

STS Term Master Checklist

BAVARIAN SKY UK 4 PLC



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

20th August 2021

IMPORTANT NOTICE: THIS CHECKLIST IS TO BE USED ONLY FOR UK TRANSACTIONS NOTIFIED ON OR AFTER 1 JANUARY 2021

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

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

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

PCS comments in this STS Term Master Checklist are based on PCS' interpretation of the STS Regulation EU 2017/2402 of the European Union as amended and incorporated into United Kingdom law by the Withdrawal Act 2019 and the Securitisation (Amendment) (EU Exit) Regulations 2019 (the "Regulation") informed by (a) the text of the Regulation itself, (b) following the joint guidance of the Bank of England and the PRA of April, 2019, the EBA guidelines and recommendations issued in accordance with Article 19(2) of the Regulation (the "EBA Guidelines") to the extent that they remain relevant following Brexit and where published prior to 1st January 2020 and (c) any relevant interpretation of the STS criteria by the Financial Conduct Authority 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.

20th August 2021

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) or any post-Brexit successor legislation in the United Kingdom.

PCS UK is authorised by the UK Financial Conduct Authority as a third party 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") and The Securitisation (Amendment) (EU Exit) Regulations 2019.

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.

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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 (the "**PCS Website**"). Neither the PCS Association nor PCS UK 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.

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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) STS Verification

Individual(s) undertaking the assessment	Robert Leach
Date of Verification	20 August 2021
The transaction to be verified (the “Transaction”)	BAVARIAN SKY UK 4 PLC
Issuer	BAVARIAN SKY UK 4 PLC
Originator	BMW Financial Services (GB) Limited
Lead Manager(s)	Lloyds Bank Corporate Markets plc ("Lloyds") and Banco Santander, S.A. ("Santander")
Transaction Legal Counsel	Clifford Chance LLP
Rating Agencies	Fitch, S&P
Stock Exchange	Luxembourg Stock Exchange
Target Closing Date	20 August 2021

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

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

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

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

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

1	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.	
	STS criteria	SEE RELATED EBA GUIDELINES
	1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party.	
	Verified?	Yes
	PCS Comment	
	<p>On the Issue Date, the Seller will sell, transfer and assign to the Issuer, against payment of the Initial Portfolio Purchase Price (£524,000,000.00), Receivables (subject, as regards to the Scottish Receivables, to a Scottish Declaration of Trust) originated by the Seller together with the Related Collateral pursuant to the Receivables Purchase Agreement.</p> <p>Further, on any Payment Date during the Revolving Period, the Seller may sell, transfer and assign to the Issuer, against payment of the Additional Portfolio Purchase Price, Receivables (subject, as regards to the Scottish Receivables, to a Scottish Declaration of Trust) originated by the Seller together with the Related Collateral, as comprised in an Additional Portfolio.</p> <p>The assignment by the Seller of the Purchased Receivables that are English Receivables will take effect in equity because no notice of the assignment will be given to Customers unless a Perfection Event shall have occurred.</p> <p>The sale of the Scottish Receivables will be given effect by a Scottish Declaration of Trust. No notice of the sale of the Scottish Receivables will be given to Customers unless a Perfection Event shall have occurred.</p> <p>See underlying transaction documents: Receivables Purchase Agreement.</p> <p>PART 2</p> <p>SALE OF RECEIVABLES</p> <p>2. SALE OF INITIAL PORTFOLIO</p> <p>2.1 On the Issue Date, the Seller as absolute legal and beneficial owner and with full title guarantee (or in the case of Scottish Receivables, with absolute warrandice), subject to the conditions in Clause 4.4 and the other terms and conditions of this Agreement, hereby irrevocably agrees to sell, transfer and assign absolutely to the Issuer (and the Issuer agrees to purchase), all of its rights, title, interest and benefit in and to the Initial Portfolio by executing and delivering to the Issuer a Transfer Notice (attaching the information to be given pursuant to the Annex to Schedule 2 (Form of Transfer Notice)).</p> <p><i>“True sale” is not a legal concept but a rating agency creation.</i></p> <p><i>The essence of a “true sale” is that the property in the securitised assets has legally moved from the originator/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”.</i></p> <p><i>This is clearly stated in the wording of the Regulation (20.1). The expression “transfer to the same effect” indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.</i></p> <p><i>The issue of “true sale” is separate from the issue of “clawback”. “Clawback” refers to legal processes through which, in the insolvency of the seller of an asset, an insolvency officer is entitled to reverse the sale – even in cases where a “true sale” has taken place.</i></p> <p><i>All European jurisdictions, to PCS’ knowledge, have rules allowing for clawbacks. Clawbacks are usually rules to avoid a company heading towards insolvency from “defrauding” its existing creditors either by selling assets at very low prices (to friends and relations) or unfairly preferring certain creditors over others.</i></p>	

	<p><i>The Regulation (20.1) therefore does not require STS “true sales” to be clawback proof since this would mean that no European securitisation could ever be STS. It does require the sale not to be subject to “severe clawback”. The Regulation does not define “severe clawback” but gives an example (20.2) where a clawback happens for no reasons. The Regulation (20.3) also explicitly excludes from the definition of “severe clawback” the traditional European basis for such devices which all come under the general category of “preferences”.</i></p> <p><i>PCS further notes that the examples (20.2 and 20.3) refer to the insolvency law of a jurisdiction and therefore believes that clawback risk is to be assessed on a jurisdictional basis rather than on a transactional basis. Finally, PCS does not believe and nor is there any evidence that the legislators or regulatory authorities are seeking to craft a higher standard than that which has been used for decades by the market and was the basis for the legislative text.</i></p> <p><i>Based on the above considerations, PCS believes that transfers from jurisdictions meeting the following criteria – absent any other indications – shall not fall within the definition of “severe clawback”:</i></p> <ul style="list-style-type: none"> <i>Clawback requires an unfair preference “defrauding” creditors;</i> <i>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.</i> <p><i>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”.</i></p> <p><i>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.</i></p> <p><i>In the case of the Transaction, title to the assets is transferred by means of an equitable or beneficial assignment.</i></p> <p><i>The legal opinions from Clifford Chance and Brodies LLP, collectively confirm that an equitable assignment and a Scottish assignment of the beneficial interest meets the definition of “true sale” outlined above.</i></p> <p><i>In the case of BMW Financial Services (GB) Limited, a finance company situated in the United Kingdom, the COMI is considered 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”.</i></p>
2	<div> <div>STS criteria</div> <div>SEE RELATED EBA GUIDELINES</div> </div>
	<p>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.</p>
	<div> <div>Verified?</div> <div>Yes</div> </div>
	<div> <div>PCS Comment</div> <div> <p>See underlying transaction documents: Incorporated Terms Memorandum.</p> <p>SCHEDULE 3</p> <p>SELLER REPRESENTATIONS AND WARRANTIES</p> <p>PART 1</p> <p>CORPORATE REPRESENTATIONS AND WARRANTIES OF THE SELLER</p> <p>2. INSOLVENCY PROCEEDS</p> <p>The Seller has represented that:</p> <p>(a) it will maintain its “centre of main interests” (as that expression is defined in Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (the “Recast EU Insolvency Regulation”) as it forms part of domestic law of the United Kingdom as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647)) is in England and Wales; and</p> </div> </div>

	<p>(b) it will not maintain an "establishment" (as that expression is defined in the Recast EU Insolvency Regulation as it forms part of domestic law of the United Kingdom as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647)) in any jurisdiction other than England and Wales.</p> <p><i>COMI is in the UK. The UK does not have severe clawback provisions. See comment under checklist point 1.</i></p>
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2a	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	<p>20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions:</p> <p>(a) provisions which allow the liquidator of the seller to invalidate the sale of the underlying exposures solely on the basis that it was concluded within a certain period before the declaration of the seller's insolvency;</p> <p>(b) provisions where the SSPE can only prevent the invalidation referred to in point (a) if it can prove that it was not aware of the insolvency of the seller at the time of sale.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	Verified?	Yes
	PCS Comment	
	<p><i>COMI is in the UK. The UK does not have severe clawback provisions. See comment under checklist point 1.</i></p>	

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

3	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.4. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.		
STS criteria		SEE RELATED EBA GUIDELINES
3. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>TRANSACTION OVERVIEW</i> .		
Purchased Receivables		
On the Issue Date, the Issuer will purchase (and on any Payment Date the Issuer may purchase), in each case from the Seller certain Receivables originated by the Seller against customers located in England and Wales and Scotland together with the Related Collateral pursuant to the Receivables Purchase Agreement. Each Purchased Receivable is owed by the respective Customer (together, the "Customers"). The Purchased Receivables are sterling denominated as set forth in the relevant Underlying Agreements. Collections in respect of each Purchased Receivable will be payable on a monthly instalment basis. If a Purchased Receivable should partially or totally fail to comply on the Cut-Off Date immediately preceding the Issue Date or, as the case may be, the relevant Payment Date with any Eligibility Criterion, the Seller will be obliged to repurchase such Purchased Receivable in respect thereof. See "Repurchase of the Receivables and Related Collateral" above.		
See Prospectus, <i>ELIGIBILITY CRITERIA</i> .		
1.5 The relevant Receivable was originated on or after 1 December 2012 and in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy of the Seller and is based on the applicable general financing terms of the Seller.		

4	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	<p>20.5. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to affect such perfection shall, at least include the following events:</p> <ul style="list-style-type: none"> (a) severe deterioration in the seller credit quality standing; (b) insolvency of the seller; and (c) unremedied breaches of contractual obligations by the seller, including the seller's default. 	
	STS criteria	SEE RELATED EBA GUIDELINES
	<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> <ul style="list-style-type: none"> (a) severe deterioration in the seller credit quality standing; (b) insolvency of the seller; and (c) unremedied breaches of contractual obligations by the seller, including the seller's default. 	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>General Description</p> <p>The assignment by the Seller of the Purchased Receivables that are English Receivables will take effect in equity because no notice of the assignment will be given to Customers unless a Perfection Event shall have occurred.</p> <p>See Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i>.</p> <p>"Perfection Event" means the occurrence of any of the following events:</p> <ul style="list-style-type: none"> (a) unless otherwise agreed in writing by the Trustee, a Servicer Termination Event; (b) it becoming necessary by law to perfect the Issuer's legal title to the Purchased Receivables, (or procure the perfection of the Issuer's legal title to the Purchased Receivables) in accordance with the terms of the Receivables Purchase Agreement; (c) the Seller calling for perfection or transfer of legal title by serving notice in writing to that effect on the Issuer and the Trustee, (d) the occurrence of a Severe Deterioration Event in respect of the Seller; or (e) the occurrence of an Insolvency Event in respect of the Seller. <p>"Severe Deterioration Event" means all or any part of the property, business, undertakings, assets or revenues of the Seller having an aggregate value in excess of £120,000,000.00 having been attached as a result of any distress, execution or diligence being levied or any encumbrancer taking possession or similar attachment and such attachment having not been lifted within 30 days, unless such event will not materially prejudice the ability of the Seller to observe or perform its obligations under the Transaction Documents or the enforceability or collectability of the Receivables;</p> <p>"Servicer Termination Event" means any of the following:</p> <ul style="list-style-type: none"> (a) an Insolvency Event has occurred with respect to the Seller or the Servicer; or (b) the Seller or the Servicer fails to make any payment or deposit required by the terms of the relevant Transaction Document within five (5) Business Days of the date such payment or deposit is required to be made; or 	

(c) the Seller or the Servicer fails to perform any of its material obligations under the Receivables Purchase Agreement and/or the Servicing Agreement (other than a payment or deposit required), and such breach, if capable of remedy, is not remedied within sixty (60) days of written notice from the Issuer or the Trustee; or

(d) any representation or warranty in the Servicing Agreement or in any report provided by the Servicer is materially false or incorrect, and such inaccuracy, if capable of remedy, is not remedied within sixty (60) days of written notice from the Issuer or the Trustee and has a Material Adverse Effect in relation to the Issuer.

"Insolvency Event" means in respect of a relevant entity (each a "Relevant Entity"):

(a) an order is made or an effective resolution passed for the winding up of the Relevant Entity, except a winding up for the purposes of or pursuant to an amalgamation or reconstruction, the terms of which have previously been approved by the Trustee; or

(b) the Relevant Entity, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (a) above, ceases or through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or admits its inability to pay debts as they fall due or is unable to pay its debts within the meaning of Section 123(1) of the Insolvency Act (other than, except in the case of the Issuer, subsection 123(1)(a)) or 123(2) of the Insolvency Act or, where applicable, Section 222 to 224 of the Insolvency Act; or

(c) proceedings, corporate action or other steps shall be initiated against the Relevant Entity under any applicable liquidation, insolvency, sequestration, diligence, bankruptcy, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not, in the reasonable opinion of the Trustee, being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Relevant Entity or in relation to the whole or any substantial part of the undertaking or assets of the Relevant Entity, or an encumbrancer (other than the Issuer or the Trustee) shall take possession of the whole or any substantial part of the undertaking or assets of the Relevant Entity, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Relevant Entity and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within thirty days of its commencement, or the Relevant Entity (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness; or

(d) any event occurs which, under English law or any applicable law, has an analogous effect to any of the events referred to in paragraphs (a), (b) or (c) above.

Criterion 4 requires two steps:

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

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.

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.

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.

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)

<p><i>The Regulation refers to “unremedied breaches of contractual obligations by the seller, including the seller’s default”.</i></p> <p><i>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).</i></p> <p><i>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.</i></p> <p><i>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.</i></p> <p><i>The unremedied breach trigger is in the Transaction.</i></p>	
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5	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
	STS criteria		SEE RELATED EBA GUIDELINES
	5. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
	Verified?		Yes
	PCS Comment		
	See Prospectus, <i>ELIGIBILITY CRITERIA</i> .		
	1.10 The relevant Receivable is a Receivable to which the Seller is (subject to any prior Encumbrance which has been subsequently discharged) the sole legal and beneficial owner, free of any rights of any third party and over which the Seller may freely dispose save as provided for in the Transaction Documents or save for any third party rights arising by operation of law.		

6	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.		
	STS criteria		SEE RELATED EBA GUIDELINES
	6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....		
	Verified?	Yes	
	PCS Comment		
	See Prospectus, <i>INTRODUCTION TO THE STRUCTURE OF THE TRANSACTION</i> .		

	<p>On the Issue Date, the Seller will sell and assign to the Issuer, against payment of the Initial Portfolio Purchase Price (£524,000,000.00), and on any Payment Date during the Revolving Period, the Seller may sell and assign to the Issuer, against payment of the Additional Portfolio Purchase Price, certain hire purchase receivables (the "Purchased Receivables") originated pursuant to PCP Agreements by the Seller in respect of customers located in England and Wales and Scotland, together with the Related Collateral by means of and pursuant to the Receivables Purchase Agreement. The Purchased Receivables will be selected according to the eligibility criteria (the "Eligibility Criteria") set out in "ELIGIBILITY CRITERIA".</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>General Description</p> <p>The Purchased Receivables have been selected according to the Eligibility Criteria (see "ELIGIBILITY CRITERIA"). The Eligibility Criteria are to be fulfilled on the Cut-Off Date immediately preceding the Issue Date (in the case of the Initial Portfolio) or (in the case of any Additional Portfolio) the Cut-Off Date immediately preceding the relevant Payment Date.</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p><i>The EBA Guidelines clarify that "clear" does not mean easily readable or comprehended by a non-expert. In the Regulation a criterion is "clear" when a court or tribunal could determine whether, presumably in all cases, the criterion is met for each asset. In the Regulation, "clear" is about certainty of determination.</i></p> <p><i>PCS has read the eligibility criteria in the Prospectus. As they are mandatory, they meet the "predetermined" requirement. As they are in the Prospectus, they meet the "documented" requirement. PCS has also concluded that they allow determination in each case and so meet the "clear" requirement.</i></p>
7	<div> <div>STS criteria</div> <div>SEE RELATED EBA GUIDELINES</div> </div>
	<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>
	<div> <div>Verified?</div> <div>Yes</div> </div>
	<div>PCS Comment</div>
	<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Repurchase of the Receivables and Related Collateral</p> <p>Seller indemnification obligation in respect of PCP Handback Receivables and Voluntarily Terminated Receivables</p> <p>Receivables Call Option</p> <p>Clean-Up Call Option</p> <p><i>The EBA Guidelines set out seven devices to repurchase securitised assets which are not to be considered indicative of "active portfolio management". To the extent that a transaction only contains some or all of those seven devices and does not provide any other form of repurchase, then the STS criterion will be met. If the transaction should contain a repurchase device that is not included in the EBA's list, then an analysis will need to be conducted as to whether this additional device offends against the principles set out in the EBA Guidelines (15.a and b) as defining "active portfolio management".</i></p> <p><i>PCS has reviewed all the repurchase devices set out in the Prospectus and these are acceptable within the context of the EBA final guidelines.</i></p>

8	STS criteria	SEE RELATED EBA GUIDELINES
	8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>INTRODUCTION TO THE STRUCTURE OF THE TRANSACTION</i>.</p> <p>On the Issue Date, the Seller will sell and assign to the Issuer, against payment of the Initial Portfolio Purchase Price (£524,000,000.00), and on any Payment Date during the Revolving Period, the Seller may sell and assign to the Issuer, against payment of the Additional Portfolio Purchase Price, certain hire purchase receivables (the "Purchased Receivables") originated pursuant to PCP Agreements by the Seller in respect of customers located in England and Wales and Scotland, together with the Related Collateral by means of and pursuant to the Receivables Purchase Agreement. The Purchased Receivables will be selected according to the eligibility criteria (the "Eligibility Criteria") set out in "ELIGIBILITY CRITERIA".</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>General Description</p> <p>The Purchased Receivables have been selected according to the Eligibility Criteria (see "ELIGIBILITY CRITERIA"). The Eligibility Criteria are to be fulfilled on the Cut-Off Date immediately preceding the Issue Date (in the case of the Initial Portfolio) or (in the case of any Additional Portfolio) the Cut-Off Date immediately preceding the relevant Payment Date.</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p><i>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 the FCA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</i></p>	

9	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.8. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type. The underlying exposures shall contain obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors.	
	STS criteria	SEE RELATED EBA GUIDELINES
	9. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.5 The relevant Receivable was originated on or after 1 December 2012 and in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy of the Seller and is based on the applicable general financing terms of the Seller.</p> <p>1.18 The relevant Underlying Agreement has been entered into with a Customer which is an individual who has their place of residence in England and Wales or Scotland.</p> <p>1.25 The underlying agreement under which the relevant Receivable arises is a PCP Agreement.</p>	

	<p>See Prospectus, <i>CREDIT AND COLLECTION POLICY</i>.</p> <p>Under the Servicing Agreement, the Purchased Receivables are to be administered together with all other financing receivables of BMW Financial Services (GB) Limited according to BMW Financial Services (GB) Limited's normal business procedures.</p> <p><i>In the Transaction, the loans were underwritten on a similar basis, they are being serviced by BMW Financial Services (GB) Limited on the same platform, they are a single asset class – auto loans – and the assets are all originated in the UK. PCS also takes comfort from the fact that transactions containing pools with similar characteristics have always been considered to be “homogenous” by a wide consensus of market participants.</i></p>	
10	STS criteria	SEE RELATED EBA GUIDELINES
	<p>10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.1 The Underlying Agreement under which the relevant Receivable arises is a legal, valid, binding and enforceable obligation of the Customer, subject to any laws from time to time in effect relating to bankruptcy, sequestration or liquidation or any other laws or other legal procedures affecting generally the enforcement of creditors' rights, has not been terminated or rescinded and is not capable of being terminated or rescinded, as a result directly of an act or omission by the Seller. In addition, no Underlying Agreement has been subject to any variation, modification, waiver or exclusion of time of any kind which in any material way adversely affects the enforceability or collectability of all or a material portion of the Receivables offered for purchase.</p>	
11	STS criteria	SEE RELATED EBA GUIDELINES
	<p>11. With full recourse to debtors and, where applicable, guarantors.</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>1. Receivables Purchase Agreement</p> <p>The Purchased Receivables include all amounts due under the relevant Underlying Agreements (including, for the avoidance of doubt, all Instalments due from the Customer under the relevant Underlying Agreement (including any VAT or related fees and expenses due and payable by the Customer under the terms of the Underlying Agreement) and any Related Collateral). The Purchased Receivables and any Related Collateral comprise full recourse claims against Customers (and, where applicable, the guarantors in relation to the Related Collateral) in respect of payments due under the Purchased Agreements and the Related Collateral.</p>	

12	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.8. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts, relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
STS criteria		SEE RELATED EBA GUIDELINES
12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>CREDIT STRUCTURE AND FLOW OF FUNDS</i>.</p> <p>Instalments of the Purchased Receivables</p> <p>The Receivables arise under fixed interest rate (personal contract plan) hire-purchase agreements under which the Customer has the right to purchase the Financed Vehicle on making all payments under the Underlying Agreements. The Customer also has the option of returning the Financed Vehicle to the Seller instead of making the final payment. Legal title in the Financed Vehicle is retained by the Seller until all the instalments have been made. All of the Underlying Agreements provide for level monthly payments (provided that the payment in the first month and the final month of the life of the Purchased Receivable may be different from the level payment) of instalments that amortise the amount financed over the term (subject to any readjustment to monthly payments in connection with any partial settlement by a Customer pursuant to the CCA). The Underlying Agreements amortise the amount financed over a series of Instalments. Each Instalment payment generally consists of an interest portion and a principal portion.</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.3 In respect of a Purchased Receivable, the Related Underlying Agreement has a fixed interest rate and is fully amortising through payments of constant monthly instalments (except for the first instalment and the final instalment payable under the relevant Underlying Agreement which may differ from the monthly instalments payable for subsequent or previous months).</p>		
13	STS criteria	SEE RELATED EBA GUIDELINES
13. Relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
Verified?		Yes
PCS Comment		
<p>See point 12 above.</p> <p>See also Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i>.</p> <p>"Related Collateral" means in relation to each Purchased Receivable:</p> <ul style="list-style-type: none"> (a) the right to demand, sue for, recover, receive and give receipts for all amounts due (whether or not from the relevant Customer) under, relating to or in connection with the Underlying Agreement from which such Receivable derives; (b) the benefit of all covenants and undertakings from the relevant Customer and from any guarantor under, relating to or in connection with the Underlying Agreement from which such Receivable derives; (c) the benefit of all causes of action against the relevant Customer and any guarantor under, relating to or in connection with the Underlying Agreement from which such Receivable derives; (d) the right to receive the Vehicle Sales Proceeds; (e) the benefit of any other rights, title, interests, powers or benefits of the Seller in relation to the Underlying Agreement from which such Receivable derives, other than title to the Financed Vehicle (including (i) amounts (if any) received by the Seller arising from claims by a Customer against the relevant insurer under any Insurance Agreement entered into by the Customer in connection with the relevant specified Financed Vehicles or the financing of their acquisition by the relevant Customer and (ii) any claims against a Dealer or manufacturer in respect of a Financed Vehicle), 		

	and for the purpose of this definition references to "guarantees" shall be deemed to include all other indemnities, security, collateral or other documents, agreements or arrangements whatsoever whereby any person (including, but without limitation, any Customer) agrees to make any payment to the Seller in respect of that Customer's obligations under the relevant Underlying Agreement or to provide any security therefor and "guarantors" shall be construed accordingly.
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14	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.8. The underlying exposures shall not include transferable securities, as defined in Article 4(1), (24) of Article 2(1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	STS criteria	SEE RELATED EBA GUIDELINES
	14. The underlying exposures shall not include transferable securities, as defined in Article 4(1), (24) of Article 2(1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	Verified?	Yes
	PCS Comment See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i> . Other characteristics The Purchased Receivables, as at the Issue Date, will not include: (i) any transferable securities for purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for purposes of article 20(9) of the UK Securitisation Regulation; or (iii) any derivatives for purposes of article 21(2) of the UK Securitisation Regulation, in each case on the basis that the Purchased Receivables have been entered into substantially on the terms of similar standard documentation for PCP contracts.	

15	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.9. The underlying exposures shall not include any securitisation position.	
	STS criteria	SEE RELATED EBA GUIDELINES
	15. The underlying exposures shall not include any securitisation position.	
	Verified?	Yes
	PCS Comment See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i> . Other characteristics The Purchased Receivables, as at the Issue Date, will not include: (i) any transferable securities for purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for purposes of article 20(9) of the UK Securitisation Regulation; or (iii) any derivatives for purposes of article 21(2) of the UK Securitisation Regulation, in each case on the basis that the Purchased Receivables have been entered into substantially on the terms of similar standard documentation for PCP contracts.	

16	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.10. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.	
	STS criteria	SEE RELATED EBA GUIDELINES
	16. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business.	
	Verified?	Yes
17	PCS Comment	
	See Prospectus, <i>ELIGIBILITY CRITERIA</i> .	
	1.5 The relevant Receivable was originated on or after 1 December 2012 and in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy of the Seller and is based on the applicable general financing terms of the Seller.	
	STS criteria	SEE RELATED EBA GUIDELINES
	17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.	
18	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>CREDIT AND COLLECTION POLICY</i> .	
	The Portfolio was originated in the ordinary course of BMW Financial Services (GB) Limited's business in accordance with the origination processes set out below which were applied irrespective of whether the Purchased Receivables were to be securitised.	
	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
18	20.10. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.	
	STS criteria	SEE RELATED EBA GUIDELINES
	18. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.	
	Verified?	Yes
	PCS Comment	
18	See Prospectus.	
	UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS	
	Any material changes from the Seller's prior underwriting policies and credit and collection procedures shall be disclosed without undue delay to the extent required under Article 20(10) of the UK Securitisation Regulation and the Transaction Documents.	

	<p>Although somewhat confusingly drafted, the EBA Guidelines make clear that the part of the criterion referring to changes from prior underwriting is a future event criterion. It applies changes in underwriting criteria that occur post-closing. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost.</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>
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19	Legislative text – Article 20 - Requirements relating to simplicity GO TO TABLE OF CONTENTS
	<p>20.10. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.</p>
	STS criteria SEE RELATED EBA GUIDELINES
	<p>19. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.</p>
	Verified? Yes
	PCS Comment
	<p>Not applicable.</p>

20	Legislative text – Article 20 - Requirements relating to simplicity GO TO TABLE OF CONTENTS
	<p>20.10. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>
	STS criteria SEE RELATED EBA GUIDELINES
	<p>20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>
	Verified? Yes
	PCS Comment
	<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.5 The relevant Receivable was originated on or after 1 December 2012 and in the ordinary course of business of the Seller in accordance with the Credit and Collection Policy of the Seller and is based on the applicable general financing terms of the Seller.</p> <p>1.13 Each Underlying Agreement has been entered into in accordance with the relevant provisions of the Consumer Credit Act and the Seller has at all material times held (in relation to Underlying Agreements originated prior to 1 April 2014) a CCA Licence to carry on consumer credit business and (in relation to Underlying Agreements originated on or after 1 April 2014) FCA permission or authorisation to carry on credit-related regulated activity.</p> <p>See Prospectus, <i>CREDIT AND COLLECTION POLICY</i>.</p> <p>Credit Decision and Underwriting</p>

	<p>The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. European Directives, in contrast to Regulations, do not have direct effect but must be implemented into national law country by country.</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>
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21	Legislative text – Article 20 - Requirements relating to simplicity GO TO TABLE OF CONTENTS
	20.10. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.
	STS criteria SEE RELATED EBA GUIDELINES
	21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.
	Verified? Yes
	PCS Comment See Prospectus, <i>THE SELLER AND SERVICER</i> . BMW Financial Services (GB) Limited (the "Company") is a financial services company that has been part of the BMW Group since 1992. BMW Group is a leading provider of premium products and premium services for individual mobility. It is a maker of premium brand cars and motorcycles worldwide, and owns the premium brands "BMW", "MINI" and "Rolls-Royce". The Company seeks to uphold the values of these brands through the provision of financial services products tailored to motor vehicle buyers' and its dealers' (referred to as the "BMW Dealers") needs, in order to support BMW Group sales activities. The Company has more than 5 years' experience in originating and servicing automotive finance products such as the Purchased Receivables. <i>An entity originating assets similar to those securitised for at least five years is deemed, according to the EBA Guidelines to have "expertise".</i>

22	Legislative text – Article 20 - Requirements relating to simplicity GO TO TABLE OF CONTENTS
	20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:
	STS criteria
	22. The underlying exposures shall be transferred to the SSPE after selection without undue delay...
	Verified? Yes
	PCS Comment See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i> . 1. Purchased Receivables characteristics (1) Portfolio Overview

	<p>Cut-Off Date</p> <p><i>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.</i></p>	
23	<p>STS criteria</p> <p>23. And shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013...</p>	<p>SEE RELATED EBA GUIDELINES</p>
	<p>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p> <p>See Prospectus, <i>CREDIT AND COLLECTION POLICY</i>.</p> <p>Credit Decision and Underwriting</p> <p>To the best of the Seller's knowledge, the Receivables and Related Collateral purchased (or to be purchased) are due from a Customer who does not have a credit assessment indicating as at the relevant origination date and, as at the Initial Cut-Off Date (in the case of a Receivable in the Initial Portfolio) or the relevant Additional Cut-Off Date (in the case of a Receivable in any Additional Portfolio), based on the Seller's Credit and Collection Policy indicated above, a significant risk that contractually agreed payments will not be made.</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.16 The relevant Receivable is not overdue for more than thirty (30) calendar days, or a Defaulted Receivable or a Receivable disputed by the relevant Customer whether by reason of any matter concerning the Financed Vehicles or by reason of any other matter or in respect of which a set-off or counterclaim is being claimed by such Customer. No breach of any obligation under any agreement (except of the obligation to pay) of any party exists with respect to the relevant Receivable.</p>	

24	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	<p>20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p> <p>(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:</p> <ul style="list-style-type: none"> (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring; <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; or</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not be made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>24. Or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p>	
	Verified?	Yes
	PCS Comment	
	<p><i>See points 25-30 below.</i></p>	
25	STS criteria	
	<p>25.(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination.</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.24 According to the Seller's records and to the best of its knowledge, the relevant Receivable is due from a Customer who:</p> <p>(a) has neither been declared insolvent nor had a court grant its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt- restructuring process with regard to its non-performing exposures within three years prior to the date of transfer or assignment of the relevant Receivables to the Issuer;</p> <p>(b) was, at the time of origination, where applicable, not 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 Seller; or</p> <p>(c) has neither a credit assessment nor 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>	

26	STS criteria	SEE RELATED EBA GUIDELINES
	26. Or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, ELIGIBILITY CRITERIA.</p> <p>1.24 According to the Seller's records and to the best of its knowledge, the relevant Receivable is due from a Customer who:</p> <p>(a) has neither been declared insolvent nor had a court grant its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt- restructuring process with regard to its non-performing exposures within three years prior to the date of transfer or assignment of the relevant Receivables to the Issuer;</p> <p>(b) was, at the time of origination, where applicable, not 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 Seller; or</p> <p>(c) has neither a credit assessment nor 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>	
27	STS criteria	
	27. (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and	
	Verified?	Yes
	PCS Comment	
	<i>No restructured exposures included in the portfolio.</i>	
28	STS criteria	
	28. (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;	
	Verified?	Yes
	PCS Comment	
	<i>No restructured exposures included in the portfolio.</i>	

29	STS criteria	SEE RELATED EBA GUIDELINES
	29. (b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender;	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.24 According to the Seller's records and to the best of its knowledge, the relevant Receivable is due from a Customer who:</p> <p>(a) has neither been declared insolvent nor had a court grant its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt- restructuring process with regard to its non-performing exposures within three years prior to the date of transfer or assignment of the relevant Receivables to the Issuer;</p> <p>(b) was, at the time of origination, where applicable, not 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 Seller; or</p> <p>(c) has neither a credit assessment nor 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>	
30	STS criteria	SEE RELATED EBA GUIDELINES
	30. (c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.24 According to the Seller's records and to the best of its knowledge, the relevant Receivable is due from a Customer who:</p> <p>(a) has neither been declared insolvent nor had a court grant its creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt- restructuring process with regard to its non-performing exposures within three years prior to the date of transfer or assignment of the relevant Receivables to the Issuer;</p> <p>(b) was, at the time of origination, where applicable, not 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 Seller; or</p> <p>(c) has neither a credit assessment nor 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>	

31	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.12. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.	
	STS criteria	SEE RELATED EBA GUIDELINES
	31. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>ELIGIBILITY CRITERIA</i> .	
	1.9 At least one (1) due Instalment has been fully paid under the relevant Underlying Agreement in respect of the relevant Receivable.	

32	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.13. The repayment of the holders of the securitisation positions shall not have been structured to depend predominantly on the sale of assets securing the underlying exposures. This shall not prevent such assets from being subsequently rolled-over or refinanced.	
	The repayment of the holders of the securitisation positions whose underlying exposures are secured by assets the value of which is guaranteed or fully mitigated by a repurchase obligation by the seller of the assets securing the underlying exposures or by another third party shall not be considered to depend on the sale of assets securing those underlying exposures.	
	STS criteria	SEE RELATED EBA GUIDELINES
	32. The repayment of the holders of the securitisation positions shall not have been structured to depend predominantly on the sale of assets securing the underlying exposures.	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>TRANSACTION OVERVIEW</i> .	
	Seller indemnification obligation in respect of PCP Handback Receivables and Voluntarily Terminated Receivables	
	On and following the occurrence of a PCP/VT Indemnification Trigger, the Seller shall, on the Cut-Off Date immediately following the date on which the Servicer has determined in accordance with the Credit and Collection Policy that any Purchased Receivable has become a PCP Handback Receivable or, as the case may, a Voluntarily Terminated Receivable (in each case, an "Indemnified Receivable") (such Cut-Off Date, the "PCP/VT Indemnification Date"), indemnify the Issuer in respect of the amount by which the aggregate Recoveries received by the Servicer in respect of all Indemnified Receivables in such PCP/VT Calculation Period is less than the Aggregate PCP/VT Receivables Balance of such Indemnified Receivables by paying the Issuer an amount equal to the PCP/VT Indemnification Amount.	
	The Seller will only be obliged to indemnify the Issuer in respect of such Indemnified Receivable, where such Indemnified Receivable is not a Defaulted Receivable.	
	See Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i> .	
	"PCP/VT Indemnification Amount" means, as at the relevant PCP/VT Indemnification Date, the amount (if any) by which the aggregate Recoveries received by the Servicer in accordance with the Credit and Collection Policy in respect of all Indemnified Receivables in the relevant PCP/VT Calculation Period is less than the Aggregate PCP/VT Receivables Balance of such Indemnified Receivables.	

	"PCP/VT Indemnification Trigger" means, on any Payment Date, the sum of: (a) the Aggregate Discounted Receivables Balance of Performing Receivables in the Portfolio (including any Additional Portfolio acquired by the Issuer on such Payment Date and as of the Cut-Off Date immediately preceding such Payment Date); and (b) the balance standing to the credit of the Replenishment Ledger of the Issuer Account (on such Payment Date) is less than Aggregate Outstanding Notes Balance (following application of the Available Distribution Amount on such Payment Date in accordance with the Pre-Enforcement Priority of Payments).
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33	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.	
	STS criteria	SEE RELATED EBA GUIDELINES
	33.The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK and EU Risk Retention Requirements</p> <p>BMW Financial Services (GB) Limited, in its capacity as Seller and as Subordinated Lender will retain, on an ongoing basis a material net economic interest of not less than 5% in the Transaction in accordance with (a) Article 6(1) of the UK Securitisation Regulation (the "UK Risk Retention Requirements") and (b) Article 6(1) of the EU Securitisation Regulation (as in force on the Issue Date) (the "EU Risk Retention Requirements") only until such time that the Seller is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Risk Retention Requirement will also satisfy the EU Risk Retention Requirement due to the application of an equivalency regime or similar analogous concept and to the extent that, after the Issue Date, there is any divergence between the UK Risk Retention Requirements and the EU Risk Retention Requirements, the Seller shall only continue to comply with the EU Risk Retention Requirements (as if such provisions were applicable to it) on a reasonable efforts basis.</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Retention Undertaking</p> <p>The Seller, as "originator" for the purposes of the UK Securitisation Regulation, will retain for the life of the transaction a material net economic interest of not less than 5 per cent. in the transaction in accordance with (a) Article 6(1) of the UK Securitisation Regulation, (as interpreted and applied on the date hereof) (the "UK Risk Retention Requirements") and (b) Article 6(1) of the EU Securitisation Regulation (as in force on the Issue Date) (the "EU Risk Retention Requirements") only until such time that the Seller is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Risk Retention Requirement will also satisfy the EU Risk Retention Requirement due to the application of an equivalency regime or similar analogous concept and to the extent that, after the Issue Date, there is any divergence between the UK Risk Retention Requirements and the EU Risk Retention Requirements, the Seller shall only continue to comply with the EU Risk Retention Requirements (as if such provisions were applicable to it) on a reasonable efforts basis. As of the Issue Date, such interest will, in accordance with Article 6(3)(d) of the UK Securitisation Regulation and Article 6(3)(d) of the EU Securitisation Regulation (as in force on the Issue Date), be comprised of (i) an investment in the Class C Notes and (ii) a loan advance in the principal amount of the Subordinated Loan, the sum of which is no less than 5 per cent. of the nominal amount of the securitised exposures. Any change in the manner in which the interest is held will be notified to the Noteholders. See the section entitled "Certain Regulatory Disclosures – UK Securitisation Regulation and EU Securitisation Regulation" for more information. It is the Seller's intention that on and from the Issue Date and for the life of the Transaction (a) the Class C Notes will be retained by the Seller and (b) the Subordinated Loan will remain outstanding, in each case until the earlier of the redemption of the Class A Notes and Class B Notes in full and the Legal Final Maturity Date, subject always to any requirement of law applicable to the Seller.</p>	

34	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.2. The interest rate and currency risks arising from the securitisation shall be appropriately mitigated and any measures taken to that effect shall be disclosed.	
	STS criteria	SEE RELATED EBA GUIDELINES
	34. The interest rate...risks arising from the securitisation shall be appropriately mitigated.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk</p> <p>Payments made to the Seller by any Customer under an Underlying Agreement comprise monthly amounts calculated on the basis of fixed interest rates. However, payments of interest on the Class A Notes are calculated on the basis of Compounded Daily SONIA. To ensure that the Issuer will not be exposed to interest rate risks, the Issuer and the Swap Counterparty will enter into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to Compounded Daily SONIA, in each case calculated with respect to the Swap Notional Amount which is equal to the Class A Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis.</p> <p>Interest rate hedging</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Swap Agreement</p> <p><i>Clearly and explicitly, “appropriate” hedging does not require “perfect” hedging. This is confirmed by the EBA Guidelines which require the hedges to cover a “major share” of the risk from an “economic perspective”. However, the definition of “appropriate” hedging or a “major share” of the risk will always contain an element of subjectivity and must be analysed on a case by case basis.</i></p> <p><i>The fact that the Regulation was crafted by the legislators to recognise existing high quality European securitisations rather than raise the bar to a level not previously encountered, together with the common-sense approach of the EBA, leads to the conclusion that transactions considered adequately hedged by common investor and rating agency consensus should be held to meet this criterion.</i></p> <p><i>This still requires an analysis of the matter. Since PCS is not a quantitative analysis provider or a credit rating agency, our verification is based on a second-hand analysis which focuses on:</i></p> <ul style="list-style-type: none"> <i>• A statement in the Prospectus or other document setting out the boundary conditions of the hedging. This should state in effect how far the hedging stretches and under what scenario’s it will break. For example, if interbank rates rise above X%. This will provide a common-sense feel for whether, at first glance, the hedging is reasonable.</i> <i>• Risk Factors section of the Prospectus to check that no statements refer to the risks of “unhedged positions”. This is based on the legal requirement to disclose any relevant information to investors. If the originator or its advisers believed that the hedging in a transaction was unusually light, this should be disclosed in the Risk Section.</i> <i>• The “pre-sale” report from a recognised credit rating agency (if used) so as to identify any issues with hedging. Again, rating agencies as credit specialists should highlight in their analysis any substantial and unusual hedging risks.</i> <p><i>In the case of the Transaction, payments from the underlying receivables include fixed rate payments, while the Class A notes are floating rate. An interest rate swap is used in the Transaction to mitigate fixed-to-floating interest rate risk. Class B and C notes are fixed rate.</i></p>	

35	STS criteria	SEE RELATED EBA GUIDELINES
	35. Currency risks arising from the securitisation shall be appropriately mitigated.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>3. FORM, DENOMINATION AND TITLE</p> <p>For so long as the Notes are represented by a Global Note, and for so long as Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000.</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.4 The relevant Receivable is denominated and payable in Sterling.</p> <p><i>Notes and underlying assets both denominated in Sterling.</i></p>	
36	STS criteria	SEE RELATED EBA GUIDELINES
	36. Any measures taken to that effect shall be disclosed.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk</p> <p>Payments made to the Seller by any Customer under an Underlying Agreement comprise monthly amounts calculated on the basis of fixed interest rates. However, payments of interest on the Class A Notes are calculated on the basis of Compounded Daily SONIA. To ensure that the Issuer will not be exposed to interest rate risks, the Issuer and the Swap Counterparty will enter into the Swap Agreement under which the Issuer will owe payments by reference to a fixed rate and the Swap Counterparty will owe payments by reference to Compounded Daily SONIA, in each case calculated with respect to the Swap Notional Amount which is equal to the Class A Outstanding Notes Balance on the immediately preceding Payment Date. Payments under the Swap Agreement will be made on a net basis.</p> <p>Interest rate hedging</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Swap Agreement</p> <p>See Prospectus, <i>OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>Swap Agreement</p> <p><i>Clearly and explicitly, "appropriate" hedging does not require "perfect" hedging. This is confirmed by the EBA Guidelines which require the hedges to cover a "major share" of the risk from an "economic perspective". However, the definition of "appropriate" hedging or a "major share" of the risk will always contain an element of subjectivity and must be analysed on a case-by-case basis.</i></p> <p><i>The fact that the Regulation was crafted by the legislators to recognise existing high-quality European securitisations rather than raise the bar to a level not previously encountered, together with the common-sense approach of the EBA, leads to the conclusion that transactions considered adequately hedged by common investor and rating agency consensus should be held to meet this criterion.</i></p>	

	<p><i>This still requires an analysis of the matter. Since PCS is not a quantitative analysis provider or a credit rating agency, our verification is based on a second-hand analysis which focuses on:</i></p> <ul style="list-style-type: none"> • <i>A statement in the Prospectus or other document setting out the boundary conditions of the hedging. This should state in effect how far the hedging stretches and under what scenario's it will break. For example, if interbank rates rise above X%. This will provide a common-sense feel for whether, at first glance, the hedging is reasonable.</i> • <i>Risk Factors section of the prospectus to check that no statements refer to the risks of "unhedged positions". This is based on the legal requirement to disclose any relevant information to investors. If the originator or its advisers believed that the hedging in a transaction was unusually light, this should be disclosed in the Risk Section.</i> • <i>The "pre-sale" report from a recognised credit rating agency (if used) so as to identify any issues with hedging. Again, rating agencies as credit specialists should highlight in their analysis any substantial and unusual hedging risks.</i>
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37	Legislative text – Article 21 - Requirements relating to standardisation		GO TO TABLE OF CONTENTS
	21.2. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.		
	STS criteria		SEE RELATED EBA GUIDELINES
	37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...		
	Verified?	Yes	
	PCS Comment		
	See underlying transaction documents: Incorporated Terms Memorandum. SCHEDULE 8 ISSUER COVENANTS PART 1 CORPORATE COVENANTS OF THE ISSUER 7. GENERAL NEGATIVE COVENANTS Not until after the Final Discharge Date, save as contemplated by and to the extent permitted by the Transaction Documents or with the prior written consent of the Trustee: 7.1 carry on any business or enter into any transactions other than those contemplated by the Transaction Documents;		

38	STS criteria	SEE RELATED EBA GUIDELINES
	38. ...Shall ensure that the pool of underlying exposures does not include derivatives.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i>.</p> <p>Other characteristics</p> <p>The Purchased Receivables, as at the Issue Date, will not include: (i) any transferable securities for purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for purposes of article 20(9) of the UK Securitisation Regulation; or (iii) any derivatives for purposes of article 21(2) of the UK Securitisation Regulation, in each case on the basis that the Purchased Receivables have been entered into substantially on the terms of similar standard documentation for PCP contracts.</p>	
39	STS criteria	SEE RELATED EBA GUIDELINES
	39. Those derivatives shall be underwritten and documented according to common standards in international finance.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i>.</p> <p>"Swap Agreement" means a swap agreement dated and executed on or about 18 August 2021 between the Issuer and the Swap Counterparty pursuant to the 1992 ISDA Master Agreement and a rating agency compliant Schedule (including the related Credit Support Annex) and Confirmation (such confirmation executed on 18 August 2021 with trade date 16 August 2021 and effective date 20 August 2021) and any replacement swap agreement entered into with a replacement Swap Counterparty in accordance with the terms thereof.</p>	
40	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.3. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds, and shall not reference complex formulae or derivatives.	
	STS criteria	SEE RELATED EBA GUIDELINES
	40. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds and shall not reference complex formulae or derivatives.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus.</p> <p>Interest on the Class A Notes will accrue on the Outstanding Note Balance of each Class A Note at a per annum rate equal to the sum of the Sterling Overnight Interbank Average Rate (SONIA) and a margin of 0.35% per annum, provided that if such rate is below zero, the applicable interest rate will be zero. Interest on the Class B Notes will accrue on the Outstanding Note Balance of each Class B Note at a per annum rate of 1.50%. Interest on the Class C Notes will accrue on the Outstanding Note Balance of each Class C Note at a per annum rate of 2.00%.</p> <p>See Prospectus, <i>CREDIT STRUCTURE AND FLOW OF FUNDS</i>.</p>	

<p>Interest rate hedging</p> <p>The Purchased Receivables are purchased at their Aggregate Discounted Receivables Balance and the instalments payable under or in respect of the Underlying Agreements will be calculated by reference to a fixed rate of interest. The interest rate payable by the Issuer with respect to the Class A Notes is calculated as the sum of Compounded Daily SONIA and the margin as set out in Condition 6.4 (Interest Rate).</p> <p>See Prospectus, <i>ELIGIBILITY CRITERIA</i>.</p> <p>1.3 In respect of a Purchased Receivable, the Related Underlying Agreement has a fixed interest rate and is fully amortising through payments of constant monthly instalments (except for the first instalment and the final instalment payable under the relevant Underlying Agreement which may differ from the monthly instalments payable for subsequent or previous months).</p>

41	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.4. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p> <p>(b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;</p> <p>(c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and</p> <p>(d) No provisions shall require automatic liquidation of the underlying exposures at market value.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>41. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p>		
Verified?		Yes
<p>PCS Comment</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Post-Enforcement Priority of Payments</p> <p>See Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i>.</p> <p>"Available Post-Enforcement Funds" means, from time to time, all moneys standing to the credit of the Issuer Account, including, without limitation, any enforcement proceeds in respect of the Security credited to the Issuer Account and/or to any account of the Trustee or receiver appointed by the Trustee upon the service of an Enforcement Notice by the Trustee on the Issuer, the relevant money credited to the Commingling Reserve Ledger and any balance credited to the Cash Reserve Ledger and including, without limitation, any balance credited to the Counterparty Downgrade Collateral Account to the extent that the balance comprises: (a) the proceeds from any swap collateral posted on the Counterparty Downgrade Collateral Account which have been applied pursuant to the terms of the Swap Agreement to reduce the amount that would otherwise be payable by the Swap Counterparty upon early termination of the Swap Agreement; and (b) any amount received by the Issuer in respect of Replacement Swap Premium to the extent that such amount exceeds the amount required to be applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty upon termination of the Swap Agreement, but excluding, for the avoidance of doubt, any amount credited to the Counterparty Downgrade Collateral Account which will be returned directly to the Swap Counterparty, including, without limitation, any Replacement Swap Premium (only to the extent that it is applied directly to pay a termination payment due and payable by the Issuer to the Swap Counterparty).</p>		

42	STS criteria	SEE RELATED EBA GUIDELINES
	42. (b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Post-Enforcement Priority of Payments</p> <p><i>Principal is paid sequentially under post-enforcement order of priority.</i></p>	
43	STS criteria	
	43. (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Post-Enforcement Priority of Payments</p>	
44	STS criteria	SEE RELATED EBA GUIDELINES
	44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>8. Deed of Charge</p> <p>For the purposes of Article 21(4)(d) of the UK Securitisation Regulation, no provision of the Deed of Charge requires automatic liquidation upon default. The Trustee is required to ensure that any amounts deposited or investments made by it in accordance with the provisions of the Deed of Charge are, where applicable, held in accordance with the requirements of Article 21(4)(a) of the UK Securitisation Regulation.</p>	

45	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Pre-Enforcement Priority of Payments</p> <p>Post-Enforcement Priority of Payments</p>		

46	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <p>(a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p> <p>(b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p> <p>(c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);</p> <p>(d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>46. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>General Description</p> <p>The "Revolving Period" is the period commencing on (and includes) the Issue Date and ending on (but excludes) the earlier of (a) the Payment Date falling in September 2022 and (b) the date on which an Early Amortisation Event occurs.</p> <p>See Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i>.</p> <p>"Early Amortisation Event" means the occurrence of any of the following events during the Revolving Period:</p> <p>(a) as at any Cut-Off Date, the Cumulative Net Loss Ratio exceeds 2.50 per cent for any Payment Date;</p> <p>(b) as at any Payment Date, the 3 Month Rolling Average Delinquency Percentage exceeds 1.50 per cent;</p>		

	<p>(c) if after application of the Available Distribution Amount in accordance with the Pre- Enforcement Priority of Payments, the Excess Collection Amount paid to the Replenishment Ledger under item (eleventh) of the Pre-Enforcement Priority of Payments on any Payment Date (when aggregated with any Additional Portfolio Purchase Price paid on such Payment Date) would be lower than the Replenishment Available Amount;</p> <p>(d) on two consecutive Cut-Off Dates, the amount standing to the credit of the Replenishment Ledger exceeds 10 per cent of the Aggregate Discounted Receivables Balance on the Cut-Off Date immediately preceding the Issue Date;;</p> <p>(e) the occurrence of an Issuer Event of Default;</p> <p>(f) the occurrence of a Servicer Termination Event; or</p> <p>(g) an Insolvency Event has occurred with respect to the Servicer or the Seller.</p>	
47	<p>STS criteria</p> <p>47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 46 above. (a)</p>	SEE RELATED EBA GUIDELINES
48	<p>STS criteria</p> <p>48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 46 above. (g)</p>	SEE RELATED EBA GUIDELINES
49	<p>STS criteria</p> <p>49. (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 46 above. (d)</p>	SEE RELATED EBA GUIDELINES

50	STS criteria	SEE RELATED EBA GUIDELINES
	50. (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).	
	Verified?	Yes
	PCS Comment	
	See point 46 above. (d)	

51	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	<p>21.7. The transaction documentation shall clearly specify:</p> <p>(a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers;</p> <p>(b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and</p> <p>(c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>51. The transaction documentation shall clearly specify:</p> <p>(a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers;</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS.</p> <p>Servicing Agreement, Data Trust Agreement, Bank Account Agreement, Deed of Charge, Trust Deed, Calculation Agency Agreement, Agency Agreement, The Corporate Services Agreement</p> <p>See also underlying transaction documents.</p>	

52	STS criteria	SEE RELATED EBA GUIDELINES
	52. (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS.</p> <p>Servicing Agreement</p> <p>Termination of appointment of the Servicer</p> <p>Under the Servicing Agreement, the Issuer (prior to the delivery of an Enforcement Notice or notice that the Trustee has taken any action to enforce the Security) with the written consent of the Trustee, or the Trustee itself (after delivery of an Enforcement Notice or notice that the Trustee has taken any action to enforce the Security) may at any time after the occurrence of a Servicer</p>	

	<p>Termination Event terminate the appointment of the Servicer and designate as a successor Servicer any Person that is a Suitable Entity and to succeed the Servicer provided that such termination of the Servicer shall not become effective until a successor Servicer has been appointed that is a Suitable Entity.</p> <p>See also underlying transaction documents: Servicing Agreement.</p> <p>13. Termination</p> <p>14. Change of Servicer</p>	
53	STS criteria	SEE RELATED EBA GUIDELINES
	<p>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.</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus <i>RISK FACTORS</i>.</p> <p>Interest rate hedging</p> <p>If the Swap Counterparty defaults in respect of its obligations under the Swap Agreement and that results in a termination of the Swap Agreement, the Issuer will be obligated to enter into a replacement arrangement with another Eligible Swap Counterparty.</p> <p>See underlying transaction documents: Bank Account Agreement.</p> <p>8. TERMINATION</p>	
54	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	<p>21.8. The servicer shall have expertise in servicing exposures of a similar nature to those securitised and shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>THE SELLER AND SERVICER</i>.</p> <p>BMW Financial Services (GB) Limited (the "Company") is a financial services company that has been part of the BMW Group since 1992.</p> <p>BMW Group is a leading provider of premium products and premium services for individual mobility. It is a maker of premium brand cars and motorcycles worldwide, and owns the premium brands "BMW", "MINI" and "Rolls-Royce".</p> <p>The Company seeks to uphold the values of these brands through the provision of financial services products tailored to motor vehicle buyers' and its dealers' (referred to as the "BMW Dealers") needs, in order to support BMW Group sales activities. The Company has more than 5 years' experience in originating and servicing automotive finance products such as the Purchased Receivables.</p> <p><i>The EBA Guidelines provide that an entity that has serviced similar assets for at least five years will be deemed to meet the expertise criterion.</i></p>	

55	STS criteria	SEE RELATED EBA GUIDELINES
	55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>THE SELLER AND SERVICER</i>.</p> <p>BMW Financial Services (GB) Limited (the "Company") is a financial services company that has been part of the BMW Group since 1992.</p> <p>The Company's activities</p> <p>The Company has provided regulated consumer credit activities since its incorporation. It was authorised to conduct these activities by the Financial Conduct Authority on 13th July 2015. Prior to being granted authorisation the Company held interim permissions from the FCA to provide regulated consumer credit.</p> <p>See Prospectus, <i>CREDIT AND COLLECTION POLICY</i>.</p> <p><i>Additional due diligence was conducted in connection with verifying these criteria.</i></p>	

56	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.9. The transaction documentation shall set out in clear and consistent terms definitions, remedies and actions relating to delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.	
	STS criteria	SEE RELATED EBA GUIDELINES
	56. The transaction documentation shall set out in clear and consistent terms definitions	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Reliance on Credit and Collection Policy</p> <p>The Servicer will carry out the administration, collection and enforcement of the Purchased Receivables and the Related Collateral in accordance with the Servicing Agreement and the Credit and Collection Policy.</p> <p>See Prospectus, <i>CREDIT AND COLLECTION POLICY</i>.</p> <p>See Prospectus, <i>MASTER DEFINITIONS SCHEDULE</i>.</p> <p>Collections</p> <p>Defaulted Receivable</p> <p>Delinquent Receivable</p> <p>Recoveries</p>	

	See also underlying transaction documents: Servicing Agreement.	
57	STS criteria	SEE RELATED EBA GUIDELINES
	57. The transaction documentation shall set out in clear and consistent terms, remedies and actions relating to delinquency and default of debtors debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.	
	Verified?	Yes
	PCS Comment	
	See comment 56.	

58	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.9. The transaction documentation shall clearly specify the priorities of payment, events which trigger changes in such priorities of payment as well as the obligation to report such events. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.	
	STS criteria	
	58. The transaction documentation shall clearly specify the priorities of payment,	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>TRANSACTION OVERVIEW</i> . Pre- Enforcement Priority of Payments Post- Enforcement Priority of Payments	
59	STS criteria	
	59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>TRANSACTION OVERVIEW</i> . Applicable Priority of Payments The Issuer and, upon enforcement, the Trustee will make payments to the Noteholders and other parties on the basis of two different priorities of payments (each a "Priority of Payments"): (i) prior to the delivery of an Enforcement Notice by the Trustee to the Issuer, the Issuer will pay, inter alia, taxation and administration expenses, Swap Net Cashflow payable to the Swap Counterparty and interest and principal on the Notes in accordance with the Pre-Enforcement Priority of Payments and (ii) subsequent to the delivery of an Enforcement Notice by the Trustee to the Issuer, the Trustee will, on behalf of the Issuer, make all distributions of Available Post-Enforcement Funds (or procure that all such distributions be made) in accordance with the Post-Enforcement Priority of Payments.	

	<p>See Prospectus, <i>TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>11. EVENTS OF DEFAULT</p> <p>11.1 Notes</p> <p>The Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Class Outstanding Notes Balance of the Most Senior Class of Notes or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes shall, (subject to being indemnified and/or prefunded and/or secured to its satisfaction as more particularly described in the Trust Deed) give a notice (an "Enforcement Notice") to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Aggregate Outstanding Notes Balance, together with accrued (but unpaid) interest as provided in the Trust Deed (with a copy of such Enforcement Notice being sent simultaneously to the Trustee, the Seller, the Servicer, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank and the Calculation Agent), if any of the following events (each, an "Issuer Event of Default") occur:</p> <p>(a) a default occurs in the payment of interest on any Payment Date (and such default is not remedied within five (5) Business Days of its occurrence) or the payment of principal on the Legal Final Maturity Date (and such default is not remedied within five (5) Business Days of its occurrence) in respect of the Most Senior Class of Notes;</p> <p>(b) the Issuer fails to perform or observe any of its other material obligations under the Conditions or the Transaction Documents (other than the Subordinated Loan Agreement) and, in each such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy when no notice will be required) such failure is continuing for a period of thirty (30) calendar days following the service by the Trustee on the Issuer of a notice requiring the same to be remedied;</p> <p>(c) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Notes or any other Transaction Document (other than the Subordinated Loan Agreement); or</p> <p>(d) an Insolvency Event has occurred with respect to the Issuer.</p>	
60	<p>STS criteria</p> <p>60. The transaction documentation shall clearly specify the obligation to report such events.</p>	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>Any events which trigger changes in the Priority of Payments and any change in the 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 UK Securitisation Regulation.</p>	
61	<p>STS criteria</p> <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>	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>Transparency Requirements</p>	

	Any events which trigger changes in the Priority of Payments and any change in the 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 UK Securitisation Regulation.
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62	Legislative text – Article 21 - Requirements relating to standardisation GO TO TABLE OF CONTENTS
	21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.
	STS criteria SEE RELATED EBA GUIDELINES
	62. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders
	Verified? Yes
	PCS Comment <p>See Prospectus, <i>TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION</p> <p>13.4 Quorum</p> <p>13.15 "Ordinary Resolution"</p> <p>13.16 "Extraordinary Resolution"</p> <p>See Prospectus, <i>OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED PARTIES</i>.</p> <p>Noteholders Meeting provisions</p> <p>See underlying transaction documents: Trust Deed.</p> <p>SCHEDULE 4</p> <p>PROVISIONS FOR MEETINGS OF NOTEHOLDERS</p> <p><i>Although the wording of the Regulation as to what constitutes the "facilitation of timely resolution of conflicts" is very vague, the EBA Guidelines have helpfully set out the five minimum requirements that the documents should contain to meet this criterion. The documentation covers the following:</i></p> <p><i>(a) the method for calling meetings; as for method: Trust Deed: 5. CONVENING OF MEETING: MEETINGS OF COMBINED CLASSES OF NOTES</i></p> <p><i>(b) the maximum timeframe for setting up a meeting: Trust Deed: 6. NOTICE</i></p> <p><i>(c) the required quorum: Trust Deed: 8. QUORUM</i></p> <p><i>(d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision: Prospectus: 13.15 "Ordinary Resolution"/13.16 "Extraordinary Resolution"</i></p> <p><i>(e) where applicable, a location for the meetings which should be in the UK: (a) the method for calling meetings; as for method: Trust Deed: 5. CONVENING OF MEETING: MEETINGS OF COMBINED CLASSES OF NOTES</i></p>

63	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	STS criteria	SEE RELATED EBA GUIDELINES
	63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS</i> .	
	8. Deed of Charge	
	9. Trust Deed	
	See underlying transaction documents: Trust Deed, Deed of Charge.	

64	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period no shorter than five years.	
	STS criteria	SEE RELATED EBA GUIDELINES
	64. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised,	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i> .	
	The historical information set out in below is based on the past experience and present procedures of the Seller.	
	2. Historical performance data	
	(1) Defaults Total	
	(4) Recoveries from Defaults – Total	
	(7) Net Losses from Defaults – Total	
	(11) Delinquencies	

65	STS criteria	SEE RELATED EBA GUIDELINES
	65. and the sources of those data and the basis for claiming similarity, to potential investors before pricing.	
	Verified?	Yes
	PCS Comment	
	See point 64 above.	
66	STS criteria	SEE RELATED EBA GUIDELINES
	66. Those data shall cover a period no shorter than five years.	
	Verified?	Yes
	PCS Comment	
	See point 64 above.	

67	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.2. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party, including verification that the data disclosed in respect of the underlying exposures is accurate.	
	STS criteria	SEE RELATED EBA GUIDELINES
	67. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party,	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Verification of data</p> <p>The Preliminary Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Preliminary Portfolio conducted by a third-party and completed with respect to the Preliminary Portfolio in existence as of 31 May 2021 and to verify that the Preliminary Portfolio is compliant with certain Eligibility Criteria that was able to be tested prior to issuance. This independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed in respect of the underlying exposures are accurate.</p> <p>The Seller has reviewed the reports of its auditors and is of the opinion that there were no significant adverse findings in such reports.</p> <p>See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i></p> <p>Pursuant to Article 22(2) of the UK Securitisation Regulation and the terms of an external verification applying a confidence level higher than 95 per cent. has been made in respect of the Receivables prior to the Issue Date by an appropriate and independent party, including verification that the data disclosed in any formal offering document in respect of the Purchased Receivables is accurate, and, in this respect, no significant adverse findings have been found.</p>	

	PCS has reviewed the report on “agreed upon procedures” (AUP) commonly known as a “pool audit”. PCS can confirm that this was done by an appropriate and independent third party.	
68	STS criteria	SEE RELATED EBA GUIDELINES
	68. Including verification that the data disclosed in respect of the underlying exposures is accurate.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Verification of data</p> <p>The Preliminary Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Preliminary Portfolio conducted by a third-party and completed with respect to the Preliminary Portfolio in existence as of 31 May 2021 and to verify that the Preliminary Portfolio is compliant with certain Eligibility Criteria that was able to be tested prior to issuance. This independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed in respect of the underlying exposures are accurate.</p> <p>The Seller has reviewed the reports of its auditors and is of the opinion that there were no significant adverse findings in such reports.</p> <p>See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i></p> <p>Pursuant to Article 22(2) of the UK Securitisation Regulation and the terms of an external verification applying a confidence level higher than 95 per cent. has been made in respect of the Receivables prior to the Issue Date by an appropriate and independent party, including verification that the data disclosed in any formal offering document in respect of the Purchased Receivables is accurate, and, in this respect, no significant adverse findings have been found.</p> <p>PCS has reviewed the report on “agreed upon procedures” (AUP) commonly known as a “pool audit”. PCS can confirm that this was done by an appropriate and independent third party.</p>	
69	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.3. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE, and shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.	
	STS criteria	SEE RELATED EBA GUIDELINES
	69. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i></p> <p>Liability cashflow model</p> <p>The Seller will make available a liability cashflow model via EuroABS at https://www.euroabs.com/IH.aspx?d=16026. The Seller shall procure that such liability cashflow model (a) precisely represents the contractual relationship between the Purchased Receivables and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer, and (b) is made available to (i) prior to pricing of the notes, potential investors and (ii) on an on-going basis, investors in the Notes and to potential investors in the Notes upon request.</p>	

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

71	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.4. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).	
	STS criteria	SEE RELATED EBA GUIDELINES
	71. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>PURCHASED RECEIVABLES CHARACTERISTICS AND HISTORICAL DATA</i> . Environmental performance To the extent the administrative records of the Seller contain any information related to the environmental performance of the Purchased Receivables then such information shall be made available in the SR Investor Reports in accordance with article 22(4) of the UK Securitisation Regulation.	

72	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.	
	STS criteria	
	72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Simple, Transparent and Standardised Securitisation</p> <p>In relation to such notification, the Seller has been designated as the first contact point for investors and competent authorities. The Seller, as originator, will also take responsibility for compliance with Article 7 of the UK Securitisation Regulation in accordance with Article 22(5) of the UK Securitisation Regulation.</p> <p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency requirements</p> <p>The Issuer (as the SSPE (as defined in the UK Securitisation Regulation and the EU Securitisation Regulation (as in force on the Issue Date)) has been appointed as the designated entity under Article 7(2) of the UK Securitisation Regulation and EU Securitisation Regulation. The Issuer has appointed the Servicer to perform all of the Issuer's obligations under Article 7 of the UK Securitisation Regulation. Notwithstanding the appointment of the Issuer as designated entity, the Seller as the originator is responsible for compliance with Articles 7 and 22(5) of the UK Securitisation Regulation and Articles 7 and 22(5) of the EU Securitisation Regulation (as in force on the Issue Date). As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Offering Circular and to the monthly reports to investors that are prepared pursuant to the Servicing Agreement.</p>	

73	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.	
	STS criteria	
	73. The information required by point (a) the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request.	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>UK Securitisation Regulation and EU Securitisation Regulation</p> <p>Transparency requirements</p>	

	<p>As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Preliminary Offering Circular and to the monthly reports to investors that are prepared pursuant to the Servicing Agreement. The Issuer will procure that the Servicer will:</p> <p>(a) from the Issue Date:</p> <p>(i) publish a monthly investor report in respect of the relevant period, as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation;</p> <p>(ii) publish on a monthly basis, simultaneously with the investor report referred to in (a) above, certain loan-by-loan information in relation to the Portfolio in respect of the relevant period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation (and make the same available to potential investors before pricing upon request),</p> <p>in each case, in the form prescribed as at such time under the UK Securitisation Regulation (the "SR Investor Reports")</p>	
74	<p>STS criteria</p> <p>74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(b) make available the documents as required by and in accordance with Article 7(1)(b) of the UK Securitisation Regulation and Article 7(1)(b) of the EU Securitisation Regulation prior to the pricing date of the Notes (and in final form, if applicable, no later than 15 days after the Issue Date);</p> <p>(d) make available (i) the draft STS notification prior to the pricing of the Notes and (ii) the STS Notification on or about the Issue Date,</p>	
75	<p>Legislative text – Article 22 - Requirements relating to transparency</p> <p>22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.</p>	
	<p>STS criteria</p> <p>75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.</p>	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p>	

	<p>(b) make available the documents as required by and in accordance with Article 7(1)(b) of the UK Securitisation Regulation and Article 7(1)(b) of the EU Securitisation Regulation prior to the pricing date of the Notes (and in final form, if applicable, no later than 15 days after the Issue Date);</p> <p><i>This criterion speaks to document disclosure within 15 days of closing and therefore is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if it is not met within the specified 15-day period, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost.</i></p> <p><i>Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.</i></p>
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76	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(a) information on the underlying exposures on a quarterly basis, or, in the case of ABCP, information on the underlying receivables or credit claims on a monthly basis;</p>	
	STS criteria	
	<p>76. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(a) information on the underlying exposures on a quarterly basis,</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(a) from the Issue Date:</p> <p>(i) publish a monthly investor report in respect of the relevant period, as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation and (B) Article 7(1)(e) of the EU Securitisation Regulation (as in force on the Issue Date);</p> <p>(ii) publish on a monthly basis, simultaneously with the investor report referred to in (a) above, certain loan-by-loan information in relation to the Portfolio in respect of the relevant period as required by and in accordance with (A) Article 7(1)(a) of the UK Securitisation Regulation and (B) Article 7(1)(a) of the EU Securitisation Regulation (as in force on the Issue Date) (and make the same available to potential investors before pricing upon request),</p> <p>in each case, in the form prescribed as at such time under the UK Securitisation Regulation (the "SR Investor Reports");</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>	

77	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <ul style="list-style-type: none"> (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust; (iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator; (iv) the servicing, back-up servicing, administration and cash management agreements; (v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value; (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements; 	
	STS criteria	
	<p>77. (b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <ul style="list-style-type: none"> (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; 	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(b) make available the documents as required by and in accordance with Article 7(1)(b) of the UK Securitisation Regulation and Article 7(1)(b) of the EU Securitisation Regulation prior to the pricing date of the Notes (and in final form, if applicable, no later than 15 days after the Issue Date);</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>	
78	STS criteria	
	<p>78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</p>	
	Verified?	Yes
	PCS Comment	
	<p><i>See point 77.</i></p>	

79	STS criteria
	79. (iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator;
	Verified? Yes
	PCS Comment <i>See point 77.</i>
80	STS criteria
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;
	Verified? Yes
	PCS Comment <i>See point 77.</i>
81	STS criteria
	81. (v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value;
	Verified? Yes
	PCS Comment <i>See point 77.</i>
82	STS criteria
	82. (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;
	Verified? Yes
	PCS Comment <i>See point 77.</i>

83	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;	
	STS criteria	
	83. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>TRANSACTION OVERVIEW</i> .	
	See also underlying transaction documents: Deed of Charge.	

84	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(c) where section 85 of the 2000 Act (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the FCA for the purposes of Part 6 of the 2000 Act (official listing)¹ do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the securitisation, including, where applicable:</p> <ul style="list-style-type: none"> (i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure; (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features; (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors; (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position; 	
	STS criteria	
	84. where section 85 of the 2000 Act (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the FCA for the purposes of Part 6 of the 2000 Act (official listing) do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the securitisation, including, where applicable:	
	(i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure;	
	Verified?	Yes
	PCS Comment	
	<i>The Prospectus in this transaction serves as the Transaction Summary and contains the required information.</i>	

¹ These are “prospectus rules”; see section 73A of the Financial Services and Markets Act 2000 (Part 6 Rules), inserted by S.I. 2005/381

85	STS criteria
	85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;
	Verified? Yes
	PCS Comment <i>See point 84 above.</i>
86	STS criteria
	86. (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;
	Verified? Yes
	PCS Comment <i>See point 84 above.</i>
87	STS criteria
	87. (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position;
	Verified? Yes
	PCS Comment <i>See point 84 above.</i>

88	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	STS criteria	
	88. (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	Verified? Yes	
	PCS Comment	
	See Prospectus. UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS STS and authorised verification agent	

<p>The Seller confirms that it will make an STS notification (as defined in the UK Securitisation Regulation) to the FCA that the Notes are an STS-compliant securitisation pursuant to Article 18 of the UK Securitisation Regulation. Such STS-compliant securitisations appear on the list of STS-compliant securitisations established and maintained by the FCA in accordance with Article 27(5) of the UK Securitisation Regulation (each, a "UK STS Securitisation"). The STS notification and accompanying explanation from the Seller of the transaction's compliance with Articles 20 to 22 of the UK Securitisation Regulation (compliance with such articles being required to qualify as an STS Securitisation) will be available for inspection on the list maintained by the FCA.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>

89 Legislative text – Article 22 - Requirements relating to transparency GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p> <ul style="list-style-type: none"> (i) all materially relevant data on the credit quality and performance of underlying exposures; (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties, and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation; (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6.
STS criteria
<p>89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p>
Verified?
PCS Comment
<p>See Prospectus,</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(a) from the Issue Date:</p> <ul style="list-style-type: none"> (i) publish a monthly investor report in respect of the relevant period, as required by and in accordance with (A) Article 7(1)(e) of the UK Securitisation Regulation and (B) Article 7(1)(e) of the EU Securitisation Regulation (as in force on the Issue Date); <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>

90	STS criteria
	90. (i) all materially relevant data on the credit quality and performance of underlying exposures;
	Verified? Yes
	PCS Comment See point 89 above.
91	STS criteria
	91. (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties,
	Verified? Yes
	PCS Comment See point 89 above.
92	STS criteria
	92. (ii)...and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation;
	Verified? Yes
	PCS Comment See point 89 above.
93	STS criteria
	93. (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6.
	Verified? Yes
	PCS Comment See point 89 above. See also Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i> . UK Securitisation Regulation and EU Securitisation Regulation General The Seller (as originator for the purposes of the UK Securitisation Regulation and the EU Securitisation Regulation and Subordinated Lender) will: (a) retain, on an ongoing basis, a material net economic interest of not less than 5 per cent. in the securitisation as required by Article 6(1) of the UK Securitisation Regulation and Article 6(1) of the EU Securitisation Regulation (as in force on the Issue Date); (b) at all relevant times comply with the requirements of Article 7(1)(e)(iii) of the UK Securitisation Regulation and Article 7(1)(e)(iii) of the EU Securitisation Regulation (as in force on the Issue Date).

	<p>Date) by confirming in the investor reports the risk retention of the Seller as contemplated by Article 6(1) of the UK Securitisation Regulation and Article 6(1) of the EU Securitisation Regulation (as in force on the Issue Date);</p> <p>(c) not change the manner in which it retains such material net economic interest, except to the extent permitted by the UK Securitisation Regulation and the EU Securitisation Regulation (as in force on the Issue Date); and</p> <p>(d) not sell, hedge or otherwise enter into any credit risk mitigation, short position or any other credit risk hedge with respect to its retained material net economic interest, except to the extent permitted by the UK Securitisation Regulation and the EU Securitisation Regulation (as in force on the Issue Date).</p> <p>provided always that, in relation to the EU Securitisation Regulation only, only until such time that the Seller is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Risk Retention Requirement will also satisfy the EU Risk Retention Requirement due to the application of an equivalency regime or similar analogous concept.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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94	<p>Legislative text – Article 22 - Requirements relating to transparency</p> <p>GO TO TABLE OF CONTENTS</p> <p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p> <p>STS criteria</p> <p>94. (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(c) publish (i) on a monthly basis and, to the extent that an inside information or significant event (within the respective meanings of Articles 7(1)(f) and (g) of the UK Securitisation Regulation and Articles 7(1)(f) and (g) of the EU Securitisation Regulation (as applicable)) has occurred, without delay details of any information required to be reported in accordance with (A) Article 7(1)(f) or Article 7(1)(g) (as applicable) of the UK Securitisation Regulation and (B) Article 7(1)(f) or Article 7(1)(g) (as applicable) of the EU Securitisation Regulation (as in force on the Issue Date) and (ii) without delay details of any information required to be reported in accordance with and with Article 20(10) and Article 21(9) of the UK Securitisation Regulation;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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95	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <ul style="list-style-type: none"> (i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach; (ii) a change in the structural features that can materially impact the performance of the securitisation; (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation; (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions; (v) any material amendment to transaction documents. 	
	STS criteria	
	<p>95. (g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(c) publish (i) on a monthly basis and, to the extent that an inside information or significant event (within the respective meanings of Articles 7(1)(f) and (g) of the UK Securitisation Regulation and Articles 7(1)(f) and (g) of the EU Securitisation Regulation (as applicable)) has occurred, without delay details of any information required to be reported in accordance with (A) Article 7(1)(f) or Article 7(1)(g) (as applicable) of the UK Securitisation Regulation and (B) Article 7(1)(f) or Article 7(1)(g) (as applicable) of the EU Securitisation Regulation (as in force on the Issue Date) and (ii) without delay details of any information required to be reported in accordance with and with Article 20(10) and Article 21(9) of the UK Securitisation Regulation;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>	
96	STS criteria	
	<p>96. (ii) a change in the structural features that can materially impact the performance of the securitisation;</p>	
	Verified?	Yes
	PCS Comment	
	<p><i>See point 95 above.</i></p>	

97	STS criteria
	97. (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>
98	STS criteria
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where the competent authority has taken remedial or administrative actions;
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>
99	STS criteria
	99. (v) any material amendment to transaction documents.
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>
100	Legislative text – Article 22 - Requirements relating to transparency
	GO TO TABLE OF CONTENTS
	7.1. The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one month after the due date for the payment of interest [...ABCP provisions]
	STS criteria
	100. The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one month after the due date for the payment of interest [...ABCP provisions]
	Verified? Yes
	PCS Comment
	See Prospectus.
	UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS
	UK Transparency Requirements

	<p>The Issuer will procure that the Servicer will:</p> <p>(a) from the Issue Date:</p> <p>(i) publish a monthly investor report in respect of the relevant period, as required by and in accordance with (A) Article 7(1)(e) of the UK Securitisation Regulation and (B) Article 7(1)(e) of the EU Securitisation Regulation (as in force on the Issue Date) ;</p> <p>(ii) publish on a monthly basis, simultaneously with the investor report referred to in (a) above, certain loan-by-loan information in relation to the Portfolio in respect of the relevant period as required by and in accordance with (A) Article 7(1)(a) of the UK Securitisation Regulation and (B) Article 7(1)(a) of the EU Securitisation Regulation (as in force on the Issue Date) (and make the same available to potential investors before pricing upon request),</p> <p>in each case, in the form prescribed as at such time under the UK Securitisation Regulation (the "SR Investor Reports");</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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101	<p>Legislative text – Article 22 - Requirements relating to transparency</p> <p>GO TO TABLE OF CONTENTS</p> <p>7.1. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay</p> <p>When complying with this paragraph, the originator, sponsor and SSPE of a securitisation shall comply with national and United Kingdom 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> <p>STS criteria</p> <p>101. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <p>(c) publish (i) on a monthly basis and, to the extent that an inside information or significant event (within the respective meanings of Articles 7(1)(f) and (g) of the UK Securitisation Regulation and Articles 7(1)(f) and (g) of the EU Securitisation Regulation (as applicable)) has occurred, without delay details of any information required to be reported in accordance with (A) Article 7(1)(f) or Article 7(1)(g) (as applicable) of the UK Securitisation Regulation and (B) Article 7(1)(f) or Article 7(1)(g) (as applicable) of the EU Securitisation Regulation (as in force on the Issue Date) and (ii) without delay details of any information required to be reported in accordance with and with Article 20(10) and Article 21(9) of the UK Securitisation Regulation;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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102	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Or</p> <p>The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC.</p> <p>Or</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation. 	
	<p>STS criteria</p> <p>102. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation 	
	Verified?	Yes
	<p>PCS Comment</p> <p>See Prospectus.</p> <p>UK SECURITISATION REGULATION AND EU SECURITISATION REGULATION REQUIREMENTS</p> <p>UK Transparency Requirements</p> <p>The Issuer will procure that the Servicer will:</p> <ul style="list-style-type: none"> (a) from the Issue Date: <ul style="list-style-type: none"> (i) publish a monthly investor report in respect of the relevant period, as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation; (ii) publish on a monthly basis, simultaneously with the investor report referred to in (i) above, certain loan-by-loan information in relation to the Portfolio in respect of the relevant period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation (and make the same available to potential investors before pricing upon request), 	

	<p>in each case, in the form prescribed as at such time under the UK Securitisation Regulation (the "UK SR Investor Reports");</p> <p>(b) make available the documents as required by and in accordance with Article 7(1)(b) of the UK Securitisation Regulation prior to the pricing date of the Notes (and in final form, if applicable, no later than 15 days after the Issue Date);</p> <p>(c) publish (i) on a monthly basis and, to the extent that an inside information or significant event (within the respective meanings of Articles 7(1)(f) and (g) of the UK Securitisation Regulation (as applicable)) has occurred, without delay details of any information required to be reported in accordance with Article 7(1)(f) or Article 7(1)(g) (as applicable) of the UK Securitisation Regulation and (ii) without delay details of any information required to be reported in accordance with Article 20(10) and Article 21(9) of the UK Securitisation Regulation; and</p> <p>(d) make available (i) the draft STS notification prior to the pricing of the Notes and (ii) the STS Notification on or about the Issue Date,</p> <p>provided that (i) the Servicer will only be required to do so to the extent that the disclosure requirements under Article 7 of the UK Securitisation Regulation and Article 7 of the EU Securitisation Regulation (as in force on the Issue Date) remain in effect and (ii) the Servicer will not be in breach of such undertaking if the Servicer fails to so comply due to events, actions or circumstances beyond the Servicer's control.</p> <p>The reports set out in paragraphs (a) above and the documentation and information set out in paragraphs (b), (c) and (d) above shall be published on the website of EuroABS at https://www.euroabs.com/IH.aspx?d=16026, being a website which conforms with the requirements set out in Article 7(2) of the UK Securitisation Regulation (the "UK SR Website") and, following registration of any securitisation repository under Article 10 of the UK Securitisation Regulation, with any such securitisation repository that the Issuer may (in its discretion) appoint in relation to the Notes (the "UK SR Repository"). Each UK SR Investor Report shall be made available 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 Offering Circular.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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103	<p>Legislative text – Article 22 - Requirements relating to transparency</p> <p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (c), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p> <p>STS criteria</p> <p>103. The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency requirements</p> <p>UK Transparency Requirements</p> <p>The Issuer (as the SSPE (as defined in the UK Securitisation Regulation)) has been appointed as the designated entity under Article 7(2) of the UK Securitisation Regulation. The Issuer has appointed the Servicer to perform all of the Issuer's obligations under Article 7 of the UK Securitisation Regulation. Notwithstanding the appointment of the Issuer as designated entity, the Seller as the originator is responsible for compliance with Articles 7 and 22(5) of the UK Securitisation Regulation. As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Offering Circular and to the monthly reports to investors that are prepared pursuant to the Servicing Agreement.</p> <p>See Prospectus, <i>OUTLINE OF THE PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>2. Servicing Agreement</p>	<p>GO TO TABLE OF CONTENTS</p>
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Information and Regular Reporting

The Issuer and the Seller, as the originator within the meaning of the UK Securitisation Regulation and the EU Securitisation Regulation, have agreed that the Issuer is the designated entity for the purposes of the Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (as in force on the Issue Date). The Issuer has delegated its obligations under the Article 7 of the UK Securitisation Regulation and Article 7 of the EU Securitisation Regulation (as in force on the Issue Date) to the Servicer under the Servicing Agreement.

See Prospectus.

UK SECURITISATION REGULATION AND EU SECURISATION REGULATION REQUIREMENTS

UK Transparency Requirements

The reports set out in paragraphs (a) above and the documentation and information set out in paragraphs (b), (c) and (d) above shall be published on the website of EuroABS at <https://www.euroabs.com/IH.aspx?d=16026>, being a website which conforms with the requirements set out in Article 7(2) of the UK Securitisation Regulation (the "UK SR Website") and, following registration of any securitisation repository under Article 10 of the UK Securitisation Regulation, with any such securitisation repository that the Issuer may (in its discretion) appoint in relation to the Notes (the "UK SR Repository"). Each UK SR Investor Report shall be made available no later than one month following the due date for the payment of interest.

All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.

Definitions:

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

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

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

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

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

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

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

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

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

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

EBA Final non-ABCP STS Guidelines:

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

2a	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>17. The criterion in Article 20(2) is designed to ensure the enforceability of the transfer of legal title in the event of the seller's insolvency. More specifically, if the underlying exposures sold to the SSPE could be reclaimed for the sole reason that their transfer was effected within a certain period before the seller's insolvency, or if the SSPE could prevent the reclaim only by proving that it was unaware of the seller's insolvency at the time of transfer, such clauses would expose investors to a high risk that the underlying exposures would not effectively back their contractual claims. For this reason, Article 20(2) specifies that such clauses constitute severe clawback provisions, which may not be contained in STS securitisation.</p>	
	EBA Final non-ABCP STS Guidelines	
	<p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <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>	

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

3	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<p>19. Article 20(4) specifies that, where the transfer of title occurs not directly between the seller and the SSPE but through one or more intermediary steps involving further parties, the requirements relating to the true sale, assignment or other transfer with the same legal effect, apply at each step.</p>	
	EBA Final non-ABCP STS Guidelines	
	4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))	
	<i>True sale, assignment or transfer with the same legal effect</i>	
	<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>	

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

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

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

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

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

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

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

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

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

16	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	Underwriting standards (Article 20(10)) 33. The objective of the criterion specified in the first subparagraph of Article 20(10) is to prevent cherry picking and to ensure that the exposures that are to be securitised do not belong to exposure types that are outside the ordinary business of the originator, i.e. types of exposures in which the originator or original lender may have less expertise and/or interest at stake. This criterion is focused on disclosure of changes to the underwriting standards and aims to help the investors assess the underwriting standards pursuant to which the exposures transferred into securitisation have been originated.	
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17	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	Underwriting standards (Article 20(10))	
	37. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:	
	(a) the term ‘similar exposures’, with reference to requirements specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;	
	(b) the term ‘no less stringent underwriting standards’: independently of the guidance provided in these guidelines, it is understood that, in the spirit of restricting the ‘originate-to-distribute’ model of underwriting, where similar exposures exist on the originator’s balance sheet, the underwriting standards that have been applied to the securitised exposures should also have been applied to similar exposures that have not been securitised, i.e. the underwriting standards should have been applied not solely to securitised exposures;	
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	4.4 Underwriting standards, originator’s expertise (Article 20(10))	
	<i>No less stringent underwriting standards</i>	
	23. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the underwriting standards applied to securitised exposures should be compared to the underwriting standards applied to similar exposures at the time of origination of the securitised exposures.	
	24. Compliance with this requirement should not require either the originator or the original lender to hold similar exposures on its balance sheet at the time of the selection of the securitised exposures or at the exact time of their securitisation, nor should it require that similar exposures were actually originated at the time of origination of the securitised exposures.	

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

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

20	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	Underwriting standards (Article 20(10))	
	35. The objective of the criterion specified in the third subparagraph of Article 20(10) is to ensure that the assessment of the borrower's creditworthiness is based on robust processes. It is expected that the application of this article will be limited in practice, given that the STS is limited to originators based in the EU, and the criterion is understood to cover only exposures originated by the EU originators to borrowers in non-EU countries.	
	37. (e) clarification of the criterion with respect to the assessment of a borrower's creditworthiness based on equivalent requirements in third countries;	
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21	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	Underwriting standards (Article 20(10))	
	<p>36. The objective of the criterion specified in the fourth subparagraph of Article 20(10) is for the originator or original lender to have an established performance history of credit claims or receivables similar to those being securitised, and for an appropriately long period of time.</p>	
	<p>37. (f) identification of criteria on which the expertise of the originator or the original lender should be determined:</p>	
	<p>(i) when assessing if the originator or the original lender has the required expertise, some general principles should be set out against which the expertise should be assessed. The general principles have been designed to allow a robust qualitative assessment of the expertise. One of these principles is the regulatory authorisation: this is to allow for more flexibility in such qualitative assessments of the expertise if the originator or the original lender is a prudentially regulated institution which holds regulatory authorisations or permissions that are relevant with respect to origination of similar exposures. The regulatory authorisation in itself should, however, not be a guarantee that the originator or original lender has the required expertise;</p>	
	<p>(ii) irrespective of such general principles, specific criteria should be developed, based on specifying a minimum period for an entity to perform the business of originating similar exposures, compliance with which would enable the entity to be considered to have a sufficient expertise. Such expertise should be assessed at the group level, so that possible restructuring at the entity level would not automatically lead to non-compliance with the expertise criterion. It is not the intention of such specific criteria to form an impediment to the entry of new participants to the market. Such entities should also be eligible for compliance with the expertise criterion, as long as their management body and senior staff with managerial responsibility for origination of similar exposures, have sufficient experience over a minimum specified period.</p>	
	<p>38. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>	
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	4.4 Underwriting standards, originator's expertise (Article 20(10))	
	Similar exposures	
	<p>22. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, exposures should be considered to be similar when one of the following conditions is met:</p>	
	<p>(a) the exposures belong to one of the following asset categories referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402:</p>	
	<p>(i) residential loans secured with one or several mortgages on residential immovable property, or residential loans fully guaranteed by an eligible protection provider among those referred to in Article 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>	
	<p>(iv) auto loans and leases;</p>	
	<p>(v) credit card receivables;</p>	
	<p>(vi) trade receivables;</p>	
	<p>(b) the exposures fall under the asset category of credit facilities provided to micro-, small-, medium-sized and other types of enterprises and corporates including loans and leases, as referred to in Article 2(d) of the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, as underlying exposures of a certain type of obligor;</p>	
	<p>(c) where they do not belong to any of the asset categories referred to in points (a) and (b) of this paragraph and as referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous for the purposes of Articles 20(8) and 24(15) of Regulation (EU) 2017/2402, the underlying exposures share similar characteristics with respect to the type of obligor, ranking of security rights, type of immovable property and/or jurisdiction.</p>	
	<p><i>Criteria for determining the expertise of the originator or original lender</i></p>	
	<p>34. For the purposes of determining whether an originator or original lender has expertise in originating exposures of a similar nature to those securitised in accordance with Article 20(10) of Regulation (EU) 2017/2402, both of the following should apply:</p>	

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

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

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

	to sound credit granting criteria as specified in Article 9 of Regulation (EU) 2017/2402. This is with the exception of trade receivables that are not originated in the form of a loan, with respect to which credit-granting criteria do not need to be met.
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	No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))	
	<p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(d) Interpretation of the criterion with respect to the debtors and guarantors found on the credit registry: it is important to interpret this requirement in a narrow sense to ensure that the existence of a debtor or guarantor on the credit registry of persons with adverse credit history should not automatically exclude the exposure to that debtor/guarantor from compliance with this criterion. It is understood that this criterion should relate only to debtors and guarantors that are, at the time of origination of the exposure, considered entities with adverse credit history. Existence on a credit registry at the time of origination of the exposure for reasons that can be reasonably ignored for the purposes of the credit risk assessment (for example due to missed payments which have been resolved in the next two payment periods) should not be captured by this requirement. Therefore, this criterion should not automatically exclude from the STS framework exposures to all entities that are on the credit registries, taking into account that this would unintentionally exclude a significant number of entities given that different practices exist across EU jurisdictions with respect to entry requirements of such credit registries, and the fact that credit registries in some jurisdictions may contain both positive and negative information about the clients;</p>	
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	<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p><i>Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process</i></p> <p>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.</p>	

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

30	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))	
	40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:	
	(e) Interpretation of the term 'significantly higher risk of contractually agreed payments not being made for comparable exposures': the term should be interpreted with a similar meaning to the requirement aiming to prevent adverse selection of assets referred to in Article 6(2) of Regulation (EU) 2017/2402, and further specified in the Article 16(2) of the Delegated Regulation specifying in greater detail the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/2402, 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.	
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	4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))	
	Risk of contractually agreed payments not being made being significantly higher than for comparable exposures	
	44. For the purposes of Article 20(11)(c) of Regulation (EU) 2017/2402, the exposures should not be considered to have a 'credit assessment of a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised' when the following conditions apply:	
	(a) the most relevant factors determining the expected performance of the underlying exposures are similar;	
	(b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.	
	45. The requirement in the previous paragraph should be considered to have been met where either of the following applies:	
	(a) the underlying exposures do not include exposures that are classified as doubtful, impaired, non-performing or classified to the similar effect under the relevant accounting principles;	
	(b) the underlying exposures do not include exposures whose credit quality, based on credit ratings or other credit quality thresholds, significantly differs from the credit quality of comparable exposures that the originator originates in the course of its standard lending operations and credit risk strategy.	

31	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	At least one payment made (Article 20(12))	
	41. STS securitisations should minimise the extent to which investors are required to analyse and assess fraud and operational risk. At least one payment should therefore be made by each underlying borrower at the time of transfer, since this reduces the likelihood of the loan being subject to fraud or operational issues, unless in the case of revolving securitisations in which the distribution of securitised exposures is subject to constant changes because the securitisation relates to exposures payable in a single instalment or with an initial legal maturity of an exposure of below one year.	
	42. To facilitate consistent interpretation of this criterion, its scope and the types of payments referred to therein should be further clarified.	
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	4.6 At least one payment made (Article 20(12))	
	Scope of the criterion	
	46. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, further advances in terms of an exposure to a certain borrower should not be deemed to trigger a new 'at least one payment' requirement with respect to such an exposure.	
	At least one payment	
	47. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, the payment referred to in the requirement according to which 'at least one payment' should have been made at the time of transfer should be a rental, principal or interest payment or any other kind of payment.	

32	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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	No predominant dependence on the sale of assets (Article 20(13))	
	<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	
	<i>Predominant dependence on the sale of assets</i>	
	<p>48. For the purposes of Article 20(13) of Regulation (EU) 2017/2402, transactions where all of the following conditions apply, at the time of origination of the securitisation in cases of amortising securitisation or during the revolving period in cases of revolving securitisation, should be considered not predominantly dependent on the sale of assets securing the underlying exposures, and therefore allowed:</p>	
	<p>(a) the contractually agreed outstanding principal balance, at contract maturity of the underlying exposures that depend on the sale of the assets securing those underlying exposures to repay the principal balance, corresponds to no more than 50% of the total initial exposure value of all securitisation positions of the securitisation;</p>	
	<p>(b) the maturities of the underlying exposures referred to in point (a) are not subject to material concentrations and are sufficiently distributed across the life of the transaction;</p>	
	<p>(c) the aggregate exposure value of all the underlying exposures referred to in point (a) to a single obligor does not exceed 2% of the aggregate exposure value of all underlying exposures in the securitisation.</p>	
	<p>49. Where there are no underlying exposures in the securitisation that depend on the sale of assets to repay their outstanding principal balance at contract maturity, the requirements in paragraph 48 should not apply.</p>	
	<i>Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402</i>	
	<p>50. The exemption referred to in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402 with regard to the repayment of holders of securitisation positions whose underlying exposures are secured by assets, the value of which is guaranteed or fully mitigated by a repurchase obligation of either the assets securing the underlying exposures or of the underlying exposures themselves by another third party or parties, the seller or the third parties should meet both of the following conditions:</p>	
	<p>(a) they are not insolvent;</p>	
	<p>(b) there is no reason to believe that the entity would not be able to meet its obligations under the guarantee or the repurchase obligation.</p>	

33	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	Risk retention (Article 21(1))	
	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.	
	EBA Final non-ABCP STS Guidelines	

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

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

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

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

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

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

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

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

46, 47, 48, 49, 50	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))	
	<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>	
	EBA Final non-ABCP STS Guidelines	

5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))		
<i>Insolvency-related event with regard to the servicer</i>		
<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>		

51, 52, 53	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	Transaction Documentation (Article 21(7))	
	<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>	
	EBA Final non-ABCP STS Guidelines	

54	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<p>Expertise of the Servicer (Article 21(8))</p> <p>65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.</p> <p>66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <ul style="list-style-type: none"> (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. <p>67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>	
	EBA Final non-ABCP STS Guidelines	
	<p>5.8 Expertise of the servicer (Article 21(8))</p> <p><i>Criteria for determining the expertise of the servicer</i></p> <p>68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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. <p>69. A servicer should be deemed to have the required expertise where either of the following applies:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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). <p>70. For the purpose of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.</p> <p><i>Exposures of similar nature</i></p> <p>71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.</p>	

55	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<p>Expertise of the Servicer (Article 21(8))</p> <p>65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.</p> <p>66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) criteria for determining the expertise of the servicer;</p> <p>(b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer.</p> <p>67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>	
	EBA Final non-ABCP STS Guidelines	
	<p>Expertise of the Servicer (Article 21(8))</p> <p><i>Well-documented and adequate policies, procedures and risk management controls</i></p> <p>72. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, the servicer should be considered to have well documented and adequate policies, procedures and risk management controls relating to servicing of exposures' where either of the following conditions is met:</p> <p>(a) The servicer is an entity that is subject to prudential and capital regulation and supervision in the United Kingdom 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 United Kingdom, and a proof of existence of well-documented and adequate policies and risk management controls is provided that also includes a proof of adherence to good market practices and reporting capabilities. The proof should be substantiated by an appropriate third-party review, such as by a credit rating agency or external auditor.</p>	

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

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

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

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

69, 70	Article 22 - Requirements relating to transparency EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	BACK TO CHECKLIST
	Liability cashflow model (Article 22(3)) 76. The objective of this criterion is to assist investors in their ability to appropriately model the cash flow waterfall of the securitisation on the liability side of the SSPE. 77. To facilitate consistent interpretation of this criterion, the following aspects should be clarified: (a) interpretation of the term ‘precise’ representation of the contractual relationships; (b) implications when the model is provided by third parties.	
	EBA Final non-ABCP STS Guidelines	
	Liability cash flow model (Article 22(3)) Precise representation of the contractual relationship 82. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, the representation of the contractual relationships between the underlying exposures and the payments flowing among the originator, sponsor, investors, other parties and the SSPE should be considered to have been done ‘precisely’ where it is done accurately and with an amount of detail sufficient to allow investors to model payment obligations of the SSPE and to price the securitisation accordingly. This may include algorithms that permit investors to model a range of different scenarios that will affect cash flows, such as different prepayment or default rates. Third parties 83. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, where the liability cash flow model is developed by third parties, the originator or sponsor should remain responsible for making the information available to potential investors.	
71	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	Environmental performance of assets (Article 22(4)) 78. It should be clarified that this is a requirement of disclosure about the energy efficiency of the assets when this information is available to the originator, sponsor or SSPE, rather than a requirement for a minimum energy efficiency of the assets. 79. To facilitate consistent interpretation of this criterion, the term ‘available information related to the environmental performance’ should be further clarified.	
	EBA Final non-ABCP STS Guidelines	
	Environmental performance of assets (Article 22(4)) Available information related to the environmental performance 84. This requirement should be applicable only if the information on the energy performance certificates for the assets financed by the underlying exposures is available to the originator, sponsor or the SSPE and captured in its internal database or IT systems. Where information is available only for a proportion of the underlying exposures, the requirement should apply only in respect of the proportion of the underlying exposures for which information is available.	