

# **Term Master Checklist**

## **Darrowby No.5 plc**



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

24 February 2020



**Analyst: Mark Lewis – +44 (0) 203 866 5002**

**This is the final 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.**

**PCS comments in this Provisional 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. Note that all comments on the disclaimer relate to both Provisional STS Term Checklist for STS Term Verifications and the Final STS Term Checklist for STS Term Verifications.**

**24 February 2020**



## STS Disclaimer

Neither an STS Verification, nor a CRR Assessment, nor an LCR Assessment is a recommendation to buy, sell or hold securities. None are investment advice whether generally or as defined under Markets in Financial Instruments Directive (2004/39/EC) and none are a credit rating whether generally or as defined under the Credit Rating Agency Regulation (1060/2009/EC).

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**").

Neither CRR Assessments or LCR Assessments are endorsed or regulated by any regulatory and/or supervisory authority nor, other than as set out above, are the PCS Association or either of its subsidiaries, PCS UK and PCS EU, regulated by any regulator and/or supervisory authority including the Belgian Financial Services and Markets Authority, the United Kingdom Financial Conduct Authority, the French *Autorité des Marchés Financiers* or the European Securities and Markets Authority.

By assessing the STS or CRR status of any securities or financing, neither the PCS Association nor PCS UK nor PCS EU express any views about the creditworthiness of these securities or financings or their suitability for any existing or potential investor or as to whether there will be a ready, liquid market for these securities or financings.

Equally, by completing (either positively or negatively) any STS or CRR status assessment of certain instruments, no statement of any kind is made as to the value or price of these instruments or the appropriateness of the interest rate they carry (if any).

In the provision of any STS Verification or CRR Assessment or LCR Assessment, PCS has based its decision on information provided directly and indirectly by the originator or sponsor of the relevant securitisation. Specifically, it has relied on statements made in the relevant prospectus or deal sheet, documentation and/or in certificates provided by, or on behalf of, the originator or sponsor in accordance with PCS' published procedures for the relevant PCS verification or assessment. You should make yourself familiar with these procedures to understand fully how any PCS service is completed. These can be found in the PCS website [www.pcsmarket.org](http://www.pcsmarket.org) (the "**PCS Website**"). Neither the PCS Association nor PCS UK nor PCS EU undertake their own direct verification of the underlying facts stated in the prospectus, deal sheet, documentation or certificates for the relevant instruments and the completion of any STS Verification or CRR Assessment or LCR Assessment is not a confirmation or implication that the information provided to it by or on behalf of the originator or sponsor is accurate or complete.

The PCS entities take reasonable measures to ensure the quality and accuracy of the information on the PCS Website. However, neither the PCS Association nor PCS UK nor PCS EU can be held liable in any way for the inaccuracy or incompleteness of any information that is available on or through the PCS Website. In addition, neither the PCS Association nor PCS UK nor PCS EU can in any way be held liable or responsible for the content of any other website linked to the PCS Website.

To understand the meaning and limitations of any STS Verification you must read the General Disclaimer that appears on the PCS Website.

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) CRR Assessment

<b>Individual(s) undertaking the assessment</b>	<b>Mark Lewis</b>
<b>Date of Assessment /Version</b>	<b>24 February 2020</b>
<b>The transaction to be assessed (the “Transaction”)</b>	<b>Darrowby No.5 plc</b>
<b>Issuer</b>	<b>Darrowby No.5 plc</b>
<b>Originator</b>	<b>Skipton Building Society</b>
<b>Seller</b>	<b>Skipton Building Society</b>
<b>Lead Manager(s)</b>	<b>J.P. Morgan and Lloyds Bank Corporate Markets</b>
<b>Transaction Legal Counsel</b>	<b>Dentons UK &amp; Middle East LLP</b>
<b>Rating Agencies</b>	<b>Fitch and Moody’s</b>
<b>Stock Exchange</b>	<b>Euronext Dublin</b>
<b>Expected Closing Date</b>	<b>24 February 2020</b>

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 on the next page together with a reference to summary headings of the respective article contents. To examine a specific article section from the list below in further detail, please click on the article description in the table below to be taken directly to the relevant section of the detailed checklist.

Article	Summary of article contents	Checklist Points	
<b>Article 20 – Simplicity</b>			
20(1)	<a href="#">True sale</a>	1, 2	✓
20(2)	<a href="#">Severe clawback (part 1)</a>	2	✓
20(3)	<a href="#">Severe clawback (part 2)</a>	2	✓
20(4)	<a href="#">True sale with intermediate steps</a>	3	✓
20(5)	<a href="#">Assignment perfection</a>	4	✓
20(6)	<a href="#">Encumbrances to enforceability of true sale</a>	5	✓
20(7)	<a href="#">Eligibility criteria and active portfolio management</a>	6 - 8	✓
20(8)	<a href="#">Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities</a>	9 - 14	✓
20(9)	<a href="#">No securitisation positions</a>	15	✓
20(10)	<a href="#">Origination, underwriting standards and expertise, unverified home loans</a>	16 - 21	✓
20(11)	<a href="#">No undue delay after selection, no exposures in default and to credit-impaired or insolvent debtors/quarantors, portion of restructured debtors, adverse credit history, higher pool risk</a>	22 - 30	✓
20(12)	<a href="#">At least one payment made</a>	31	✓
20(13)	<a href="#">No predominant dependence on the sale of asset</a>	32	✓
<b>Article 21 – Standardisation</b>			
21(1)	<a href="#">Risk retention</a>	33	✓
21(2)	<a href="#">Appropriate mitigation of interest-rate and currency risks, disclosure, no further derivatives, hedging derivatives according to common standards</a>	34 - 39	✓
21(3)	<a href="#">Referenced interest payments</a>	40	✓
21(4)	<a href="#">Requirements in the event of enforcement or delivery of an acceleration notice: no cash trap, sequential amortisation, no automatic liquidation</a>	41 - 44	✓
21(5)	<a href="#">Non-sequential priority of payments</a>	45	✓
21(6)	<a href="#">Early amortisation provisions/triggers for termination of revolving period</a>	46 - 50	✓
21(7)	<a href="#">Duties, responsibilities and replacement of transaction parties</a>	51 - 53	✓
21(8)	<a href="#">Expertise of the servicer</a>	54, 55	✓
21(9)	<a href="#">Remedies and actions by Servicer related to delinquency and default of debtor, priorities of payments, triggers for changes, obligation to report</a>	56 - 61	✓
21(10)	<a href="#">Resolution of investor conflicts and fiduciary party responsibilities and duties</a>	62, 63	✓
<b>Articles 22 and 7 – Transparency</b>			
22(1)	<a href="#">Historical asset data</a>	64 - 66	✓
22(2)	<a href="#">AUP/asset verification</a>	67, 68	✓
22(3)	<a href="#">Liability cashflow model</a>	69, 70	✓
22(4)	<a href="#">Environmental performance of asset</a>	71	✓
22(5)	<a href="#">Responsibility for article 7 and information disclosure before pricing and 15 days after closing</a>	72 - 75	✓
7(1)	<a href="#">Transparency requirements: availability of reports, documentation, underlying loan data</a>	76 - 101	✓
7(2)	<a href="#">Transparency requirements: designation of responsible entity, securitisation repository</a>	102, 103	✓

1	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See the section Mortgage Sale Agreement , summarising the Mortgage Sale Agreement , Portfolio</p> <p>See also Risk Factors, RISKS RELATED TO THE MORTGAGES</p> <p>Seller to initially retain legal title to the Loans and risks relating to set-off, first paragraph:</p> <p>The sale by the Seller to the Issuer of certain Loans secured by English Mortgages (the "English Loans") and their Related Security (until legal title is conveyed) takes effect in equity only. The sale of the Scottish Loans and their Related Security from the Seller to the Issuer will be given effect by Scottish Declarations of Trust by the Seller (and any sale of any Additional Loans in respect of a Scottish Loan and its Related Security will be given effect to by a further Scottish Declaration of Trust by the Seller) in favour of the Issuer by which the beneficial interest in such Scottish Loans and their Related Security will be transferred to the Issuer. In each case, this means that the Issuer will not acquire legal title and, in the case of registered land in England or Wales, will not be registered as proprietor and legal owner of the Mortgage at the Land Registry or, in the case of land in Scotland, will not be registered or recorded as heritable creditor at the Registers of Scotland, until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "The Portfolio — Sale of the Mortgages and their Related Security", below).</p> <p>"True sale" is not a legal concept but a rating agency creation.</p> <p>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".</p> <p>This is clearly stated in the wording of the Regulation (20.1). The expression "transfer to the same effect" indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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".</p>		

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 jurisdiction meeting the following criteria – absent any other indications – shall not fall within the definition of “severe clawback”:

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

Since “severe clawback” is a jurisdictional concept, in analysing this issue PCS will therefore first seek to determine the 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, title to the assets is transferred, in the case of English, Welsh assets by means of an equitable assignment and, in the case of Scottish assets, by a transfer of the beneficial interest only.***

***The legal opinions from Dentons and Shepherd and Wedderburn confirm that an equitable assignment in England and Wales and a Scottish assignment of the beneficial interest meets the definition of “true sale” outlined above***

***In the case of Skipton Building Society, a United Kingdom credit institution with the near totality of its business in the United Kingdom selling mortgages secured solely on property in the United Kingdom, the COMI is without meaningful doubt the United Kingdom.***

***United Kingdom insolvency law provides for clawback in the cases of preferences and transactions at an undervalue and require the insolvency officer to prove that case. Therefore, and as confirmed by the Opinions, the transfer is not, in our opinion, subject to “severe clawback”.***

**EBA Final non-ABCP STS Guidelines – statements on *background and rationale***

**True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))**

16. The criterion specified in Article 20(1) aims to ensure that the underlying exposures are beyond the reach of, and are effectively ring-fenced and segregated from, the seller, its creditors and its liquidators, including in the event of the seller’s insolvency, enabling an effective recourse to the ultimate claims for the underlying exposures.

22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:

- (a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;
- (b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.

**EBA Final non-ABCP STS Guidelines**

**4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))**

***True sale, assignment or transfer with the same legal effect***

10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:

- (a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;
  - (b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;
  - (c) assessment of clawback risks and re-characterisation risks
11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.
12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.



2	Legislative text2\h	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section , SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT</p> <p>Centre of main interests</p> <p>Pursuant to the Mortgage Sale Agreement, the Seller shall confirm that its "centre of main interests" for the purposes of the EU Insolvency Regulation and the UNCITRAL Implementing Regulations is in England and Wales and that it has no "establishment" (as defined in the EU Insolvency Regulation and the UNCITRAL Implementing Regulations) other than in England and Wales. COMI is in the UK. UK does not have severe clawback provisions.</p> <p><b>See comment under Criterion 1 above.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>		
<b><i>True sale, assignment or transfer with the same legal effect</i></b>		
<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>		

<b>Legislative text</b>		<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
Neither provision applies.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>		
<b><i>True sale, assignment or transfer with the same legal effect</i></b>		
<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>		

<b>Legislative text</b>		<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
20.3. For the purpose of paragraph 1, clawback provisions in national insolvency laws that allow the liquidator or a court to invalidate the sale of underlying exposures in case of fraudulent transfers, unfair prejudice to creditors or of transfers intended to improperly favour particular creditors over others, shall not constitute severe clawback provisions.		
STS criteria		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
See comments under Criterion 1 above with respect to Article 20.3. UK does not have severe clawback provisions		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>		
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).		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>		
<b><i>True sale, assignment or transfer with the same legal effect</i></b>		
10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:		
(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;		
(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;		
(c) assessment of clawback risks and re-characterisation risks.		
11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.		
12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.		

3	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, TRANSACTION PARTIES ON THE CLOSING DATE.</p> <p>Seller is Skipton Building Society</p> <p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT</p> <p>Mortgage Sale Agreement, <i>Representations and Warranties</i> (b), (c) and (d)</p> <p>(b) the Seller was, at the time of the origination of each Loan, a credit institution as defined in paragraphs (1) and (2) of Article 4(1) of Regulation (EU) No 575/2013.</p> <p>(c) each Loan was (i) originated by the Seller as principal in the ordinary course of business and (ii) originated, and is denominated, in Pounds Sterling.</p> <p>(d) each Loan was originated by and made by the Seller on its own account pursuant to underwriting standards that are no less stringent than those the Originator applied at the time of origination to similar exposures that are not included in the Portfolio;</p> <p><b>Article 20.4 does not apply to the transaction.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
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.		
<b>EBA Final non-ABCP STS Guidelines</b>		

#### **4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))**

##### ***True sale, assignment or transfer with the same legal effect***

10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:

(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;

(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;

(c) assessment of clawback risks and re-characterisation risks.

11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.

12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.

4	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section ,SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT</p> <p>Mortgage Sale Agreement, Perfection Trigger Events</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>Perfection Trigger Events (b)</p> <p>(b) insolvency of the seller; and</p> <p>Perfection Trigger Events (a)</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p> <p>Perfection Trigger Events (c)</p> <p>Criterion 4 requires two steps:</p> <ul style="list-style-type: none"> <li>• To determine whether the transfer of the assets is by means of an unperfected assignment; and</li> <li>• If it is, whether the transaction contains the requisite triggers.</li> </ul> <p><b><i>In the absence of any definition of "an assignment perfected at a later stage" in the Regulation or the EBA Guidelines and without additional views from the UK Financial Conduct Authority it is not possible to determine with finality whether an English equitable assignment is "unperfected" within the meaning of the Regulation – as distinguished from the meaning of the English rules of equity.</i></b></p> <p><b><i>PCS believes there are good reasons why the Regulation's term of "an assignment perfected at a later stage" does not encompass an English equitable assignment.</i></b></p> <p><b><i>However, this is not a question that is required to be answered in the case of the Transaction since, even if equitable assignments are unperfected assignments as defined in the Regulation, the requirements of the criterion are met by the Transaction.</i></b></p>		

PCS has measured the trigger events against the EBA Guidelines.

20.5(a)

No absolute definition of “severe deterioration” can be given, but clearly the Regulation is seeking to avoid requiring a “hair trigger” deterioration. In other words, an originator could provide a “hair trigger” deterioration if it wanted to. Therefore, the rule does not require an originator or investor to weigh carefully the severity of the trigger so long as it meets the requirements of the EBA Guidelines to be related to the seller’s credit standing, be observable and related to financial health.

***The trigger provided in the Transaction meets these requirements.***

20.5(b)

***The insolvency trigger is in the Transaction***

20.5(c)

The Regulation refers to “unremedied breaches of contractual obligations by the seller, including the seller’s default”.

PCS notes that neither the Regulation nor the EBA Guidelines specify which contractual obligations are targeted. One can assume that this cannot possibly mean any seller contractual obligation since most financial institutions have millions of contractual obligations under tens of thousands of contracts. It is not conceivable that, in order to protect a securitisation, a transfer could be required resulting from a trivial breach of a totally unrelated contractual provision (e.g. to keep the walls painted on a leased property unconnected to the transaction).

PCS also notes that the Regulation clearly does not say “any breaches of contractual obligations”. Therefore, the Regulation must be aiming at an undefined sub-set of contractual obligations. In the absence of any indication in the Regulation or EBA Guidelines as to what this sub-set may be, PCS concludes, until clarification may be provided, that it is up to the originator to define which sub-set of obligations should trigger a possible perfection.

PCS does believe though that the Regulation must be interpreted in a purposive manner – as evidenced by the EBA Guidelines. Therefore, the sub-set of obligations selected by the originator cannot be capricious but should have some connection with the risks that would be run by investors if the seller should encounter a problem prior to perfection of the title.

***The unremedied breach trigger is in the Transaction.***

**EBA Final non-ABCP STS Guidelines – statements on *background and rationale***

**True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))**

20. The objective of the criterion in Article 20(5) is to minimise legal risks related to unperfected transfers in the context of an assignment of the underlying exposures, by specifying a minimum set of events subsequent to closing that should trigger the perfection of the transfer of the underlying exposures.

22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:

- (a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;
- (b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.

**EBA Final non-ABCP STS Guidelines**

**4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))**

***Severe deterioration in the seller credit quality standing***

13. For the purposes of Article 20(5) of Regulation (EU) 2017/2402, the transaction documentation should identify, with regard to the trigger of ‘severe deterioration in the seller credit quality standing’, credit quality thresholds that are objectively observable and related to the financial health of the seller.

***Insolvency of the seller***

14. For the purposes of Article 20(5) of Regulation (EU) 2017/2402, the trigger of 'insolvency of the seller' should refer, at least, to events of legal insolvency as defined in national legal frameworks.



5	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
STS criteria		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section ,SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT</p> <p>Mortgage Sale Agreement, Representations and Warranties:</p> <p>(pp) the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold and/or assigned by the Seller to the Issuer free and clear of all Security, claims and equities (including, without limitation, rights of set-off or counterclaim).</p> <p>(ss) there is no restriction on the assignment of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
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.		
<b>EBA Final non-ABCP STS Guidelines</b>		

6	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section ,SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT</p> <p>Mortgage Sale Agreement, Representations and Warranties, Additional Loan Conditions and Product Switches, Further Advances, Additional Loans and Substitution</p> <p>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.</p> <p><b><i>PCS has read the relevant representations/warranties in the Prospectus/the Mortgage Sale Agreement. As they are mandatory, they meet the “predetermined” requirement. As they are in the Prospectus/Mortgage Sale Agreement they meet the “documented” requirement. PCS has also concluded that they allow determination in each case and so meet the “clear” requirement.</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b>		
<b><i>Clear eligibility criteria</i></b>		
<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>		

<b>7</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT , Mortgage Sale Agreement, Repurchase by the Seller</p> <p>No active portfolio management</p> <p>The Seller's rights and obligations to sell Loans and their Related Security to the Issuer and/or repurchase Loans and their Related Security from the Issuer pursuant to the Mortgage Sale Agreement (including with respect to breach of Warranties, insufficient funds to fund a further Advance, breach of Conditions, breach of the Additional Loan Conditions, and interest rate hedging) do not constitute active portfolio management for purposes of Article 20(7) of the Securitisation Regulation.</p> <p>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.</p> <p>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".</p> <p><b>PCS has reviewed all the repurchase devices set out in the Prospectus/Mortgage Sale Agreement and these are acceptable within the context of the EBA final guidelines.</b></p> <p><b>PCS also notes that there is an explicit affirmative statement in the Prospectus to the effect that the Transaction does not allow for "active portfolio management".</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b>		
<b>Active portfolio management</b>		
<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>		

- (b) substitution or repurchase of the underlying exposures that are subject to regulatory dispute or investigation to facilitate the resolution of the dispute or the end of the investigation;
- (c) replenishment of underlying exposures by adding underlying exposures as substitutes for amortised or defaulted exposures during the revolving period;
- (d) acquisition of new underlying exposures during the 'ramp up' period to line up the value of the underlying exposures with the value of the securitisation obligation(e) repurchase of underlying exposures in the context of the exercise of clean-up call options, in accordance with Article 244(3)(g) of Regulation (EU) 2017/2401;
- (f) repurchase of defaulted exposures to facilitate the recovery and liquidation process with respect to those exposures;
- (g) repurchase of underlying exposures under the repurchase obligation in accordance with Article 20(13) of Regulation (EU) 2017/2402.

<b>8</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT, Mortgage Sale Agreement, Representations and Warranties:</p> <p>Except as stated otherwise, the Seller will give the following representations and warranties (the "Warranties") in the Mortgage Sale Agreement, with respect to itself, the Loans originated by it and their Related Security comprising the Portfolio or, to the Issuer and the Trustee to the effect that, as at the Closing Date or at the relevant Additional Sale Date, as the case may be (or in the case of the Substitute Loans, as at the Substitution Date)</p> <p>This criterion is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost.</p> <p>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.</p> <p>In the case of a master trust, PCS also draws attention to the EBA Guidelines where it is stated that the eligibility criteria must remain stable only from one issuance to the next. In other words, upon the next issue out of the master trust, it is possible to change the eligibility criteria and still comply with the STS rules.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Eligibility criteria for the underlying exposures, active portfolio management (Article 20.7)</b>		
<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		
4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20.7)		

*Eligibility criteria to be met for exposures transferred to the SSPE after the closing of the transaction*

18. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, 'meeting the eligibility criteria applied to the initial underlying exposures' should be understood to mean eligibility criteria that comply with either of the following:

(a) with regard to normal securitisations, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the closing of the transaction;

(b) with regard to securitisations that issue multiple series of securities including master trusts, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the most recent issuance, with the results that the eligibility criteria may vary from closing to closing, with the agreement of securitisation parties and in accordance with the transaction documentation.

19. Eligibility criteria to be applied to the underlying exposures in accordance with paragraph 18 should be specified in the transaction documentation and should refer to eligibility criteria applied at exposure level.

9	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Section “The Portfolio, The Loans</p> <p>Other characteristics</p> <p>The Loans comprised in the Portfolio as at the Cut-Off Date are homogeneous for purposes of Article 20(8) of the Securitisation Regulation, on the basis that all such Loans: (i) have been underwritten by the Seller in accordance with similar underwriting standards applying similar approaches with respect to the assessment of a potential borrower’s credit risk; (ii) are repayment loans or Interest-Only Loans or a combination of both, entered into substantially on the terms of similar standard documentation for residential mortgage loans; (iii) are serviced by the Administrator pursuant to the Administration Agreement in accordance with the same servicing procedures with respect to monitoring, collections and administration of cash receivables generated from such Loans; and (iv) form one asset category, namely residential loans secured with one or several mortgages on residential immovable property in England, Wales and Scotland.</p> <p>The definition of “homogeneity” in the Regulation is also the subject of a Regulatory Technical Standard (“RTS”). Being set out in an RTS, rather than a guideline or recommendation issued by the EBA, the definition of “homogeneity” will be legally binding on all regulatory authorities. Such RTS has been formally adopted by the European Commission on 28 May 2019.</p> <p>In interpreting the expression, PCS has based itself on the text of the Regulation, its knowledge of the intent of the legislators – including, crucially, the legislators belief that the STS Regulation was justified by the excellent performance of most “plain vanilla” European securitisations and the draft RTS adopted by the European Commission.</p> <p>Based on the above, it seems clear to PCS that the Regulation would not seek to exclude from the STS category securitisations that have performed extremely well and are universally considered “homogenous” by market participants. This does not exonerate any transaction from being analysed against this criterion but does set the background for such analysis.</p> <p>Turning, for guidance, to the RTS adopted by the European Commission, in principle, four elements require examination: (a) “similar underwriting standards”, (b) “similar servicing standards”, (c) “same asset class” and (d) “relevant risk factors”. Consumer loans are though considered sufficiently homogeneous and do not need to meet also a specific homogeneity factor.</p> <p>Following the guiding principles of the EBA, we note that “similar underwriting standards” must mean something like the same type of underwriting approach, looking at the same types of data points to calculate the same type of credit risk. It cannot mean “exactly the same underwriting criteria”, since this would make it impossible for any securitisation ever to have a “homogenous” pool.</p> <p><b><i>In the Transaction, the receivables were underwritten on a similar basis, they are being serviced by Skipton Building Society on the same platform, they are a single asset class – residential mortgage loans – and, based on the EBA’s suggested approach, the receivables are all originated in the same jurisdiction.</i></b></p> <p><b><i>PCS also takes great comfort from the fact that transactions containing pools with similar characteristics have always been considered to be “homogenous” by a wide consensus of market participants.</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		

27. The criterion on the homogeneity as specified in the first subparagraph of Article 20(8) has been further clarified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402.

**EBA Final non-ABCP STS Guidelines**



10	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
STS criteria		
10. The underlying exposures shall contain obligations that are contractually binding and enforceable.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties (y):</p> <p>(y) the Current Balance on each Loan and its Related Security constitutes a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid, binding and enforceable obligations of the Borrower and each Loan and its Related Security is non-cancellable (except that (i) the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest; (ii) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and, for the avoidance of doubt, such laws include but are not limited to, the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 and the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015; and (iii) this representation shall not apply in respect of any early repayment charges or redemption fees).</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		
<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>		
30. To facilitate consistent interpretation of this criterion, a clarification should be provided with respect to:		
(a) interpretation of the term 'contractually binding and enforceable obligations';		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		
<b><i>Contractually binding and enforceable obligations</i></b>		
<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>		

11	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
11. With full recourse to debtors and, where applicable, guarantors.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section , SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties</p> <p>(r) The Seller has full recourse to the relevant Borrower under the relevant Loan.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8</b>		
<b><i>Contractually binding and enforceable obligations</i></b>		
<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	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<p>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.</p>		
<b>STS criteria</b>		
12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Section “The Portfolio , The Loans – Characteristics of the loans: Repayment Terms Borrowers typically make payments of interest on, and repay principal of, their Loans using one of the following methods:</p> <ul style="list-style-type: none"> <li>• Repayment Loans: the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the Borrower will have repaid the full amount of the principal of the Loan.</li> <li>• Interest Only Loans: the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum. Where Loans are interest only, proof is required that a suitable repayment mechanism has been put in place.</li> <li>• Part and Part Loans: the Borrower is required to repay part of the principal amount of the Loan by making monthly payments of both interest and principal and to repay the remaining part of the principal amount of the Loan in one lump sum when the Loan matures.</li> </ul>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		

**4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))*****Exposures with periodic payment streams***

21. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, exposures with defined periodic payment streams should include:

- (a) exposures payable in a single instalment in the case of revolving securitisation, as referred to in Article 20(12) of Regulation (EU) 2017/2402;
- (b) exposures related to credit card facilities;
- (c) exposures with instalments consisting of interest and where the principal is repaid at the maturity, including interest-only mortgages;
- (d) exposures with instalments consisting of interest and repayment of a portion of the principal, where either of the following conditions is met:
  - (i) the remaining principal is repaid at the maturity;
  - (ii) the repayment of the principal is dependent on the sale of assets securing the exposure, in accordance with Article 20(13) of Regulation (EU) 2017/2402 and paragraphs 47 to 49;
- (e) exposures with temporary payment holidays as contractually agreed between the debtor and the lender.

<b>13</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
As criterion 12 above.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		
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.		
EBA Final non-ABCP STS Guidelines		
<b>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		
<b>Exposures with periodic payment streams</b>		
21. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, exposures with defined periodic payment streams should include:		
(a) exposures payable in a single instalment in the case of revolving securitisation, as referred to in Article 20(12) of Regulation (EU) 2017/2402;		
(b) exposures related to credit card facilities;		
(c) exposures with instalments consisting of interest and where the principal is repaid at the maturity, including interest-only mortgages;		
(d) exposures with instalments consisting of interest and repayment of a portion of the principal, where either of the following conditions is met:		
(i) the remaining principal is repaid at the maturity;		
(ii) the repayment of the principal is dependent on the sale of assets securing the exposure, in accordance with Article 20(13) of Regulation (EU) 2017/2402 and paragraphs 47 to 49;		
(e) exposures with temporary payment holidays as contractually agreed between the debtor and the lender.		

14	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See Section “The Portfolio, The Loans – Other Characteristics: “The Loans comprised in the Initial Portfolio as at the Cut-Off Date do not include: (i) any transferable securities for purposes of Article 20(8) of the Securitisation Regulation; (ii) any securitisation positions for purposes of Article 20(9) of the Securitisation Regulation; or (iii) any derivatives for purposes of Article 21(2) of the Securitisation Regulation, in each case on the basis that such Loans have been entered into substantially on the terms of similar standard documentation for residential mortgages loans. The Loans comprised in the Initial Portfolio as at the Cut-Off Date will be transferred to the Issuer after selection for inclusion in the Portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation.”		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>		
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.		
<b>EBA Final non-ABCP STS Guidelines</b>		

15	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
20.9. The underlying exposures shall not include any securitisation position.		
<b>STS criteria</b>		
15. The underlying exposures shall not include any securitisation position.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Section "The Portfolio, The Loans – Other Characteristics:</p> <p>"The Loans comprised in the Initial Portfolio as at the Cut-Off Date do not include: (i) any transferable securities for purposes of Article 20(8) of the Securitisation Regulation; (ii) any securitisation positions for purposes of Article 20(9) of the Securitisation Regulation; or (iii) any derivatives for purposes of Article 21(2) of the Securitisation Regulation, in each case on the basis that such Loans have been entered into substantially on the terms of similar standard documentation for residential mortgages loans. The Loans comprised in the Initial Portfolio as at the Cut-Off Date will be transferred to the Issuer after selection for inclusion in the Portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation."</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>No resecuritisation (Article 20(9))</b>		
<p>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.</p>		
32. The criterion is deemed sufficiently clear and does not require any further clarification.		
<b>EBA Final non-ABCP STS Guidelines</b>		

16	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<p>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.</p>		
<b>STS criteria</b>		
<p>16. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(c) each Loan was (i) originated by the Seller as principal in the ordinary course of business pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio and (ii) originated, and is denominated, in Sterling.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Underwriting standards (Article 20(10))</b>		
<p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		



17	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<p>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.</p>		
<b>STS criteria</b>		
<p>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.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(d) each Loan was originated by and made by the Seller on its own account pursuant to underwriting standards that are no less stringent than those the Originator applied at the time of origination to similar exposures that are not included in the Portfolio;</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Underwriting standards (Article 20(10))</b>		
<p>37. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) the term 'similar exposures', with reference to requirements specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;</p> <p>(b) the term 'no less stringent underwriting standards': independently of the guidance provided in these guidelines, it is understood that, in the spirit of restricting the 'originate-to-distribute' model of underwriting, where similar exposures exist on the originator's balance sheet, the underwriting standards that have been applied to the securitised exposures should also have been applied to similar exposures that have not been securitised, i.e. the underwriting standards should have been applied not solely to securitised exposures;</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.4 Underwriting standards, originator's expertise (Article 20(10))</b>		
<b><i>No less stringent underwriting standards</i></b>		
<p>23. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the underwriting standards applied to securitised exposures should be compared to the underwriting standards applied to similar exposures at the time of origination of the securitised exposures.</p>		
<p>24. Compliance with this requirement should not require either the originator or the original lender to hold similar exposures on its balance sheet at the time of the selection of the securitised exposures or at the exact time of their securitisation, nor should it require that similar exposures were actually originated at the time of origination of the securitised exposures.</p>		

<b>18</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See section, The Portfolio, The Loans:		
Changes to the underwriting policies and Lending Criteria		
Any material changes from the Seller's prior underwriting policies and Lending Criteria shall be disclosed without undue delay to the extent required under Article 20(10) of the Securitisation Regulation.		
Although somewhat confusingly drafted "future changes" are not drafted in the Securitisation regulation. However, the EBA Guidelines make clear that the part of the criterion referring to changes from prior underwriting is a future event criterion. It applies to 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.		
<b>PCS has identified the existence of such a covenant in the Prospectus.</b>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Underwriting standards (Article 20(10))</b>		
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;		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.4 Underwriting standards, originator's expertise (Article 20(10))</b>		
<b>Disclosure of material changes from prior underwriting standards</b>		
25. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, material changes to the underwriting standards that are required to be fully disclosed should be understood to be those material changes to the underwriting standards that are applied to the exposures that are transferred to, or assigned by, the SSPE after the closing of the securitisation in the context of portfolio management as referred to in paragraphs 15 and 16.		
26. Changes to such underwriting standards should be deemed material where they refer to either of the following types of changes to the underwriting standards:		
(a) changes which affect the requirement of the similarity of the underwriting standards further specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;		
(b) changes which materially affect the overall credit risk or expected average performance of the portfolio of underlying exposures without resulting in substantially different approaches to the assessment of the credit risk associated with the underlying exposures.		

27. The disclosure of all changes to underwriting standards should include an explanation of the purpose of such changes.

28. With regard to trade receivables that are not originated in the form of a loan, reference to underwriting standards in Article 20(10) should be understood to refer to credit standards applied by the seller to short-term credit generally of the type giving rise to the securitised exposures and proposed to its customers in relation to the sales of its products and services.

19	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:		
(l) no Loan was marketed and underwritten on the premise that the loan applicant or, as applicable, any intermediary, was made aware that the information provided might not be verified by the Seller.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Underwriting standards (Article 20(10))</b>		
34. The objective of the criterion specified in the second subparagraph of Article 20(10) is to prohibit the securitisation of self-certified mortgages for STS purposes, given the moral hazard that is inherent in granting such types of loans.		
37 (d) the scope of the criterion with respect to the specific types of residential loans as referred to in the second subparagraph of Article 20(10) and to the nature of the information that should be captured by this criterion;		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.4 Underwriting standards, originator’s expertise (Article 20(10))</b>		
<b>Residential loans</b>		
29. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the pool of underlying exposures should not include residential loans that were both marketed and underwritten on the premise that the loan applicant or intermediaries were made aware that the information provided might not be verified by the lender.		
30. Residential loans that were underwritten but were not marketed on the premise that the loan applicant or intermediaries were made aware that the information provided might not be verified by the lender, or become aware after the loan was underwritten, are not captured by this requirement.		
31. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the ‘information’ provided should be considered to be only relevant information. The relevance of the information should be based on whether the information is a relevant underwriting metric, such as information considered relevant for assessing the creditworthiness of a borrower, for assessing access to collateral and for reducing the risk of fraud.		
32. Relevant information for general non-income-generating residential mortgages should normally be considered to constitute income, and relevant information for income-generating residential mortgages should normally be considered to constitute rental income. Information that is not useful as an underwriting metric, such as mobile phone numbers, should not be considered relevant information.		

20	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Section "The Portfolio , The Loans - Characteristics of the Loans states</p> <p>Lending criteria</p> <p><i>Changes to the underwriting policies and Lending Criteria</i></p> <p><i>Any material changes from the Seller's prior underwriting policies and Lending Criteria shall be disclosed without undue delay to the extent required under Article 20(10) of the Securitisation Regulation.</i></p> <p><i>The assessment of a Borrower's creditworthiness is conducted in accordance with the Lending Criteria and, where appropriate, meets 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.</i></p> <p><i>The criterion</i> requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. As a general principle, European Directives, in contrast to Regulations, do not have direct and immediate effect but must be implemented into national law country by country.</p> <p>Therefore, if the assets concerned, as in the case of the Transaction, are residential mortgages, the relevant Directive is 2014/17/EU. The next step is to determine which UK law transcribed this Directive into local law.</p> <p>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.</p> <p><b><i>This was done in the UK via the MCD Order issued in March 2016.</i></b></p> <p><b><i>The originator has provided a representation that this criterion is met</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>		
<b>Underwriting standards (Article 20(10))</b>		
35. The objective of the criterion specified in the third subparagraph of Article 20(10) is to ensure that the assessment of the borrower's creditworthiness is based on robust processes. It is expected that the application of this article will be limited in practice, given that the STS is limited to originators based in the EU, and the criterion is understood to cover only exposures originated by the EU originators to borrowers in non-EU countries.		
37 (e) clarification of the criterion with respect to the assessment of a borrower's creditworthiness based on equivalent requirements in third countries;		
<b>EBA Final non-ABCP STS Guidelines</b>		

21	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<p>The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.</p>		
<b>STS criteria</b>		
<p>21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SKIPTON BUILDING SOCIETY</p> <p>“The Society has significantly more than five years of experience in the origination, underwriting and servicing of mortgage loans similar to those included in the Portfolio.”</p> <p><b><i>An entity originating assets similar to those securitised for at least five years is deemed, according to the EBA Guidelines to have “expertise”. Skipton Building Society has been making mortgage loans in the UK for considerably longer than five years. This information may be found in the Prospectus.</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Underwriting standards (Article 20(10))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.4 Underwriting standards, originator’s expertise (Article 20(10))</b>		
<b>Similar exposures</b>		
<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 201(1) of Regulation (EU) No 575/2013 qualifying for credit quality step 2 or above as set out in Part Three, Title II, Chapter 2 of that regulation;</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>		

- (iv) auto loans and leases;
- (v) credit card receivables;
- (vi) trade receivables;

(b) the exposures fall under the asset category of credit facilities provided to micro-, small-, medium-sized and other types of enterprises and corporates including loans and leases, as referred to in Article 2(d) of the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, as underlying exposures of a certain type of obligor;

(c) where they do not belong to any of the asset categories referred to in points (a) and (b) of this paragraph and as referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous for the purposes of Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, the underlying exposures share similar characteristics with respect to the type of obligor, ranking of security rights, type of immovable property and/or jurisdiction.

*Criteria for determining the expertise of the originator or original lender*

34. For the purposes of determining whether an originator or original lender has expertise in originating exposures of a similar nature to those securitised in accordance with Article 20(10) of Regulation (EU) 2017/2402, both of the following should apply:

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

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

- (i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;
- (ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;
- (iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of originating the exposures should be appropriate;
- (iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to origination of exposures of a similar nature to those securitised.

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

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

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

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

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

22	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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:		
<b>STS criteria</b>		
22. The underlying exposures shall be transferred to the SSPE after selection without undue delay...		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section, The Portfolio, The Loans:</p> <p>Other characteristics</p> <p>"The Loans comprised in the Portfolio as at the Cut-Off Date will be transferred to the Issuer after selection for inclusion in the Portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation."</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> <p><b><i>The time between the selection date and the transfer to the Issuer for this Transaction is in line with the Criterion.</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



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

24	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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:		
<b>STS criteria</b>		
24. Or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(u) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.</p> <p>(v) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the LCR Regulation of paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation).</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>		
<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>		
40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>		
<i>Exposures to a credit-impaired debtor or guarantor</i>		

39. For the purposes of Article 20(11) of Regulation (EU) 2017/2402, the circumstances specified in points (a) to (c) of that paragraph should be understood as definitions of credit-impairedness. Other possible circumstances of credit-impairedness that are not captured in points (a) to (c) should be considered to be excluded from this requirement.

40. The prohibition of the selection and transfer to SSPE of underlying exposures 'to a credit-impaired debtor or guarantor' as referred to in Article 20(11) of Regulation (EU) 2017/2402 should be understood as the requirement that, at the time of selection, there should be a recourse for the full securitised exposure amount to at least one non-credit-impaired party, irrespective of whether that party is a debtor or a guarantor. Therefore, the underlying exposures should not include either of the following:

- (a) exposures to a credit-impaired debtor, when there is no guarantor for the full securitised exposure amount;
- (b) exposures to a credit-impaired debtor who has a credit-impaired guarantor.

***To the best of the originator's or original lender's knowledge***

41. For the purposes of Article 20(11) of Regulation (EU) 2017/2402, the 'best knowledge' standard should be considered to be fulfilled on the basis of information obtained only from any of the following combinations of sources and circumstances:

- (a) debtors on origination of the exposures;
- (b) the originator in the course of its servicing of the exposures or in the course of its risk management procedures;
- (c) notifications to the originator by a third party;
- (d) publicly available information or information on any entries in one or more credit registries of persons with adverse credit history at the time of origination of an underlying exposure, only to the extent that this information had already been taken into account in the context of (a), (b) and (c), and in accordance with the applicable regulatory and supervisory requirements, including with respect to sound credit granting criteria as specified in Article 9 of Regulation (EU) 2017/2402. This is with the exception of trade receivables that are not originated in the form of a loan, with respect to which credit-granting criteria do not need to be met.

25	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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.</p>		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(u) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.</p> <p>(v) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the LCR Regulation of paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation).</p> <p><b>The EBA guidelines state the circumstances in (a) to (c) of Article 20.11 should be understood as definitions of credit-impairedness. The criterion is therefore met.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

26	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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"> <li>(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</li> <li>(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;</li> </ul> <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 being made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>		
<b>STS criteria</b>		
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:		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(u) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.</p> <p>(v) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the LCR Regulation of paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation).</p> <p>(o) to the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestrated, entered into an individual voluntary arrangement, or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a non-appealable county court judgment, Scottish court decree for payment or bankruptcy order entered or made against them or has incurred material damages as a result of a missed payment within three years prior to the date of origination of the relevant Loan, or has undergone a debt-restructuring process with regard to his/her non-performing exposures within three years prior to the Closing Date in respect of the Initial Portfolio, and the Additional Sale Date in respect of the relevant Additional Loan.</p> <p>The EBA guidelines state the circumstances in (a) to (c) of Article 20.11 should be understood as definitions of credit-impairedness. The criterion is therefore met.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>		
<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</p>		

payment periods) should not be captured by this requirement. Therefore, this criterion should not automatically exclude from the STS framework exposures to all entities that are on the credit registries, taking into account that this would unintentionally exclude a significant number of entities given that different practices exist across EU jurisdictions with respect to entry requirements of such credit registries, and the fact that credit registries in some jurisdictions may contain both positive and negative information about the clients;

#### **EBA Final non-ABCP STS Guidelines**

#### **4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))**

##### ***Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process***

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

27	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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"> <li>(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</li> <li>(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;</li> </ul> <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>		
<b>STS criteria</b>		
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		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>Not applicable. No restructured underlying exposure are to be included. See Criterion 26 above,</p> <p><b>The EBA guidelines state the circumstances in (a) to (c) of Article 20.11 should be understood as definitions of credit-impairedness. The criterion is therefore met.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

28	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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"> <li>(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</li> <li>(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;</li> </ul> <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>		
<b>STS criteria</b>		
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;		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>Not applicable. No restructured underlying exposure are to be included. See Criterion 26 above,</p> <p><b>The EBA guidelines state the circumstances in (a) to (c) of Article 20.11 should be understood as definitions of credit-impairedness. The criterion is therefore met.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



29	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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"> <li>(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</li> <li>(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;</li> </ul> <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 being made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>		
<b>STS criteria</b>		
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;		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(u) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.</p> <p>(v) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the LCR Regulation of paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation).</p> <p>(m) to the best of the Seller's knowledge, at the time of origination of the relevant Loan, no Borrower either (i) appeared on a register available to the Seller of persons with an adverse credit history or (ii) had a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made was significantly higher than for comparable exposures held by the Seller which are not included in the Portfolio.</p> <p>The EBA guidelines state the circumstances in (a) to (c) of Article 20.11 should be understood as definitions of credit-impairedness. The criterion is therefore met.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>		
<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,</p>		

taking into account that this would unintentionally exclude a significant number of entities given that different practices exist across EU jurisdictions with respect to entry requirements of such credit registries, and the fact that credit registries in some jurisdictions may contain both positive and negative information about the clients;

**EBA Final non-ABCP STS Guidelines**

**4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))**

***Credit registry***

43. The requirement referred to in Article 20(11)(b) of Regulation (EU) 2017/2402 should be limited to exposures to debtors or guarantors to which both of the following requirements apply at the time of origination of the underlying exposure:

- (a) the debtor or guarantor is explicitly flagged in a credit registry as an entity with adverse credit history due to negative status or negative information stored in the credit registry;
- (b) the debtor or guarantor is on the credit registry for reasons that are relevant to the purposes of the credit risk assessment.

30	Legislative text	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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.</p> <p>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> <p>(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</p> <p>(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> <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;</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>		
<b>STS criteria</b>		
30. (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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties:</p> <p>(u) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.</p> <p>(v) No Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the LCR Regulation of paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation).</p> <p>(m) to the best of the Seller's knowledge, at the time of origination of the relevant Loan, no Borrower either (i) appeared on a register available to the Seller of persons with an adverse credit history or (ii) had a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made was significantly higher than for comparable exposures held by the Seller which are not included in the Portfolio.</p> <p><b>The EBA guidelines state the circumstances in (a) to (c) of Article 20.11 should be understood as definitions of credit-impairedness. The criterion is therefore met.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<p><b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b></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</p>		

the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/24027, given that in both cases the requirement (i) aims to prevent adverse selection of underlying exposures and (ii) relates to the comparison of the credit quality of exposures transferred to the SSPE and comparable exposures that remain on the originator's balance sheet. To facilitate the interpretation, a list is given of examples of how to achieve compliance with the requirement.

#### **EBA Final non-ABCP STS Guidelines**

#### **4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))**

##### ***Risk of contractually agreed payments not being made being significantly higher than for comparable exposures***

44. For the purposes of Article 20(11)(c) of Regulation (EU) 2017/2402, the exposures should not be considered to have a 'credit assessment of a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised' when the following conditions apply:

- (a) the most relevant factors determining the expected performance of the underlying exposures are similar;
- (b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.

45. The requirement in the previous paragraph should be considered to have been met where either of the following applies:

- (a) the underlying exposures do not include exposures that are classified as doubtful, impaired, non-performing or classified to the similar effect under the relevant accounting principles;
- (b) the underlying exposures do not include exposures whose credit quality, based on credit ratings or other credit quality thresholds, significantly differs from the credit quality of comparable exposures that the originator originates in the course of its standard lending operations and credit risk strategy.

<b>31</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See section , SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT Mortgage Sale Agreement, Representations and Warranties: (q) each Borrower has made at least one Monthly Payment.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>At least one payment made (Article 20(12))</b>		
41. STS securitisations should minimise the extent to which investors are required to analyse and assess fraud and operational risk. At least one payment should therefore be made by each underlying borrower at the time of transfer, since this reduces the likelihood of the loan being subject to fraud or operational issues, unless in the case of revolving securitisations in which the distribution of securitised exposures is subject to constant changes because the securitisation relates to exposures payable in a single instalment or with an initial legal maturity of an exposure of below one year.		
42. To facilitate consistent interpretation of this criterion, its scope and the types of payments referred to therein should be further clarified.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>4.6 At least one payment made (Article 20(12))</b>		
<b>Scope of the criterion</b>		
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.		
<b>At least one payment</b>		
47. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, the payment referred to in the requirement according to which 'at least one payment' should have been made at the time of transfer should be a rental, principal or interest payment or any other kind of payment.		

32	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 20 - Requirements relating to simplicity</b>		
<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>		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section The Portfolio, The Loans – Repayment terms which include :</p> <p>Repayment mortgage loans and Interest -only mortgage loans and or a combination of the two repayment types.</p> <p><b>Although there was some uncertainty over the status of interest-only mortgages, this has been definitively cleared up by the EBA Guidelines specific statement that this criterion was not designed to capture these products.</b></p> <p><b>Accordingly, none of the assets in the pool display any predominant reliance on the sale of the assets.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>No predominant dependence on the sale of assets (Article 20(13))</b>		
<p>43. Dependence of the repayment of the holders of the securitisation positions on the sale of assets securing the underlying exposures increases the liquidity risks, market risks and maturity transformation risks to which the securitisation is exposed. It also makes the credit risk of the securitisation more difficult for investors to model and assess.</p> <p>44. The objective of this criterion is to ensure that the repayment of the principal balance of exposures at the contract maturity – and therefore repayment of the holders of the securitisation positions – is not intended to be predominantly reliant on the sale of assets securing the underlying exposures, unless the value of the assets is guaranteed or fully mitigated by a repurchase obligation.</p> <p>45. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) the term ‘predominant dependence’ on the sale of assets securing the underlying exposures should be further interpreted:</p> <p>(i) when assessing whether the repayment of the holders of the securitisation positions is or is not predominantly dependent on the sale of assets, the following three aspects should be taken into account: (i) the principal balance at contract maturity of underlying exposures that depend on the sale of assets securing those underlying exposures to repay the balance; (ii) the distribution of maturities of such exposures across the life of the transaction, which aims to reduce the risk of correlated defaults due to idiosyncratic shocks; and (iii) the granularity of the pool of exposures, which aims to promote sufficient distribution in sale dates and other characteristics that may affect the sale of the underlying exposures.</p> <p>(i) no types of securitisations should be excluded ex ante from the compliance with this criterion and from the STS securitisation as long as they meet all the requirements specified in the guidance. For example, this criterion does not aim to exclude leasing transactions and interest-only residential mortgages from STS securitisation, provided they comply with the guidance provided and all other applicable STS requirements. However, it is expected that commercial real estate transactions, or securitisations where the assets are commodities (e.g. oil, grain, gold), or bonds whose maturity dates fall after the maturity date of the securitisation, would not meet these requirements, as in all these cases it is expected that the repayment is predominantly reliant on the sale of the assets, that other possible ways to repay the securitisation positions are substantially limited, and that the granularity of the portfolio is low.</p> <p>46. With respect to the exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402, it should be ensured that the entity providing the guarantee or the repurchase obligation of the assets securing the underlying exposures is not an empty-shell or defaulted entity, so that it has sufficient loss absorbency to exercise the guarantee of the repurchase of the assets.</p>		
EBA Final non-ABCP STS Guidelines		

#### **4.7 No Predominant dependence on the sale of assets**

##### ***Predominant dependence on the sale of assets***

48. For the purposes of Article 20(13) of Regulation (EU) 2017/2402, transactions where all of the following conditions apply, at the time of origination of the securitisation in cases of amortising securitisation or during the revolving period in cases of revolving securitisation, should be considered not predominantly dependent on the sale of assets securing the underlying exposures, and therefore allowed:

- (a) the contractually agreed outstanding principal balance, at contract maturity of the underlying exposures that depend on the sale of the assets securing those underlying exposures to repay the principal balance, corresponds to no more than 50% of the total initial exposure value of all securitisation positions of the securitisation;
- (b) the maturities of the underlying exposures referred to in point (a) are not subject to material concentrations and are sufficiently distributed across the life of the transaction;
- (c) the aggregate exposure value of all the underlying exposures referred to in point (a) to a single obligor does not exceed 2% of the aggregate exposure value of all underlying exposures in the securitisation.

49. Where there are no underlying exposures in the securitisation that depend on the sale of assets to repay their outstanding principal balance at contract maturity, the requirements in paragraph 48 should not apply.

##### ***Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402***

50. The exemption referred to in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402 with regard to the repayment of holders of securitisation positions whose underlying exposures are secured by assets, the value of which is guaranteed or fully mitigated by a repurchase obligation of either the assets securing the underlying exposures or of the underlying exposures themselves by another third party or parties, the seller or the third parties should meet both of the following conditions:

- (a) they are not insolvent;
- (b) there is no reason to believe that the entity would not be able to meet its obligations under the guarantee or the repurchase obligation.

20.14. EBA, in close cooperation with ESMA and EIOPA, shall develop draft regulatory standards further specifying which underlying exposures referred to in paragraph 8 are deemed to be homogeneous. EBA shall submit those draft regulatory standards to the Commission by 18 July 2018.

The Commission is empowered to supplement this Regulation by adopting the regulatory technical standards referred to in this paragraph in accordance with the procedure laid down in Articles 10 to 14 of Regulation (EU) No 1093/2010.



33	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
<b>STS criteria</b>		
33.The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>Deed of Charge Retention Undertaking</p> <p>In the Deed of Charge the Seller undertakes (i) to hold a material net economic interest pursuant to Article 6 of the Securitisation Regulation and certain requirements as to providing investor information in connection with the retention of such interest, which include its obligations to provide all information required to be made available to Noteholders or the Swap Provider thereunder to the Issuer and the Trustee on request, subject always to any requirement of law regarding the provision of such information, [provided that the Seller will not be in breach of such undertaking if the Seller fails to do so due to events, actions or circumstances beyond the Seller's control. The Trustee shall have the benefit of certain protections contained in the Trust Deed in relation to the compliance of the Seller with such undertaking.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Risk retention (Article 21(1))</b>		
47. The main objective of the risk retention criterion is to ensure an alignment between the originators'/sponsors'/original lenders' and investors' interests, and to avoid application of the originate-to-distribute model in securitisation.		
48. The content of the criterion is deemed sufficiently clear that no further guidance in addition to that provided by the Delegated Regulation further specifying the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/2402 is considered necessary.		
<b>EBA Final non-ABCP STS Guidelines</b>		

<b>34</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
34. The interest rate...risks arising from the securitisation shall be appropriately mitigated.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section "Risk Factors – Basis Risk"</p> <p>See section KEY STRUCTURAL FEATURES, Swap Agreement - describes the hedging of the various fixed rates of interest payable on the loans in the Portfolio and (ii) the floating rate of interest payable on the Notes.</p> <p>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.</p> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p>The fixed rate mortgages are hedged. Seller SVR, Seller MVR and BoE BAS Rate linked Notes are not hedged but benefit from the General Reserve in relation to appropriate risk mitigation.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.		
50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.		
51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.		
52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:		

- (a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;
- (b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;
- (c) clarification of the term 'common standards in international finance'.

#### **EBA Final non-ABCP STS Guidelines**

##### **5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))**

###### ***Appropriate mitigation of interest-rate and currency risks***

51. For the purposes of Article 21(2) of Regulation (EU) 2017/2402 in order for the interest-rate and currency risks arising from the securitisation to be considered 'appropriately mitigated', it should be sufficient that a hedge or mitigation is in place, on condition that it is not unusually limited with the effect that it covers a major share of the respective interest-rate or currency risks under relevant scenarios, understood from an economic perspective. Such a mitigation may also be in the form of derivatives or other mitigating measures including reserve funds, over collateralisation, excess spread or other measures.

52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply:

- (a) the derivatives should be used only for genuine hedging of asset and liability mismatches of interest rates and currencies, and should not be used for speculative purposes;
- (b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards;
- (c) the derivative documentation should provide, in the event of the loss of sufficient creditworthiness of the counterparty below a certain level, measured either on the basis of the credit rating or otherwise, that the counterparty is subject to collateralisation requirements or makes a reasonable effort for its replacement or guarantee by another counterparty.

53. Where the mitigation of interest-rate and currency risks referred to in Article 21(2) of Regulation (EU) 2017/2402 is carried out not through derivatives but by other risk-mitigating measures, those measures should be designed to be sufficiently robust. When such risk-mitigating measures are used to mitigate multiple risks at the same time, the disclosure required by Article 21(2) of Regulation (EU) 2017/2402 should include an explanation of how the measures hedge the interest-rate risks and currency risks on one hand, and other risks on the other hand.

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

53. Where the mitigation of interest-rate and currency risks referred to in Article 21(2) of Regulation (EU) 2017/2402 is carried out not through derivatives but by other risk-mitigating measures, those measures should be designed to be sufficiently robust. When such risk-mitigating measures are used to mitigate multiple risks at the same time, the disclosure required by Article 21(2) of Regulation (EU) 2017/2402 should include an explanation of how the measures hedge the interest-rate risks and currency risks on one hand, and other risks on the other hand.

54. The measures referred to in paragraphs 52 and 53, as well as the reasoning supporting the appropriateness of the mitigation of the interest-rate and currency risks through the life of the transaction, should be disclosed.

36	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
36. Any measures taken to that effect shall be disclosed.		
<b>Verified?</b>	Yes	
<b>PCS Comment</b>		
See section “Key Structural Features - Swap Agreement”		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.		
50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.		
51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.		
52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:		
(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;		
(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;		
(c) clarification of the term ‘common standards in international finance’.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
54. The measures referred to in paragraphs 52 and 53, as well as the reasoning supporting the appropriateness of the mitigation of the interest-rate and currency risks through the life of the transaction, should be disclosed.		

37	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.</p>		
<b>STS criteria</b>		
37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
See section, ISSUER		
<p>The Issuer was established as a special purpose vehicle for the purposes of issuing the Notes. The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer. Except for the purpose of hedging interest-rate or currency risk, the Issuer will not enter into derivative contracts for purposes of Article 21(2) of the Securitisation Regulation.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
<b>Derivatives</b>		
<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>		

38	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.</p>		
<b>STS criteria</b>		
38. ...Shall ensure that the pool of underlying exposures does not include derivatives.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See the section The Portfolio, The Loans: Other characteristics</p> <p>“The Loans comprised in the Initial Portfolio as at the Cut-Off Date do not include: (i) any transferable securities for purposes of Article 20(8) of the Securitisation Regulation; (ii) any securitisation positions for purposes of Article 20(9) of the Securitisation Regulation; or (iii) any derivatives for purposes of Article 21(2) of the Securitisation Regulation, in each case on the basis that such Loans have been entered into substantially on the terms of similar standard documentation for residential mortgages loans. The Loans comprised in the Initial Portfolio as at the Cut-Off Date will be transferred to the Issuer after selection for inclusion in the Portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation.”</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
<b>Derivatives</b>		
<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>		



<b>39</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.</p>		
<b>STS criteria</b>		
39. Those derivatives shall be underwritten and documented according to common standards in international finance.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>"Swap Agreement" means the swap agreement between the Issuer and the Swap Provider thereunder dated on or about the Closing Date, consisting of an ISDA Master Agreement together with a Schedule thereto, a credit support annex and a confirmation documenting the Fixed Rate Swap Transaction as such may be amended from time to time, and/or any successive or replacement swap agreement entered into by the Issuer from time to time;</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21 (2))</b>		
<b>Common standards in international finance</b>		
56. For the purposes of Article 21(2) of Regulation (EU) 2017/2402, common standards in international finance should include ISDA or similar established national documentation standards.		

40	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>Assets: see section "THE PORTFOLIO, THE LOANS - Characteristics of the Loans</p> <p>Interest Payments</p> <p>The Loans in the Portfolio have one or more of the following interest terms:</p> <ul style="list-style-type: none"> <li>Fixed Rate Loans: Loans subject to a fixed interest rate for a specified period of time and which at the expiration of that period generally convert to Variable Rate Loans or Tracker Rate Loans. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the fixed interest rate.</li> <li>Tracker Rate Loans: Loans subject to a variable rate of interest that is linked to the Bank of England base rate (the "BoE Base Rate") plus an additional fixed percentage (the "Tracker Rate"), usually for a fixed period but, in some instances, for the life of the Loan (the "Life Tracker Rate Loans"). At the end of any fixed period, generally the Loans may convert to Variable Rate Loans or remain as Tracker Rate Loans.</li> <li>Discount Rate Loans: Loans which allow the Borrower, for a set period of time or for the life of the Loan, to pay interest at a specified discount to the Seller Standard Variable Rate, the Seller Mortgage Variable Rate or Issuer Variable Rate, as the case may be. At the end of the discounted period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the discounted interest rate.</li> <li>Capped (BoE Base Rate) Loans: Tracker Rate Loans which have a rate of interest which will not increase above a specified rate for a set period of time or for the life of the Loan. At the end of the period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the capped interest rate.</li> <li>Floored (BoE Base Rate) Loans: Tracker Rate Loans which have a rate of interest which will not decrease below a specified rate for a set period of time or for the life of the Loan. At the end of the period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term during which the interest rate will not decrease below the fixed rate.</li> <li>Capped (Variable) Loans: Variable Rate Loans which have a rate of interest which will not increase above a specified rate for a certain period of time. At the end of the period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time.</li> <li>Variable Rate Loans: Loans subject to a rate of interest linked to the Seller Standard Variable Rate, Seller Mortgage Variable Rate or Issuer Variable Rate, as the case may be, for the life of the Loan or until an alternative product that the Borrower qualifies for is selected by the Borrower. Variable Rate Loans will not usually have an early repayment charge.</li> </ul> <p>Liabilities:</p> <p>Class A Notes: Compounded Daily SONIA plus a Margin or Step-Up Margin, as applicable</p> <p>Class B Notes: Compounded Daily SONIA</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		

**Referenced interest payments (Article 21 (3))**

53. The objective of this criterion is to prevent securitisations from making reference to interest rates that cannot be observed in the commonly accepted market practice. The credit risk and cash flow analysis that investors must be able to carry out should not involve atypical, complex or complicated rates or variables that cannot be modelled on the basis of market experience and practice.

54. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:

- (a) the scope of the criterion (by specifying the common types and examples of interest rates captured by this criterion);
- (b) the term 'complex formulae or derivatives'.

**EBA Final non-ABCP STS Guidelines****5.2 Referenced interest payments (Article 21 (3))*****Referenced rates***

57. For the purposes of Article 21(3) of Regulation (EU) 2017/2402, interest rates that should be considered to be an adequate reference basis for referenced interest payments should include all of the following:

- (a) interbank rates including the Libor, Euribor and other recognised benchmarks;
- (b) rates set by monetary policy authorities, including FED funds rates and central banks' discount rates;
- (c) sectoral rates reflective of a lender's cost of funds, including standard variable rates and internal interest rates that directly reflect the market costs of funding of a bank or a subset of institutions, to the extent that sufficient data are provided to investors to allow them to assess the relation of the sectoral rates to other market rates.

***Complex formulae or derivatives***

58. For the purposes of Article 21(3) of Regulation (EU) 2017/2402, a formula should be considered to be complex when it meets the definition of an exotic instrument by the Global Association of Risk Professionals (GARP), which is a financial asset or instrument with features that make it more complex than simpler, plain vanilla, products. A complex formula or derivative should not be deemed to exist in the case of the mere use of interest-rate caps or floors.

41	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section , OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW</p> <p>Summary of Priority of Payments - Post-Enforcement Priority of Payments</p> <p><b>There is no cash trapping</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</b>		
<b>Exceptional circumstances</b>		
<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>		
<b>Amount trapped in the SSPE in the best interests of investors</b>		
<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>		

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.

<b>42</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
42. 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;		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW</p> <p>Summary of Priority of Payments - Post-Enforcement Priority of Payments</p> <p><b>Payments of principal are sequential.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</b>		
<b>Repayment</b>		
<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>		

43	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
43. Repayment of the securitisation positions shall not be reversed with regard to their seniority; and		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See 41 and 42 above – repayments are made sequentially pre and post enforcement		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

44	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
44. No provisions shall require automatic liquidation of the underlying exposures at market value.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section Terms and Conditions of the Notes ,:</p> <p>6.2 Enforceability</p> <p>For the purposes of Article 21(4)(d) of the Securitisation Regulation, no provision of the Deed of Charge requires automatic liquidation upon default of the Issuer.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</b></p> <p><b><i>Liquidation of the underlying exposures at market value</i></b></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	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>The transaction does not feature non- sequential priority of payments.</p> <p>See section , OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW</p> <p>Summary of Priorities of Payments</p> <p>Pre-Acceleration Revenue Priority of Payments: and Pre-Acceleration Principal Priority of Payments and Post-Acceleration Priority of Payments</p> <p>The first step in analysing this criterion is to determine whether the transaction features non-sequential priorities of payment in relation to the amortisation of the Notes.</p> <p><b>This criterion is met as there are no non-sequential priority of payments.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Non-sequential priority of payments (Article 21(5))</b>		
59. The objective of this criterion is to ensure that non-sequential (pro rata) amortisation should be used only in conjunction with clearly specified contractual triggers that determine the switch of the amortisation scheme to a sequential priority, safeguarding the transaction from the possibility that credit enhancement is too quickly amortised as the credit quality of the transaction deteriorates, thereby exposing senior investors to a decreasing amount of credit enhancement.		
60. To facilitate consistent interpretation of this criterion, a non-exhaustive list of examples of performance-related triggers that may be included is provided in the guidance.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.4 Non-sequential priority of payments (Article 21(5))</b>		
<b>Performance-related triggers</b>		
66. For the purposes of Article 21(5) of Regulation (EU) 2017/2402, the triggers related to the deterioration in the credit quality of the underlying exposures may include the following:		
(a) with regard to underlying exposures for which a regulatory expected loss (EL) can be determined in accordance with Regulation (EU) 575/2013 or other relevant EU regulation, cumulative losses that are higher than a certain percentage of the regulatory one-year EL on the underlying exposures and the weighted average life of the transaction;		
(b) cumulative non-matured defaults that are higher than a certain percentage of the sum of the outstanding nominal amount of tranche held by the investors and the tranches that are subordinated to them;		
(c) the weighted average credit quality in the portfolio decreasing below a given pre-specified level or the concentration of exposures in high credit risk (probability of default) buckets increasing above a pre-specified level.		

46	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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:		
<b>STS criteria</b>		
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:		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section “Mortgage Sale Agreement”, Additional Loan Conditions</p> <p>In order for any Additional Loans to be sold to the Issuer, certain conditions (the Additional Loan Conditions) must be complied with as at the relevant Additional Cut-off Date: Which includes:</p> <p>(vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Early amortisation provisions/triggers for termination of the revolving period (Article 21 (6))</b>		
<p>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.</p> <p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21 (6))</b>		
<b><i>Insolvency-related event with regard to the servicer</i></b>		
<p>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:</p> <p>(a) it should enable the replacement of the servicer in order to ensure continuation of the servicing;</p> <p>(b) it should trigger the termination of the revolving period.</p>		

47	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <p>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p>		
<b>STS criteria</b>		
<p>47. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <p>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section "Mortgage Sale Agreement," Additional Loan Conditions</p> <p>In order for any Additional Loans to be sold to the Issuer, certain conditions (the Additional Loan Conditions) must be complied with as at the relevant Additional Cut-off Date: Which includes:</p> <p>(vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;</p> <p>"Revolving Period End Date" means the occurrence of any of the following events:</p> <p>(f) following the application of the Pre-Enforcement Revenue Priority of Payments on any Interest Payment Date, the debit balance recorded to the Class B Principal Deficiency Sub-Ledger is in excess of 1% of the aggregate Principal Amount Outstanding of all Notes as at such Interest Payment Date;</p> <p>(i) [the aggregate Current Balance of the Loans in the Portfolio which are then in arrears for 3 months or more is greater than or equal to [5] per cent. of the aggregate Current Balance of all Loans in the Portfolio as at such Interest Payment Date in which an Additional Sale Date occurs;</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>		
<p><b>Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b></p> <p>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.</p> <p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		

48	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <p>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p> <p>(b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p>		
<b>STS criteria</b>		
<p>48. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <p>(b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section "Mortgage Sale Agreement," Additional Loan Conditions</p> <p>In order for any Additional Loans to be sold to the Issuer, certain conditions (the Additional Loan Conditions) must be complied with as at the relevant Additional Cut-off Date: Which includes:</p> <p>(vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;</p> <p>"Revolving Period End Date" means the occurrence of any of the following events:</p> <p>(b) the occurrence of a Seller Insolvency Event (after the passing of any applicable grace period);</p> <p>(c) an Administrator Insolvency Event;</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b>		
<p>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.</p> <p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b>		
<b><i>Insolvency-related event with regard to the servicer</i></b>		
<p>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:</p> <p>(a) it should enable the replacement of the servicer in order to ensure continuation of the servicing;</p> <p>(b) it should trigger the termination of the revolving period.</p>		

49	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <ul style="list-style-type: none"> <li>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</li> <li>(b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</li> <li>(c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);</li> </ul>		
<b>STS criteria</b>		
<p>49. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <ul style="list-style-type: none"> <li>(c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);</li> </ul>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section "Mortgage Sale Agreement," Additional Loan Conditions</p> <p>In order for any Additional Loans to be sold to the Issuer, certain conditions (the Additional Loan Conditions) must be complied with as at the relevant Additional Cut-off Date: Which includes:</p> <ul style="list-style-type: none"> <li>(vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;</li> </ul> <p>"Revolving Period End Date" means the occurrence of any of the following events:</p> <ul style="list-style-type: none"> <li>(j) the aggregate Current Balance of the Loans in the Portfolio falls below £ [*];</li> <li>(k) the date on which the Seller ceases to originate new loans that are capable of meeting the predetermined credit quality requirements set out in the Mortgage Sale Agreement and complying in all material respects with the Warranties; or</li> <li>(l) immediately upon payment of any Additional Loan Consideration for any Additional Loans, the amount standing to the credit of the Retained Principal Ledger, as at the date 5 Business Days after the last day of the calendar month on which an Interest Payment Date falls, is greater than 3.5% of the aggregate Current Balance of the Loans in the Portfolio as at the Closing Date.</li> </ul>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<p><b>Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b></p> <p>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.</p> <p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		

50	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <ul style="list-style-type: none"> <li>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</li> <li>(b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</li> <li>(c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);</li> <li>(d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).</li> </ul>		
<b>STS criteria</b>		
<p>50. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <ul style="list-style-type: none"> <li>(d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).</li> </ul>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section "Mortgage Sale Agreement," Additional Loan Conditions</p> <p>In order for any Additional Loans to be sold to the Issuer, certain conditions (the Additional Loan Conditions) must be complied with as at the relevant Additional Cut-off Date: Which includes:</p> <ul style="list-style-type: none"> <li>(vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;</li> </ul> <p>"Revolving Period End Date" means the occurrence of any of the following events:</p> <ul style="list-style-type: none"> <li>(j) the aggregate Current Balance of the Loans in the Portfolio falls below £ [*];</li> <li>(k) the date on which the Seller ceases to originate new loans that are capable of meeting the predetermined credit quality requirements set out in the Mortgage Sale Agreement and complying in all material respects with the Warranties; or</li> <li>(l) immediately upon payment of any Additional Loan Consideration for any Additional Loans, the amount standing to the credit of the Retained Principal Ledger, as at the date 5 Business Days after the last day of the calendar month on which an Interest Payment Date falls, is greater than 3.5% of the aggregate Current Balance of the Loans in the Portfolio as at the Closing Date.</li> </ul>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b>		
<p>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.</p>		
<p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		

51	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See:</p> <p>The Administration Agreement – Servicer</p> <p>Trust Deed – responsibilities of the Note Trustee</p> <p>Deed of Charge -Security Trustee</p> <p>Agency Agreement</p> <p>Cash Management Agreement – Cash Manager</p> <p>Account Bank Agreement – Account Bank</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Transaction Documentation (Article 21 (7))</b>		
<p>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.</p>		
<p>64. This criterion is considered sufficiently clear and no further guidance is considered necessary.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		

52	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
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		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, Administration Agreement</p> <p>Removal or Resignation of an Administrator</p> <p>Back-Up Administrator Facilitator</p> <p>Under the Administration Agreement, upon the occurrence of a Back-Up Administrator Event, the Issuer shall require the Administrator, with the assistance of the Back-Up Administrator Facilitator, within 60 days, to use reasonable endeavours to appoint a suitable back-up administrator in accordance with the terms of the Administration Agreement</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Transaction Documentation (Article 21 (7))</b>		
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.		
<b>EBA Final non-ABCP STS Guidelines</b>		



53	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>TRIGGERS TABLES - Rating Triggers Table</p> <p>Swap Provider, Account Bank, Administrator, Cash Manager</p> <p>Swap Agreement :</p> <p>Replacement of the Swap Agreement:</p> <p>Replacement upon early termination</p> <p>“In the event that the Swap Agreement is terminated prior to its scheduled termination date, and prior to the service of an Enforcement Notice or the redemption in full of all outstanding Notes, the Issuer shall use its reasonable efforts to enter into a replacement swap agreement.”</p> <p>See also, Replacement in other circumstances</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Transaction Documentation (Article 21 (7))</b>		
<p>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.</p> <p>64. This criterion is considered sufficiently clear and no further guidance is considered necessary.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		

54	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p><b>See section, SKIPTON BUILDING SOCIETY</b></p> <p>The Society has significantly more than five years of experience in the origination, underwriting and servicing of mortgage loans similar to those included in the Portfolio.</p> <p>Constitution</p> <p>The Society is incorporated under the Act for an unlimited duration. The Society is a building society and is authorised by the PRA and regulated by the FCA and PRA, with reference number 153706.</p> <p>See also section THE ADMINISTRATOR</p> <p>Skipton Building Society is an entity which is subject to prudential, capital and liquidity regulation in the United Kingdom and it has well documented and adequate policies, procedures and risk management controls relating to the servicing of mortgage loans. Such policies, procedures and risk management controls have been assessed and confirmed by the FCA and the PRA in the United Kingdom. Skipton Building Society has significantly more than five years of experience in servicing of mortgage loans similar to those included in the Portfolio.</p> <p>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.</p> <p>Skipton Building Society has serviced residential mortgages for much longer than five years as described in the Prospectus.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Expertise of the Servicer (Article 21 (8))</b>		
65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.		
66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:		
(a) criteria for determining the expertise of the servicer;		
(b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer.		
67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.8 Expertise of the servicer (Article 21 (8))</b>		
<b>Criteria for determining the expertise of the servicer</b>		
68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:		

- (a) the members of the management body of the servicer and the senior staff, other than members of the management body, responsible for servicing exposures of a similar nature to those securitised should have adequate knowledge and skills in the servicing of exposures similar to those securitised;
- (b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise:
  - (i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;
  - (ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;
  - (iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of servicing the exposures should be appropriate;
  - (iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to the servicing of similar exposures to those securitised.

69. A servicer should be deemed to have the required expertise where either of the following applies:

- (a) the business of the entity, or of the consolidated group, to which the entity belongs, for accounting or prudential purposes, has included the servicing of exposures of a similar nature to those securitised, for at least five years;
- (b) where the requirement referred to in point (a) is not met, the servicer should be deemed to have the required expertise where they comply with both of the following:
  - (i) at least two of the members of its management body have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at personal level, of at least five years;
  - (ii) senior staff, other than members of the management body, who are responsible for managing the entity's servicing of exposures of a similar nature to those securitised, have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at a personal level, of at least five years;
  - (iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a).

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

*Exposures of similar nature*

71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.

55	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section , Skipton Building Society is PRA authorised and FCA and PRA regulated (see 54 above)</p> <p>See also section THE ADMINISTRATOR</p> <p>Skipton Building Society is an entity which is subject to prudential, capital and liquidity regulation in the United Kingdom and it has well documented and adequate policies, procedures and risk management controls relating to the servicing of mortgage loans. Such policies, procedures and risk management controls have been assessed and confirmed by the FCA and the PRA in the United Kingdom. Skipton Building Society has significantly more than five years of experience in servicing of mortgage loans similar to those included in the Portfolio.</p> <p><b><i>Skipton Building Society is regulated in the United Kingdom by the PRA and FCA as stated in the Prospectus and separately verified by PCS. It therefore meets the criterion.</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Expertise of the Servicer (Article 21 (8))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>Expertise of the Servicer (Article 21 (8))</b>		
<b><i>Well-documented and adequate policies, procedures and risk management controls</i></b>		
<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	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
56. The transaction documentation shall set out in clear and consistent terms definitions		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See section The Administrator - Arrears and default procedures		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Remedies and actions related to delinquency and default of debtor (Article 21 (9))</b>		
68. Investors should be in a position to know, when they receive the transaction documentation, what procedures and remedies are planned in the event that adverse credit events affect the underlying exposures of the securitisation. Transparency of remedies and procedures, in this respect, allows investors to model the credit risk of the underlying exposures with less uncertainty. In addition, clear, timely and transparent information on the characteristics of the waterfall determining the payment priorities is necessary for the investor to correctly price the securitisation position.		
69. To facilitate consistent interpretation of this criterion, the terms 'in clear and consistent terms' and 'clearly specify' should be further clarified.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.7 Remedies and actions related to delinquency and default of debtor (Article 21 (9))</b>		
<b><i>Clear and consistent terms</i></b>		
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.		

57	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See section The Administrator - Arrears and default procedures		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Remedies and actions related to delinquency and default of debtor (Article 21 (9))</b>		
68. Investors should be in a position to know, when they receive the transaction documentation, what procedures and remedies are planned in the event that adverse credit events affect the underlying exposures of the securitisation. Transparency of remedies and procedures, in this respect, allows investors to model the credit risk of the underlying exposures with less uncertainty. In addition, clear, timely and transparent information on the characteristics of the waterfall determining the payment priorities is necessary for the investor to correctly price the securitisation position.		
69. To facilitate consistent interpretation of this criterion, the terms ‘in clear and consistent terms’ and ‘clearly specify’ should be further clarified.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.7 Remedies and actions related to delinquency and default of debtor (Article 21 (9))</b>		
<b><i>Clear and consistent terms</i></b>		
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.		

58	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<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>		
<b>STS criteria</b>		
58. The transaction documentation shall clearly specify the priorities of payment,		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>CASHFLOWS AND CASH MANAGEMENT</p> <p>Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer</p> <p>Application of Available Principal Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer</p> <p>Application of Revenue Receipts, Principal Receipts and other monies of the Issuer following the Service of an Enforcement Notice</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

59	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>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>		
<b>STS criteria</b>		
59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Terms and Conditions of the Notes</p> <p>13. Events of Default</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



60	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>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>		
<b>STS criteria</b>		
60. The transaction documentation shall clearly specify the obligation to report such events.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>Disclosure of modifications to the Priority of Payments</p> <p>Any events which trigger changes in any Priority of Payments and any change in any Priority of Payments which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the Securitisation Regulation.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

61	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
<p>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>		
<b>STS criteria</b>		
<p>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.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>Disclosure of modifications to the Priority of Payments</p> <p>Any events which trigger changes in any Priority of Payments and any change in any Priority of Payments which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the Securitisation Regulation.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

62	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
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		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>a) the method for calling meetings or arranging conference calls; Terms and Conditions 16.1</p> <p>(b) the maximum timeframe for setting up a meeting or conference call – OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS, Noteholders Meeting provisions: Notice period</p> <p>(c) the required quorum; – OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS, Noteholders Meeting provisions: Quorum:</p> <p>(d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision; – OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS, Noteholders Meeting provision - Required majority for Extraordinary Resolutions and written Resolutions</p> <p>(e) where applicable, a location for the meetings which should be in the Union— OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS, Noteholders Meeting provisions: Location in the UK</p> <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. PCS has reviewed the documents to ascertain that all five are indeed present.</p> <p><b>PCS expects the Trust Deed to confirm the prospectus statements.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Resolution of conflicts between different classes of investors</b>		
70. The objective of this criterion is to help ensure clarity for securitisation noteholders of their rights and ability to control and enforce on the underlying credit claims or receivables. This should make the decision-making process more effective, for instance in circumstances where enforcement rights on the underlying assets are being exercised.		
71. To facilitate consistent interpretation of this criterion, the term ‘clear provisions that facilitate the timely resolution of conflicts between different classes of investors’ should be further interpreted.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.8 Resolution of conflicts between different classes of investors (Article 20 (10))</b>		
<b>Clear provisions facilitating the timely resolution of conflicts between different classes of investors</b>		
73. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, provisions of the transaction documentation that ‘facilitate the timely resolution of conflicts between different classes of investors’, should include provisions with respect to all of the following:		
(a) the method for calling meetings or arranging conference calls;		
(b) the maximum timeframe for setting up a meeting or conference call;		

(c) the required quorum;

(d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision;

(e) where applicable, a location for the meetings which should be in the Union.

74. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, where mandatory statutory provisions exist in the applicable jurisdiction that set out how conflicts between investors have to be resolved, the transaction documentation may refer to these provisions.

63	Legislative text	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 21 - Requirements relating to standardisation</b>		
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.		
<b>STS criteria</b>		
63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See section, Terms and Conditions of the Notes and OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Resolution of conflicts between different classes of investors (Article 20 (10))</b>		
70. The objective of this criterion is to help ensure clarity for securitisation noteholders of their rights and ability to control and enforce on the underlying credit claims or receivables. This should make the decision-making process more effective, for instance in circumstances where enforcement rights on the underlying assets are being exercised.		
71. To facilitate consistent interpretation of this criterion, the term ‘clear provisions that facilitate the timely resolution of conflicts between different classes of investors’ should be further interpreted.		
<b>EBA Final non-ABCP STS Guidelines</b>		

<b>64</b>	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<p>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.</p>		
<b>STS criteria</b>		
<p>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,</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See "Data on static and dynamic historical default and loss performance of loans similar to the Loans".</p> <p>PCS has reviewed the data to its satisfaction.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Data on historical default and loss performance (Article 22(1))</b>		
<p>72. The objective is to provide investors with sufficient information on an asset class to conduct appropriate due diligence and to provide access to a sufficiently rich data set to enable a more accurate calculation of expected loss in different stress scenarios. These data are necessary for investors to carry out proper risk analysis and due diligence, and they contribute to building confidence and reducing uncertainty regarding the market behaviour of the underlying asset class. New asset classes entering the securitisation market, for which a sufficient track record of performance has not yet been built up, may not be considered transparent in that they cannot ensure that investors have the appropriate tools and knowledge to carry out proper risk analysis.</p> <p>73. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) its application to external data;</p> <p>(b) the term 'substantially similar exposures'.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>6.1 Data on historical default and loss performance (Article 22(1))</b>		
<b>Data</b>		
<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>		
<b>Substantially similar exposures</b>		
<p>76. For the purposes of Article 22(1) of Regulation (EU) 2017/2402, the term 'substantially similar exposures' should be understood as referring to exposures for which both of the following conditions are met:</p> <p>(a) the most relevant factors determining the expected performance of the underlying exposures are similar;</p> <p>(b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction, or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.</p> <p>77. The substantially similar exposures should not be limited to exposures held on the balance sheet of the originator.</p>		

65	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
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.		
<b>STS criteria</b>		
65. and the sources of those data and the basis for claiming similarity, to potential investors before pricing.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See "Data on static and dynamic historical default and loss performance of loans similar to the Loans". PCS has reviewed the data to its satisfaction.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Data on historical default and loss performance (Article 22(1))</b>		
72. The objective is to provide investors with sufficient information on an asset class to conduct appropriate due diligence and to provide access to a sufficiently rich data set to enable a more accurate calculation of expected loss in different stress scenarios. These data are necessary for investors to carry out proper risk analysis and due diligence, and they contribute to building confidence and reducing uncertainty regarding the market behaviour of the underlying asset class. New asset classes entering the securitisation market, for which a sufficient track record of performance has not yet been built up, may not be considered transparent in that they cannot ensure that investors have the appropriate tools and knowledge to carry out proper risk analysis.		
73. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:		
(a) its application to external data; (b) the term 'substantially similar exposures'.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>6.1 Data on historical default and loss performance (Article 22(1))</b>		
<b>Data</b>		
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.		
<b>Substantially similar exposures</b>		
76. For the purposes of Article 22(1) of Regulation (EU) 2017/2402, the term 'substantially similar exposures' should be understood as referring to exposures for which both of the following conditions are met:		
(a) the most relevant factors determining the expected performance of the underlying exposures are similar; (b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction, or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.		
77. The substantially similar exposures should not be limited to exposures held on the balance sheet of the originator.		

66	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
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.		
<b>STS criteria</b>		
66. Those data shall cover a period no shorter than five years.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See "Data on static and dynamic historical default and loss performance of loans similar to the Loans". PCS has reviewed the data to its satisfaction.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
72. The objective is to provide investors with sufficient information on an asset class to conduct appropriate due diligence and to provide access to a sufficiently rich data set to enable a more accurate calculation of expected loss in different stress scenarios. These data are necessary for investors to carry out proper risk analysis and due diligence, and they contribute to building confidence and reducing uncertainty regarding the market behaviour of the underlying asset class. New asset classes entering the securitisation market, for which a sufficient track record of performance has not yet been built up, may not be considered transparent in that they cannot ensure that investors have the appropriate tools and knowledge to carry out proper risk analysis.		
73. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:		
(a) its application to external data; (b) the term 'substantially similar exposures'.		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>6.1 Data on historical default and loss performance (Article 22(1))</b>		
<b>Data</b>		
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.		
<b>Substantially similar exposures</b>		
76. For the purposes of Article 22(1) of Regulation (EU) 2017/2402, the term 'substantially similar exposures' should be understood as referring to exposures for which both of the following conditions are met:		
(a) the most relevant factors determining the expected performance of the underlying exposures are similar; (b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction, or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.		
77. The substantially similar exposures should not be limited to exposures held on the balance sheet of the originator.		



67	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
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.		
<b>STS criteria</b>		
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,		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>Verification of data</p> <p>"The Provisional Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Provisional Portfolio conducted by a third party and completed on or about [-] with respect of the Provisional Portfolio in existence as of [-] and no significant adverse findings have been found. This independent third party has also performed agreed upon procedures in order to verify the Provisional Portfolio with the Loan Warranties 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 above 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>PCS has reviewed the results of the auditor verification exercise and the results meet the EBA guidelines</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<p><b>Verification of a sample of the underlying exposures (Article 22 (2))</b></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> <p>(a) requirements on the sample of the underlying exposures subject to external verification;</p> <p>(b) requirements on the party executing the verification;</p> <p>(c) scope of the verification;</p> <p>(d) requirement on the confirmation of the verification.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>6.2 Verification of a sample of the underlying exposures (Article 22 (2))</b></p> <p><b>Sample of the underlying exposures subject to external verification</b></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><b>Party executing the verification</b></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> <p>(a) it has the experience and capability to carry out the verification;</p> <p>(b) it is none of the following:</p> <p>(i) a credit rating agency;</p>		

- (ii) a third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402;
- (iii) an entity affiliated to the originator.

**Scope of the verification**

80. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, the verification to be carried out based on the representative sample, applying a confidence level of at least 95%, should include both of the following:

- (a) verification of the compliance of the underlying exposures in the provisional portfolio with the eligibility criteria that are able to be tested prior to issuance;
- (b) verification of the fact that the data disclosed to investors in any formal offering document in respect of the underlying exposures is accurate.

**Confirmation of the verification**

81. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, confirmation that this verification has occurred and that no significant adverse findings have been found should be disclosed.

68	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
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.		
<b>STS criteria</b>		
68. Including verification that the data disclosed in respect of the underlying exposures is accurate.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>Verification of data</p> <p>“The Provisional Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Provisional Portfolio conducted by a third party and completed on or about [-] with respect of the Provisional Portfolio in existence as of [-] and no significant adverse findings have been found. This independent third party has also performed agreed upon procedures in order to verify the Provisional Portfolio with the Loan Warranties 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 above 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 PCS is not an auditing firm, nor has it or has it sought access to the underlying information which was the basis of the AUP. However, it has read the AUP with the aim of determining whether, on its face, it appears to cover the items required by the criterion.”</p> <p><b>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. PCS also notes the representation to that effect made by the originator in the Prospectus.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Verification of a sample of the underlying exposures (Article 22 (2))</b>		
74. The objective of the criterion is to provide a level of assurance that the data on and reporting of the underlying credit claims or receivables is accurate and that the underlying exposures meet the eligibility criteria, by ensuring checks on the data to be disclosed to the investors by an external entity not affected by a potential conflict of interest within the transaction.		
75. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:		
<ul style="list-style-type: none"> <li>(a) requirements on the sample of the underlying exposures subject to external verification;</li> <li>(b) requirements on the party executing the verification;</li> <li>(c) scope of the verification;</li> <li>(d) requirement on the confirmation of the verification.</li> </ul>		
EBA Final non-ABCP STS Guidelines		
<b>6.2 Verification of a sample of the underlying exposures (Article 22 (2))</b>		
<b>Sample of the underlying exposures subject to external verification</b>		
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.		
<b>Party executing the verification</b>		
79. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, an appropriate and independent party should be deemed to be a party that meets both of the following conditions:		

- (a) it has the experience and capability to carry out the verification;
- (b) it is none of the following:
  - (i) a credit rating agency;
  - (ii) a third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402;
  - (iii) an entity affiliated to the originator.

**Scope of the verification**

80. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, the verification to be carried out based on the representative sample, applying a confidence level of at least 95%, should include both of the following:

- (a) verification of the compliance of the underlying exposures in the provisional portfolio with the eligibility criteria that are able to be tested prior to issuance;
- (b) verification of the fact that the data disclosed to investors in any formal offering document in respect of the underlying exposures is accurate.

**Confirmation of the verification**

81. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, confirmation that this verification has occurred and that no significant adverse findings have been found should be disclosed.

69	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>Cashflow model</p> <p>Skipton Building Society (as originator) will procure that the Cash Manager will make available to the holders of the Notes a cash flow model, either directly or indirectly through one or more entities which provide such cash flow models to investors generally. Skipton Building Society, in its capacity as originator, shall procure that such cash flow model (i) precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer, and (ii) is made available to investors in the Notes on an ongoing basis and to potential investors in the Notes upon request. The cashflow model has been made available to potential investors via Moody's Analytics prior to the pricing of the Notes.</p> <p>The criterion requires an accurate liability model to be circulated to prospective investors pre-pricing.</p> <p>To verify this criterion, PCS will require to see the model. It will then require a statement by the originator that the model will be circulated as required by the criterion.</p> <p>PCS is not a modelling firm nor has any modelling expertise. Therefore, it will not verify the model's accuracy or perform any due diligence whatsoever on the model. However, it will seek to satisfy itself indirectly as to the likelihood of the model's accuracy by requesting details of the individuals (if employed by the originator) or the firms (if the model is outsourced) responsible for the model. PCS will then assess whether, in its sole opinion, the model was put together by persons or firms with a reputation and a track-record in such models.</p> <p><u>Having seen the model, read a statement in the prospectus that the model will be made available in accordance with the requirements of the criteria and assessed the firm responsible for the model, PCS is prepared to verify this criterion.</u></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Liability cashflow model (Article 22(3))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>Liability cash flow model (Article 22(3))</b>		
<b>Precise representation of the contractual relationship</b>		
<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>		

**Third parties**

83. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, where the liability cash flow model is developed by third parties, the originator or sponsor should remain responsible for making the information available to potential investors.

70	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
<p>70. And shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>Cashflow model</p> <p>Skipton Building Society (as originator) will procure that the Cash Manager will make available to the holders of the Notes a cash flow model, either directly or indirectly through one or more entities which provide such cash flow models to investors generally. Skipton Building Society, in its capacity as originator, shall procure that such cash flow model (i) precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer, and (ii) is made available to investors in the Notes on an ongoing basis and to potential investors in the Notes upon request. The cashflow model has been made available to potential investors via Moody's Analytics prior to the pricing of the Notes.</p> <p>Although technically covering the period between pricing and close, this is primarily a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</p> <p>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.</p> <p><b>PCS notes the existence of such covenant in the Prospectus.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Liability cashflow model (Article 22(3))</b>		
<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>		
<b>EBA Final non-ABCP STS Guidelines</b>		

**Liability cash flow model (Article 22(3)) *Precise representation of the contractual relationship***

82. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, the representation of the contractual relationships between the underlying exposures and the payments flowing among the originator, sponsor, investors, other parties and the SSPE should be considered to have been done 'precisely' where it is done accurately and with an amount of detail sufficient to allow investors to model payment obligations of the SSPE and to price the securitisation accordingly. This may include algorithms that permit investors to model a range of different scenarios that will affect cash flows, such as different prepayment or default rates.

***Third parties***

83. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, where the liability cash flow model is developed by third parties, the originator or sponsor should remain responsible for making the information available to potential investors.



71	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>Environmental performance of the Loans</p> <p>As at the Cut-Off Date, the administrative records of Skipton Building Society do not contain any information related to the environmental performance of the property securing the Loans.</p> <p>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.</p> <p><b>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.</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<p><b>Environmental performance of assets (Article 22(4))</b></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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>Environmental performance of assets (Article 22(4))</b></p> <p><b><i>Available information related to the environmental performance</i></b></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>		

72	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section, OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</p> <p>Provision of Information to the Noteholders under the Securitisation Regulation:</p> <p>Skipton Building Society will be responsible for compliance with Article 7 of the Securitisation Regulation for the purposes of Article 22(5) of the Securitisation Regulation.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>Compliance with transparency requirements</b>		
80. The objective of this criterion is to ensure that investors have access to the data that are relevant for them to carry out the necessary risk and due diligence analysis with respect to the investment decision.		
81. The criterion is deemed sufficiently clear and not requiring any further clarification.		
<b>EBA Final non-ABCP STS Guidelines</b>		

73	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
<p>73. The information required by point (a) the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See, Confirmations of the Seller:</p> <p>“The Seller confirms that it has made available, prior to pricing, information required by Article 7(1)(a) of the Securitisation Regulation to the extent such information has been requested by a potential investor.”</p> <p>See Listing and General Information:</p> <p>(n) Information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the Securitisation Regulation was made available by means of the website of European DataWarehouse at <a href="https://editor.eurowd.eu/home">https://editor.eurowd.eu/home</a>. Skipton Building Society has procured that on or about the date of this Prospectus an STS Notification shall be submitted to ESMA, in accordance with Article 27 of the Securitisation Regulation, and to the FCA, confirming that the STS Requirements have been satisfied with respect to the Notes. It is expected that the STS Notification will be available on the website of ESMA (<a href="https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-andstandardised-stssecuritisation">https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-andstandardised-stssecuritisation</a>). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. A draft version of the STS notification was made available prior to pricing to potential investors in the Notes by way of the website of European DataWarehouse at <a href="https://editor.eurowd.eu/home">https://editor.eurowd.eu/home</a>.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

74	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
<p>74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Listing and General Information:</p> <p>(n) Information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the Securitisation Regulation was made available by means of the website of European DataWarehouse at <a href="https://editor.eurodw.eu/home">https://editor.eurodw.eu/home</a>. Skipton Building Society has procured that on or about the date of this Prospectus an STS Notification shall be submitted to ESMA, in accordance with Article 27 of the Securitisation Regulation, and to the FCA, confirming that the STS Requirements have been satisfied with respect to the Notes. It is expected that the STS Notification will be available on the website of ESMA (<a href="https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-andstandardised-stssecuritisation">https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-andstandardised-stssecuritisation</a>). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. A draft version of the STS notification was made available prior to pricing to potential investors in the Notes by way of the website of European DataWarehouse at <a href="https://editor.eurodw.eu/home">https://editor.eurodw.eu/home</a>.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

75	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.		
<b>STS criteria</b>		
75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section Listing and General Information (k)</p> <p>(iv) within 15 days of the issuance of the Notes, make available copies of the Transaction Documents, the STS Notification and this Prospectus.</p> <p>This criterion speaks to document disclosure within 15 days of closing and therefore is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if it is not met within the specified 15-day period, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost.</p> <p>Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</p> <p>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.</p> <p><b><i>PCS notes the existence of such covenant in the Prospectus.</i></b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



76	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section Listing and General Information (I)</p> <p>(I) Skipton Building Society and the Issuer will procure the Cash Manager will publish a monthly investor report detailing, inter alia, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework. Such reports will be published on European DataWarehouse at <a href="https://editor.eurowdw.eu/home">https://editor.eurowdw.eu/home</a>. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Reports will also be made available to the Seller, the Swap Provider, the Rating Agencies, the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes.</p> <p>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' analysis in Note 75 above.</p> <p><b>PCS notes the existence of a covenant to provide all the Article 7 information in the Prospectus</b></p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

77	Legislative text	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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 <b>and, upon request, to potential investors:</b></p> <p>(b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <p style="padding-left: 20px;">(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p>		
<b>STS criteria</b>		
<p>77. All underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <p>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Listing and General Information:</p> <p>(k) (iv) within 15 days of the issuance of the Notes, make available copies of the Transaction Documents (which, in the case of each Scottish Declaration of Trust, will be in redacted form), the STS Notification and this Prospectus.</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

78	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;		
<b>STS criteria</b>		
78. For traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 77 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



79	Legislative text	<a href="#">BACK TO TABLE OF CONTENTS</a>
<i>Article 22 - Requirements relating to transparency</i>		
(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;		
<b>STS criteria</b>		
79. The derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator;		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See 77 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

80	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(iv) the servicing, back-up servicing, administration and cash management agreements;		
<b>STS criteria</b>		
80. The servicing, back-up servicing, administration and cash management agreements;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 77 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

81	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(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;		
<b>STS criteria</b>		
81. 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;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 77 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

82	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;		
<b>STS criteria</b>		
82. Any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 77 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

83	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
That underlying documentation shall include a detailed description of the priority of payments of the securitisation;		
<b>STS criteria</b>		
83. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>CASHFLOWS AND CASH MANAGEMENT</p> <p>Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer</p> <p>Application of Available Principal Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer</p> <p>Application of Revenue Receipts, Principal Receipts and other monies of the Issuer following the Service of an Enforcement Notice</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

84	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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> <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>		
<b>STS criteria</b>		
<p>84. 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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
Not applicable.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

85	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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> <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> <p>(ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</p>		
<b>STS criteria</b>		
85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
Not applicable.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

86	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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"> <li>(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;</li> <li>(ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</li> <li>(iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;</li> </ul>		
<b>STS criteria</b>		
86. (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
Not applicable.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



87	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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"> <li>(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;</li> <li>(ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</li> <li>(iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;</li> <li>(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;</li> </ul>		
<b>STS criteria</b>		
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;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
Not applicable.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

88	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(d) in the case of STS securitisations, the STS notification referred to in Article 27;		
<b>STS criteria</b>		
88. In the case of STS securitisations, the STS notification referred to in Article 27;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See section Listing and General Information (k)  (k) (iv) within 15 days of the issuance of the Notes, make available copies of the Transaction Documents (which, in the case of each Scottish Declaration of Trust, will be in redacted form), the STS Notification and this Prospectus.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

89	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:		
<b>STS criteria</b>		
89. Quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See section Listing and General Information (k): (k) Skipton Building Society (as originator) will procure that the Cash Manager will: (i) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation;		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

90	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(i) all materially relevant data on the credit quality and performance of underlying exposures;		
STS criteria		
90. All materially relevant data on the credit quality and performance of underlying exposures;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 89 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

91	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(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;		
<b>STS criteria</b>		
91. Information on events which trigger changes in the priority of payments or the replacement of any counterparties,		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 89 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

92	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(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;		
<b>STS criteria</b>		
92. 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;		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See 89 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

93	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(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.		
<b>STS criteria</b>		
93. 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.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 89 above		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

94	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(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;		
<b>STS criteria</b>		
94. 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;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See section Listing and General Information (k)</p> <p>(iii) publish on the website of European DataWarehouse at <a href="https://editor.eurodw.eu/home">https://editor.eurodw.eu/home</a> any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Such information will also be made available, on request, to potential holders of the Notes; and</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		



95	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<p>(g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p>		
<b>STS criteria</b>		
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section Listing and General Information (k)</p> <p>(iii) publish on the website of European DataWarehouse at <a href="https://editor.eurodw.eu/home">https://editor.eurodw.eu/home</a> any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Such information will also be made available, on request, to potential holders of the Notes; and</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

96	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(ii) a change in the structural features that can materially impact the performance of the securitisation;		
<b>STS criteria</b>		
96. (ii) a change in the structural features that can materially impact the performance of the securitisation;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 95 above.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

97	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;		
<b>STS criteria</b>		
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;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 95 above.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

98	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(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;		
<b>STS criteria</b>		
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;		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 95 above.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

99	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
(v) any material amendment to transaction documents.		
<b>STS criteria</b>		
99. (v) any material amendment to transaction documents.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See 95 above.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

100	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
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]		
<b>STS criteria</b>		
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]		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See section OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</p> <p>Provision of Information to the Noteholders under the Securitisation Regulation:</p> <p>The information referred to paragraphs (a) and (b) above shall be made available simultaneously and no later than one month following the due date for the payment of interest. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.</p> <p>Listing and General Information:</p> <p>(k) Skipton Building Society (as originator) will procure that the Cash Manager will:</p> <p>(i) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation;</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

101	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<p>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>		
<b>STS criteria</b>		
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		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See section Listing and General Information (k)</p> <p>(iii) publish on the website of European DataWarehouse at <a href="https://editor.eurowd.eu/home">https://editor.eurowd.eu/home</a> any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Such information will also be made available, on request, to potential holders of the Notes; and</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

102	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
<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.</p> <p>Or</p> <p>The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC.</p> <p>Or</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> <li>(a) includes a well-functioning data quality control system;</li> <li>(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;</li> <li>(c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;</li> <li>(d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and</li> <li>(e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation.</li> </ul>		
<b>STS criteria</b>		
<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"> <li>(a) includes a well-functioning data quality control system;</li> <li>(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;</li> <li>(c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;</li> <li>(d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and</li> <li>(e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation</li> </ul>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>Simple, Transparent and Standardised Securitisation In relation to such notification,</p> <p>Skipton Building Society has been designated as (i) the first contact point for investors and competent authorities and (ii) the reporting entity for the purposes of Article 7(2) of the Securitisation Regulation.</p> <p><b>OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</b></p> <p>Provision of Information to the Noteholders under the Securitisation Regulation:</p> <p>For the purposes of Article 7(1) and (2) of the Securitisation Regulation, the reports and information set out above shall be published by means of a securitisation repository or (where no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation) by means of the website of European DataWarehouse at <a href="https://editor.eurodw.eu/home">https://editor.eurodw.eu/home</a>, being a website which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation. The information referred to paragraphs (a) and (b) above shall be made available simultaneously and no later than one month following the due date for the payment of interest. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus</p>		
<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>		





	<b>EBA Final non-ABCP STS Guidelines</b>
--	--

103	<b>Legislative text</b>	<a href="#">BACK TO TABLE OF CONTENTS</a>
<b>Article 22 - Requirements relating to transparency</b>		
7.2 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.		
<b>STS criteria</b>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See 102 above. Skipton Building Society is identified and the website of European DataWarehouse.		
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<b>EBA Final non-ABCP STS Guidelines</b>		

## 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.

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