in the wording of the Regulation (20.1). The expression "transfer to the same effect" indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.

The issue of "true sale" is separate from the issue of "clawback". "Clawback" refers to legal processes through which, in the insolvency of the seller of an asset, an insolvency officer is entitled to reverse the sale – even in cases where a "true sale" has taken place.

All European jurisdictions, to PCS' knowledge, have rules allowing for clawbacks. Clawbacks are usually rules to avoid a company heading towards insolvency from "defrauding" its existing creditors either by selling assets at very low prices (to friends and relations) or unfairly preferring certain creditors over others.

The Regulation (20.1) therefore does not require STS "true sales" to be clawback proof since this would mean that no European securitisation could ever be STS. It does require the sale not to be subject to "severe clawback". The Regulation does not define "severe clawback" but gives an example (20.2) where a clawback happens for no reasons. The Regulation (20.3) also explicitly excludes from the definition of "severe clawback" the traditional European basis for such devices which all come under the general category of "preferences".

PCS further notes that the examples (20.2 and 20.3) refer to the insolvency law of a jurisdiction and therefore believes that clawback risk is to be assessed on a jurisdictional basis rather than on a transactional basis. Finally, PCS does not believe and nor is there any evidence that the legislators or regulatory authorities are seeking to craft a higher standard than that which has been used for decades by the market and was the basis for the legislative text.

Based on the above considerations, PCS believes that transfers from jurisdictions meeting the following criteria – absent any other indications – shall not fall within the definition of "severe clawback":

- Clawback requires an unfair preference "defrauding" creditors;*
- Clawback puts the burden of proof on the insolvency officer or creditors – in other words it cannot be automatic nor require the purchaser to prove their innocence.*

Since "severe clawback" is a jurisdictional concept, in analysing this issue PCS will therefore first seek to determine the Originator's jurisdiction for the purposes of insolvency law. This would be its centre of main interest or "COMI".

The second step would be to determine whether the relevant COMI contains severe claw back provisions in its insolvency legislation. Although the determination of a COMI can be a technically fraught analysis of international conflicts of law, PCS notes that in the vast majority of securitisations there is no real issue as the COMI is self-evident.

In the case of the Transaction, full economic ownership of the assets is transferred, by sale and assignment, with legal perfection by virtue of a notification.

The Finnish legal opinion from WASELIUS & WIST (together with the supporting opinions from William Fry (Irish law) and Mayer Brown (English law)) confirms that the sale of the Purchased HP Contracts (including title to the Financed Vehicles) constitutes a transfer of assets that meets the definition of "true sale" outlined above.

In the case of the seller, LOCALTAPIOLA FINANCE LTD, whose main business is in Finland, the COMI is Finland.

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		
<p>See Prospectus, <i>LEGAL MATTERS — FINLAND</i>.</p> <p>Absence of severe claw-back provisions</p> <p>Once the sale and transfer of the Purchased HP Contracts has been perfected by virtue of a notification to be mailed to each of the Debtors on or about the relevant Purchase Date, the sale of the Purchased HP Contracts is not subject to severe clawback provisions within the meaning of Article 20(2) of the EU Securitisation Regulation.</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10. REPRESENTATIONS AND WARRANTIES</p> <p>10.1 Seller's general representations and warranties</p> <p>The Seller represents and warrants to the Issuer and the Purchaser that, at the date of this Agreement and at the Note Issuance Date and (in the case of paragraph (k) (Accuracy of information) below) on each date on which any information is furnished by the Seller to the Issuer or the Purchaser (and in each case, by reference to the facts and circumstances then subsisting):</p> <p>(m) Centre of main interest</p> <p>It has its "centre of main interests" (as that term is used in Article 3(1) of the Recast EUIR) in Finland;</p> <p><i>The Legal Opinions confirm that the transfer of the title to the Purchased HP Contracts will 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>		

2a	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions:</p> <p>(a) provisions which allow the liquidator of the seller to invalidate the sale of the underlying exposures solely on the basis that it was concluded within a certain period before the declaration of the seller's insolvency;</p> <p>(b) provisions where the SSPE can only prevent the invalidation referred to in point (a) if it can prove that it was not aware of the insolvency of the seller at the time of sale.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>LEGAL MATTERS — FINLAND</i>.</p> <p>Absence of severe claw-back provisions</p> <p>Once the sale and transfer of the Purchased HP Contracts has been perfected by virtue of a notification to be mailed to each of the Debtors on or about the relevant Purchase Date, the sale of the Purchased HP Contracts is not subject to severe clawback provisions within the meaning of Article 20(2) of the EU Securitisation Regulation.</p> <p><i>The Legal Opinion confirms that the transfer of the title to the Purchased HP Contracts will 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>		

2b	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.3. For the purpose of paragraph 1, clawback provisions in national insolvency laws that allow the liquidator or a court to invalidate the sale of underlying exposures in case of fraudulent transfers, unfair prejudice to creditors or of transfers intended to improperly favour particular creditors over others, shall not constitute severe clawback provisions.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
Verified?		Yes
PCS Comment		
<p><i>The Legal Opinion confirms that in Finland the assignment made in the context of this securitisation transaction is not subject to severe claw back provisions.</i></p>		

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>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>1. The HP Contract:</p> <p>(a) was originated in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy with full recourse to the relevant Debtor;</p> <p>See also Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p> <p>7. The HP Contracts comprised in the Portfolio are originated in the ordinary course of the Seller's business pursuant to underwriting standards that are no less stringent than those applied by the Seller at the time of origination to similar exposures that are not or will not, as the case may be, securitised pursuant to Article 20(10), first paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p>		

4	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.5. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to affect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>4. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to effect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p>		
Verified?	Yes	
PCS Comment		
<p>See prospectus, <i>LEGAL MATTERS — FINLAND</i>.</p> <p>Pursuant to the Original Auto Portfolio Purchase Agreement, the Seller agreed to procure that, when completed in accordance with the Original Auto Portfolio Purchase Agreement, the sale and transfer of the Purchased HP Contracts obtained legal perfection by virtue of a notification to be mailed to each of the Debtors on or about the relevant Purchase Date. Further, the Finnish Transport and Communications Agency must be notified of the transfer of title to the Financed Vehicles. Such notifications have been mailed to Debtors and the holders of the Financed Vehicles on or about the relevant Purchase Date and to the Finnish Transport and Communications Agency on or prior to the date falling seven (7) calendar days after the relevant Purchase Date.</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>2.3 The Seller hereby confirms that it has:</p> <p>(a) on or about each Purchase Date, sent by mail notices of transfer to each of the Debtors under each of the relevant Purchased HP Contract and each holder of a relevant Financed Vehicle; and</p> <p>(b) on or prior to the date falling seven (7) days after each Purchase Date, given instructions to the Finnish Transport and Communications Agency to register the Purchaser as the owner of each relevant Financed Vehicle in the Vehicle Register</p> <p>in accordance with the Original Auto Portfolio Purchase Agreement.</p> <p><i>Not applicable; perfection achieved at transfer via notification.</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 Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>12. Until the sale of such HP Contract by the Seller to the Purchaser on the relevant Purchase Date, such HP Contract was owned by the Seller free of any Adverse Claims, the Seller was entitled to dispose of such HP Contract free of any rights of any third party (other than any rights to consent where the required consent has been obtained) and such HP Contract had not been transferred to any third party.</p> <p>13. Upon payment of the relevant purchase price for the HP Contract, and the notification of the relevant Debtor, as contemplated in the Original Auto Portfolio Purchase Agreement, the HP Contract has been validly transferred to the Purchaser and the Purchaser has acquired such HP Contract title unencumbered by any counterclaim, set-off right, other objection or Adverse Claim (other than any rights and claims of the Debtor pursuant to statutory law or the HP Contract).</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10. REPRESENTATIONS AND WARRANTIES</p> <p>10.2 Seller's representations and warranties on the Purchased HP Contracts</p> <p>The Seller represents and warrants to the Issuer and the Purchaser that, at the date of this Agreement and at the Note Issuance Date (by reference to the facts and circumstances then subsisting):</p> <p>(g) Purchased HP Contracts unencumbered</p> <p>Each Purchased HP Contract is unencumbered, free of any third-party rights and is not otherwise in a condition which would adversely affect the enforceability of the transfer of such Purchased HP Contract to the Purchaser;</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
<p>PCS Comment</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</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><i>PCS has read the eligibility criteria in the Prospectus. 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.</i></p>		
7	STS criteria	SEE RELATED EBA GUIDELINES
<p>7. Which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management.</p>		
Verified?		Yes
<p>PCS Comment</p> <p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Auto Portfolio Purchase Agreement</p> <p>Portfolio Management</p> <p>The Seller's rights and obligations to sell the Purchased HP Contracts to the Issuer and/or repurchase the Purchased HP Contracts from the Issuer pursuant to the Amended Auto Portfolio Purchase Agreement are not intended to constitute active portfolio management for purposes of Article 20(7) of the EU Securitisation Regulation.</p> <p>See Prospectus, <i>NOTE CONDITIONS</i>.</p> <p>5. REDEMPTION</p> <p>5.3 Optional redemption following exercise of clean-up call option</p> <p>5.4 Optional redemption for taxation reasons</p> <p>5.5 Optional redemption for regulatory reasons</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p>		

	<p>15. REPURCHASES</p> <p>15.1 Optional repurchase following exercise of clean-up call option</p> <p>15.2 Optional redemption for taxation reasons</p> <p>15.3 Mandatory repurchase</p> <p><i>The EBA Guidelines set out seven devices to repurchase securitised assets which are not to be considered indicative of “active portfolio management”. To the extent that a transaction only contains some or all of those seven devices and does not provide any other form of repurchase, then the STS criterion will be met. If the transaction should contain a repurchase device that is not included in the EBA’s list, then an analysis will need to be conducted as to whether this additional device offends against the principles set out in the EBA Guidelines (15.a and b) as defining “active portfolio management”.</i></p> <p><i>PCS has reviewed the repurchase devices set out in the Prospectus and each is one of the seven allowable repurchase devices.</i></p>	
8	<p>STS criteria</p> <p>8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p><i>Not applicable.</i></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 Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p> <p>2. As at the Note Issuance Date, the HP Contracts comprised in the Portfolio 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, pursuant to Article 20(8), first paragraph, of the EU Securitisation Regulation and the applicable Regulatory Technical Standards, given that all HP Contracts:</p> <p>(a) have been originated by the Seller based on similar underwriting standards which apply similar approaches to the assessment of credit risk associated with the underlying exposures;</p>	<p>GO TO TABLE OF CONTENTS</p> <p>SEE RELATED EBA GUIDELINES</p>

	<p>(b) have been serviced by the Seller according to similar servicing procedures;</p> <p>(c) fall within the same asset category (under the EU Securitisation Regulation and the applicable Regulatory Technical Standards) of "auto loans"; and</p> <p>(d) reflect at least the homogeneity factor of the "jurisdiction of the obligors", being all Debtors resident in Finland as at the Note Issuance Date.</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10. REPRESENTATIONS AND WARRANTIES</p> <p><i>PCS also takes 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.</i></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> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>3. The HP Contract is valid, binding and enforceable in accordance with its terms and is not capable of being cancelled by the relevant Debtor, otherwise than where the Debtor fully discharges all amounts due thereunder.</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10. REPRESENTATIONS AND WARRANTIES</p>
11	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>11. With full recourse to debtors and, where applicable, guarantors.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>1. The HP Contract:</p> <p>(a) was originated in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy with full recourse to the relevant Debtor;</p> <p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p>

	3. The HP Contracts comprised in the Portfolio contain, obligations that are contractually binding and enforceable, with full recourse to Debtors and, where applicable, Obligors which are guarantors, pursuant to Article 20(8), second paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.
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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		
	See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i> . Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows. 4. The HP Contracts comprised in the Portfolio have, defined periodic payment streams consisting of Instalments payable on a monthly basis under the relevant amortisation plan, pursuant to Article 20(8), third paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria. See also Prospectus, <i>CREDIT STRUCTURE</i> . Purchased HP Contract interest rates The Purchased HP Contracts include (a) level payment contracts under which Instalments are calculated on the basis of (approximately) equal monthly periods during the life of each loan and (b) Balloon HP Contracts under which the final Instalment may be substantially higher than the previous Instalments. Each Instalment is comprised of a portion allocable to interest and a portion allocable to principal under the relevant HP Contract.		
13	STS criteria		SEE RELATED EBA GUIDELINES
	13. Relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
	Verified?	Yes	
	PCS Comment		
	See Prospectus, <i>ELIGIBILITY CRITERIA</i> . As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement. 2. The credit under the HP Contract: (a) is denominated and payable in Euro; (b) bears interest calculated at a fixed rate and payable monthly; (c) bears interest at a rate which is not negative; and		

	(d) is fully amortising by payment of constant monthly Instalments (except for the first Instalment and the last Instalment, which may differ from the monthly Instalments payable for subsequent or previous months, respectively).
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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 Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i> .		
Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.		
5. The Portfolio does not include any transferable securities, as defined in point (44) of Article 4(1) of Directive 2014/65/EU, pursuant to Article 20(8), last paragraph, of the EU Securitisation Regulation.		

15	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.9. The underlying exposures shall not include any securitisation position.		
STS criteria		SEE RELATED EBA GUIDELINES
15. The underlying exposures shall not include any securitisation position.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i> .		
Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.		
6. The Portfolio does not include any securitisation position, pursuant to Article 20(9) of the EU Securitisation Regulation.		

16	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
16. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>1. The HP Contract:</p> <p style="padding-left: 20px;">(a) was originated in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy with full recourse to the relevant Debtor;</p> <p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p> <p>7. The HP Contracts comprised in the Portfolio are originated in the ordinary course of the Seller's business pursuant to underwriting standards that are no less stringent than those applied by the Seller at the time of origination to similar exposures that are not or will not, as the case may be, securitised pursuant to Article 20(10), first paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p>		
17	STS criteria	SEE RELATED EBA GUIDELINES
17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>1. The HP Contract:</p> <p style="padding-left: 20px;">(a) was originated in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy with full recourse to the relevant Debtor;</p> <p style="padding-left: 20px;">(b) was originated pursuant to underwriting standards that are no less stringent than those that the Seller applied at the time of origination to similar contracts that are not securitised;</p> <p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p>		

	7. The HP Contracts comprised in the Portfolio are originated in the ordinary course of the Seller's business pursuant to underwriting standards that are no less stringent than those applied by the Seller at the time of origination to similar exposures that are not or will not, as the case may be, securitised pursuant to Article 20(10), first paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.
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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, CREDIT AND COLLECTION POLICY.</p> <p>Modifications to the Credit and Collection Policy</p> <p>Other than as described in this Prospectus, there have been no material changes to the Credit and Collection Policy since the first HP contract date of origination. However, the Originator reserves the right in its absolute discretion to update its Credit and Collection Policy from time to time including without limitation in response to changes in its operating or regulatory environment, the economic situation in Finland or its portfolio development.. In the Master Framework Agreement, the Seller has agreed to disclose to potential investors, without undue delay, any material change from prior underwriting standards or other change to the Credit and Collection Policy, together with an explanation of such change and an assessment of the possible consequences on the HP Contracts, pursuant to Article 20(10) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p> <p><i>Although somewhat confusingly drafted, the EBA Guidelines make clear that the part of the criterion referring to changes from prior underwriting is a future event criterion. It applies changes in underwriting criteria that occur post-closing. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.</i></p>	

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

20	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.		
STS criteria		SEE RELATED EBA GUIDELINES
20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i> .		
Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.		
8. The Seller has assessed the Debtors' creditworthiness in compliance with the requirements set out in Article 8 of Directive 2008/48/EC, pursuant to Article 20(10), third paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.		
<i>The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. European Directives, in contrast to Regulations, do not have direct effect but must be implemented into national law country by country.</i>		
<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>		

21	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p> <p>9. The members of the management body and senior staff of the Seller have relevant professional expertise in originating exposures of a similar nature to those securitised for at least five years and so the Seller has the relevant expertise pursuant to Article 20(10), last paragraph, of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10.2 Seller's representations and warranties on the Purchased HP Contracts</p> <p>(z) Seller experience and expertise</p> <p><i>An entity originating assets similar to those securitised for at least five years is deemed, according to the EBA Guidelines to have "expertise".</i></p>		

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		
<p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Auto Portfolio Purchase Agreement</p> <p>The Amended Auto Portfolio Purchase Agreement requires that, as at the Purchase Cut-Off Date, the Portfolio and any part thereof will have to meet the eligibility criteria set out in "Eligibility Criteria" herein. Pursuant to the Amended Auto Portfolio Purchase Agreement, the Seller represents and warrants that, as at the Purchase Cut-Off Date, each Purchased HP Contract meets such eligibility criteria.</p> <p>See Prospectus, <i>CERTAIN DEFINITIONS</i>.</p> <p>"Purchase Cut-Off Date" shall mean 28 February 2021.</p>		

	<p>PCS has assumed that any period of three-and-a-half months or less between pool cut date and closing will meet the requirements of the criterion. This is in line with market standards.</p>	
23	<p>STS criteria</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>SEE RELATED EBA GUIDELINES</p>
	<p>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p> <p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p> <p>10. As at the Note Issuance Date, the Portfolio does not, include HP Contracts qualified as exposures in default within the meaning of Article 178, paragraph 1, of Regulation (EU) no. 575/2013 or as exposures to a credit-impaired Obligor, who, to the best of the Seller's knowledge:</p> <p>See also underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10. REPRESENTATIONS AND WARRANTIES</p> <p>10.2 Seller's representations and warranties on the Purchased HP Contracts</p> <p>(q) No default</p> <p>(i) Neither the Seller nor (as far as the Seller is aware) any agent appointed by the Seller in relation to the servicing of the Purchased HP Contracts has received written notice of, or has become aware of, a material default, breach or violation under any Purchased HP Contract (including a default within the meaning of Article 178(1) of the CRR which has not been remedied or any event which, with the giving of notice and/or the making of any determination and/or the expiration of any applicable grace period, would constitute such a default, breach or violation (except for a default, breach or violation consisting of a Purchased HP Contract being no more than one Instalment in arrears), provided that any default, breach or violation shall be material only if it affects the amount or Collectability of the relevant Purchased HP Contract or it would be such as would cause the relevant Purchased HP Contract not to comply with the Eligibility Criteria;</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
<p>24. Or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has represented and warranted as follows.</p> <p>10. As at the Note Issuance Date, the Portfolio does not, include HP Contracts qualified as exposures in default within the meaning of Article 178, paragraph 1, of Regulation (EU) no. 575/2013 or as exposures to a credit-impaired Obligor, who, to the best of the Seller'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 3 (three) years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures; or</p> <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history; or</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than the ones of comparable exposures held by the Seller which have not been assigned under the Securitisation,</p> <p>in each case pursuant to Article 20(11) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p>		
25	STS criteria	
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See point 24 above.</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 3 (three) years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures; or	
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>	
	(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 3 (three) years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures; or	
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. No restructured exposures.</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. No restructured exposures.</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	
	<i>See point 24 above.</i>	
	(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history;	

30	STS criteria	SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See point 24 above.</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than the ones of comparable exposures held by the Seller which have not been assigned under the Securitisation,</p>		

31	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>17. At least one due Instalment has been fully paid under the HP Contract prior to the relevant Purchase Cut-Off Date.</p>		

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 Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>The HP Contracts do not include an option for a Debtor to return the Financed Vehicle to the Seller in lieu of repayment of the HP Contract in full.</p> <p>See Prospectus, <i>LEGAL MATTERS — FINLAND</i>.</p> <p>While legal title to each Financed Vehicle is vested with the Purchaser under the Purchased HP Contracts, the Purchaser is not, prior to the repossession of a Financed Vehicle, entitled to sell or otherwise dispose of the Financed Vehicle, whether voluntarily or involuntarily, or to pledge or create other encumbrances over the Financed Vehicles on a stand-alone basis separately from the claims against the Debtors under the Purchased HP Contracts. In the event of enforcement of claims of a creditor, including those of the Issuer, against the Purchaser or in the event of the insolvency of the Purchaser, only the Purchased HP Contracts together with the Financed Vehicles, but not the Financed Vehicles separately from the claims against the Debtors under the Purchased HP Contracts, may be realised to settle the Purchaser's obligations. Therefore, and for purposes of Article 20(13) of the EU Securitisation Regulation, this securitisation transaction is not predominantly dependent on the sale of the Financed Vehicles.</p> <p><i>The transaction is not structured with residual value risk – no option for obligors to hand back vehicle in lieu of repayment in full.</i></p>		

33	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>33. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>EU Securitisation Regulation</p> <p>Retention statement</p> <p>The Seller, as originator for the purposes of the EU Securitisation Regulation, will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement), for as long as the Notes remain outstanding:</p>		

<p>(a) to retain, on an ongoing basis, a material net economic interest of not less than five per cent. in the Securitisation, which will take the form of a first loss tranche in accordance with Article 6(3)(d) of the EU Securitisation Regulation (and the applicable Regulatory Technical Standards, including the CRR RTS) comprising the Class B Notes having a Note Principal Amount of not less than five (5) per cent. of the Aggregate Outstanding Asset Principal Amount (the "Minimum Retained Amount");</p> <p>(b) not to surrender all or any part of its rights, benefits or obligations arising from the Minimum Retained Amount;</p> <p>(c) not to allow the Minimum Retained Amount to become subject to any form of credit risk mitigation or hedging;</p> <p>(d) not to change the manner in which the net economic interest is held, unless expressly permitted by the EU Securitisation Rules and to procure that any such change will be notified to the Servicer to be disclosed in the Investor Report;</p> <p>(e) to provide ongoing confirmation of its continued compliance with its obligations in paragraphs (a), (b) and (c) above in, or concurrently with the delivery of, each Investor Report to Noteholders;</p> <p>(f) to promptly notify the Note Trustee, the Sole Lead Manager and the Arranger in writing (which may be by way of email) if for any reason: (I) it ceases to hold the Minimum Retained Amount in accordance with paragraph (a) above or (II) it fails to comply with the covenant set out in paragraphs (b), (c) or (d) above in any material respect;</p> <p>(g) to comply with the disclosure obligations imposed on originators under Article 7 of the EU Securitisation Regulation and the EU Disclosure RTS, subject always to any requirement of law, in each case, in accordance with the provisions 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>See Prospectus, <i>RISK FACTORS</i>.</p> <p>RISKS RELATING TO THE STRUCTURE</p> <p>Interest Rate Risk</p> <p>Payments made to the Seller by any Debtor under a HP Contract comprise monthly amounts calculated with respect to a fixed interest rate which may be different from EURIBOR (and therefore payments made by the Purchaser to the Issuer under the Loan Agreement will reflect these fixed interest rate receipts). However, payments of interest on the Class A Notes are calculated with respect to EURIBOR plus the applicable margin (subject to a floor of zero).</p> <p>To ensure that the Issuer will not be exposed to any material interest rate discrepancy, the Issuer and the Swap Counterparty have entered into the Swap Agreement in respect of the Class A Notes (the " Swap Transaction"). Under the Swap Transaction, on each Payment Date (a) the Issuer will make payments to the Swap Counterparty based on a fixed rate of 0.166 per cent. per annum, applied to the Swap Notional Amount and (b) the Swap Counterparty will pay to the Issuer an amount calculated on the basis of the product of (i) the interest rate payable in respect of all Class A Notes on the relevant Payment Date (ii) the Swap Notional Amount on the immediately preceding Payment Date (after the making of all payments on such date) and (iii) the actual number of days in the applicable Interest Period in respect of which payment is being made divided by 360 (Actual/360).</p> <p>See also Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>The Swap Agreement</p>		

	<p>The interest rate payable by the Issuer with respect to the Class A Notes is calculated as the sum of EURIBOR and the applicable margin (subject to a floor of zero) as set out in the Note Conditions. The HP Contracts bear interest at fixed rates. The Issuer has hedged this interest rate basis exposure by entering into the Swap Agreement with the Swap Counterparty, in order to appropriately mitigate the interest rate risk pursuant to Article 21(2) of the EU Securitisation Regulation.</p> <p>On or about the Signing Date, the Issuer and the Swap Counterparty will enter into the Swap Agreement, comprising a 2002 ISDA Master Agreement together with a schedule and credit support annex thereto and a confirmation evidencing the Swap Transaction.</p> <p>Under the Swap Agreement, on each Payment Date, the Issuer will make payments to the Swap Counterparty, in respect of the Swap Transaction, a fixed rate of 0.166 per cent. per annum, applied to the Swap Notional Amount. The Swap Counterparty will pay, in respect of the Swap Transaction, a floating rate equal to the sum of (a) EURIBOR, as determined by the calculation agent under the Swap Transaction and (b) a margin equal to 0.70 per cent. per annum (subject to a floor of zero), applied to the Swap Notional Amount.</p>	
35	STS criteria	SEE RELATED EBA GUIDELINES
	35. Currency risks arising from the securitisation shall be appropriately mitigated.	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus, <i>NOTE CONDITIONS</i>.</p> <p>1.2 Denomination The Notes will be issued in the denomination of EUR 100,000.</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i></p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>2. The credit under the HP Contract: (a) is denominated and payable in Euro;</p> <p><i>Notes and underlying exposure are denominated in Euros.</i></p>	
36	STS criteria	SEE RELATED EBA GUIDELINES
	36. Any measures taken to that effect shall be disclosed.	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>RISKS RELATING TO THE STRUCTURE</p> <p>Interest Rate Risk</p> <p>See also Prospectus, <i>MISCELLANEOUS</i>.</p> <p>Swap Agreement</p> <p>The Issuer will, on or about the Signing Date, enter into an interest rate swap transactions in relation to the Class A Notes with the Swap Counterparty (each a " Swap Transaction") under which:</p>	

	<p>(a) in relation to the Swap Transaction, the Issuer will pay to the Swap Counterparty on each Payment Date the Issuer Swap Interest, being a fixed rate of 0.166 per cent. per annum, applied to the Swap Notional Amount; and</p> <p>(b) the Swap Counterparty will pay to the Issuer on each Payment Date a floating rate equal to EURIBOR as determined by the calculation agent under the Swap Transaction in respect of the Interest Period immediately preceding such Payment Date plus a margin equal to 0.70 per cent. per annum (subject to a floor of zero), applied to the Swap Notional Amount.</p> <p><i>Clearly and explicitly, "appropriate" hedging does not require "perfect" hedging. This is confirmed by the EBA Guidelines which require the hedges to cover a "major share" of the risk from an "economic perspective". However, the definition of "appropriate" hedging or a "major share" of the risk will always contain an element of subjectivity and must be analysed on a case-by-case basis.</i></p> <p><i>The fact that the Regulation was crafted by the legislators to recognise existing high-quality European securitisations rather than raise the bar to a level not previously encountered, together with the common-sense approach of the EBA, leads to the conclusion that transactions considered adequately hedged by common investor and rating agency consensus should be held to meet this criterion.</i></p> <p><i>This still requires an analysis of the matter. Since PCS is not a quantitative analysis provider or a credit rating agency, our verification is based on a second-hand analysis which focuses on:</i></p> <ul style="list-style-type: none"> • <i>A statement in the Prospectus or other document setting out the boundary conditions of the hedging. This should state in effect how far the hedging stretches and under what scenario's it will break. For example, if interbank rates rise above X%. This will provide a common-sense feel for whether, at first glance, the hedging is reasonable.</i> • <i>Risk Factors section of the prospectus to check that no statements refer to the risks of "unhedged positions". This is based on the legal requirement to disclose any relevant information to investors. If the originator or its advisers believed that the hedging in a transaction was unusually light, this should be disclosed in the Risk Section.</i> • <i>The "pre-sale" report from a recognised credit rating agency (if used) so as to identify any issues with hedging. Again, rating agencies as credit specialists should highlight in their analysis any substantial and unusual hedging risks.</i>
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37	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	<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>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>NOTE CONDITIONS</i>.</p> <p>3. GENERAL COVENANTS OF THE ISSUER</p> <p>As long as any Notes are Outstanding, the Issuer shall not be entitled, without the prior consent of the Note Trustee, to engage in or undertake any of the activities or transactions specified in Clause 6 (General covenants) of the Issuer Security Trust Deed, and in particular the Issuer agrees not to:</p> <p>(g) Derivatives</p> <p>enter into derivative contracts, other than the Swap Agreement and save as expressly permitted by Article 21(2) of the EU Securitisation Regulation</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		
<p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Auto Portfolio Purchase Agreement</p> <p>Seller Asset Warranty Breach</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has made, inter alia, the following representations and warranties (each an "Asset Seller Asset Warranty" and together the "Seller Asset Warranties") to the Purchaser with respect to the Purchased HP Contracts on the Note Issuance Date:</p> <p>(k) No derivatives: None of the Purchased HP Contracts is a derivative contract.</p>		
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		
<p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>The Swap Agreement</p> <p>On or about the Signing Date, the Issuer and the Swap Counterparty will enter into the Swap Agreement, comprising a 2002 ISDA Master Agreement together with a schedule and credit support annex thereto and a confirmation evidencing the Swap Transaction.</p> <p>See Prospectus, <i>NOTE CONDITIONS</i>.</p> <p>20. CERTAIN DEFINITIONS</p> <p>"Swap Agreement" shall mean a 2002 ISDA Master Agreement, the Schedule, any Credit Support Annex thereto and any related confirmation entered into on or about the Signing Date between the Issuer and the Swap Counterparty and which may be novated, amended or supplemented from time to time or, unless the context indicates otherwise, any replacement Master Agreement, Schedule, Credit Support Annex and confirmation entered into between the Issuer and a replacement Swap Counterparty from time to time.</p>		

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		
<p>See Prospectus.</p> <p>Interest on the Class A Notes will accrue on the Class A Principal Amount at a per annum rate of EURIBOR plus 0.70 per cent (subject to a floor of zero). Interest on the Class B Notes will accrue on the Class B Principal Amount at a per annum rate of 2.00 per cent. Interest in respect of all Notes will be payable in EUR and by reference to successive interest accrual periods (each, an "Interest Period") monthly in arrear on the 18th day of each calendar month or, if such day is not a Business Day, on the next succeeding Business Day (each, a "Payment Date").</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>As of the Purchase Cut-Off Date, the following criteria (the "Eligibility Criteria") must have been satisfied by an HP Contract in order for it to be eligible for ownership by the Purchaser pursuant to the Amended Auto Portfolio Purchase Agreement.</p> <p>2. The credit under the HP Contract:</p> <p>(b) bears interest calculated at a fixed rate and payable monthly;</p>		

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
<p>PCS Comment</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>PRIORITIES OF PAYMENTS</p> <p>Purchaser Post-Enforcement Priority of Payments</p> <p>Issuer Post-Enforcement Priority of Payments</p>		
42	STS criteria	SEE RELATED EBA GUIDELINES
<p>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;</p>		
Verified?		Yes
<p>PCS Comment</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>PRIORITIES OF PAYMENTS</p> <p>Purchaser Post-Enforcement Priority of Payments</p> <p>Issuer Post-Enforcement Priority of Payments</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		
<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>PRIORITIES OF PAYMENTS</p> <p>Purchaser Post-Enforcement Priority of Payments</p> <p>Issuer Post-Enforcement Priority of Payments</p> <p><i>The transaction waterfalls do not contemplate reversal of repayment with regard to seniority.</i></p>		
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 Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>THE LOAN AGREEMENT</p> <p>Purchaser Secured Assets</p> <p>Following delivery by the Note Trustee of an Enforcement Notice, the Purchaser Security Trustee will, subject to the terms of the Purchaser Security Documents, enforce or arrange for the enforcement of the security over the Purchaser Secured Assets and any proceeds obtained from the enforcement of the security over the Purchaser Secured Assets pursuant to the Purchaser Security Documents (together with any other funds forming part of the Purchaser Post-Enforcement Available Distribution Amount) will be applied exclusively in accordance with the Purchaser Post-Enforcement Priority of Payments. No provisions of the Transaction Documents require the automatic liquidation of the Portfolio at market value pursuant to Article 21(4)(d) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p>		

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		
<i>The transaction does not feature non-sequential priority of payments.</i>		
46	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:		
<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
46. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:		
Verified?		Yes
PCS Comment		
<i>The transaction is not a revolving securitisation.</i>		
47	STS criteria	SEE RELATED EBA GUIDELINES
47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;		
Verified?		Yes
PCS Comment		
<i>See point 46 above.</i>		

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		
<i>See point 46 above.</i>		
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		
<i>See point 46 above.</i>		
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		
<i>See point 46 above.</i>		

51	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<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>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Servicing Agreement</p> <p>Issuer Security Trust Deed</p> <p>Issuer Finnish Security Agreement</p> <p>Purchaser Security Trust Deed</p> <p>Purchaser Finnish Security Agreement</p> <p>Agency Agreement</p> <p>Note Trust Deed</p> <p>Corporate Administration Agreements</p> <p>Transaction Account Bank Agreement</p> <p>Collections Account Agreement</p> <p>See also underlying transaction documents: Servicing Agreement, Issuer Security Trust Deed, Issuer Finnish Security Agreement, Purchaser Security Trust Deed, Purchaser Finnish Security Agreement, Agency Agreement, Note Trust Deed, Transaction Account Bank Agreement, Purchaser Irish Security Deed, Issuer Irish Security Deed, Collections Account Agreement, Corporate Services Agreement.</p>		

52	STS criteria	SEE RELATED EBA GUIDELINES
52. (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Servicing Agreement</p> <p>Back-Up or replacement Servicer</p> <p>If a Servicer Termination Event occurs, the Purchaser and/or the Issuer (with the consent of the Note Trustee) may terminate the appointment of the Seller as Servicer and appoint a qualified person as replacement Servicer, provided that the termination will not become effective until the qualified successor servicer has been appointed.</p> <p>See also underlying transaction documents: Servicing Agreement.</p> <p>10. TERMINATION</p>		
53	STS criteria	SEE RELATED EBA GUIDELINES
53. (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>The Swap Agreement</p> <p>Termination of the Swap Agreement</p> <p>In the event that the Swap Agreement is terminated prior to its scheduled termination date, and prior to the service by the Note Trustee of an Enforcement Notice or the redemption in full of the Class A Notes, the Issuer will use commercially reasonable efforts to enter into a replacement arrangement with another appropriately rated entity. Such replacement swap must be entered into on terms acceptable to the Rating Agencies, the Issuer and the Note Trustee.</p> <p>Transaction Account Bank Agreement</p> <p>The appointment of the Transaction Account Bank will automatically be terminated upon one of the following events occurring in respect of the Transaction Account Bank:</p> <p>[...] provided that no such termination shall take effect until a new transaction account bank has been appointed by the Issuer and the Purchaser (with (in the case of the Issuer Secured Accounts and the Purchaser Transaction Account) the Note Trustee's consent) with respect to the relevant arrangements.</p> <p>In addition, if at any time a Ratings Downgrade has occurred in respect of the Transaction Account Bank, then the Issuer and the Purchaser will (with the prior written consent of the Note Trustee) procure that, with the assistance of the Servicer or another member of the Originator Group, no earlier than thirty-three (33) calendar days but within sixty (60) calendar days from the date on which the Transaction Account Bank fails to meet the minimum rating requirement, (i) in relation to the Issuer, the Issuer Secured Accounts and all of the funds standing to the credit of the Issuer Secured Accounts and (ii) in relation to the Purchaser, the Purchaser Transaction Account and all funds standing to the credit of the Purchaser Transaction Account, are transferred to another bank that meets the applicable Required Ratings (which bank will be notified in writing by the Issuer to the Transaction Account Bank) and which has been approved in writing by the Note Trustee in accordance with the provisions of the Transaction Account Bank Agreement. The appointment of the Transaction Account Bank will terminate on the date on which the appointment of the new transaction account bank becomes effective.</p>		

<p>Collections Account Agreement</p> <p>If at any time a Ratings Downgrade has occurred in relation to the Collections Account Bank, then the Servicer will (with the prior written consent of the Note Trustee) use reasonable endeavours to procure that, no earlier than thirty-three (33) calendar days but within sixty (60) calendar days, the Collections Account and all of the funds standing to the credit of the Collections Account are transferred to another bank which meets the Required Ratings (which bank will be notified in writing by the Servicer to the Collections Account Bank and approved in writing by the Note Trustee); the appointment of the Collections Account Bank will terminate on the date on which the appointment of the new Collections Account Bank becomes effective. Upon the transfer of the Collections Account to another bank, the Purchaser will procure that the new Collections Account Bank enters into an agreement substantially in the form of the Collections Account Agreement and accedes to the Purchaser Security Trust Deed.</p> <p>See also underlying transaction documents: Transaction Account Bank Agreement.</p> <p>5. TERMINATION</p> <p>See also underlying transaction documents: Collections Account Agreement.</p> <p>6. TERMINATION</p>

54	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>THE SELLER AND THE SERVICER</i>.</p> <p>General</p> <p>The members of the management body and senior staff of LocalTapiola have relevant professional experience (a) in originating contracts of a similar nature to the Purchased HP Contracts for at least five years and (b) servicing exposures of a similar nature to those securitized for at least five years. The management of LocalTapiola has (a) an aggregate of 150 years of auto and consumer finance experience; (b) proven track record in auto and consumer finance market; (c) experience of all national, Nordic and international finance institutions; (d) experience of both unsecured and secured lending and funding; and (f) experience of both corporate lending and fleet management.</p> <p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Seller Asset Warranty Breach</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has made, inter alia, the following representations and warranties (each an "Asset Seller Asset Warranty" and together the "Seller Asset Warranties") to the Purchaser with respect to the Purchased HP Contracts on the Note Issuance Date:</p> <p>(q) Seller experience and expertise:</p> <p>(ii) The members of the management body and senior staff of the Seller (in its capacity as Servicer) have relevant expertise in servicing exposures of a similar nature to those securitised for at least five years and hence the Seller (in its capacity as Servicer) has relevant expertise pursuant to Article 21(8) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria. In addition, the Seller (in its capacity as Servicer) has well-documented and adequate policies, procedures and risk management controls relating to the servicing of exposures pursuant to Article 21(8) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p>		

<p><i>The EBA Guidelines provide that an entity that has serviced similar assets for at least five years will be deemed to meet the expertise criterion.</i></p>	
55	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.</p>
<p>Verified? Yes</p>	
<p>PCS Comment</p> <p>See Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Auto Portfolio Purchase Agreement</p> <p>Seller Asset Warranty Breach</p> <p>Under the Amended Auto Portfolio Purchase Agreement, the Seller has made, inter alia, the following representations and warranties (each an "Asset Seller Asset Warranty" and together the "Seller Asset Warranties") to the Purchaser with respect to the Purchased HP Contracts on the Note Issuance Date:</p> <p>(q) Seller experience and expertise:</p> <p style="padding-left: 20px;">(ii) The members of the management body and senior staff of the Seller (in its capacity as Servicer) have relevant expertise in servicing exposures of a similar nature to those securitised for at least five years and hence the Seller (in its capacity as Servicer) has relevant expertise pursuant to Article 21(8) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria. In addition, the Seller (in its capacity as Servicer) has well-documented and adequate policies, procedures and risk management controls relating to the servicing of exposures pursuant to Article 21(8) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</p> <p>See underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>10.2 Seller's representations and warranties on the Purchased HP Contracts</p> <p>The Seller represents and warrants to the Issuer and the Purchaser that, at the date of this Agreement and at the Note Issuance Date (by reference to the facts and circumstances then subsisting):</p> <p>(z) Seller experience and expertise</p> <p style="padding-left: 20px;">(ii) The Seller (in its capacity as Servicer) has expertise in servicing exposures of a similar nature to those securitised for at least five years and has well- documented and adequate policies, procedures and risk management controls relating to the servicing of exposures, pursuant to Article 21(8) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria;</p> <p><i>Additional due diligence was conducted in connection with verifying these criteria.</i></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		
<p>See Prospectus, <i>CREDIT AND COLLECTION POLICY</i>.</p> <p>See also Prospectus, <i>LEGAL MATTERS — FINLAND</i>.</p> <p>See also Prospectus, <i>OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Servicing Agreement</p> <p>See underlying transaction documents: Auto Portfolio Purchase Amendment and Restatement Agreement.</p> <p>SCHEDULE 4</p> <p>CREDIT AND COLLECTION POLICY</p> <p>See also underlying transaction documents: Servicing Agreement.</p> <p>See also additional due diligence materials made available to investors.</p>		
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		
<i>See point 56 above.</i>		

58	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		
<p>58. The transaction documentation shall clearly specify the priorities of payment,</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, NOTE CONDITIONS 2. STATUS, SECURITY AND PRIORITY <i>See Prospectus, TRANSACTION OVERVIEW.</i> PRIORITIES OF PAYMENTS See also underlying transaction documents: Note Trust Deed, Purchaser Security Trust Deed, Issuer Security Trust Deed.</p>		
59	STS criteria	
<p>59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TRANSACTION OVERVIEW.</i> THE LOAN AGREEMENT Purchaser Events of Default Issuer Event of Default See Prospectus, <i>NOTE CONDITIONS.</i> 12. EVENTS OF DEFAULT See also underlying transaction documents: Master Framework Agreement. 1. DEFINITIONS "Issuer Event of Default" "Purchaser Event of Default" See also underlying transaction documents: Note Trust Deed. SCHEDULE 4</p>		

NOTE CONDITIONS	
60	STS criteria
	60. The transaction documentation shall clearly specify the obligation to report such events.
	Verified?
	PCS Comment
	Yes
	<p>See underlying transaction documents: Agency Agreement.</p> <p>8.2 Securitisation Regulation Reporting</p> <p>(d) To the extent that the Cash Administrator is aware of, or has been provided with, the following information (and the Servicer has agreed to assist the Cash Administrator by providing such necessary information):</p> <ul style="list-style-type: none"> (i) any inside information relating to the Issuer or the Purchaser which the Issuer or the Purchaser (as applicable) is obliged to disclose in accordance with Article 7(1)(f) of the EU Securitisation Regulation; or (ii) information of a significant event for the purposes of Article 7(1)(g) of the EU Securitisation Regulation, <p>the Cash Administrator shall, as soon as reasonably practicable following receipt of the relevant information, prepare a report with such assistance from the Issuer and/or the Purchaser as is reasonably required setting out details of such information in the form of Annex 14 of the Disclosure RTS applicable to the Issuer, the Seller and the Purchased HP Contracts to fulfil the inside information reporting requirement under Article 7(1)(f) of the EU Securitisation Regulation or to the extent required, the significant event reporting under Article 7(1)(g) of the EU Securitisation Regulation the "Inside Information and Significant Event Report"). For the avoidance of doubt, such reporting shall include information on events which trigger changes in the priority of payments. Such reports will be delivered to the Reporting Entity who will arrange for these reports to be uploaded to the website of European DataWarehouse (being, as at the date of this Agreement, www.eurodw.eu).</p> <p>(e) The Cash Administrator shall provide each Investor Report and each Inside Information and Significant Event Report to the Reporting Entity, to be made publicly available on the website of the Cash Administrator (being, as at the date of this Agreement, https://pivot.usbank.com) without undue delay.</p> <p>(f) The Reporting Entity shall:</p> <ul style="list-style-type: none"> (iii) make available each Inside Information and Significant Event Report to the Noteholders, relevant competent authorities and, upon request, potential investors in the Notes as soon as reasonably practicable and without undue delay,
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?
	PCS Comment
	Yes
	<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>EU Securitisation Regulation</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium:

	(iv) any change in the Priorities of Payments which will materially adversely affect the repayment of the Notes, without undue delay, to the extent required under Article 21(9) of the EU Securitisation Regulation;
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62	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	STS criteria	SEE RELATED EBA GUIDELINES
	62. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>NOTE CONDITIONS</i>.</p> <p>14. MEETINGS OF NOTEHOLDERS; MODIFICATION</p> <p>14.1 Noteholder Meetings</p> <p>See also underlying transaction documents: Note Trust Deed.</p> <p>SCHEDULE 3</p> <p>PROVISIONS FOR MEETINGS OF NOTEHOLDERS</p> <p>1. DEFINITIONS</p> <p>"Extraordinary Resolution"</p> <p>"Written Resolution"</p> <p>4. CONVENING OF MEETING</p> <p>The Issuer or the Note Trustee may convene a Meeting at any time, and the Note Trustee shall be obliged to do so (in each case, subject to it being indemnified and/or prefunded and/or secured to its satisfaction), upon the request in writing of a Class or Classes of Noteholders holding not less than one tenth of the Aggregate Outstanding Note Principal Amount of the Notes of the relevant Class or Classes. Every Meeting shall be held in Dublin or any other place in the European Union as so agreed and approved by the Note Trustee and shall be held on a date, and at a time approved by the Note Trustee.</p> <p>5. NOTICE</p> <p>5.1 Notice period and notice details</p> <p>Not less than 21 days' and not more than 63 days' notice (exclusive of the day on which the notice is given and of the day on which the relevant Meeting is to be held) specifying the date, time and place of the Meeting shall be given to the relevant Noteholders and the Principal Paying Agent (with a copy to the Issuer where the Meeting is convened by the Note Trustee or, where the Meeting is convened by the Issuer, with a copy to the Note Trustee).</p> <p>7. QUORUM</p> <p>10. NOTICE FOLLOWING ADJOURNMENT</p>	

Although the wording of the Regulation as to what constitutes the “facilitation of timely resolution of conflicts” is very vague, the EBA Guidelines have helpfully set out the five minimum requirements that the documents should contain to meet this criterion. The documentation covers the following:

(a) the method for calling meetings; as for method; (b) the maximum timeframe for setting up a meeting; (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: extraordinary; (e) where applicable, a location for the meetings which should be in the EU

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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
63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
Verified?		Yes
PCS Comment		
See Prospectus, OUTLINE OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS. Issuer Security Trust Deed Issuer Finnish Security Agreement Purchaser Security Trust Deed Purchaser Finnish Security Agreement Note Trust Deed See also underlying transaction documents: Note Trust Deed, Purchaser Security Deed, Issuer Security Trust Deed, Purchase Security Trust Deed, Purchaser Finnish Security Agreement.		

64	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
22.1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period no shorter than five years.		
STS criteria		SEE RELATED EBA GUIDELINES
64. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised,		
Verified?		Yes
PCS Comment		
See Prospectus, <i>HISTORICAL DATA</i> .		

<p>The following historical data sets out certain unaudited information in relation to a pool of auto loan HP Contracts as of January 2021, from February 2018 up until 28 February 2021. The pool selected for the basis of the historical data below can be considered substantially similar exposures to the final securitised portfolio as they have been originated, underwritten and serviced in accordance with the policies of LocalTapiola Finance Ltd., which have been generally consistent over time.</p> <p>2. DELINQUENCY DATA (HP CONTRACTS)</p> <p>4. QUARTERLY CUMULATIVE DEFAULT DATA (HP CONTRACTS)</p> <p>The following historical data sets out certain information in relation to a pool of auto loan hire purchase contracts as of January 2021, from years 2007 to 2019. The following historical data present the historical performance of receivables that have been originated, underwritten and serviced in accordance with the policies of a different Finnish originator of hire purchase contracts (for the purposes of this section, the "Similar HP Receivables") and can be considered substantially similar exposures to the latest final securitised portfolio of hire purchase contracts in Finland.</p> <p>1. DYNAMIC DELINQUENCY ANALYSIS</p> <p>3. STATIC CUMULATIVE GROSS DEFAULTS (QUARTERS SINCE ORIGINATION)</p> <p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to pre-pricing information, the Reporting Entity has confirmed that:</p> <p>(a) it has made available to potential investors in the Notes, before pricing:</p> <p>(ii) through the section of this Prospectus headed "Historical Data" and the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu), 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, covering a period of at least 5 (five) years, pursuant to Article 22(1) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria ;</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>
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>

67	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
22.2. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party, including verification that the data disclosed in respect of the underlying exposures is accurate.		
STS criteria		SEE RELATED EBA GUIDELINES
67. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party,		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Pool Audit</p> <p>The Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Portfolio conducted by a third-party and completed on or about 9 October 2020 with respect to the Portfolio in existence as of 3 September 2020 and no significant adverse findings have been found. This independent third party has also performed agreed upon procedures in order to verify the Portfolio with the eligibility criteria that are able to be tested, and no significant adverse findings have been found. This independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed in respect of the underlying exposures are accurate. The third party undertaking the review only has obligations to the parties to the engagement letters governing the performance of the agreed upon procedures subject to the limitations and exclusions contained therein.</p> <p><i>PCS has reviewed the draft report on “agreed upon procedures” (AUP) commonly known as a “pool audit”. PCS can confirm that this was done by an appropriate and independent third party.</i></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><i>See point 67 above.</i></p> <p><i>Based solely on the words of the AUP and without any additional due diligence or interaction with the auditing firm responsible for the AUP or sight of the instructions to such firm, PCS has concluded that the AUP appears to meet the requirements of the criterion.</i></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, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to pre-pricing information, the Reporting Entity has confirmed that:</p> <p>(a) it has made available to potential investors in the Notes, before pricing:</p> <p>(iii) through the platform of Bloomberg (corporate website being, as at the date of this Prospectus, www.bloomberg.com) and Intex (corporate website being, as at the date of this Prospectus, www.intex.com), a liability cash flow model which precisely represents the contractual relationship between the Receivables and the payments flowing between the Seller, the investors in the Notes, other third parties and the Issuer pursuant to Article 22(3) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria;</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, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>In addition, pursuant to the Master Framework Agreement, the Seller has agreed to make available to investors in the Notes on an ongoing basis and to potential investors in the Notes upon request, through the platform of Bloomberg (corporate website being, as at the date of this Prospectus, www.bloomberg.com) and Intex (corporate website being, as at the date of this Prospectus, www.intex.com), a liability cash flow model which precisely represents the contractual relationship between the HP Contracts and the payments flowing between the Seller, the investors in the Notes, other third parties and the Issuer pursuant to Article 22(3) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.</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 the FCA 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 whilst noting, at the same time, that the absence of any such covenant – although possibly unsettling for some investors - would not invalidate the STS status of the transaction at closing.</i></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).</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>See Prospectus, <i>OTHER FEATURES OF THE PORTFOLIO</i>.</p> <p>Environmental Performance</p> <p>The administrative records of the Seller do not contain any information related to the environmental performance of the Portfolio and, as such, there is no available information to be published related to the environmental performance of the Financed Vehicles as of the date of this Prospectus.</p> <p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to pre-pricing information, the Reporting Entity has confirmed that:</p> <p>(c) the administrative records of the Seller do not contain any information related to the environmental performance of the Portfolio and, as such, there is no available information to be published related to the environmental performance of the Financed Vehicles pursuant to Article 22(4) of the EU Securitisation Regulation.</p> <p>As to post-closing information, the Issuer, the Purchaser, the Corporate Administrator, LocalTapiola Finance Ltd (in its various capacities), the Collections Account Bank and the Back-Up Servicer Facilitator (where applicable), each a party to the Master Framework Agreement have agreed and agreed as follows:</p> <p>(d) the Servicer shall prepare the Loan by Loan Report pursuant to point (a) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation and the EU Disclosure RTS with the information specified in the relevant Annex specified in Article 2(1) of the EU Disclosure RTS and using the template specified in the relevant Annex specified in the EU Disclosure ITS which are in each case applicable to the Issuer, the Seller and the Purchased HP Contracts, (including, inter alia, the information, if available, related to the environmental performance of the Financed Vehicles) and deliver it to the Reporting Entity in a timely manner in order for the Reporting Entity to make available the Loan by Loan Report (simultaneously with the Investor Report) to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes by no later than one month after each Payment Date;</p> <p><i>This environmental impact criterion only applies to mortgages and car loan securitisations. The EBA Guidelines though make it clear that an originator is only required to disclose information that is in its possession and captured in its internal data base or IT systems. PCS notes the statement made in the prospectus by the originator that it does not possess such information in its internal data base or IT systems.</i></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		
72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>Under the Master Framework Agreement, the parties thereto have acknowledged that the Seller shall be responsible for compliance with Article 7 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		
73. The information required by point (a) the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to pre-pricing information, the Reporting Entity has confirmed that:</p> <p>(a) it has made available to potential investors in the Notes, before pricing:</p> <p>(i) through the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu), the information under point (a) of the first subparagraph of Article 7(1) upon request and the information under points (b) and (d) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation;</p>		

74	STS criteria	
		74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.
	Verified?	Yes
	PCS Comment	
		<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to pre-pricing information, the Reporting Entity has confirmed that:</p> <p>(a) it has made available to potential investors in the Notes, before pricing:</p> <p style="padding-left: 20px;">(i) through the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu), the information under point (a) of the first subparagraph of Article 7(1) upon request and the information under points (b) and (d) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation;</p>

75	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
		22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.
	STS criteria	
		75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.
	Verified?	Yes
	PCS Comment	
		<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to post-closing information, the Issuer, the Purchaser, the Cash Administrator, the Corporate Administrator, LocalTapiola Finance Ltd (in its various capacities), the Collections Account Bank and the Back-Up Servicer Facilitator (where applicable), each a party to the Master Framework Agreement have agreed and agreed as follows:</p> <p>(g) the Issuer and/or the Cash Administrators shall deliver to the Reporting Entity (i) a copy of the final Prospectus and the other final Transaction Documents in a timely manner in order for the Reporting Entity to make available such documents to the investors in the Notes by no later than 15 (fifteen) days after the Note Issuance Date, and (ii) any other document or information that may be required to be disclosed to relevant competent authorities, the investors or potential investors in the Notes pursuant to the EU Securitisation Regulation and the applicable Regulatory Technical Standards in a timely manner (to the extent not already provided by other parties),</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <p>(i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium:</p> <p style="padding-left: 20px;">(i) a copy of the final Prospectus and the relevant final Transaction Documents by no later than 15 (fifteen) days after the Note Issuance Date;</p>

	<p><i>This criterion speaks to document disclosure within 15 days of closing and therefore is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if it is not met within the specified 15-day period, then the Originator will need to inform the FCA 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. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.</i></p>	
76	<p>Legislative text – Article 22 - Requirements relating to transparency</p>	<p>GO TO TABLE OF CONTENTS</p>
	<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>	
	<p>STS criteria</p>	
	<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>	
	<p>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p>	
	<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to post-closing information, the Issuer, the Purchaser, the Corporate Administrator, LocalTapiola Finance Ltd (in its various capacities), the Collections Account Bank and the Back-Up Servicer Facilitator (where applicable), each a party to the Master Framework Agreement have agreed and agreed as follows:</p> <p>(d) the Servicer shall prepare the Loan by Loan Report pursuant to point (a) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation and the EU Disclosure RTS with the information specified in the relevant Annex specified in Article 2(1) of the EU Disclosure RTS and using the template specified in the relevant Annex specified in the EU Disclosure ITS which are in each case applicable to the Issuer, the Seller and the Purchased HP Contracts, (including, inter alia, the information, if available, related to the environmental performance of the Financed Vehicles) and deliver it to the Reporting Entity in a timely manner in order for the Reporting Entity to make available the Loan by Loan Report (simultaneously with the Investor Report) to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes by no later than one month after each Payment Date;</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <p>(i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium:</p> <p>(ii) the Loan by Loan Reports and Investor Reports (simultaneously) by no later than one month after each Payment Date;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></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> <ul style="list-style-type: none"> (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust; (iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator; (iv) the servicing, back-up servicing, administration and cash management agreements; (v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value; (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements; 		
STS criteria		
<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> <ul style="list-style-type: none"> (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; 		
Verified?	Yes	
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium: <ul style="list-style-type: none"> (i) a copy of the final Prospectus and the relevant final Transaction Documents by no later than 15 (fifteen) days after the Note Issuance Date; <p>See underlying transaction documents: Master Framework Agreement.</p> <p>1. DEFINITIONS</p> <p>"Transaction Documents" means the Amended Auto Portfolio Purchase Agreement, the Loan Agreement, the Servicing Agreement, the Issuer Security Documents, the Purchaser Security Documents, the Corporate Administration Agreements, the Transaction Account Bank Agreement, the Collections Account Agreement, the Note Trust Deed, the Agency Agreement, the Class A Notes Subscription Agreement, the Class B Note Purchase Agreement, the Issuer-ICSD Agreement, the Swap Agreement, the Master Framework Agreement and any amendments, supplements, terminations or replacements relating to any such agreement and any other document that may be designated as such from time to time by the Transaction Parties.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

78	STS criteria	
	78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;	
	Verified?	Yes
	PCS Comment	
		<i>See point 77 above.</i>
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 above.</i>
80	STS criteria	
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;	
	Verified?	Yes
	PCS Comment	
		<i>See point 77 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 77 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 77 above.</i>

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	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
	<p>See Prospectus, NOTE CONDITIONS</p> <p>2. STATUS, SECURITY AND PRIORITY</p> <p><i>See Prospectus, TRANSACTION OVERVIEW.</i></p> <p>PRIORITIES OF PAYMENTS</p> <p>See also underlying transaction documents: Note Trust Deed, Purchase Security Trust Deed, Issuer Security Trust Deed.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>

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

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	
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to pre-pricing information, the Reporting Entity has confirmed that:</p> <p>(a) it has made available to potential investors in the Notes, before pricing:</p> <p style="padding-left: 40px;">(i) through the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu), the information under point (a) of the first subparagraph of Article 7(1) upon request and the information under points (b) and (d) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation;</p> <p>Investors to assess compliance</p> <p>The Seller will submit a STS notification to ESMA in accordance with Article 27 of the EU Securitisation Regulation on or about the Note Issuance Date, pursuant to which compliance with the requirements of Articles 19 to 22 of the EU Securitisation Regulation will be notified with the intention that the securitisation transaction described in this prospectus is to be included in the list administered by ESMA within the meaning of article 27 of the EU Securitisation Regulation.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

89	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p> <ul style="list-style-type: none"> (i) all materially relevant data on the credit quality and performance of underlying exposures; (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties, and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation; (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6. 		
STS criteria		
<p>89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p>		
Verified?	Yes	
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to post-closing information, the Issuer, the Purchaser, the Corporate Administrator, LocalTapiola Finance Ltd (in its various capacities), the Collections Account Bank and the Back-Up Servicer Facilitator (where applicable), each a party to the Master Framework Agreement have agreed and agreed as follows:</p> <p>(e) the Cash Administrator shall prepare the Investor Report pursuant to point (e) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation and the EU Disclosure RTS with the information specified in the relevant Annex specified in Article 3(1) of the EU Disclosure RTS and using the template specified in the relevant Annex specified in the EU Disclosure ITS which are in each case applicable to the Issuer, the Seller and the Purchased HP Contracts, (including, inter alia, the information, if available, related to the environmental performance of the Financed Vehicles) and deliver it to the Reporting Entity in a timely manner in order for the Reporting Entity to make available the Investor Report (simultaneously with the Loan by Loan Report) to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes by no later than one month after each Payment Date. For the avoidance of doubt, such reporting shall include information on events which trigger changes in the Priority of Payments or the replacement of any Transaction Parties;</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium: (ii) the Loan by Loan Reports and Investor Reports (simultaneously) by no later than one month after each Payment Date; <p>See Prospectus, <i>CERTAIN DEFINITIONS</i>.</p> <p>"Investor Report" shall mean a report referred to in Article 7(1)(e) of the EU Securitisation Regulation in a format specified in the EU Securitisation Rules prepared by the Servicer, in accordance with the Servicing Agreement with respect to each Collection Period which report it will provide to the Issuer, the Note Trustee, the Reporting Entity, the Cash Administrator and each Rating Agency no later than 12:00 noon (London time) on the Investor Reporting Date.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

90	STS criteria	
	90. (i) all materially relevant data on the credit quality and performance of underlying exposures;	
	Verified?	Yes
	PCS Comment	
		<i>See point 89 above.</i>
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	
		<i>See point 89 above.</i>
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>See point 89 above.</i>
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	
		<i>See point 89 above.</i>

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<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		
<p>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;</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to post-closing information, the Issuer, the Purchaser, the Corporate Administrator, LocalTapiola Finance Ltd (in its various capacities), the Collections Account Bank and the Back-Up Servicer Facilitator (where applicable), each a party to the Master Framework Agreement have agreed and agreed as follows:</p> <p>(f) to the extent the Cash Administrator has been made aware of or is provided with the following information (and the Seller has agreed to assist the Servicer by providing such necessary information):</p> <ul style="list-style-type: none"> (i) any inside information relation to the Issuer and/or the Purchaser which the Issuer and/or the Purchaser determines it is obliged to make public in accordance with Article 7(1)(f) of the Securitisation Regulation and will be disclosed to the public by the Issuer and/or the Purchaser; and (ii) any significant event in accordance with Article 7(1)(g) of the EU Securitisation Regulation, <p>the Cash Administrator will, as soon as reasonably practicable following receipt of the relevant information, prepare a report with such assistance from the Issuer and/or the Purchaser as is reasonably required setting out details of such information specified in the form of the relevant Annex specified in the EU Disclosure RTS and using the templates specified in the relevant Annex specified in the EU Disclosure ITS which are in each case applicable to the Issuer, the Seller and the Purchased HP Contracts to fulfil the inside information reporting requirement under Article 7(1)(f) of the Securitisation Regulation or, to the extent required, under Article 7(1)(g) of the Securitisation Regulation (the "Inside Information and Significant Event Report "). For the avoidance of doubt, such reporting shall include information on events which trigger changes in the relevant priority of payments. Such reports will be delivered to the Reporting Entity who will arrange for these reports to be uploaded to the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu);</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium: (iii) any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the EU Securitisation Regulation, without delay; <p>in each case, in accordance with the requirements provided by the EU Securitisation Regulation and the applicable Regulatory Technical Standards.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

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<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <ul style="list-style-type: none"> (i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach; (ii) a change in the structural features that can materially impact the performance of the securitisation; (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation; (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions; (v) any material amendment to transaction documents. 		
STS criteria		
<p>95. (g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>As to post-closing information, the Issuer, the Purchaser, the Corporate Administrator, LocalTapiola Finance Ltd (in its various capacities), the Collections Account Bank and the Back-Up Servicer Facilitator (where applicable), each a party to the Master Framework Agreement have agreed and agreed as follows:</p> <p>(f) to the extent the Cash Administrator has been made aware of or is provided with the following information (and the Servicer has agreed to assist the Cash Administrator by providing such necessary information):</p> <ul style="list-style-type: none"> (i) any inside information relation to the Issuer and/or the Purchaser which the Issuer and/or the Purchaser determines it is obliged to make public in accordance with Article 7(1)(f) of the Securitisation Regulation and will be disclosed to the public by the Issuer and/or the Purchaser; and (ii) any significant event in accordance with Article 7(1)(g) of the EU Securitisation Regulation, <p>the Cash Administrator will, as soon as reasonably practicable following receipt of the relevant information, prepare a report with such assistance from the Issuer and/or the Purchaser as is reasonably required setting out details of such information specified in the form of the relevant Annex specified in the EU Disclosure RTS and using the templates specified in the relevant Annex specified in the EU Disclosure ITS which are in each case applicable to the Issuer, the Seller and the Purchased HP Contracts to fulfil the inside information reporting requirement under Article 7(1)(f) of the Securitisation Regulation or, to the extent required, under Article 7(1)(g) of the Securitisation Regulation (the "Inside Information and Significant Event Report "). For the avoidance of doubt, such reporting shall include information on events which trigger changes in the relevant priority of payments. Such reports will be delivered to the Reporting Entity who will arrange for these reports to be uploaded to the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu);</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium: (iii) any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the EU Securitisation Regulation, without delay; <p>in each case, in accordance with the requirements provided by the EU Securitisation Regulation and the applicable Regulatory Technical Standards.</p>		

All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.	
96	STS criteria
	96. (ii) a change in the structural features that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment See point 95 above.
97	STS criteria
	97. (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment See point 95 above.
98	STS criteria
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions;
	Verified? Yes
	PCS Comment See point 95 above.
99	STS criteria
	99. (v) any material amendment to transaction documents.
	Verified? Yes
	PCS Comment See point 95 above.

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<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, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium: <li style="padding-left: 20px;">(ii) the Loan by Loan Reports and Investor Reports (simultaneously) by no later than one month after each Payment Date; <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

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<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, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>The Reporting Entity will agree in favour of the Note Trustee on behalf of the Noteholders (pursuant to the Master Framework Agreement), the Sole Lead Manager and the Arranger (pursuant to the Class A Notes Subscription Agreement) that it shall:</p> <ul style="list-style-type: none"> (i) make available to the Noteholders, relevant competent authorities and, upon request, to potential investors in the Notes through the Reporting Medium: 		

<p>(iii) any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the EU Securitisation Regulation, without delay; <i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>

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<p>7.2. The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository. Or The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC. Or Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation. 		
STS criteria		
<p>102. Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation 		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>. Transparency requirements under the EU Securitisation Regulation</p> <p>Each of the Issuer, the Purchaser and the Seller has agreed that the Issuer is designated as Reporting Entity, pursuant to and for the purposes of Article 7(2) of the EU Securitisation Regulation and, in such capacity as Reporting Entity, it has fulfilled before pricing and/or shall fulfil after the Note Issuance Date, as the case may be, the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation by making available the relevant information (i) prior to the authorisation of a Securitisation Repository pursuant to Article 10 of the EU Securitisation Regulation through the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu) and (ii) on and following the authorisation of a Securitisation Repository, through a Securitisation Repository, a Securitisation Repository).</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

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<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		
103. The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>SECURITISATION REGULATIONS</i>.</p> <p>Transparency requirements under the EU Securitisation Regulation</p> <p>Each of the Issuer, the Purchaser and the Seller has agreed that the Issuer is designated as Reporting Entity, pursuant to and for the purposes of Article 7(2) of the EU Securitisation Regulation and, in such capacity as Reporting Entity, it has fulfilled before pricing and/or shall fulfil after the Note Issuance Date, as the case may be, the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation by making available the relevant information (i) prior to the authorisation of a Securitisation Repository pursuant to Article 10 of the EU Securitisation Regulation through the website of European DataWarehouse (being, as at the date of this Prospectus, www.eurodw.eu) and (ii) on and following the authorisation of a Securitisation Repository, through a Securitisation Repository, a Securitisation Repository).</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under Criterion 75 above.</i></p>		

Definitions:

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

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

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

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

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

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

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

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

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

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

EBA Final non-ABCP STS Guidelines:

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

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

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

3	<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>		
EBA Final non-ABCP STS Guidelines		
<p>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p><i>Eligibility criteria to be met for exposures transferred to the SSPE after the closing of the transaction</i></p> <p>18. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, ‘meeting the eligibility criteria applied to the initial underlying exposures’ should be understood to mean eligibility criteria that comply with either of the following:</p> <p>(a) with regard to normal securitisations, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the closing of the transaction;</p> <p>(b) with regard to securitisations that issue multiple series of securities including master trusts, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the most recent issuance, with the results that the eligibility criteria may vary from closing to closing, with the agreement of securitisation parties and in accordance with the transaction documentation.</p> <p>19. Eligibility criteria to be applied to the underlying exposures in accordance with paragraph 18 should be specified in the transaction documentation and should refer to eligibility criteria applied at exposure level.</p>		
9	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p>27. The criterion on the homogeneity as specified in the first subparagraph of Article 20(8) has been further clarified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402.</p>		
EBA Final non-ABCP STS Guidelines		

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

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

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

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

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

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

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

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

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

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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))		
<i>Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process</i>		
42. For the purposes of Article 20(11)(a) of Regulation (EU) 2017/2402, the requirement to exclude exposures to credit-impaired debtors or guarantors who have undergone a debt-restructuring process with regard to their non-performing exposures should be understood to refer to both the restructured exposures of the respective debtor or guarantor and those of its exposures that were not themselves subject to restructuring. For the purposes of this Article, restructured exposures which meet the conditions of points (i) and (ii) of that Article should not result in a debtor or guarantor becoming designated as credit-impaired.		

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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>(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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<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p><i>Credit registry</i></p> <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>		
31	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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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>		

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

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

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

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

36	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <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>		

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

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

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

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

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

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

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

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

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

54	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
Expertise of the Servicer (Article 21(8))		
<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		
5.8 Expertise of the servicer (Article 21(8))		
<i>Criteria for determining the expertise of the servicer</i>		
<p>68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:</p>		
<p>(a) the members of the management body of the servicer and the senior staff, other than members of the management body, responsible for servicing exposures of a similar nature to those securitised should have adequate knowledge and skills in the servicing of exposures similar to those securitised;</p>		
<p>(b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise:</p>		
<p>(i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;</p>		
<p>(ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;</p>		
<p>(iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of servicing the exposures should be appropriate;</p>		
<p>(iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to the servicing of similar exposures to those securitised.</p>		
<p>69. A servicer should be deemed to have the required expertise where either of the following applies:</p>		
<p>(a) the business of the entity, or of the consolidated group, to which the entity belongs, for accounting or prudential purposes, has included the servicing of exposures of a similar nature to those securitised, for at least five years;</p>		
<p>(b) where the requirement referred to in point (a) is not met, the servicer should be deemed to have the required expertise where they comply with both of the following:</p>		
<p>(i) at least two of the members of its management body have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at personal level, of at least five years;</p>		
<p>(ii) senior staff, other than members of the management body, who are responsible for managing the entity's servicing of exposures of a similar nature to those securitised, have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at a personal level, of at least five years;</p>		
<p>(iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a).</p>		
<p>70. For the purpose of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.</p>		
<p><i>Exposures of similar nature</i></p>		
<p>71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.</p>		

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

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

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

64,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
65,	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
66	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>		
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<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>		