

CRR ASSESSMENT

Quarzo S.r.l. - 2023-1



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

11 May 2023

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11 May 2023

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PRIME COLLATERALISED SECURITIES (PCS) – Provisional CRR Assessment

Individual(s) undertaking the assessment	Daniele Vella
Date of Verification	11 May 2023
The transaction to be verified (the “Transaction”)	Quarzo S.r.l. – 2023-1
Issuer	Quarzo S.r.l.
Originator	Compass Banca S.p.A.
Arranger	Mediobanca, Intesa Sanpaolo, Société Générale, UniCredit Bank AG
Transaction Legal Counsel	Legance
Rating Agencies	DBRS and Moody's
Stock Exchange	ExtraMOT PRO – Borsa Italiana
Closing Date	11 May 2023

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

Legislative Text

Article 243 (NOTE 1)

2. Positions in a securitisation, other than an ABCP programme or ABCP transaction, that qualify as positions in an STS securitisation, shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:

(NOTE 1) REGULATION (EU) 2017/2401 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 12 December 2017 amending Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

1a	<p>CRR Criteria</p> <p>(a) at the time of inclusion in the securitisation, the aggregate exposure value of all exposures to a single obligor in the pool does not exceed 2 % of the exposure values of the aggregate outstanding exposure values of the pool of underlying exposures. For the purposes of this calculation, loans or leases to a group of connected clients shall be considered as exposures to a single obligor.</p>	<p>Meets Criteria? YES</p>
	<p>PCS Comments</p> <p>See the R&W under §(ww) in “THE MASTER RECEIVABLES PURCHASE AGREEMENT - Representations and warranties in relation to the Receivables”: <<(ww) At the relevant Legal Effective Date, the aggregate exposure value of all the Receivables to a single Debtor included in the Portfolio does not exceed 2% of the exposure values of all the Receivables included in the Portfolio.>>.</p>	
1b	<p>CRR Criteria</p> <p>In the case of securitised residual leasing values, the first subparagraph of this point shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable commitment to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1);</p>	<p>Meets Criteria? YES</p>
	<p>PCS Comments</p> <p>Not applicable.</p>	
2	<p>CRR Criteria</p> <p>(b) at the time of their inclusion in the securitisation, the underlying exposures meet the conditions for being assigned, under the Standardised Approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than:</p> <p>(i) 40 % on an exposure value-weighted average basis for the portfolio where the exposures are loans secured by residential mortgages or fully guaranteed residential loans, as referred to in point (e) of Article 129(1);</p> <p>(ii) 50 % on an individual exposure basis where the exposure is a loan secured by a commercial mortgage;</p>	<p>Meets Criteria? YES</p>

- (iii) 75 % on an individual exposure basis where the exposure is a retail exposure (NOTE 2);
- (iv) for any other exposures, 100 % on an individual exposure basis;

(NOTE 2) See article 123, "Retail exposures" of the Regulation (EU) No 575/2013; for Consumer loans see the amendments to article 123 in (59) REGULATION (EU) 2019/876 and REGULATION (EU) 2020/873, article 2 (1) (a). In particular, pursuant to the amendments to Article 123, under Regulation (EU) 2019/876:

<<Exposures due to loans granted by a credit institution to pensioners or employees with a permanent contract against the unconditional transfer of part of the borrower's pension or salary to that credit institution shall be assigned a risk weight of 35 %, provided that all the following conditions are met:

(a) in order to repay the loan, the borrower unconditionally authorises the pension fund or employer to make direct payments to the credit institution by deducting the monthly payments on the loan from the borrower's monthly pension or salary;

(b) the risks of death, inability to work, unemployment or reduction of the net monthly pension or salary of the borrower are properly covered through an insurance policy underwritten by the borrower to the benefit of the credit institution;

(c) the monthly payments to be made by the borrower on all loans that meet the conditions set out in points (a) and (b) do not in aggregate exceed 20 % of the borrower's net monthly pension or salary;

(d) the maximum original maturity of the loan is equal to or less than ten years.>>.

See also article 501 on "Adjustment of risk-weighted non-defaulted SME exposures for "SME Loans" of the Regulation (EU) No 575/2013, as amended in Regulation (EU) 2019/876 and Regulation 2020/873 in (19) and Article 2.1(b).

PCS Comments

2 (b) (iii) should apply.

In respect of the nature of the Borrowers as "retail customers", we note the statements contained in the Prospectus that:

<<The Portfolio comprises only Receivables deriving from Consumer Loans which qualify as "consumer loans", i.e. loans extended to individuals (the "consumers") acting outside the scope of their entrepreneurial, commercial, craft or professional activities.>> (see "RISK FACTORS - 8. LEGAL AND REGULATORY RISKS - Italian consumer legislation contains certain protections in favour of debtors").

As to the maximum exposure towards the relevant Debtors, see the R&W under §(xx) in "THE MASTER RECEIVABLES PURCHASE AGREEMENT - Representations and warranties in relation to the Receivables":

<<(xx) The Receivables comprised in the Initial Portfolio do not include, and the Receivables comprised in the Subsequent Portfolio will not include, receivables whose relevant Debtors have a payment balance higher than euro 100,000.00 on payment accounts opened with Compass.>>.

See also the specific R&W given by Compass in this respect, which is contained in Clause 29 of the Intercreditor Agreement:

<<29. REPRESENTATION AND WARRANTY OF THE ORIGINATOR

The Originator represents and warrants to the Issuer that, for the purpose of Article 243, paragraph (2), letter (b), item (iii) of the CRR, as at the relevant Valuation Date, the underlying exposures [meet] the conditions for being assigned, under the standardised approach and taking into account any eligible credit risk mitigation, a risk weight equal to or smaller than 75% on an individual exposure basis for performing positions, since the Receivables are retail exposures which comply with the criteria set out in article 123 of the CRR.>>.

3	<u>CRR Criteria</u> (c) where points (b)(i) and (b)(ii) apply, the loans secured by lower ranking security rights on a given asset shall only be included in the securitisation where all loans secured by prior ranking security rights on that asset are also included in the securitisation;	<u>Meets Criteria?</u> YES
	<u>PCS Comments</u> Not applicable.	

4	<u>CRR Criteria</u> (d) where point (b)(i) of this paragraph applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100 %, at the time of inclusion in the securitisation, measured in accordance with point (d)(i) of Article 129(1) and Article 229(1).	<u>Meets Criteria?</u> YES
	<u>PCS Comments</u> Not applicable.	