

STS Term Master Checklist

PROGETTO QUINTO S.R.L.



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

6 May 2021

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

This STS Term Master Checklist must be read together with the PCS Procedures Manual and the PCS Term Evidentiary Standards Manual. This document is based upon the draft materials received by PCS as at the date of this document. Any references in this document are to the prospectus (hereinafter the “Information Memorandum” or “IM”) unless otherwise stated.

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

It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page. Note that all comments on the disclaimer relate to both Provisional STS Term Checklist for STS Term Verifications and the Final STS Term Checklist for STS Term Verifications.

6 May 2021

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

Prime Collateralised Securities (PCS) STS Verification

Individual(s) undertaking the assessment	Daniele Vella
Date of Verification	6 May 2021
The transaction to be verified (the “Transaction”)	PROGETTO QUINTO S.R.L.
Issuer	PROGETTO QUINTO S.R.L.
Originator	Banca Progetto S.p.A.
Lead Manager	BNP Paribas
Transaction Legal Counsel	Hogan Lovells
Rating Agencies	DBRS and Moody's
Stock Exchange	Multilateral trading facility "ExtraMOT" of Borsa Italiana S.p.A.
Target Closing Date	6 May 2021

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

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

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

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

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

1	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	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>In this transaction, the rights, title and interests to the assets are assigned and transferred without recourse (<i>pro soluto</i>) by an Italian bank to an Italian SSPE.</p> <p>The assignment of a First Portfolio of Receivables was made on 12 July 2019, pursuant to a Transfer Agreement. The purchase price of the First Portfolio has been funded through the proceeds deriving from the issue of the Initial Notes. During the subsequent Ramp-Up Period, the Issuer purchased the Further Portfolios in accordance with the provisions of the Transaction Documents. The latest of those Further Portfolios was purchased in March 2021.</p> <p>PCS has been provided with and has reviewed the Italian law legal opinion provided by Hogan Lovells, Studio Legale Associato. Confirmation of true sale i.e. enforceability of assignment, an assessment of the re-characterisation and claw-back risks are made in that Legal Opinion.</p> <p>"True sale" is, originally, not a legal concept but a rating agency creation.</p> <p>The essence of a "true sale" is that the property in the securitised assets has legally moved from the originator(s)/seller to the SSPE in such a way that the SSPE's ownership will be recognised as a matter of law, including and especially in the case of the insolvency of the originator(s)/seller. In a "true sale" the insolvency officer and creditors of the insolvent originator/seller are not able to satisfy the claims of the originator/seller's creditor out of the proceeds of the securitised assets. Following a "true sale" there is no legal device by which the assets can automatically revert to the originator/seller's ownership. Such automatic reversion is associated with security interests and anathema to a "true sale".</p> <p>This is clearly stated in the wording of the Regulation (20.1). The expression "transfer to the same effect" indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.</p> <p>The issue of "true sale" is separate from the issue of "clawback". "Clawback" refers to legal processes through which, in the insolvency of the seller of an asset, an insolvency officer is entitled to reverse the sale – even in cases where a "true sale" has taken place.</p> <p>All European jurisdictions, to PCS' knowledge, have rules allowing for clawbacks. Clawbacks are usually rules to avoid a company heading towards insolvency from "defrauding" its existing creditors either by selling assets at very low prices (to friends and relations) or unfairly preferring certain creditors over others.</p> <p>The Regulation (20.1) therefore does not require STS "true sales" to be clawback proof since this would mean that no European securitisation could ever be STS. It does require the sale not to be subject to "severe clawback". The Regulation does not define "severe clawback" but gives an example (20.2) where a clawback may occur.</p> <p>The Regulation (20.3) also explicitly excludes from the definition of "severe clawback" the traditional European basis for such devices which all come under the general category of "preferences".</p> <p>PCS further notes that the examples (20.2 and 20.3) refer to the insolvency law of a jurisdiction and therefore believes that clawback risk is to be assessed on a jurisdictional basis rather than on a transactional basis.</p> <p>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.</p> <p>Based on the above considerations, PCS believes that transfers from a jurisdiction meeting the following criteria – absent any other indications – shall not fall within the definition of "severe clawback":</p> <ul style="list-style-type: none"> • Clawback requires an unfair preference "defrauding" creditors; • Clawback puts the burden of proof on the insolvency officer or creditors – in other words it cannot be automatic nor require the purchaser to prove their innocence. 	

	<p>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 (“COMI”) or its “home member state”.</p> <p>The second step would be to determine whether the relevant COMI and/or “home member state” contains severe claw back provisions in its insolvency legislation.</p> <p>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.</p> <p>The Originator is incorporated in Italy and it is authorised as a bank to operate in Italy, as confirmed through a search with the Bank of Italy’s website that PCS has separately made.</p> <p>Further, in the Intercreditor Agreement, the Originator made the following statement (see clause 12.3):</p> <p><i><<Banca Progetto, in its capacities as Originator and Servicer, hereby confirms that:</i></p> <p><i>(a) it is a credit institution (as defined in Article 4, paragraph 1, point (1) of CRR) with its “home Member State” (as that term is defined in Article 2 of Directive 2001/24/EC on the re-organisation and winding up of credit institutions by reference to Article 4, paragraph 1, point (43) of CRR) in the Republic of Italy;>>.</i></p> <p>See also the following statement in “GENERAL RISK FACTORS - Claw-back of the sales of the Receivables”:</p> <p><i><<(…) prospective investors should be aware that, for the purpose of compliance with Articles 20(2) and 20(3) of the EU Securitisation Regulation, the Originator would be subject to Italian insolvency laws that do not contain severe claw back provisions (for further details, see section “Banca Progetto” below).>>.</i></p> <p>Furthermore, in the Section headed “Banca Progetto” it is stated that:<i><< Prospective investors should be aware that, for the purpose of compliance with Articles 20(2) and 20(3) of the EU Securitisation Regulation, the Originator would be subject to Italian insolvency laws that do not contain severe claw back provisions. Indeed, under the Intercreditor Agreement, the Originator has represented that it is a credit institution (as defined in Article 4, paragraph 1, point (1) of CRR) with its “home Member State” (as that term is defined in Article 2 of Directive 2001/24/EC on the re-organisation and winding up of credit institutions by reference to Article 4, paragraph 1, point (43) of CRR) in the Republic of Italy. Further, under the Subscription Agreements, the Originator has represented that it has its “centre of main interests” (as that term is used in Article 3(1) of the EU Insolvency Regulation) in the European Union, and it has no “establishment” (as that term is defined in Article 2 of the EU Insolvency Regulation) or branch office in any jurisdiction and no subsidiaries, employees or premises outside the territory of the Republic of Italy. In addition, although as at the date of this Information Memorandum more than 99 per cent. of the share capital of Banca Progetto is owned by Oaktree Capital Management L.P., in case of insolvency of Oaktree Capital Management L.P. the laws of the United States of America would not per se apply to a possible claw back action aimed at the recovery of assets of Banca Progetto on the basis that Banca Progetto would be subject to insolvency proceedings only to the extent that it is found to be insolvent.>>.</i></p> <p>See also the representation of the Originator in §15 of Schedule 5 of the Senior Notes Subscription Agreement, confirming that Originator’s COMI is Italy.</p> <p>Therefore, based on the above, PCS reached sufficient comfort that the home member state and COMI of the Originator is the Republic of Italy, and that in an insolvency /resolution procedure, the Originator would be subject to Italian insolvency laws that do not contain severe claw back provisions for securitisation transactions.</p> <p>Indeed, Italian insolvency laws provide for clawback in relation to acts made in the suspect period, provided that also other circumstances occur, such as undue preference or transactions at an undervalue, and may require the insolvency officer to prove that case. Therefore, and as generally outlined in the Italian legal opinion and more specifically in the IM, sections “Selected Aspects of Italian Law” and “Banca Progetto”, the transfer of the Receivables is not, in our view, subject to “severe clawback”.</p>										
2	<table border="1"> <tr> <td data-bbox="208 1123 1736 1155">STS criteria</td><td data-bbox="1736 1123 2114 1155">SEE RELATED EBA GUIDELINES</td></tr> <tr> <td colspan="2" data-bbox="208 1155 2114 1227">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.</td></tr> <tr> <td data-bbox="208 1227 1153 1260">Verified?</td><td data-bbox="1153 1227 2114 1260">Yes</td></tr> <tr> <td colspan="2" data-bbox="208 1260 2114 1294">PCS Comment</td></tr> <tr> <td colspan="2" data-bbox="208 1294 2114 1378">The home member state and COMI of the Originator is the Republic of Italy (see point 1 above).</td></tr> </table>	STS criteria	SEE RELATED EBA GUIDELINES	2. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller’s insolvency.		Verified?	Yes	PCS Comment		The home member state and COMI of the Originator is the Republic of Italy (see point 1 above).	
STS criteria	SEE RELATED EBA GUIDELINES										
2. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller’s insolvency.											
Verified?	Yes										
PCS Comment											
The home member state and COMI of the Originator is the Republic of Italy (see point 1 above).											

2a	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions: (a) provisions which allow the liquidator of the seller to invalidate the sale of the underlying exposures solely on the basis that it was concluded within a certain period before the declaration of the seller's insolvency; (b) provisions where the SSPE can only prevent the invalidation referred to in point (a) if it can prove that it was not aware of the insolvency of the seller at the time of sale.		
	STS criteria		SEE RELATED EBA GUIDELINES
	Verified?	Yes	
PCS Comment			
Neither provision applies. See statement in point 1 above and in “GENERAL RISK FACTORS - Claw-back of the sales of the Receivables”. Clawback of the sales of the Receivables does not constitute severe clawback risks because in all cases of claw back, in addition to the “suspect period”, Italian law provides that other circumstances have to be met to allow claw back. These are, as the case may be, the purchase at undervalue and the awareness of the insolvency of the seller.			

2b	Legislative text – Article 20 - Requirements relating to simplicity		GO TO TABLE OF CONTENTS
	20.3. For the purpose of paragraph 1, clawback provisions in national insolvency laws that allow the liquidator or a court to invalidate the sale of underlying exposures in case of fraudulent transfers, unfair prejudice to creditors or of transfers intended to improperly favour particular creditors over others, shall not constitute severe clawback provisions.		
	STS criteria		SEE RELATED EBA GUIDELINES
	Verified?	Yes	
	PCS Comment		
See comments to points above. Italy does not have severe clawback provisions for securitisation transactions.			

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	
	<p>This requirement does not apply to this transaction since the Receivables have been exclusively originated by the Originator as lender and have not been the object of intermediate sales between their origination and their transfer to the Issuer.</p> <p>See the following Eligibility Criteria contained in “THE AGGREGATE PORTFOLIO - The Eligibility Criteria”:</p> <p><<1) that have been granted by the Originator as lender and have not been redeemed in full;>>.</p> <p>See also the R&W contained in the Master Amendment Agreement, Schedule 4, Section 5, §(k) confirming that following the date on which each Receivable arose, it has not been transferred to (and repurchased from) third parties by the Originator.</p>	

4	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	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: (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
	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: (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>Article 20.5 does not apply as the transfer is perfected.</p> <p>Criterion 4 requires two steps:</p> <ul style="list-style-type: none"> - 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. 	

<p>In particular, the Legal Opinion provides sufficient comfort that following the sale of each Portfolio and completion of the relevant formalities (i.e. the Registration of the Assignment of the relevant Portfolio, and the Publication of the Notice in respect of such Portfolio), the transfer of the Receivables comprised in such Portfolio will become enforceable <i>vis-à-vis</i>: (i) the Originator, (ii) a liquidator or a receiver of the Originator or of the Debtors, (iii) any subsequent assignee of any of the Receivables from the Originator, (iv) any other third party, and (v) the Debtors. As a consequence, there would be no need for the purpose of making the relevant Assignment enforceable against the persons referred to above, that the relevant Assignment is formally notified to the Debtors, as provided for by Articles 1264 and 1265 of the Italian Civil Code.</p> <p>Based primarily on the legal opinion, PCS has reached sufficient comfort that pursuant to Italian law, a direct individual notification to the obligors of the assignment of the Receivables to the Issuer is not necessary in order to perfect the transfer of the legal title to such Receivables from the Originator to the Issuer.</p> <p>It is noted that in the case of the portion of the Aggregate Portfolio that is composed of Receivables assisted by "Payment Delegation", a specific risk (mentioned in Section "Payment Delegations and bankruptcy of the Servicer" in the Information Memorandum), should be taken into account. In particular, <i><<In the event of bankruptcy or other insolvency proceeding of the Originator, the Payment Delegations can be terminated. As a result, in order for the Issuer to be entitled to receive the relevant quotas of the wages or salaries or pensions from the Employer/Pension Authorities of the relevant Debtors in discharge of the payment obligations under the relevant Loans, it would be necessary that (i) such Debtors issue new Payment Delegations in favour of the Issuer, and (ii) the Employer/Pension Authorities accept such new Payment Delegations, subject to the requirements and limits provided for by general law provisions and by the applicable circulars of the Minister of Economy and Finance.>>.</i> In this respect, however, even if the Payment Delegations are terminated and even in the absence of their renewal, the relevant borrower remains still liable for the primary obligation. The entity in favour of which payment delegations was originally issued (in our case the Originator) will remain the subject legally entitled to receive the quotas of the wages or salary of the relevant Debtors from their employers in discharge of the payment obligations under the Receivables. Although this procedure may be associated with some liquidity risks in an insolvency scenario affecting the Originator, the true sale of the relevant Receivables is not affected.</p> <p><i>Although the transfer is not notified to the borrowers, the Italian legal opinion and Prospectus confirm that such notification is not required to fully perfect the transfer of ownership in the Receivables to the SSPE. In particular, although an individual notification to each Borrower is required to comply with Italian regulatory requirements, the failure to provide it would not affect the validity and effectiveness between the Originator and the Issuer of the transfers of any Receivable under the Transfer Agreement, nor their enforceability against any third party.</i></p> <p><i>Accordingly, this transaction does not operate by way of an unperfected assignment and the issue of triggers does not arise.</i></p>
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5	<p>Legislative text – Article 20 - Requirements relating to simplicity</p> <p>20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.</p> <p>STS criteria</p> <p>5. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.</p> <p>Verified?</p> <p>PCS Comment</p> <p>The following R&W in the Master Amendment Agreement, Schedule 4, §5(a) confirms compliance with this STS requirement:</p> <p><i><<(a) (Titolarità dei Crediti) alla relativa Data di Valutazione ed alla relativa Data di Cessione ciascun Credito è nella piena ed assoluta titolarità e disponibilità del Cedente e, per quanto a sua conoscenza, non è soggetto ad alcun vincolo di pignoramento o di sequestro, né ad altri gravami a favore di terzi (salvo eventuali privilegi o altri gravami derivanti da norme imperative di legge), né si trova attualmente, a giudizio del Cedente, in altra situazione prevedibilmente in grado di compromettere l'opponibilità della cessione dei Crediti (articolo 20(6) del Regolamento UE sulle Cartolarizzazioni), ed è pertanto liberamente cedibile all'Acquirente;>>.</i></p>	<p>GO TO TABLE OF CONTENTS</p> <p>SEE RELATED EBA GUIDELINES</p> <p>Yes</p>
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6	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	<p>20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....</p>	
	Verified?	Yes
	PCS Comment	
	<p>The following R&W in the Master Amendment Agreement, Schedule 4, §2.3(b) confirms compliance with this STS requirement:</p> <p><<(b) (Rispetto dei Criteri) il Cedente ha selezionato i Crediti oggetto di ciascuna cessione ai sensi del Contratto di Cessione e degli Atti di Cessione, rispettando fedelmente i Criteri;>>.</p> <p>The list of Eligibility Criteria is contained in the Section “THE AGGREGATE PORTFOLIO - The Eligibility Criteria” of the Information Memorandum, which contains also the following statement:</p> <p><<Under the Transfer Agreement the Receivables have been selected on the basis of</p> <p>(a) certain common criteria (the “Common Criteria”), and</p> <p>(b) certain further specific criteria (the “Specific Criteria” and, together with the Common Criteria, the “Eligibility Criteria”),</p> <p>which have been met as of the relevant Valuation Date.>>.</p> <p>The EBA Guidelines clarify that “clear” does not mean easily readable or comprehended by a non-expert. In the Regulation a criterion is “clear” when a court or tribunal could determine whether, presumably in all cases, the criterion is met for each asset. In the Regulation, “clear” is about certainty of determination.</p> <p>PCS has read the Eligibility Criteria in the Information Memorandum. As they are mandatory, they meet the “predetermined” requirement. As they are in the Information Memorandum and in the Transfer Agreement, they meet the “documented” requirement. PCS has also concluded that they allow determination in each case and so meet the “clear” requirement.</p>	
7	STS criteria	SEE RELATED EBA GUIDELINES
	<p>7. Which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management.</p>	
	Verified?	Yes
	PCS Comment	
	<p>The Transfer Agreement contains repurchase mechanisms in respect of individual receivables which are found to be not compliant with R&Ws or the applicable eligibility criteria.</p> <p>See the description of the Intercreditor Agreement contained in the IM, confirming that:</p> <p><<Permitted disposals of the Portfolio and the Receivables - Under the Intercreditor Agreement, all the parties thereto have acknowledged and accepted that, for the purpose of compliance with Article 20(7) of the EU Securitisation Regulation, (i) any disposal of the Portfolio and/or the Receivables is permitted only in the circumstances provided for in Article 22 (Disposal of the Portfolio and of individual Receivables) of the Intercreditor Agreement (as described above in this sub-section) and Article 15 (Opzione di Riacquisto) of the Transfer Agreement (as described above in the sub-section “The Transfer Agreement”), and (ii) none of such circumstances constitutes an active portfolio management of the Portfolio. Further, pursuant to the Intercreditor Agreement, the Issuer, the Originator and the Servicer have undertaken that in no event the Portfolio shall be managed in order to allow an active management on a discretionary basis as set forth in Article 20(7) of the EU Securitisation Regulation.>>.</p>	

	<p>The acknowledgement as to the absence of active portfolio management, by the parties to the Intercreditor Agreement (see Clause 2.13) is also noted.</p> <p>Finally, PCS notices that the Intercreditor Agreement in Clause 22.4(<i>Option to repurchase individual Receivables</i>) contains an additional repurchase option of the Originator, allowing it to repurchase one or more Receivables or a portion of the Portfolio. The same contract, however, contains provisions that in PCS view, are suitable to appropriately prevent the use of such options for an active portfolio management.</p> <p>Indeed, 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 is deemed met.</p> <p>If a transaction should contain a repurchase device that is not included in the EBA’s list, then an analysis will need to be conducted as to whether this additional device offends against the principles set out in the EBA Guidelines (15.a and b) as defining “active portfolio management”.</p> <p><i>PCS has reviewed all the repurchase devices set out in the IM, in the Transfer Agreement and the Servicing Agreement and these are acceptable within the context of the EBA final guidelines and its principles.</i></p>														
8	<table border="1"> <tr> <td data-bbox="210 539 1736 571">STS criteria</td><td data-bbox="1736 539 2119 571">SEE RELATED EBA GUIDELINES</td></tr> <tr> <td colspan="2" data-bbox="210 571 2119 639">8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</td></tr> <tr> <td data-bbox="210 639 1153 671">Verified?</td><td data-bbox="1153 639 2119 671">Yes</td></tr> <tr> <td colspan="2" data-bbox="210 671 2119 703">PCS Comment</td></tr> <tr> <td colspan="2" data-bbox="210 703 2119 935"> <p>The transaction is revolving and the Eligibility Criteria, as set out in “THE PORTFOLIOS”, shall apply to the Initial Portfolio and to each Subsequent Portfolio, at the relevant Valuation Date.</p> <p>See also the statement in “THE PORTFOLIOS”, that:</p> <p><i><<Eligibility Criteria - The Receivables have been selected on the basis of the Eligibility Criteria set out in the Master Transfer Agreement. (See the section headed “Transaction Documents – Description of the Master Transfer Agreement)”. The Initial Receivables met, as at the First Valuation Date, and the Subsequent Receivables will meet, as at the Valuation Date immediately preceding the relevant Purchase Date, the following Eligibility Criteria: [...] >>.</i></p> <p>See also point 6 above.</p> </td></tr> </table>	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>The transaction is revolving and the Eligibility Criteria, as set out in “THE PORTFOLIOS”, shall apply to the Initial Portfolio and to each Subsequent Portfolio, at the relevant Valuation Date.</p> <p>See also the statement in “THE PORTFOLIOS”, that:</p> <p><i><<Eligibility Criteria - The Receivables have been selected on the basis of the Eligibility Criteria set out in the Master Transfer Agreement. (See the section headed “Transaction Documents – Description of the Master Transfer Agreement)”. The Initial Receivables met, as at the First Valuation Date, and the Subsequent Receivables will meet, as at the Valuation Date immediately preceding the relevant Purchase Date, the following Eligibility Criteria: [...] >>.</i></p> <p>See also point 6 above.</p>					
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9	<table border="1"> <tr> <td data-bbox="210 983 1736 1015">Legislative text – Article 20 - Requirements relating to simplicity</td><td data-bbox="1736 983 2119 1015">GO TO TABLE OF CONTENTS</td></tr> <tr> <td colspan="2" data-bbox="210 1015 2119 1118"> 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. </td></tr> <tr> <td data-bbox="210 1118 1736 1150">STS criteria</td><td data-bbox="1736 1118 2119 1150">SEE RELATED EBA GUIDELINES</td></tr> <tr> <td colspan="2" data-bbox="210 1150 2119 1219">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.</td></tr> <tr> <td data-bbox="210 1219 1153 1251">Verified?</td><td data-bbox="1153 1219 2119 1251">Yes</td></tr> <tr> <td colspan="2" data-bbox="210 1251 2119 1283">PCS Comment</td></tr> <tr> <td colspan="2" data-bbox="210 1283 2119 1362">The following R&W in the Master Amendment Agreement, Schedule 4, §5(i) confirms compliance with this STS requirement:</td></tr> </table>	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		The following R&W in the Master Amendment Agreement, Schedule 4, §5(i) confirms compliance with this STS requirement:	
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Verified?	Yes														
PCS Comment															
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	<p><<(i) (Omogeneità) alla relativa Data di Valutazione, alla relativa Data di Cessione e alla Cut-off Date, i Crediti compresi nel Portafoglio sono omogenei per tipologia di attività (articolo 20(8) del Regolamento UE sulle Cartolarizzazioni e Norme Tecniche di Regolamentazione sull'Omogeneità), tenuto conto delle specifiche caratteristiche in termini di flussi di cassa della relativa tipologia di attività, ivi incluse le caratteristiche relative al Contratto di Mutuo, al rischio di credito e ai rimborsi anticipati, sulla base del fatto che:</p> <p>(i) i Crediti sono stati originati da Banca Progetto, quale finanziatore, nel rispetto di parametri di sottoscrizione basati su metodologie simili di valutazione del rischio di credito relativo ai Crediti;</p> <p>(ii) i Crediti sono stati e vengono gestiti da Banca Progetto stessa secondo procedure di gestione analoghe per il controllo, la raccolta e la gestione dei Crediti; e</p> <p>(iii) i Crediti derivano da Mutui concessi a persone fisiche a fini di consumo personale, familiare o domestico e pertanto ricadono nella categoria di attivi "credito al consumo" prevista all'articolo 1, lettera (a), punto (iii) delle Norme Tecniche di Regolamentazione sull'Omogeneità.>>.</p> <p>Further, the Common Criteria (see THE AGGREGATE PORTFOLIO, §18) require that <<the relevant Debtor is an individual, resident or domiciled in Italy (...)>>.</p> <p>The definition of "homogeneity" in the Regulation is the subject of a Regulatory Technical Standard ("RTS"). Being set out in an RTS, rather than a guideline or recommendation issued by the EBA, the definition of "homogeneity" is legally binding on all regulatory authorities.</p> <p>In interpreting the expression, PCS has based itself on the text of the Regulation, its knowledge of the intent of the legislators – including, crucially, the legislators' belief that the STS Regulation was justified by the excellent performance of most "plain vanilla" European securitisations and the RTS adopted by the European Commission.</p> <p>Based on the above, it seems clear to PCS that the Regulation would not seek to exclude from the STS category securitisations that have performed extremely well and are universally considered "homogenous" by market participants. This does not exonerate any transaction from being analysed against this criterion but does set the background for such analysis.</p> <p><i>In the Transaction, the loans were underwritten on a similar basis, they are being serviced by Banca Progetto according to similar servicing procedures, they are a single asset class – consumer loans (secured by salary assignment or employer's payment delegation) - and, based on the EBA's suggested approach, the loans are all originated in the same jurisdiction.</i></p> <p><i>PCS also takes great comfort from the fact that transactions containing pools with similar characteristics have always been considered to be "homogenous" by a wide consensus of market participants.</i></p>	
10	STS criteria	SEE RELATED EBA GUIDELINES
	<p>10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(f), confirming compliance with this STS requirement:</p> <p><<(f) (Vincolatività ed Opponibilità) alla relativa Data di Valutazione, alla relativa Data di Cessione e alla Cut-off Date, i Crediti compresi nel Portafoglio comportano obbligazioni <u>vincolanti per contratto e opponibili</u> con pieno diritto di rivalsa nei confronti dei Debitori ceduti e, se del caso, dei garanti degli stessi (articolo 20(8) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS);>>.</p>	
11	STS criteria	SEE RELATED EBA GUIDELINES
	<p>11. With full recourse to debtors and, where applicable, guarantors.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(f), confirming compliance with this STS requirement:</p>	

	<<(f) (Vincolatività ed Opponibilità) alla relativa Data di Valutazione, alla relativa Data di Cessione e alla Cut-off Date, i Crediti compresi nel Portafoglio comportano obbligazioni vincolanti per contratto e opponibili con pieno diritto di rivalsa nei confronti dei Debitori ceduti e, se del caso, dei garanti degli stessi (articolo 20(8) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS);>>.
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12	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.8. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts, relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.	
	STS criteria	SEE RELATED EBA GUIDELINES
	12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.	
	Verified?	Yes
	PCS Comment	
	<p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(b), confirming compliance with this STS requirement:</p> <p><<(b) (Modalità di rimborso) tutti i Mutui prevedono <u>un rimborso mediante corresponsione di rate mensili la cui durata è prestabilita nel Contratto di Mutuo</u> (articoli 20(8) e 20(13) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS);>>.</p> <p>See also section headed “THE AGGREGATE PORTFOLIO - The Eligibility Criteria – Common Criteria” sub §(3) and §(4):</p> <p><<3) that have been drawn in full and there are no obligations or possibilities for more drawings to be made;>></p> <p><<4) the amortisation plan of which provides for equal monthly Instalments with a fixed interest rate;>>.</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 and the provisions quoted thereunder.</p> <p>See also the definition of Instalment, as set out below:</p> <p><<“Instalment” means with reference to each Loan Agreement, from which a Receivable derives, each instalment due from time to time by the relevant Debtor <u>composed by a Principal Instalment and an Interest Instalment</u>.>>.</p> <p>From the analysis of the provisions /statements above, PCS is satisfied that the Loan Agreements have a predetermined amortisation plan that is not linked to the value (or the subsequent re-sale) of any specific asset. This requirement is therefore satisfied.</p>	

14	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.8. The underlying exposures shall not include transferable securities, as defined in Article 4(1), point 44 of Directive 2014/65/EU of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	STS criteria	SEE RELATED EBA GUIDELINES
	14. The underlying exposures shall not include transferable securities, as defined in Article 4(1), point 44 of Directive 2014/65/EU of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	Verified?	Yes
	PCS Comment	
	<p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(g), confirming compliance with this STS requirement:</p> <p><<(g) (Tipologia dei Crediti) alla relativa Data di Valutazione, alla relativa Data di Cessione e alla Cut-off Date, il Portafoglio <u>non comprende</u> (i) valori mobiliari di cui all'articolo 4, paragrafo 1, punto 44), della Direttiva 2014/65/UE (articolo 20(8) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS), (ii) posizioni verso alcuna cartolarizzazione (articolo 20(9) del Regolamento UE sulle Cartolarizzazioni e degli Orientamenti EBA sui Requisiti STS), (iii) derivati (articolo 21(2) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS), o (iv) prestiti commercializzati e sottoscritti con la premessa che al richiedente il prestito era stato fatto presente che le informazioni fornite avrebbero potuto non essere verificate dall'Originator (articolo 9(2) del Regolamento UE sulle Cartolarizzazioni);>>.</p>	

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	
	<p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(g), confirming compliance with this STS requirement:</p> <p><<(g) (Tipologia dei Crediti) alla relativa Data di Valutazione, alla relativa Data di Cessione e alla Cut-off Date, il Portafoglio <u>non comprende</u> (i) valori mobiliari di cui all'articolo 4, paragrafo 1, punto 44), della Direttiva 2014/65/UE (articolo 20(8) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS), (ii) <u>posizioni verso alcuna cartolarizzazione</u> (articolo 20(9) del Regolamento UE sulle Cartolarizzazioni e degli Orientamenti EBA sui Requisiti STS), (iii) derivati (articolo 21(2) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS), o (iv) prestiti commercializzati e sottoscritti con la premessa che al richiedente il prestito era stato fatto presente che le informazioni fornite avrebbero potuto non essere verificate dall'Originator (articolo 9(2) del Regolamento UE sulle Cartolarizzazioni);>>.</p> <p>See also the Eligibility Criteria, as set out in the section “THE AGGREGATE PORTFOLIO”.</p>	

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 the following R&WS in the Master Amendment Agreement, Schedule 4, under §5(c), §(d) and (e) confirming compliance with this STS requirement: <<(c) (Ordinaria attività del Cedente) i Crediti sono stati <u>originati dal Cedente nella propria ordinaria attività</u> ; il Cedente è in possesso dei requisiti di esperienza ai sensi dell'articolo 20(10) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS;>>.	
	STS criteria	SEE RELATED EBA GUIDELINES
	17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.	
	Verified?	Yes
18	PCS Comment	
	See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(d) confirming compliance with this STS requirement: <<(d) (Procedura di Erogazione) alla relativa Data di Valutazione, i Crediti compresi nel Portafoglio sono stati selezionati dal Cedente nel rispetto di parametri di sottoscrizione non meno rigorosi di quelli applicati dal Cedente ad analoghe esposizioni non cartolarizzate al momento della loro creazione (articolo 20(10) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS);>>.	
	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.10. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.	
	STS criteria	SEE RELATED EBA GUIDELINES
18	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	
	See the Section of the Information Memorandum headed "CREDIT AND COLLECTION POLICIES - CREDIT POLICIES". See also the R&W contained in §3.1(k) of Schedule 4 (<i>Representations and warranties of the Originator</i>) of the Master Amendment Agreement, confirming that the Loans were granted based on the Credit and Collection Policies in force from time to time, as attached to the Servicing Agreement:	

<p><<(k) (Procedura di Erogazione e Riscossione) tutti i Mutui sono stati concessi sulla base dei criteri previsti dalle Procedure di Erogazione e Riscossione di volta in volta vigenti, come allegate al Contratto di Servicing;>></p> <p>In relation to future changes in the credit policy, considering that the Ramp Up Period is terminated and there is not a revolving period, the requirement to disclose also the future material changes to such credit policy does not apply.</p>

19 Legislative text – Article 20 - Requirements relating to simplicity GO TO TABLE OF CONTENTS
<p>20.10. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.</p>
STS criteria SEE RELATED EBA GUIDELINES
<p>19. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.</p>
Verified? Yes
PCS Comment
<p>This requirement does not apply to consumer loans.</p> <p>See in this respect the representation on homogeneity quoted in point 9 above.</p>

20 Legislative text – Article 20 - Requirements relating to simplicity GO TO TABLE OF CONTENTS
<p>20.10. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>
STS criteria SEE RELATED EBA GUIDELINES
<p>20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>
Verified? Yes
PCS Comment
<p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(e) confirming compliance with this STS requirement:</p> <p><<(e) (Merito di credito) <u>Banca Progetto ha valutato il merito di credito di ciascun Debitore in conformità ai requisiti previsti dall'articolo 8 della Direttiva 2008/48/CE (articolo 20(10) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS);>>.</u></p>

21	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.10. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.	
	STS criteria	SEE RELATED EBA GUIDELINES
	21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.	
	Verified?	Yes
	PCS Comment	
	<p>See section “BANCA PROGETTO” of the IM, for a description of the Originator, its history and for details on its expertise.</p> <p>In particular, although the Originator has only recently started originating receivables similar to those securitised, in the mentioned section, the Originator indicates having a management body and senior staff which has, at personal level, the required experience in the origination of exposures similar to the Receivables.</p> <p>A detailed description of the team members of the Originator's is available on this website: https://www.bancaprogetto.it/chi-siamo/management/</p> <p>PCS notices that the expertise of the Originator's management and senior staff confirmed in the IM section above and on the Originator's website, comply with the EBA Guidelines on this requirement.</p> <p>See also the statements in “CREDIT AND COLLECTION POLICIES”.</p>	

22	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:	
	STS criteria	
	22. The underlying exposures shall be transferred to the SSPE after selection without undue delay...	
	Verified?	Yes
	PCS Comment	
	<p>See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(h) confirming compliance with this STS requirement:</p> <p><<(h) (Merito di Credito dei Debitori) dopo la relativa Data di Valutazione, tutti i Crediti compresi nel Portafoglio sono stati ceduti all'Acquirente senza indebito ritardo in conformità alle previsioni del Contratto di Cessione (...)>>.</p> <p>Further, a specific R&W on the maximum time delay between each Valuation Date and the relevant Transfer Date is included in the same Schedule 4, under §5(l).</p> <p>PCS' view is that any period of up to three and a half months or less between pool cut date and closing will meet the requirements of the criterion. This is in line with market standards.</p> <p>The R&W mentioned above confirms that the relevant delay was never in excess of 45 days. This clearly meets the requirement.</p>	

23	STS criteria	SEE RELATED EBA GUIDELINES
	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...	
	Verified?	Yes
	PCS Comment	
	See the following R&W in the Master Amendment Agreement, Schedule 4, under §5(h) confirming compliance with this STS requirement:	
	<<(h) (Merito di Credito dei Debitori) dopo la relativa Data di Valutazione, tutti i Crediti compresi nel Portafoglio sono stati ceduti all'Acquirente senza indebito ritardo in conformità alle previsioni del Contratto di Cessione e non comprendono, alla relativa Data di Valutazione e alla relativa Data di Cessione, esposizioni in stato di default ai sensi dell'articolo 178, paragrafo 1, del Regolamento (UE) 575/2013, né esposizioni verso un debitore o un garante di affidabilità creditizia deteriorata che, a conoscenza del Cedente (articolo 20(11) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS):	
	(i) è stato dichiarato insolvente o ha visto un giudice riconoscere in maniera definitiva e inappellabile ai suoi creditori il diritto di esecutorietà o il risarcimento dei danni per mancato pagamento nei tre anni precedenti la relativa data di creazione oppure è stato oggetto di un processo di ristrutturazione del debito in relazione alle sue esposizioni deteriorate nei tre anni precedenti la relativa Data di Cessione; o	
	(ii) al momento della creazione, ove applicabile, era iscritto in un registro pubblico del credito di persone con referenze creditizie negative o, in assenza di tale registro pubblico del credito, in un altro registro del credito disponibile al Cedente o al prestatore originario; o	
	(iii) ha una valutazione del merito di credito o un punteggio di affidabilità creditizia che indica l'esistenza di un rischio di inadempimento dei pagamenti pattuiti contrattualmente sensibilmente più elevato di quello relativo a esposizioni comparabili non cartolarizzate detenute dal Cedente;>>.	
	See also the following R&Ws in the Master Amendment Agreement, Schedule 4, under §3.1(b) and §3.1(c) confirming compliance with this STS requirement:	
	<<(b) (Assenza di crediti ristrutturati) nessun Mutuo rientra nella definizione di "credito ristrutturato" nei termini delle Istruzioni di Vigilanza della Banca d'Italia e/o delle Procedure di Erogazione e Riscossione e/o di qualsiasi altra procedura o manuale interno applicato dal Cedente, né in quella di "credito in corso di ristrutturazione" nei termini delle medesime Istruzioni di Vigilanza della Banca d'Italia e/o delle Procedure di Erogazione e Riscossione e/o di qualsiasi altra procedura o manuale interno applicato dal Cedente;>>	
	<<(c) (Assenza di crediti in sofferenza o di crediti in "inadempienza probabile") nessun Mutuo, alla relativa Data di Valutazione e alla Cut-off Date, rientra nella definizione di "credito in sofferenza" ovvero "inadempienza probabile" ai sensi delle Istruzioni di Vigilanza della Banca d'Italia e/o ai sensi delle Procedure di Erogazione e Riscossione e/o di qualsiasi altra procedura o manuale interno applicato dal Cedente;>>.	
	See also "THE AGGREGATE PORTFOLIO – The Eligibility Criteria", §5:	
	<<5) which are not classified as "sofferenze" or "inadempienze probabili" (unlikely to pay) pursuant to the Circular of the Bank of Italy no. 49 of 1989, as subsequently amended, and this classification has been communicated to the relevant Debtor;>>.	
	See also the statement in "THE AGGREGATE PORTFOLIO –Repurchase of certain Receivables" that	
	<<On 4 May 2021, the Originator and the Issuer have entered into a repurchase agreement pursuant to which <u>the Issuer has transferred back without recourse (pro soluto) to the Originator</u> , in accordance with Article 58 of the Consolidated Banking Act, certain Receivables included in the Aggregate Portfolio which as of 28 February 2021 had the following features:	
	(i) were classified as <u>Defaulted Receivables</u> in accordance with the Transaction Documents;	
	(ii) the relevant Loan Agreement <u>had more than one due and unpaid Instalments</u> ; (...)>>.	

24	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	<p>20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p> <p>(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:</p> <ul style="list-style-type: none"> (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring; <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; or</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not be made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>24. Or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 23 above.</p>	
25	STS criteria	
	<p>25.(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination.</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 23 above.</p>	
26	STS criteria	SEE RELATED EBA GUIDELINES
	<p>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:</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 23 above.</p> <p>See also "THE AGGREGATE PORTFOLIO – The Eligibility Criteria", §14:</p>	

	<<14) which have not been restructured and in respect of which the Originator has not exercised its right to terminate the loan agreement, nor it has declared the Debtor's obligations to be immediately due and payable;>>.	
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	
	See point 23 above.	
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	
	See point 23 above.	
29	STS criteria	
	29. (b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender;	
	Verified?	Yes
	PCS Comment	
	See point 23 above.	
30	STS criteria	
	30. (c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.	
	Verified?	Yes
	PCS Comment	
	See point 23 above.	

31	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.12. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.	
	STS criteria	SEE RELATED EBA GUIDELINES
	31. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.	
	Verified?	Yes
	PCS Comment	
	See section headed "THE AGGREGATE PORTFOLIO - The Eligibility Criteria - Common Criteria" sub §(20): <<20) in relation to which at least one Instalment has been paid;>>.	

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 section headed "THE AGGREGATE PORTFOLIO - The Eligibility Criteria - Common Criteria" sub §(4) ad (16): <<4) the amortisation plan of which provides for fix amount monthly Instalments with a fixed interest rate;>>. <<16) that are granted to consumers as defined by article 121 of Legislative Decree No. 58 of 24 February 1998, are assisted by a Salary/Pension Assignment and/or a Payment Delegation which have been notified to the employer/pension authority of the relevant Debtor and accepted by it;>>. Additionally, in "THE AGGREGATE PORTFOLIO - Introduction" it is stated that: <<The Receivables included in the Aggregate Portfolio arise from Salary/Pension Assignment and Payment Delegation personal loans which have been granted for general purposes.>>. Based on the above, PCS notices that the underlying exposures arise from fully amortising consumer loans, which benefit from certain rights over the salary/pension of the relevant debtor, but which are not secured over any asset. The relevant repayment, therefore, is not structured to depend on the sale of any asset. See also point 13 above.	

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		
See the section headed “Regulatory disclosure and retention undertaking” in “TRANSACTION OVERVIEW”: <<Under the Intercreditor Agreement, Banca Progetto, in its capacity as Originator, has undertaken that it will: (a) retain, on an on-going basis, a material net economic interest in the Securitisation of not less than 5 (five) per cent., in accordance with option (d) of Article 6(3) of the EU Securitisation Regulation and the applicable Regulatory Technical Standards; (...)>>.			

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		
See the description of the Swap Agreement in “DESCRIPTION OF THE TRANSACTION DOCUMENTS - 9. THE SWAP AGREEMENT” See also the reasoning contained in the risk factor under “GENERAL RISK FACTORS - Interest rate risk arising from the mismatch between the interest rate applicable on the Loans and the Senior Notes may affect the ability of the Issuer to meet its payment obligations under the Senior Notes in case of termination of the Swap Agreement”. See also the risk factor under “RISK FACTORS RELATED TO THE ISSUER - Interest rate risk arising from the mismatch between the interest rate applicable on the Loans and the Senior Notes may affect the ability of the Issuer to meet its payment obligations under the Notes in case of termination of the Swap Agreement”.			

35	STS criteria		SEE RELATED EBA GUIDELINES
	35. Currency risks arising from the securitisation shall be appropriately mitigated.		
	Verified?		Yes
	PCS Comment		
See section headed “THE AGGREGATE PORTFOLIO - The Eligibility Criteria – Common Criteria” sub §(2) confirming that the Receivables are in Euro: <<2) that are denominated in Euro and the related loan agreements do not contain any provision allowing for the conversion in another currency;>>.			

	<p>See also the definition of “Basic Terms Modification” in Article 2.2 of the Rules of the Organisation of the Noteholders, which includes <<(e) <u>change the currency in which payments are due in respect of the Notes</u>>>.</p> <p>Considering that both the underlying assets and the Notes are denominated in Euro, no currency risk is to be mitigated and this requirement is therefore satisfied.</p>	
36	STS criteria	SEE RELATED EBA GUIDELINES
	36. Any measures taken to that effect shall be disclosed.	
	Verified?	Yes
	PCS Comment	
	The mitigation mechanisms in relation to interest rates is disclosed in the IM: see point 34 above.	

37	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	<p>21.2. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives.</p> <p>Those derivatives shall be underwritten and documented according to common standards in international finance.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	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 Terms and Conditions of the Notes, in the IM, a particular the negative covenants of the Issuer contained in §5.1.2(f)(<i>Restrictions on activities</i>) and §5.1.7(<i>Derivatives</i>).	
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 in general the section headed “THE AGGREGATE PORTFOLIO - The Eligibility Criteria - Common Criteria” which does not contemplate eligibility of derivative assets and the statement that <<<i>The Receivables included in the Aggregate Portfolio do not consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives, swaps or other derivatives instruments or synthetic securities.</i></p>	
	<p>See also the following R&W in the Master Amendment Agreement, Schedule 4, under §5(g) confirming compliance with this STS requirement:</p> <p><<(g) (<i>Tipologia dei Crediti</i>) alla relativa Data di Valutazione, alla relativa Data di Cessione e alla Cut-off Date, il Portafoglio non comprende (i) (...) (iii) derivati (articolo 21(2) del Regolamento UE sulle Cartolarizzazioni e Orientamenti EBA sui Requisiti STS), (...);>>.</p>	

	See also the definition of "Eligible Investment". See also point 37 above.	
39	STS criteria	SEE RELATED EBA GUIDELINES
	39. Those derivatives shall be underwritten and documented according to common standards in international finance.	
	Verified?	Yes
	PCS Comment	
	See Section "Swap Agreement" in TRANSACTION OVERVIEW, referring to ISDA documentation.	

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>As for <u>assets</u>:</p> <ul style="list-style-type: none"> Interest payable by Borrowers on the Loans is calculated on the basis of a <u>fixed rate of interest</u> (see the section headed "THE AGGREGATE PORTFOLIO – The Eligibility Criteria", sub §(4) where it is stated that <<4) <i>the amortisation plan of which provides for equal monthly Instalments with a fixed interest rate;</i>>>). <p>As for <u>liabilities</u>:</p> <p>See Conditions §7.2(<i>Rate of Interest</i>) and §7.8(<i>Variable Return</i>) in the IM section headed "Terms and Conditions of the Notes":</p> <ul style="list-style-type: none"> the Class A Notes accrue floating interest based on Euribor. the excess spread is taken out through a Variable Return payable on the Junior Notes. <p>Based on the above, PCS is prepared to verify this requirement.</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 the “Post-Enforcement Priority of Payments” set out in Condition 6.2 in the IM section headed “Terms and Conditions of the Notes”.</p> <p>See also the statement in TRANSACTION OVERVIEW – Trigger Events:</p> <p><i><<Following the service of a Trigger Notice, no amount of cash shall be trapped in the Issuer beyond what is necessary to ensure the operational functioning of the Issuer or the orderly payments of the amounts due under the Notes in accordance with the Post-Enforcement Priority of Payments and pursuant to the terms of the Transaction Documents, as required by Article 21(4)(a) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.>></i></p> <p>PCS notes that in a Post-Enforcement scenario, no amount of cash shall be trapped in the Issuer beyond what is necessary to ensure the payment of “Expenses”.</p> <p>Expenses are defined as</p> <p><i><<any fees, costs, taxes and expenses required to be paid to any third party (other than the Noteholders and the Other Issuer Creditors) arising in connection with the Securitisation and any other costs, taxes and expenses to be paid in order to preserve the corporate existence of the Issuer, to maintain it in good standing and to comply with applicable legislation, including any legal fees and expenses and any other costs, fees and expenses due to third parties which have been incurred in connection with the preservation or enforcement of the Issuer’s Rights>>.</i></p> <p>PCS is satisfied that these Expenses are therefore only amounts necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors.</p>	
42	STS criteria	SEE RELATED EBA GUIDELINES
	<p>42. (b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;</p>	
	Verified?	Yes
	<p>PCS Comment</p> <p>PCS notes that the “Post-Enforcement Priority of Payments”, applicable in a post enforcement scenario, contemplates only sequential payments (see items from sixth onwards).</p> <p>It is also noted that the post enforcement PoP applies also following the exercise of an optional redemption and on the Final Maturity Date, as detailed in Condition 6.2 (Post-Enforcement Priority of Payments) in Terms and Conditions of the Notes, contained in the IM.</p> <p>On this basis PCS is prepared to verify this requirement.</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	
	See point 42 above.	
44	STS criteria	
	44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.	
	Verified?	Yes
	PCS Comment	
	<p>See "TRANSACTION OVERVIEW" – Trigger Events, last paragraph, where it is stated that: <<(…) Following the service of a Trigger Notice, the Issuer may (subject to the consent of the Representative of the Noteholders) or the Representative of the Noteholders may (or shall if so requested by an Extraordinary Resolution of the Most Senior Class of Noteholders) direct the Issuer to dispose of the Portfolio (in full or in part), subject to the terms and conditions of the Intercreditor Agreement. It is understood that no provisions shall require the automatic liquidation of the Portfolio pursuant to Article 21(4)(d) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria.>>.</p> <p>See also Clause 22.1 (Disposal of the Aggregate Portfolio following the occurrence of a Trigger Event) of the Intercreditor Agreement for further details on the post enforcement actions in respect of the Portfolio.</p>	
45	Legislative text – Article 21 - Requirements relating to standardisation	
	GO TO TABLE OF CONTENTS	
	21.5. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.	
	STS criteria	
	SEE RELATED EBA GUIDELINES	
	45. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.	
	Verified?	Yes
	PCS Comment	
	<p>The first step in analysing this criterion is to determine whether the transaction features non-sequential priorities of payment.</p> <p>This is not the case in this transaction since payments in respect of the Notes are made sequentially both in a pre and post acceleration scenario (see Conditions 6.1 and 6.2 in "TERMS AND CONDITIONS OF THE NOTES").</p> <p>Therefore, the above requirement is satisfied.</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>This provision applies to transactions with a revolving period. The revolving/pre-funding period for this transaction terminated before the Issue Date.</p>	
47	STS criteria	SEE RELATED EBA GUIDELINES
	<p>47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 46 above.</p>	
48	STS criteria	SEE RELATED EBA GUIDELINES
	<p>48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 46 above.</p>	

49	STS criteria	SEE RELATED EBA GUIDELINES
	49. (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);	
	Verified?	Yes
	PCS Comment	
	See point 46 above.	
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.	

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>For the <u>Servicer</u>, see section “<i>TRANSACTION OVERVIEW – 8 TRANSFER AND ADMINISTRATION OF THE PORTFOLIO - The Servicing Agreement</i>”.</p> <p>The contractual obligations, duties and responsibilities of the Servicer are regulated in the Servicing Agreement.</p> <p>For the <u>Representative of the Noteholders</u> (that performs fiduciary activities on behalf of the Noteholders and other issuer creditors) see the “<i>Rules of the Organisation of the Noteholders</i>”, Article 27 (<i>Duties and Powers of the Representative of the Noteholders</i>).</p> <p>For the other ancillary service providers, see section “<i>TRANSACTION OVERVIEW</i>” and the relevant transaction documents, as made available to investors.</p>	

52	STS criteria	SEE RELATED EBA GUIDELINES
	52. (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and	
	Verified?	Yes
	PCS Comment	
	See Clauses 9 and 10 of the Servicing Agreement, and in particular, Clause 9.3 setting out the undertaking of the Issuer to appoint a new servicer within 30 days after the occurrence of certain triggers. See also clause 9.4 of the Servicing Agreement, setting out certain undertakings of the Servicer aimed at ensuring continuity of its services following a termination event. See also Clause 9.1 (<i>Duties of the Back-Up Servicer Facilitator</i>) of the Cash Allocation, Management and Payment Agreement.	
53	STS criteria	SEE RELATED EBA GUIDELINES
	53. (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.	
	Verified?	Yes
	PCS Comment	
	As for hedging, see the description of the Swap Agreement contained in the IM, which provides detailed provisions on the termination and replacement of the Swap Counterparty. See also the following specific risk factor in this respect: <i><<The Swap Agreement contain provisions aimed at ensuring, upon the occurrence of certain events, the replacement of the Swap Counterparty with a suitably rated replacement swap counterparty who is willing to enter into a replacement swap agreement substantially on the same terms as the Swap Agreement. However, no assurance can be given that the Issuer will be able to enter into a replacement swap agreement with a suitably rated entity that will provide the Issuer with the same level of protection as the Swap Agreement.>>.</i> As for the account bank and other agents of the Issuer, see Clause 21 (<i>Termination</i>) and 22 (<i>Further Assurance</i>) of the Cash Allocation, Management and Payment Agreement.	
54	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.8. The servicer shall have expertise in servicing exposures of a similar nature to those securitised and shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.	
	STS criteria	SEE RELATED EBA GUIDELINES
	54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised	
	Verified?	Yes
	PCS Comment	
	See the extensive statements and R&Ws given on this matter and as to the status of credit institution of Banca Progetto in Clause 12.3 of the Intercreditor Agreement. Banca Progetto is an authorised bank in Italy and therefore is subject to capital and prudential requirements. See also section “BANCA PROGETTO”, and particularly the statements as to the expertise in servicing exposures similar to the Receivables, at personal level, by its management body and its senior staff.	

	<p>As described in the CREDIT AND COLLECTION POLICIES, the servicing activity is carried out also through the services of Quinservizi S.r.l., a major Italian provider of credit servicing, including receivables assisted by salary/pension assignment or payment delegation as the Receivables.</p> <p>See in this respect the statements in the Section "CREDIT AND COLLECTION POLICIES - COLLECTION POLICIES" of the IM, where it is confirmed, as to the expertise of this entity, that:</p> <p><<Under the Intercreditor Agreement, Banca Progetto has represented that: (a) at least two of the members of the management body of Quinservizi have relevant professional experience in the servicing of exposures similar to the Receivables, at a personal level, of at least five years; (b) the senior staff of Quinservizi, other than members of the management body, who are responsible for managing the Quinservizi's servicing of exposures similar to the Receivables, have relevant professional experience in the servicing of exposures of a similar nature to the Receivables, at a personal level, of at least five years.>>.</p> <p>It is also noted that Clause 11.8 of the Intercreditor Agreement contains also an undertaking of the parties that any possible substitute of the Servicer shall have at least 5 (five) years of experience (gained directly or indirectly through its subsidiaries and/or affiliates) in the management and administration of loans.</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 section "CREDIT AND COLLECTION POLICIES". See also Schedule 3 (<i>Procedura di Riscossione</i>) of the Servicing Agreement.</p> <p>The EBA Guidelines specify that the relevant servicer should be considered to have the requisite elements of the criterion if it is "an entity that is subject to prudential and capital regulation and supervision in the Union".</p> <p>This requirement is certainly met by Banca Progetto, as confirmed in the statements contained in the sections mentioned in point 54 and above.</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>PCS notices that the collection policies are contained in Schedule 3 of the Servicing Agreement "PROCEDURA DI RISCOSSIONE", and are also described in the section "CREDIT AND COLLECTION POLICIES" of the IM.</p> <p>PCS has reviewed the relevant documents to satisfy itself that these criteria are met.</p>	

57	STS criteria	SEE RELATED EBA GUIDELINES
	57. The transaction documentation shall set out in clear and consistent terms, remedies and actions relating to delinquency and default of debtors debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.	
	Verified?	Yes
	PCS Comment	
	See point 56 above.	
	<i>PCS has reviewed the relevant documents to satisfy itself that these criteria are met.</i>	

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 “Priority of Payments” in Condition 6 of the “TERMS AND CONDITIONS OF THE NOTES”.	
	<i>PCS has reviewed the relevant documents and is satisfied that this requirement is met.</i>	

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 Condition 13 (TRIGGER EVENTS) and 14(PASS-THROUGH EVENTS) setting out the events that trigger changes of the PoP to be applied, or that have implications on the sequential payment of principal on the Notes.	
	See also point 45 above.	
	<i>PCS has reviewed the relevant documents and is satisfied that this requirement is met.</i>	

60	STS criteria		
	60. The transaction documentation shall clearly specify the obligation to report such events.		
	<table border="1"> <tr> <td data-bbox="208 312 1153 339">Verified?</td><td data-bbox="1153 312 2110 339">Yes</td></tr> </table>	Verified?	Yes
Verified?	Yes		
	PCS Comment		
	<p>In respect of Trigger Events, Pass Through Events, or events which trigger changes in the Priorities of Payments, the relevant occurrence is disclosed through the Transparency Investors' Report (see "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation", where the post-closing transparency duties undertaken under the Intercreditor Agreement are described).</p> <p>This is a future event. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</p> <p>However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</p> <p><i>PCS notes the existence of such covenant in the IM.</i></p>		
61	STS criteria		
	61. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.		
	<table border="1"> <tr> <td data-bbox="208 700 1153 727">Verified?</td><td data-bbox="1153 700 2110 727">Yes</td></tr> </table>	Verified?	Yes
Verified?	Yes		
	PCS Comment		
	<p>See point 60 above and the covenant set out in Clause 12.5.2 of the Intercreditor Agreement requiring that any change in the Priority of Payments which may materially adversely affect the repayment of the Notes, the Issuer will give notice thereof to the Noteholders without undue delay, in accordance with Condition 17 (<i>Notices</i>).</p> <p>Additionally, information on events which trigger changes in the priority of payments will also be included in the Transparency Investors' Report, in compliance with Article 7(1)(e)(ii) of the STS Regulation, and as set out in Clause 6.2.6 of the Cash Allocation, Management and Payment Agreement.</p> <p>This is a future event. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</p> <p>However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</p> <p><i>PCS notes the existence of such covenant in the Transaction Documents and as summarised in the IM.</i></p>		

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	
	See “ <i>Rules of the Organisation of the Noteholders</i> ” included as an Exhibit 1 to the Terms and Conditions of the Notes, both included in the Prospectus.	
	Although the wording of the Regulation as to what constitutes the “facilitation of timely resolution of conflicts” is quite vague, the EBA Guidelines have helpfully set out the five minimum requirements that the documents should contain to meet this criterion. In this respect, the following five requirements need to be contemplated by the relevant transaction documents. The Rules of the Organisation of the Noteholders contain the required provisions:	
	<i>(a) the method for calling meetings; as for method: Article 5 (Convening the Meeting).</i>	
	<i>(b) the maximum timeframe for setting up a meeting: see Articles 6.1; 9 and 10.</i>	
	<i>(c) the required quorum: Article 8 (Quorum).</i>	
	<i>(d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision: Article 8 (Quorum). See also definition of “Relevant Fraction”.</i>	
	<i>(e) where applicable, a location for the meetings which should be in the EU: see Articles 5; 6.1; 9 and 10.</i>	
	PCS has reviewed the underlying documents to ascertain that all the five requirements above are indeed present.	

63	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	STS criteria	SEE RELATED EBA GUIDELINES
	63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	Verified?	Yes
	PCS Comment	
	See point 51 above:	

	For the <u>Representative of the Noteholders</u> (that performs fiduciary activities on behalf of the noteholders and other issuer creditors) see the “ <i>Rules of the Organisation of the Noteholders</i> ”, Article 27 (<i>Duties and Powers of the Representative of the Noteholders</i>).
	See also Clause 4 (<i>POWERS OF THE REPRESENTATIVE OF THE NOTEHOLDERS</i>) of the Intercreditor Agreement.

64	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period no shorter than five years.	
	STS criteria	SEE RELATED EBA GUIDELINES
	64. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised,	
	Verified?	Yes
	PCS Comment	
	Representations of compliance with this provisions are contained in “GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation”. Historical data are provided in the Section “THE AGGREGATE PORTFOLIO - Historical Performance Data” of the IM.	
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 statements in this respect contained in the sections mentioned in 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 statements in this respect contained in the sections mentioned in 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 statement on Pool Audit contained in the IM, Section headed "THE AGGREGATE PORTFOLIO":</p> <p><<Pool Audit</p> <p><i>Pursuant to Article 22(2) of the EU Securitisation Regulation and the EBA Guidelines on STS Criteria, an external verification (including verification that the data disclosed in this Information Memorandum in respect of the Receivables is accurate) has been made in respect of the Portfolio prior to the Issue Date by an appropriate and independent party and no significant adverse findings have been found. The verification has confirmed:</i></p> <p><i>(a) that the data disclosed in this Information Memorandum in respect of the Receivables are accurate;</i></p> <p><i>(b) the accuracy of the information provided in the documentation and in the IT systems, in respect of each selected position of the sample of the Portfolio – with confidence levels and error rates in line with the EBA Guidelines on STS Criteria; and</i></p> <p><i>(c) that the data of the Receivables included in the Portfolio contained in the loan-by-loan data tape prepared by [the Servicer] are compliant with the Eligibility Criteria that are able to be tested prior to the Issue Date.>>.</i></p> <p>To verify compliance with this requirement, PCS has also reviewed the draft reports prepared by an appropriate and independent party in the course of "agreed upon procedures" (AUP), commonly known as a "pool audit".</p> <p>Based on the above statement and the review of those draft reports, PCS is prepared to consider this requirement satisfied.</p>	
68	STS criteria	SEE RELATED EBA GUIDELINES
	68. Including verification that the data disclosed in respect of the underlying exposures is accurate.	
	Verified?	Yes
	PCS Comment	
	See statements in this respect contained in the sections mentioned in point 67 above.	

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	
	Representations of compliance with this provisions are contained in "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation". PCS was provided with evidence that a cash flow model for this transaction was uploaded on Bloomberg prior to the date of this checklist.	
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	
	Representations of compliance with this provisions are contained in "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation". In particular, it is stated that: <i><<Under the Intercreditor Agreement, the Originator has undertaken to make available through the services offered by Intex or Bloomberg to investors, on an ongoing basis and to potential investors in the Notes, upon request, a liability cash flow model which precisely represents the contractual relationship between the Receivables and the payments flowing between the Originator, the investors in the Notes, other third parties and the Issuer pursuant to Article 22(3) of the EU Securitisation Regulation and the applicable Regulatory Technical Standards.>>.</i> See also clause 12.1.7(<i>Cash flow model</i>) of the Intercreditor Agreement.	
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	
	The Loans are consumer loans which are granted to the relevant Borrower for general consumption purposes and not for the acquisition of cars or other specific goods or services.	

	<p>In this respect see the statement in the IM Section "The Aggregate Portfolio" confirming that << <i>The Receivables included in the Aggregate Portfolio arise from Salary/Pension Assignment and Payment Delegation personal loans which have been granted for general purposes.</i>>></p> <p><i>This requirement is therefore not applicable and shall be deemed satisfied.</i></p>
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72	Legislative text – Article 22 - Requirements relating to transparency GO TO TABLE OF CONTENTS		
	<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
	STS criteria		
	<p>72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.</p>		
	<table> <tr> <td>Verified?</td><td>Yes</td></tr> </table>	Verified?	Yes
Verified?	Yes		
	PCS Comment		
	<p>See "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation":</p> <p><<Under the Intercreditor Agreement, the parties thereto have acknowledged that <u>the Originator and the Issuer shall be responsible for compliance with the transparency requirement of Article 7 of the EU Securitisation Regulation pursuant to the Transaction Documents.</u>>>.</p>		

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

74	STS criteria
	74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.
	Verified? Yes
	PCS Comment See "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation", in respect of the pre-pricing information, sub §(b).

75	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.	
	STS criteria	
	75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.	
	Verified?	Yes
	PCS Comment See reference to the IM and the other final Transaction Documentation in "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation", in respect of the post-closing information, sub §(c).	

76	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: (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;	
	STS criteria	
	76. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (a) information on the underlying exposures on a quarterly basis,	
	Verified?	Yes
	PCS Comment See Clause 6.1(b) of the Servicing Agreement. See also the description of the Transparency Loan Report in TRANSACTION OVERVIEW:	

	<p><<Transparency Loan Report - Under the Servicing Agreement, the Servicer has undertaken to prepare and submit to the Reporting Entity, on a monthly basis by no later than the Transparency Report Date, the Transparency Loan Report setting out all the information required to comply with Article 7(1)(a) of the EU Securitisation Regulation and the applicable Regulatory Technical Standards.>>.</p> <p>See also the following covenant in Clause 12.1.6(a) of the Intercreditor Agreement:</p> <p><<12.1.6 Post-Closing Information</p> <p>As to post-closing information, the relevant Parties agree and undertake as follows:</p> <p>(a) the Servicer shall prepare the Transparency Loan Report and deliver it to the Reporting Entity and the Swap Counterparty in a timely manner in order for the Reporting Entity to make available the Transparency Loan Report (simultaneously with the Transparency Investors' Report) to the Noteholders, the competent authorities referred to in Article 29 of the EU Securitisation Regulation and the potential investors in the Notes by no later than the Transparency Report Date;>>.</p>
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77	<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>(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;
	<p>STS criteria</p> <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;
	<p>Verified?</p> <p>Yes</p>
	<p>PCS Comment</p> <p>See "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation", in respect of the post-closing information, sub §(c).</p> <p>It is also noted, in particular, that this statement contains confirmation that the documents that will be made available (to include a copy of the final Information Memorandum and the other final Transaction Documents) are all underlying documents that are essential for the understanding of the Securitisation.</p>

78	STS criteria
	78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;
	Verified? Yes
	PCS Comment See point 77 above and note that the definition of Transaction Documents also includes the Transfer Agreement and the Master Amendment Agreement.
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 See point 77 above and note that the definition of Transaction Documents also includes the Swap Agreement.
80	STS criteria
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;
	Verified? Yes
	PCS Comment See point 77 above and note that the definition of Transaction Documents also includes the Servicing Agreement, the Intercreditor Agreement and the Cash Allocation, Management and Payment Agreement.
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 See point 77 above and note that the definition of Transaction Documents also includes the Intercreditor Agreement, the Hedging Security Deed, the Cash Allocation, Management and Payment Agreement, the Terms and Conditions of the Notes and the Master Definitions Agreement.

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	
	See point 77 above and note that the definition of Transaction Documents also includes the Intercreditor Agreement and the Swap Agreement. No subordinated loan agreements, start-up loan agreements and liquidity facility agreements are entered into in the context of this Transaction.	

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 the IM section containing the “TERMS AND CONDITIONS OF THE NOTES” – Condition 6 (PRIORITY OF PAYMENTS).		

84	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(c) where a prospectus has not been drawn up in compliance with Directive 2003/71/EC of the European Parliament and of the Council, a transaction summary or overview of the main features of the securitisation, including, where applicable:</p> <ul style="list-style-type: none"> (i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure; (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features; (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors; (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position; 	
	STS criteria	
	<p>84. (c) where a prospectus has not been drawn up in compliance with Directive 2003/71/EC of the European Parliament and of the Council, a transaction summary or overview of the main features of the securitisation, including, where applicable:</p> <p>(i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure;</p>	
	Verified?	Yes
	PCS Comment	
	<p>The IM is not made in compliance with the Prospectus Regulation, but it <<constitutes a prospetto informativo for all Notes for the purposes of Article 2, sub-section 3 of the Securitisation Law>> (see cover page of the IM).</p> <p>The IM contains the required details – see TRANSACTION OVERVIEW.</p>	
	STS criteria	
	<p>85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</p>	
	Verified?	Yes
	PCS Comment	
	<p>The IM contains the required details – see TRANSACTION OVERVIEW.</p>	
	STS criteria	
	<p>86. (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;</p>	
	Verified?	Yes
	PCS Comment	
	<p>The IM contains the required details – see TRANSACTION OVERVIEW and “Rules of the Organisation of the Noteholders”, in the Section headed “Terms and Conditions of the Notes”.</p>	

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;		
	<table> <tr> <td data-bbox="210 312 1153 339">Verified?</td><td data-bbox="1153 312 2116 339">Yes</td></tr> </table>	Verified?	Yes
Verified?	Yes		
	PCS Comment		
	The IM contains the required details – see “TRANSACTION OVERVIEW – Credit Structure”, and the Section headed “Terms and Conditions of the Notes”.		

88	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>(d) in the case of STS securitisations, the STS notification referred to in Article 27;</p>		
	STS criteria		
	88. (d) in the case of STS securitisations, the STS notification referred to in Article 27;		
	<table> <tr> <td data-bbox="210 746 1153 774">Verified?</td><td data-bbox="1153 746 2116 774">Yes</td></tr> </table>	Verified?	Yes
Verified?	Yes		
	PCS Comment		
	<p>See the following statement in the cover page of the IM:</p> <p><i><<The Securitisation is intended to qualify as a simple, transparent and standardised securitisation ("STS-Securitisation") within the meaning of Article 18 of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation (the "EU Securitisation Regulation"). Consequently, the Securitisation meets, as at the date of this Information Memorandum, the requirements of Articles 19 to 22 of the EU Securitisation Regulation (the "STS Requirements") and may, on or about the Issue Date, be notified by the Originator to be included in the list published by ESMA referred to in Article 27(5) of the EU Securitisation Regulation. No assurance can be provided that the Securitisation does or will continue to qualify as an STS-securitisation under the EU Securitisation Regulation as at the date of this Information Memorandum or at any point in time in the future.>>.</i></p> <p>As confirmed in Section “Transparency requirements under the EU Securitisation Regulation” §(ii), the Originator <i><<has been designated as first contact point for investors and competent authorities pursuant to the third sub-paragraph of Article 27(1) of the EU Securitisation Regulation>>.</i></p> <p>A draft of the STS Notification is being made available pre-pricing, as confirmed through references to Article 7(1)(d) contained in Section “GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation”.</p> <p>PCS notices that the Securitisation may be treated as “STS” only as long the STS notification is made to ESMA, as resulting in the ESMA website (see the list of STS notified transactions available at https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-and-standardised-sts-securitisation).</p>		

89	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p> <ul style="list-style-type: none"> (i) all materially relevant data on the credit quality and performance of underlying exposures; (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties, and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation; (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6. 	
	STS criteria	
	<p>89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p>	
	Verified?	Yes
	PCS Comment	
	<p>See “TRANSACTION OVERVIEW”, “Transparency Investors’ Report” and in “GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation” in the sub-section describing the post-closing transparency duties of the Calculation Agent, including the delivery of the Transparency Investors’ Report.</p>	
90	STS criteria	
	<p>90. (i) all materially relevant data on the credit quality and performance of underlying exposures;</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 89 above.</p>	
91	STS criteria	
	<p>91. (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties,</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 89 above.</p>	

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.

94	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: (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;	
	STS criteria	
	94. (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;	
	Verified?	Yes
	PCS Comment	
	See point 89 above.	

95	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <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 point 89 above.</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>See point 89 above.</p>	
97	STS criteria	
	<p>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;</p>	
	Verified?	Yes
	PCS Comment	
	<p>See point 89 above.</p>	

98	STS criteria
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions;
	Verified? Yes
	PCS Comment See point 89 above.
99	STS criteria
	99. (v) any material amendment to transaction documents.
	Verified? Yes
	PCS Comment See point 89 above.

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 “GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation”, which contains statement as to the simultaneous delivery of the Transparency Loan Report and the Transparency Investors' Report to the Noteholders, the competent authorities referred to in Article 29 of the EU Securitisation Regulation and the potential investors in the Notes by no later than the Transparency Report Date.	

101	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay</p> <p>When complying with this paragraph, the originator, sponsor and SSPE of a securitisation shall comply with national and Union law governing the protection of confidentiality of information and the processing of personal data in order to avoid potential breaches of such law as well as any confidentiality obligation relating to customer, original lender or debtor information, unless such confidential information is anonymised or aggregated.</p> <p>In particular, with regard to the information referred to in point (b) the originator, sponsor and SSPE may provide a summary of the concerned documentation.</p> <p>Competent authorities referred to in Article 29 shall be able to request the provision of such confidential information to them in order to fulfil their duties under this Regulation.</p>		
STS criteria		
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		
Verified?		Yes
PCS Comment		
See "TRANSACTION OVERVIEW", "Transparency Investors' Report" and in "GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation", which refers to the delivery through the Transparency Investors' Report, <u>without delay</u> , of the information requested under Article 7(1)(f) and 7(1)(g) of the EU Securitisation Regulation.		

102	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<div>7.2. The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</div> <div>Or</div> <div>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.</div> <div>Or</div> <div>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:</div> <div>(a) includes a well-functioning data quality control system;</div> <div>(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;</div> <div>(c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;</div> <div>(d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and</div> <div>(e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation.</div>		
STS criteria		
<div>102. Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</div> <div>(a) includes a well-functioning data quality control system;</div> <div>(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;</div> <div>(c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;</div> <div>(d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and</div> <div>(e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation</div>		
Verified?		Yes
PCS Comment		
<div>The IM is not made in compliance with the Prospectus Regulation, but it <<constitutes a prospetto informativo for all Notes for the purposes of Article 2, sub-section 3 of the Securitisation Law>> (see cover page of the IM).</div> <div>Therefore, pursuant to the third paragraph of Article 7(2), this requirement does not apply and no securitisation repository needs to be appointed.</div> <div>However, it is noted that one of the Conditions Precedent of the Subscription Agreement requires <<8.1.26 - Securitisation repository - the Originator having entered into arrangements with European DataWarehouse for the deposit of the documentation to be made available to the investors in accordance with the EU Securitisation Regulation.>>.</div>		

103	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (c), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
STS criteria		
<p>103. The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
Verified?		Yes
PCS Comment		
<p>The Reporting Entity is Banca Progetto (see “GENERAL INFORMATION - Transparency requirements under the EU Securitisation Regulation”) pursuant to its appointment under Clause 12.1.2 (<i>Designation of Reporting Entity</i>) of the Intercreditor Agreement.</p> <p>See also the covenant in Intercreditor Agreement, Clause 12.1.2 (<i>Designation of Reporting Entity</i>).</p> <p>No securitisation repository is appointed (see however point 102 above for more details).</p>		

Definitions:

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

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

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

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

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

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

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

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

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

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

EBA Final non-ABCP STS Guidelines:

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

2a	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>17. The criterion in Article 20(2) is designed to ensure the enforceability of the transfer of legal title in the event of the seller's insolvency. More specifically, if the underlying exposures sold to the SSPE could be reclaimed for the sole reason that their transfer was effected within a certain period before the seller's insolvency, or if the SSPE could prevent the reclaim only by proving that it was unaware of the seller's insolvency at the time of transfer, such clauses would expose investors to a high risk that the underlying exposures would not effectively back their contractual claims. For this reason, Article 20(2) specifies that such clauses constitute severe clawback provisions, which may not be contained in STS securitisation.</p>	
	EBA Final non-ABCP STS Guidelines	
	<p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <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))	
	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).	
	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>	
	10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:	
	(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;	
	(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;	
	(c) assessment of clawback risks and re-characterisation risks.	
	11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.	
	12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.	

3	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>	
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	<p>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</p> <p><i>Eligibility criteria to be met for exposures transferred to the SSPE after the closing of the transaction</i></p> <p>18. For the purposes of Article 20(7) of Regulation (EU) 2017/2402, 'meeting the eligibility criteria applied to the initial underlying exposures' should be understood to mean eligibility criteria that comply with either of the following:</p> <p>(a) with regard to normal securitisations, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the closing of the transaction;</p> <p>(b) with regard to securitisations that issue multiple series of securities including master trusts, they are no less strict than the eligibility criteria applied to the initial underlying exposures at the most recent issuance, with the results that the eligibility criteria may vary from closing to closing, with the agreement of securitisation parties and in accordance with the transaction documentation.</p> <p>19. Eligibility criteria to be applied to the underlying exposures in accordance with paragraph 18 should be specified in the transaction documentation and should refer to eligibility criteria applied at exposure level.</p>	
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>	
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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>	
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	<p>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p><i>Contractually binding and enforceable obligations</i></p> <p>20. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, 'obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors' should be understood to refer to all obligations contained in the contractual specification of the underlying exposures that are relevant to investors because they affect any obligations by the debtor and, where applicable, the guarantor to make payments or provide security.</p>	

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>	
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	<p>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p><i>Exposures with periodic payment streams</i></p> <p>21. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, exposures with defined periodic payment streams should include:</p> <p>(a) exposures payable in a single instalment in the case of revolving securitisation, as referred to in Article 20(12) of Regulation (EU) 2017/2402;</p> <p>(b) exposures related to credit card facilities;</p> <p>(c) exposures with instalments consisting of interest and where the principal is repaid at the maturity, including interest-only mortgages;</p> <p>(d) exposures with instalments consisting of interest and repayment of a portion of the principal, where either of the following conditions is met:</p> <p>(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
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	Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))	
	29. The objective of the criterion specified in the third subparagraph is that the underlying exposures do not include transferable securities, as they may add to the complexity of the transaction and of the risk and due diligence analysis to be carried out by the investor.	
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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.	
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16	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	Underwriting standards (Article 20(10))	
	33. The objective of the criterion specified in the first subparagraph of Article 20(10) is to prevent cherry picking and to ensure that the exposures that are to be securitised do not belong to exposure types that are outside the ordinary business of the originator, i.e. types of exposures in which the originator or original lender may have less expertise and/or interest at stake. This criterion is focused on disclosure of changes to the underwriting standards and aims to help the investors assess the underwriting standards pursuant to which the exposures transferred into securitisation have been originated.	
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17	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	Underwriting standards (Article 20(10))	
	37. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:	
	(a) the term ‘similar exposures’, with reference to requirements specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;	
	(b) the term ‘no less stringent underwriting standards’: independently of the guidance provided in these guidelines, it is understood that, in the spirit of restricting the ‘originate-to-distribute’ model of underwriting, where similar exposures exist on the originator’s balance sheet, the underwriting standards that have been applied to the securitised exposures should also have been applied to similar exposures that have not been securitised, i.e. the underwriting standards should have been applied not solely to securitised exposures;	
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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
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	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>	
	EBA Final non-ABCP STS Guidelines	
	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
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	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
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	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>	

	<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;</p> <p>(b) any of the following principles on the quality of the expertise should be taken into account:</p> <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 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. <p>35. An originator or original lender should be deemed to have the required expertise when either of the following applies:</p> <p>(a) the business of the entity, or of the consolidated group to which the entity belongs for accounting or prudential purposes, has included the originating of exposures similar to those securitised, for at least five years;</p> <p>(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:</p> <ul style="list-style-type: none"> (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. <p>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.</p>
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23	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<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
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	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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26	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>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
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	<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>	
	EBA Final non-ABCP STS Guidelines	
	<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
	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
	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.	
	EBA Final non-ABCP STS Guidelines	
	4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))	
	Risk of contractually agreed payments not being made being significantly higher than for comparable exposures	
	44. For the purposes of Article 20(11)(c) of Regulation (EU) 2017/2402, the exposures should not be considered to have a 'credit assessment of a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised' when the following conditions apply:	
	(a) the most relevant factors determining the expected performance of the underlying exposures are similar;	
	(b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.	
	45. The requirement in the previous paragraph should be considered to have been met where either of the following applies:	
	(a) the underlying exposures do not include exposures that are classified as doubtful, impaired, non-performing or classified to the similar effect under the relevant accounting principles;	
	(b) the underlying exposures do not include exposures whose credit quality, based on credit ratings or other credit quality thresholds, significantly differs from the credit quality of comparable exposures that the originator originates in the course of its standard lending operations and credit risk strategy.	

31	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
	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.	
	EBA Final non-ABCP STS Guidelines	
	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
	EBA Final non-ABCP STS Guidelines – statements on background and rationale	
	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
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	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.	
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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))	
	<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	
	5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))	
	Repayment	
	<p>63. The requirements in Article 21(4)(b) of Regulation (EU) 2017/2402 should be understood as covering only the repayment of the principal, without covering the repayment of interest.</p>	
	<p>64. For the purposes of Article 21(4)(b) of Regulation (EU) 2017/2402, non-sequential payments of principal in a situation where an enforcement or an acceleration notice has been delivered should be prohibited. Where there is no enforcement or acceleration event, principal receipts could be allowed for replenishment purposes pursuant to Article 20(12) of that Regulation.</p>	
44	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	EBA Final non-ABCP STS Guidelines	
	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	
	<p>65. For the purposes of Article 21(4)(d) of Regulation (EU) 2017/2402, the investors' decision to liquidate the underlying exposures at market value should not be considered to constitute an automatic liquidation of the underlying exposures at market value.</p>	

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

46, 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>	
	Expertise of the Servicer (Article 21(8))	
	<p>65. The objective of this criterion is to ensure that all the conditions are in place for the proper functioning of the servicing function, taking into account the crucial importance of servicing in securitisation and the central nature of this function within any securitisation transaction.</p>	
	<p>66. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p>	
	<p>(a) criteria for determining the expertise of the servicer;</p>	
	<p>(b) criteria for determining well-documented and adequate policies, procedures and risk management controls of the servicer.</p>	
	<p>67. The criteria for the expertise of the servicer should correspond to those for the expertise of the originator or the original lender. Newly established entities should be allowed to perform the tasks of servicing, as long as the back-up servicer has the appropriate experience. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>	
	EBA Final non-ABCP STS Guidelines	
	5.8 Expertise of the servicer (Article 21(8))	
	<i>Criteria for determining the expertise of the servicer</i>	
	<p>68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:</p>	
	<p>(a) the members of the management body of the servicer and the senior staff, other than members of the management body, responsible for servicing exposures of a similar nature to those securitised should have adequate knowledge and skills in the servicing of exposures similar to those securitised;</p>	
	<p>(b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise:</p>	
	<p>(i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;</p>	
	<p>(ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;</p>	
	<p>(iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of servicing the exposures should be appropriate;</p>	
	<p>(iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to the servicing of similar exposures to those securitised.</p>	
	<p>69. A servicer should be deemed to have the required expertise where either of the following applies:</p>	
	<p>(a) the business of the entity, or of the consolidated group, to which the entity belongs, for accounting or prudential purposes, has included the servicing of exposures of a similar nature to those securitised, for at least five years;</p>	
	<p>(b) where the requirement referred to in point (a) is not met, the servicer should be deemed to have the required expertise where they comply with both of the following:</p>	
	<p>(i) at least two of the members of its management body have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at personal level, of at least five years;</p>	
	<p>(ii) senior staff, other than members of the management body, who are responsible for managing the entity's servicing of exposures of a similar nature to those securitised, have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at a personal level, of at least five years;</p>	
	<p>(iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a).</p>	
	<p>70. For the purpose of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.</p>	
	<p><i>Exposures of similar nature</i></p>	
	<p>71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.</p>	

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

56,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
57	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
	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 Union. <p>74. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, where mandatory statutory provisions exist in the applicable jurisdiction that set out how conflicts between investors have to be resolved, the transaction documentation may refer to these provisions.</p>	

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