

# **STS Term Master Checklist**

## **PEPPER IBERIA UNSECURED 2022 DAC**



PRIME COLLATERALISED SECURITIES (PCS) EU SAS

9<sup>th</sup> May 2022

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

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

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

**It is important that the reader of this checklist reviews and understands the disclaimer referred to on the following page.**

**9<sup>th</sup> May 2022**

## STS Disclaimer

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

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

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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	Dr Martina Spaeth
Date of Verification	9 <sup>th</sup> May 2022
<b>The transaction to be verified (the “Transaction”)</b>	<b>PEPPER IBERIA UNSECURED 2022</b>
Issuer	PEPPER IBERIA UNSECURED 2022 DAC
Originator	Pepper Finance Corporation, S.L.U. ("Pepper Finance")
Lead Manager(s) and Arranger	Citigroup Global Markets Limited
Transaction Legal Counsel	Clifford Chance
Rating Agencies	S&P and DBRS
Stock Exchange	Euronext Dublin
Closing Date	9 May 2022

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

1	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	20.1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	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.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>Regarding the assignment see Prospectus: LEGAL AND REGULATORY MATTERS AFFECTING THE RECEIVABLES - Formalities to be complied with regarding the Receivables' assignment, notice of assignment and set-off</p> <p>(a) the validity and enforceability between the transferor and the transferee will be governed by the law chosen by the parties to govern such transfer in accordance with, and subject to the limitations set forth in, Council Regulation (EC) N° 593/2008 of 17 June 2008 on the law applicable to contractual obligations (the "<b>Rome I Regulation</b>").</p> <p>Accordingly, the competent Spanish courts (if any) shall recognise the assignment as valid and enforceable against the Obligors to the extent that it is so valid and enforceable under Spanish law (as the law contractually governing the Receivables Sale Agreement);</p> <p>See also Prospectus, REGULATORY AND LEGAL RISKS, Applicability of Spanish Insolvency Law to the Transferor,</p> <p>(b) Articles 1111 AND 1291-1299 of the Spanish Civil Code.</p> <p>The Transferor's assignment of the Receivables to the Issuer will not be notified to the Obligors except on the occurrence of a Notification Event. ....</p> <p><b>We note that a description of set-off risks is included in the Risk Factors. Confirmation of true sale i.e. enforceability of assignment, an assessment of the re-characterisation risks is made in the Legal Opinion. PCS has reviewed the Spanish law legal opinion provided by Clifford Chance</b></p> <p><i>"True sale" is not a legal concept but a rating agency creation.</i></p> <p><i>The essence of a "true sale" is that the property in the securitised assets has legally moved from the originator(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".</i></p> <p><i>This is clearly stated in the wording of the Regulation (20.1). The expression "transfer to the same effect" indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.</i></p> <p><i>The issue of "true sale" is separate from the issue of "clawback". "Clawback" refers to legal processes through which, in the insolvency of the seller of an asset, an insolvency officer is entitled to reverse the sale – even in cases where a "true sale" has taken place.</i></p> <p><i>All European jurisdictions, to PCS' knowledge, have rules allowing for clawbacks. Clawbacks are usually rules to avoid a company heading towards insolvency from "defrauding" its existing creditors either by selling assets at very low prices (to friends and relations) or unfairly preferring certain creditors over others.</i></p> <p><i>The Regulation (20.1) therefore does not require STS "true sales" to be clawback proof since this would mean that no European securitisation could ever be STS. It does require the sale not to be subject to "severe clawback". The Regulation does not define "severe clawback" but gives an example (20.2) where a clawback may occur.</i></p> <p><i>The Regulation (20.3) also explicitly excludes from the definition of "severe clawback" the traditional European basis for such devices which all come under the general category of "preferences". PCS further notes that the examples (20.2 and 20.3) refer to the insolvency law of a jurisdiction and therefore believes that clawback risk is to be assessed on a jurisdictional basis rather than on a transactional basis.</i></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"> <li>• Clawback requires an unfair preference “defrauding” creditors;</li> <li>• 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.</li> </ul> <p>Since “severe clawback” is a jurisdictional concept, in analysing this issue, PCS will therefore first seek to determine the Seller’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><b>Regarding this Transaction, the Transferor is incorporated in Spain and in the Prospectus, it is stated that the Transferor has its registered office and its COMI in Spain, therefore Spain will be the relevant jurisdiction for the purposes of the applicable insolvency law. Spanish insolvency law provides for clawback provisions in the cases of unfair prejudice to creditors, transactions at an undervalue and/or fraud. Therefore, as suitably opines in the Spanish legal opinion, the transfer is not, in our view, subject to “severe clawback provisions”</b></p> <p><b>Finally, the legal opinion from Clifford Chance confirmed that the assignment from the Seller to the Issuer meets the definition of “true sale” outlined above.</b></p>										
2	<table border="1"> <tr> <td data-bbox="208 603 1742 635"><b>STS criteria</b></td><td data-bbox="1742 603 2114 635"><a href="#">SEE RELATED EBA GUIDELINES</a></td></tr> <tr> <td colspan="2" data-bbox="208 635 2114 707">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="208 707 1153 738"><b>Verified?</b></td><td data-bbox="1153 707 2114 738"><b>Yes</b></td></tr> <tr> <td colspan="2" data-bbox="208 738 2114 770"><b>PCS Comment</b></td></tr> <tr> <td colspan="2" data-bbox="208 770 2114 936"> <p><b>The Legal Opinion confirms that the transfer of the title on the Receivables to the Fund shall not be subject to severe clawback provisions in the event of the Seller's insolvency, as required in Article 20(1) of Regulation (EU) 2017/2402.</b></p> <p><b>The COMI of the Seller is the Kingdom of Spain.</b></p> <p><b>The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions, see also point 1, above.</b></p> </td></tr> </table>	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>	2. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.		<b>Verified?</b>	<b>Yes</b>	<b>PCS Comment</b>		<p><b>The Legal Opinion confirms that the transfer of the title on the Receivables to the Fund shall not be subject to severe clawback provisions in the event of the Seller's insolvency, as required in Article 20(1) of Regulation (EU) 2017/2402.</b></p> <p><b>The COMI of the Seller is the Kingdom of Spain.</b></p> <p><b>The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions, see also point 1, above.</b></p>	
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2a	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions:</p> <p>(a) provisions which allow the liquidator of the seller to invalidate the sale of the underlying exposures solely on the basis that it was concluded within a certain period before the declaration of the seller's insolvency;</p> <p>(b) provisions where the SSPE can only prevent the invalidation referred to in point (a) if it can prove that it was not aware of the insolvency of the seller at the time of sale.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
Neither provision applies.		

2b	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>20.3. For the purpose of paragraph 1, clawback provisions in national insolvency laws that allow the liquidator or a court to invalidate the sale of underlying exposures in case of fraudulent transfers, unfair prejudice to creditors or of transfers intended to improperly favour particular creditors over others, shall not constitute severe clawback provisions.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
See comment to point 1 above. The legislation of the Kingdom of Spain does not contemplate severe claw-back provisions for securitisation transactions.		



3	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	20.4. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	3. Where the seller is not the original lender, the true sale or assignment or transfer with the same legal effect of the underlying exposures to the seller, whether that true sale or assignment or transfer with the same legal effect is direct or through one or more intermediate steps, shall meet the requirements set out in paragraphs 1 to 3.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<i>This requirement does not apply to this transaction since the two types of receivable loans (Point of Sale Loans and Personal Instalment Loans) have been originated by Pepper Finance Corporation, S.L.U, that is Originator and the seller (Transferor) to the Irish Issuer (see "ORIGINATION AND SERVICING PROCESS, Origination Channels").</i>	

4	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	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.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	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.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p><i>Not applicable as the assignment is perfected without the need for notification to obligors.</i></p> <p>See "Representations of the Transferor Relating to Receivables sold to the Issuer", (b) "Assignment Effective" <i>where it is represented by the Transferor that the assignment to the Issuer is effective.</i></p> <p>See "TITLE TO THE SECURITISED PORTFOLIO, Title"</p> <p>"Notice of the sale and assignment to the Issuer of the Receivables and Related Rights and their subsequent charging or assigning to the Security Trustee will not be given to the Obligors unless a Notification Event has occurred and has been notified to the Transferor (or its occurrence is otherwise known by the Transferor) and is then subsisting."</p> <p><b><i>Although the transfer is not notified to the borrowers, the Spanish legal opinion confirms that such notification is not required to fully perfect the transfer of ownership in the loans to the SSPE. Accordingly, this transaction does not operate by way of an unperfected assignment and the issue of triggers does not arise.</i></b></p>	

5	Legislative text – Article 20 - Requirements relating to simplicity		<a href="#">GO TO TABLE OF CONTENTS</a>
	20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
	STS criteria		<a href="#">SEE RELATED EBA GUIDELINES</a>
	5. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.		
	Verified?	Yes	
	PCS Comment		
	See "TITLE TO THE SECURITISED PORTFOLIO, Representations of the Transferor Relating to Receivables sold to the Issuer, (b) Assignment Effective" <i>where it is represented by the Transferor that</i>		
	"The assignment of each Receivable the subject of an Offer upon acceptance of such Offer will be effective to pass to the Issuer good and marketable title thereto and the benefit thereof (including in such context, the right to receive Collections from the Obligors and any Associated Rights) free of any Encumbrances in favour of any person claiming through or under the Transferor or any of its Affiliates and, subject to any limitations arising on enforcement in the jurisdiction of the relevant Obligor, no further act, condition or thing will be required to be done in connection therewith to enable the Issuer to require payment of any such Receivable or to enforce any such right in the courts of Spain without the participation of the Transferor other than: (i) the giving of a Notice of Assignment; or (ii) the joinder or sisting of the Transferor as a party to proceedings by the Issuer against the relevant Obligor."		
	See also "TITLE TO THE SECURITISED PORTFOLIO, Eligible Receivables" where it is listed "(q) it is freely assignable and free and clear of any Encumbrances (including rights attaching to creditors) exercisable against the Transferor or the Issuer arising under or through such Transferor (or any of its respective Affiliates) and, to which, at the time of its creation and at all times thereafter, the Transferor had good and marketable title and there is no option to acquire or create any Encumbrance on or over or affecting the Receivables or any Related Rights attaching thereto; "		
6	Legislative text – Article 20 - Requirements relating to simplicity		<a href="#">GO TO TABLE OF CONTENTS</a>
	20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.		
	STS criteria		<a href="#">SEE RELATED EBA GUIDELINES</a>
	6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....		
	Verified?	Yes	
	PCS Comment		
	See Prospectus, OVERVIEW OF THE SECURITISED PORTFOLIO, Eligibility Criteria.		
	Only Receivables that, as at the relevant Cut-Off Date, meet specified conditions pursuant to the Receivables Sale Agreement will be added to the Securitised Portfolio.		
	See Prospectus "TITLE TO THE SECURITISED PORTFOLIO, Eligible Receivables		
	Only Receivables that, as at the relevant Cut-Off Date, meet the eligibility criteria set out below (the "Eligibility Criteria") will be added to the Securitised Portfolio: <b>And the definition of Eligibility Criteria is composed of two definitions:</b>		

	<p>"Eligible Receivables: (a) to (bb)" and "Eligible UPL Agreements: (a) to (g)"</p> <p>Also see "Representations of the Transferor Relating to Receivables sold to the Issuer" in the same section as above, where it is represented by the Transferor that:</p> <p>"Eligibility: Each Receivable which is offered to the Issuer is, at the close of business on the relevant Cut-off Date relating thereto, an Eligible Receivable and has arisen under an Eligible UPL Agreement (other than in respect of the Eligibility Criteria at paragraph 1.16 of Schedule 8 of the RSA which shall be satisfied on the Transfer Date for such Receivable immediately prior to the sale of such Receivable to the Issuer)."</p> <p><b>"UPL Agreement"</b> means the agreement or contract governing a Point of Sale Loan or a PIL Loan and references to "UPL Agreement" shall mean any of them.</p> <p>See also the Prospectus, "KEY STRUCTURAL FEATURES, PORTFOLIO CONCENTRATION LEVELS" (a), (b), (c)</p> <p><b>The Eligibility Criteria are also set out in Schedule 8 of the "Receivables Sale Agreement."</b></p> <p><i>The EBA Guidelines clarify that "clear" does not mean easily readable or comprehended by a non-expert. In the Regulation a criterion is "clear" when a court or tribunal could determine whether, presumably in all cases, the criterion is met for each asset. In the Regulation, "clear" is about certainty of determination.</i></p> <p><b>PCS has read the Eligibility Criteria and Portfolio Concentration Levels in the Prospectus PEPPER IBERIA UNSECURED 2022 DAC. As they are mandatory, they meet the "predetermined" requirement. As they are in the Prospectus they meet the "documented" requirement. PCS has also concluded that they allow determination in each case and so meet the "clear" requirement.</b></p>		
7	<p><b>STS criteria</b> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></p>		
	<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>		
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 2px;"><b>Verified?</b></td> <td style="width: 50%; padding: 2px; text-align: center;"><b>Yes</b></td> </tr> </table>	<b>Verified?</b>	<b>Yes</b>
<b>Verified?</b>	<b>Yes</b>		
	<p><b>PCS Comment</b></p> <p>See statement in Prospectus, "THE RECEIVABLES, No active portfolio management":</p> <p>"The Transferor's rights and obligations to sell Receivables and their Related Rights to the Issuer and/or repurchase Receivables and their Related Rights from the Issuer pursuant to the Receivables Sale Agreement, including repurchases of Receivables that do not comply with the LCR/Solvency II requirements, Receivables that do not comply with the EU Securitisation Regulation, the UK Securitisation Regulation (as in force, interpreted and applied as at the Closing Date only), the STS criteria or Article 243 of the Capital Requirements Regulation, Receivables that are the subject of litigation against the Transferor, Receivables that are in breach of the Transferor Asset Warranties and the exercise of the call options do not constitute active portfolio management for purposes of Article 20(7) of the EU Securitisation Regulation."</p> <p>During the Revolving Period, the Transferor intends to use the call option in relation to Defaulted Receivables only to facilitate recoveries or for the purpose of adding further Eligible Receivables as substitutes for Defaulted Receivables. During the Amortisation Period, the Transferor intends to use the call option in relation to Defaulted Receivables only to facilitate recoveries.</p> <p>See "TITLE TO THE SECURITISED PORTFOLIO, Repurchase of Receivables" options a, b and c.</p> <p>Also see "OVERVIEW OF THE SECURITISED PORTFOLIO, "Call Option".</p> <p>Pursuant to the Receivables Sale Agreement, the Issuer will grant the Transferor a conditional option exercisable at any time by the Transferor to repurchase the Issuer's interest in Defaulted Receivables so specified in the relevant Defaulted Option Notice.</p> <p>The purchase price payable by the Transferor to the Issuer in consideration for the sale of the relevant Defaulted Receivable shall be the aggregate of the Principal Balance of the Defaulted Receivable plus the documented expenses incurred by the Issuer in connection with such repurchase.</p> <p>The Transferor may also repurchase any Receivables and Related Rights on a Call Option Completion Date in accordance with the terms and provisions of the Call Option or on a Clean Up Call Option Date in accordance with the terms and provisions of the Clean Up Call Option.</p>		

	<p><b>TITLE TO THE SECURITISED PORTFOLIO</b></p> <p>Representations of the Transferor Relating to Receivables sold to the Issuer</p> <p>(f) No Adverse Selection Procedures: No selection procedures adverse to the Secured Creditors are employed by the Transferor in selecting the Receivables from amongst the Eligible UPL Agreements in Securitised Portfolio,</p> <p><i>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 will be met.</i></p> <p><i>If the transaction should contain a repurchase device that is not included in the EBA’s list, then an analysis will need to be conducted as to whether this additional device offends against the principles set out in the EBA Guidelines (15.a and b) as defining “active portfolio management”.</i></p> <p><b>PCS has reviewed all the repurchase devices set out in the Prospectus and these are acceptable within the context of the EBA final guidelines. The buy-back price is clearly documented.</b></p> <p><b>PCS also notes that there is an explicit affirmative statement in the Prospectus to the effect that no active management of the assets backing the Transaction applies.</b></p>						
8	<p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <p>8. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p> <table border="1"> <tr> <td data-bbox="210 655 1153 687"><b>Verified?</b></td><td data-bbox="1153 655 2119 687">Yes</td></tr> <tr> <td colspan="2" data-bbox="210 687 2119 719"><b>PCS Comment</b></td></tr> <tr> <td colspan="2" data-bbox="210 719 2119 967"> <p><b><i>This transaction has a revolving period ending in May 2024, subject to potential extension.</i></b></p> <p>Regarding the Revolving Period, see the “Receivables Sale Agreement, 4. Acceptance of Offer, 4.1”</p> <p>“Upon delivery of an Offer in accordance with Clause 2 (Offer of Receivables), the Issuer shall accept such Offer in respect of all Eligible Receivables the subject of such Offer and shall purchase such Eligible Receivables, provided that the Offer Conditions Precedent have been met.”</p> <p>The Eligibility Criteria are also set out in Schedule 8 of the Receivables Sale Agreement.</p> <p><b>PCS has identified the existence of such a covenant in the Prospectus.</b></p> </td></tr> </table>	<b>Verified?</b>	Yes	<b>PCS Comment</b>		<p><b><i>This transaction has a revolving period ending in May 2024, subject to potential extension.</i></b></p> <p>Regarding the Revolving Period, see the “Receivables Sale Agreement, 4. Acceptance of Offer, 4.1”</p> <p>“Upon delivery of an Offer in accordance with Clause 2 (Offer of Receivables), the Issuer shall accept such Offer in respect of all Eligible Receivables the subject of such Offer and shall purchase such Eligible Receivables, provided that the Offer Conditions Precedent have been met.”</p> <p>The Eligibility Criteria are also set out in Schedule 8 of the Receivables Sale Agreement.</p> <p><b>PCS has identified the existence of such a covenant in the Prospectus.</b></p>	
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9	<p><b>Legislative text – Article 20 - Requirements relating to simplicity</b> <a href="#">GO TO TABLE OF CONTENTS</a></p> <p>20.8. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type. The underlying exposures shall contain obligations that are contractually binding and enforceable, with full recourse to debtors and, where applicable, guarantors.</p> <p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <p>9. The securitisation shall be backed by a pool of underlying exposures that are homogeneous in terms of asset type, taking into account the specific characteristics relating to the cash flows of the asset type including their contractual, credit risk and prepayment characteristics. A pool of underlying exposures shall only comprise one asset type.</p> <table border="1"> <tr> <td data-bbox="210 1257 1153 1289"><b>Verified?</b></td><td data-bbox="1153 1257 2119 1289">Yes</td></tr> <tr> <td colspan="2" data-bbox="210 1289 2119 1321"><b>PCS Comment</b></td></tr> <tr> <td colspan="2" data-bbox="210 1321 2119 1396"> <p><b>PCS: The asset class is “credit facilities provided to individuals...” complying with article 1, (a) (iii), b, c, d of the “RTS”, article 2 not being applicable in this case.</b></p> </td></tr> </table>	<b>Verified?</b>	Yes	<b>PCS Comment</b>		<p><b>PCS: The asset class is “credit facilities provided to individuals...” complying with article 1, (a) (iii), b, c, d of the “RTS”, article 2 not being applicable in this case.</b></p>	
<b>Verified?</b>	Yes						
<b>PCS Comment</b>							
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	<p>See Eligible Receivables,</p> <p>(b)</p> <p>(i) it was otherwise created and complies with all applicable laws (including consumer credit laws and consumer protection laws); and</p> <p>(ii) it was originated and serviced in accordance with the Guidelines;</p> <p>(d) each Obligor in respect of it is an individual and resident in Spain</p> <p>(e) it is governed by Spanish law;</p> <p><i>The definition of “homogeneity” in the Regulation is to be the subject of a Regulatory Technical Standard (“RTS”). Being set out in an RTS, rather than a guideline or recommendation issued by the EBA, the definition of “homogeneity” will be legally binding on all regulatory authorities. Although a final draft of such RTS has been formally adopted by the European Commission, PCS notes that such RTS has not yet come into force. It is not necessary, as a technical legal matter, for the RTS to come into force before STS securitisations are issued. In the absence of the RTS, market participants must turn to the text of the Regulation to interpret what “homogeneity” means. In interpreting the expression, PCS has based itself on the text of the Regulation, its knowledge of the intent of the legislators – including, crucially, the legislators belief that the STS Regulation was justified by the excellent performance of most “plain vanilla” European securitisations and the draft RTS adopted by the European Commission.</i></p> <p><i>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.</i></p> <p><b><i>In the Transaction, the consumer loan receivables, both product types, were all underwritten on a similar basis. PCS also takes great comfort from the fact that transactions containing pools with similar characteristics have always been considered to be “homogenous” by a wide consensus of market participants.</i></b></p>										
10	<table border="1"> <tr> <td data-bbox="210 746 1738 778"><b>STS criteria</b></td><td data-bbox="1738 746 2119 778"><a href="#">SEE RELATED EBA GUIDELINES</a></td></tr> <tr> <td colspan="2" data-bbox="210 778 2119 831">10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</td></tr> <tr> <td data-bbox="210 831 1155 863"><b>Verified?</b></td><td data-bbox="1155 831 2119 863">Yes</td></tr> <tr> <td colspan="2" data-bbox="210 863 2119 895"><b>PCS Comment</b></td></tr> <tr> <td colspan="2" data-bbox="210 895 2119 1043"> <p>See “TITLE TO THE SECURITISED PORTFOLIO, Purchase, Eligible UPL Agreements (d)”.</p> <p>“which creates legal, valid and binding obligations between the Transferor and the relevant Obligor and is enforceable against the relevant Obligor subject to applicable bankruptcy laws, other similar laws affecting creditors' rights, general equitable principles and other limitations on enforcement in the jurisdiction of the relevant Obligor and was otherwise created and complies with all other applicable laws”</p> </td></tr> </table>	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>	10. The underlying exposures shall contain obligations that are contractually binding and enforceable.		<b>Verified?</b>	Yes	<b>PCS Comment</b>		<p>See “TITLE TO THE SECURITISED PORTFOLIO, Purchase, Eligible UPL Agreements (d)”.</p> <p>“which creates legal, valid and binding obligations between the Transferor and the relevant Obligor and is enforceable against the relevant Obligor subject to applicable bankruptcy laws, other similar laws affecting creditors' rights, general equitable principles and other limitations on enforcement in the jurisdiction of the relevant Obligor and was otherwise created and complies with all other applicable laws”</p>	
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11	<table border="1"> <tr> <td data-bbox="210 1043 1738 1083"><b>STS criteria</b></td><td data-bbox="1738 1043 2119 1083"><a href="#">SEE RELATED EBA GUIDELINES</a></td></tr> <tr> <td colspan="2" data-bbox="210 1083 2119 1145">11. With full recourse to debtors and, where applicable, guarantors.</td></tr> <tr> <td data-bbox="210 1145 1155 1185"><b>Verified?</b></td><td data-bbox="1155 1145 2119 1185">Yes</td></tr> <tr> <td colspan="2" data-bbox="210 1185 2119 1225"><b>PCS Comment</b></td></tr> <tr> <td colspan="2" data-bbox="210 1225 2119 1323"> <p>See Prospectus, THE SECURITISED PORTFOLIO,</p> <p>“Receivables within the Securitised Portfolio will consist of Spanish consumer loans with full recourse to the relevant Obligor being:</p> </td></tr> </table>	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>	11. With full recourse to debtors and, where applicable, guarantors.		<b>Verified?</b>	Yes	<b>PCS Comment</b>		<p>See Prospectus, THE SECURITISED PORTFOLIO,</p> <p>“Receivables within the Securitised Portfolio will consist of Spanish consumer loans with full recourse to the relevant Obligor being:</p>	
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12	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	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.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.	
	<b>Verified?</b>	Yes
13	<b>PCS Comment</b>	
	See "TITLE TO THE SECURITISED PORTFOLIO, Eligible Receivables. "(g) it is payable by the Obligor in monthly instalments; (h) it is fully amortising"	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	13. Relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.	
	<b>Verified?</b>	Yes
14	<b>PCS Comment</b>	
	Income from the Underlyings includes Principal, Interest, Recoveries, Repurchase Price and the Defaulted Call Repurchase Price. <b><i>Proceeds generated from the sale of financed assets for the PoS loans do not apply, as confirmed by the Originator.</i></b>	
	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	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.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	14. The underlying exposures shall not include transferable securities, as defined in Article 4(1), point 44 of Directive 2014/65/EU of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See the following statement by the Originator in the Originator STS Notification, STSS28: "The portfolio is comprised of consumer loans based on standard form documentation, and does not include any securitisation position for the purposes of Article 20(9) of the Securitisation Regulation, any transferable securities for the purpose of Article 20(8) of the Securitisation Regulation or any derivatives for the purpose of Article 21(2) of the Securitisation Regulation. The prospectus describes the portfolio (see the sections of the prospectus section entitled "The Securitised Portfolio" and "Title to the Securitised Portfolio")." <b><i>PCS notes that according to the Eligibility Criteria no transferable security can be included in the underlying portfolio. There is also a clear statement in the Originator STS Notification.</i></b>	

15	Legislative text – Article 20 - Requirements relating to simplicity		<a href="#">GO TO TABLE OF CONTENTS</a>
	20.9. The underlying exposures shall not include any securitisation position.		
	STS criteria		<a href="#">SEE RELATED EBA GUIDELINES</a>
	15. The underlying exposures shall not include any securitisation position.		
	Verified?		Yes
	PCS Comment		
See item 14, above.			

16	Legislative text – Article 20 - Requirements relating to simplicity		<a href="#">GO TO TABLE OF CONTENTS</a>
	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		<a href="#">SEE RELATED EBA GUIDELINES</a>
	16. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business.		
	Verified?		Yes
	PCS Comment		
	<p>See prospectus, "Representations of the Transferor as to Matters of Fact".</p> <p>(g) Ordinary Course of Business: Each Receivable was originated by the Transferor on its own account and arose from the ordinary course of the Transferor's unsecured consumer loan activities in Spain. Furthermore, the securitisation of the Receivables is within the ordinary course of the Transferor's business activities in Spain.</p> <p>As part of the Eligibility Criteria it is stated that</p> <p>(a) it has arisen under a Point of Sale Loan or a PIL Loan;</p> <p>(b)</p> <p>(i) it was otherwise created and complies with all applicable laws (including consumer credit laws and consumer protection laws); and</p> <p>(ii) it was originated and serviced in accordance with the Guidelines;</p> <p>(r) it is randomly allocated for offer to the Issuer;</p>		

17	STS criteria		<a href="#">SEE RELATED EBA GUIDELINES</a>
	17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
	Verified?	Yes	
	PCS Comment		
	<p>See "ORIGINATION AND SERVICING PROCESS, Underwriting exceptions".</p> <p>"The underwriting standards applied by the Transferor in connection with the origination of the Receivables were no less stringent than those that the Transferor applied at the time of origination to similar loans that are not securitised.</p> <p>On a case-by-case basis the Transferor may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Guidelines at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, overall affordability position and track record with the organisation. Any such exceptions would have been approved by an authorised mandate holder of the Transferor."</p>		

18	Legislative text – Article 20 - Requirements relating to simplicity		<a href="#">GO TO TABLE OF CONTENTS</a>
	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		<a href="#">SEE RELATED EBA GUIDELINES</a>
	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 "ORIGINATION AND SERVICING PROCESS, Changes to the Guidelines".		
	"The Transferor may vary the Guidelines from time to time subject to certain conditions – see section titled " <i>Servicing and Cash Management – Amendments to the Guidelines</i> " below for further details. Any material changes from the Transferor's prior underwriting policies and Guidelines shall be disclosed without undue delay to the extent required under Article 20(10) of the Securitisation Regulation."		



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

20	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	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.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>See Prospectus, "ORIGINATION AND SERVICING PROCESS".</p> <p>"The credit granting process applied by the Transferor is in compliance with Directive 2008/48/EC which was transposed into Spanish Law 16/2011 on 24 June 2011 (Ley 16/2011 <i>sobre Contratos de Crédito al Consumo</i>)."</p> <p><i>The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. As a general principle, European Directives, in contrast to Regulations, do not have direct and immediate effect but must be implemented into national law, country by country.</i></p> <p><i>Therefore, if the assets concerned, as in the case of the Transaction, are consumer loans, the relevant Directive is 2008/48/EC. The next step is to determine which Spanish law transcribed this Directive into local law.</i></p> <p><i>PCS assumes, although the Regulation and the EBA Guidelines are silent on this point, that the requirement for mortgages and consumer loans to have been underwritten in compliance with the Directives only applies to assets underwritten after these Directives were transcribed into national law.</i></p> <p><b><i>This was done in Spain via an implementation act by Law 16/2011. The Seller has provided a representation that this criterion is met.</i></b></p>	

21	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	20.10. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>See "THE TRANSFEROR".</p> <p>"Pepper Finance is the financial branch of Pepper Assets Services, S.L.U. ("Pepper Asset Services") (the Servicer). Since incorporation, Pepper Finance has been increasingly active in the point of sale and personal loans market in Spain (currently being a top five player in the non-captive Point of Sale market).</p> <p>Pepper Finance has more than five years of experience in the origination and underwriting of unsecured personal loans similar to those included in the Securitised Portfolio.</p> <p><b>PCS has taken comfort in the fact that the underwriting and origination is set up in a very similar way to a prudentially regulated institution.</b></p>	

22	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:	
	<b>STS criteria</b>	
	22. The underlying exposures shall be transferred to the SSPE after selection without undue delay...	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>See Prospectus, DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOWS.</p> <p>The Transferor (and where relevant, the Servicer and/or the Delegate) is obliged to procure the transfer of Collections to the Transaction Account within one Business Day following receipt as cleared funds into the relevant Collection Account (or, in the case of Collections received from but excluding the Initial Cut-Off Date to and excluding the Closing Date, within three Business Days of the Closing Date), (excluding (1) the Retention Amount, and (2) any amounts of Collections to be transferred to the Transferor pursuant to Clauses 7 (Repurchase of Receivables), 8 (Call Option) or 11 (Breach of Warranty) of the Receivables Sale Agreement) (subject to the provisions of the Security Trust Deed and Cash Management Agreement) and provided further that, where the Transferor (or the Servicer on its behalf) has been unable to transfer such Collections within such period as a result of operational failure, then the Transferor or Servicer shall transfer such Collections no later than the second Business Day following receipt of cleared funds into the relevant Collection Accounts.</p> <p>See also Prospectus, SERVICING AND CASH MANAGEMENT.</p> <p>For the Initial assignment of receivables:</p> <p>The duties of the Servicer include, without limitation</p> <p>(b See prospectus, SERVICING AND CASH MANAGEMENT.</p>	

	<p>For the Initial assignment of receivables:</p> <p>The duties of the Servicer include, without limitation</p> <p>a...</p> <p>b. procuring the transfer of Collections from the Collection Accounts to the Transaction Account within one Business Day following receipt as cleared funds into the relevant Collection Account (or, in the case of Collections received from but excluding the Initial Cut-Off Date to and excluding the Closing Date, within three Business Days of the Closing Date), (excluding (1) the Retention Amount, and (2) any amounts of Collections to be transferred to the Transferor pursuant to Clauses 7 (Repurchase of Receivables), 8 (Call Option) or 11 (Breach of Warranty) of the Receivables Sale Agreement) (subject to the provisions of the Security Trust Deed and Cash Management Agreement) and provided further that, where the Transferor (or the Servicer on its behalf) has been unable to transfer such Collections within such period as a result of operational failure, then the Transferor shall transfer such Collections no later than the second Business Day following receipt of cleared funds into the relevant Collection Accounts;</p> <p>For further Purchases: "Cut-Off Date" is defined as.</p> <p>(b) in relation to an Offer, one Business Days prior to the Offer Date;"</p> <p>The Offer and Assignment take place within the same day.</p> <p><b>PCS notes that in this case "without undue delay" is met by the factual statements above and the Receivables are assigned within four Business Days initially, and within two business days ongoing.</b></p>
23	<p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p>
	<p>23. And shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013...</p>
	<p><b>Verified?</b> Yes</p>
	<p><b>PCS Comment</b></p>
	<p>See "THE RECEIVABLES, Characteristics of the Receivables".</p> <p>"The Receivables (i) in the initial Securitised Portfolio transferred on the Closing Date; and (ii) transferred to the Issuer from time to time during the Revolving Period will not include at the time of selection for inclusion in the initial Securitised Portfolio or for sale to the Issuer during the Revolving Period any exposures in default or delinquent exposures within the meaning of Article 178(1) of Regulation (EU) No 575/2013 for the purposes of Article 20(11) of the EU Securitisation Regulation or any restructured Receivables..</p> <p>See also Eligibility Criteria</p> <p>(i) it does not have any instalment due and unpaid;</p> <p>(k) it is not a Defaulted Receivable or written-off loan pursuant to the Guidelines;</p> <p>See also Definitions</p> <p>"Defaulted Receivable" means each Transferred Receivable in respect of which, in accordance with the Guidelines or the Servicer's customary and usual servicing procedures, the Servicer has recorded in its system that such Transferred Receivable is five (5) or more instalments (including any partially unpaid instalment) past due.</p>

24	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:</p> <p>(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:</p> <ul style="list-style-type: none"> <li>(i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and</li> <li>(ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;</li> </ul> <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; or</p> <p>(c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not be made is significantly higher than for comparable exposures held by the originator which are not securitised.</p>	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<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>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See "THE RECEIVABLES, Characteristics of the Receivables".</p> <p>To the best of the Transferor's knowledge, no Receivable in the initial Securitised Portfolio or transferred to the Issuer from time to time during the Revolving Period will be to an Obligor who is a "credit-impaired debtor" as described in Article 20(11) of the EU Securitisation Regulation and in accordance with any official guidance issued in relation thereto.</p>	
25	<b>STS criteria</b>	
	<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>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Eligible Receivables</p> <p>(x) it is not a Receivable for which an Obligor has requested a payment holiday under the COVID-19 Moratoria, whether or not such request has been accepted;</p> <p>(y) as far as the Transferor is aware, no Obligor in respect of it is the subject of any bankruptcy or insolvency proceedings (<i>concurso</i>) or has 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 which remains outstanding;</p>	

26	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	26. Or has undergone a debt-restructuring process with regard to his non-performing exposures within three years prior to the date of transfer or assignment of the underlying exposures to the SSPE, except if:	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	(p) it is not subject to a Repayment Plan, debt restructuring or any other restructuring and was not subject to a Repayment Plan or any other restructuring at any time prior to it being the subject of an Offer;	
27	<b>STS criteria</b>	
	27. (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	There are no restructured Receivables included in the portfolio, see also item 23, above.	
28	<b>STS criteria</b>	
	28. (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	Not applicable, see above.	
29	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	29. (b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender;	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>Approval process, Credit history</p> <p>There is no publicly available credit registry of persons with adverse credit history in Spain, and it is not possible to establish with certainty whether an Obligor has undergone a debt-restructuring process with regard to his non-performing exposures. To the best of the Transferor's knowledge (as at the date of origination of the relevant Receivable), the relevant Obligor was neither on such a registry of persons, nor had undergone a debt-restructuring process with regard to his non-performing exposures.</p> <p>See "TITLE TO THE SECURITISED PORTFOLIO, Representations of the Transferor Relating to Receivables sold to the Issuer".</p> <p>"(f) No Adverse Selection Procedures: No selection procedures adverse to the Secured Creditors are employed by the Transferor in selecting the Receivables from amongst the Eligible UPL Agreements in Securitised Portfolio."</p> <p><b>PCS takes comfort in the fact that the portfolio is randomly selected.</b></p>	

30	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	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.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>See "TITLE TO THE SECURITISED PORTFOLIO, Representations of the Transferor Relating to Receivables sold to the Issuer".</p> <p>"(f) No Adverse Selection Procedures: No selection procedures adverse to the Secured Creditors are employed by the Transferor in selecting the Receivables from amongst the Eligible UPL Agreements in Securitised Portfolio."</p> <p>See also "TITLE TO THE SECURITISED PORTFOLIO, Eligible Receivables".</p> <p>"(r) it is randomly allocated for offer to the Issuer;"</p> <p><b>PCS takes comfort in the fact that the portfolio is randomly selected and there can be no adverse selection.</b></p>	
31	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	20.12. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	31. The debtors shall at the time of transfer of the exposures, have made at least one payment, except in the case of revolving securitisations backed by exposures payable in a single instalment or having a maturity of less than one year, including without limitation monthly payments on revolving credits.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>See "TITLE TO THE SECURITISED PORTFOLIO, Eligible Receivables"</p> <p>(i) at least one payment of principal and/or interest has fallen due and been paid</p> <p>Eligible UPL Agreements</p> <p>(g) which is not revolving and does not include an obligation to make further advances.</p>	

32	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>20.13. The repayment of the holders of the securitisation positions shall not have been structured to depend predominantly on the sale of assets securing the underlying exposures. This shall not prevent such assets from being subsequently rolled-over or refinanced.</p> <p>The repayment of the holders of the securitisation positions whose underlying exposures are secured by assets the value of which is guaranteed or fully mitigated by a repurchase obligation by the seller of the assets securing the underlying exposures or by another third party shall not be considered to depend on the sale of assets securing those underlying exposures.</p>	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	32. The repayment of the holders of the securitisation positions shall not have been structured to depend predominantly on the sale of assets securing the underlying exposures.	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See "TITLE TO THE SECURITISED PORTFOLIO, Eligible Receivables".</p> <p>(h) "it is fully amortising;"</p> <p><b><i>In PCS view, this requirement does not apply to the fully amortising consumer loans</i></b></p>	

33	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	33.The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See "EU Securitisation Regulation, Risk Retention Requirements".</p> <p>The Transferor, as "originator" for the purposes of the EU Securitisation Regulation, will undertake in the Receivables Sale Agreement (in favour of the Security Trustee on behalf of the Secured Creditors) and has undertaken in the Note Purchase Agreement (in favour of the Lead Manager) that it will, while any of the Notes remain outstanding:</p> <p>(a) retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5% in accordance with Article 6(1) of the EU Securitisation Regulation by retaining the first loss tranche to that the retention equals in total not less than 5% of the nominal value of the securitised exposures (being the Class J Notes) in accordance with Article 6(3)(d) of the EU Securitisation Regulation;</p> <p>(b) not change the manner or form in which it retains such net economic interest, except to the extent permitted or required under the EU Securitisation Regulation;</p>	

34	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.2. The interest rate and currency risks arising from the securitisation shall be appropriately mitigated and any measures taken to that effect shall be disclosed.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	34. The interest rate...risks arising from the securitisation shall be appropriately mitigated.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p><b>The Issuer will enter into a CAP Agreement, an ISDA Master Agreement (Multicurrency- Cross Border) and CSA Agreement.</b></p> <p>For the description of the CAP Agreement, see Prospectus, INTEREST RATE CAP TRANSACTION, Main features</p> <p>The Cap Confirmation will specify a notional amount for each Calculation Period (as such term is defined in the Cap Agreement), which is expected to be, for each Calculation Period (as such term is defined in the Cap Agreement), which is expected to be, for each Calculation Period in the Revolving Period €220,000,000 and for each Calculation Period thereafter, as specified in Section D of the Cap Confirmation. The Issuer will pay to the Cap Counterparty, on the Closing Date, an amount which is expected to be €2,325,000 and the Cap Counterparty will pay to the Issuer, on each Payment Date, an amount, if positive, equal to an amount equal to the product of:</p> <p>(a) Notional Amount (as such term is defined in the Cap Agreement) of the Cap Transaction for such relevant Calculation Period;</p> <p>(b) multiplied by the Floating Rate (as such term is defined in the Cap Agreement) (being the excess, if any, of (A) of EUR-EURIBOR (as such term is defined in the Cap Agreement)) with a Designated Maturity (as such term is defined in the Cap Agreement) of one month over (B) the Cap Rate, if any, for such Calculation Period (as such term is defined in the Cap Agreement);</p> <p>(c) multiplied by the relevant Floating Rate Day Count Fraction (as such term is defined in the Cap Agreement).</p> <p>See also RISK FACTORS, Interest Rate Risk.</p> <p><i>Clearly and explicitly, "appropriate" hedging does not require "perfect" hedging. This is confirmed by the EBA Guidelines which require the hedges to cover a "major share" of the risk from an "economic perspective". However, the definition of "appropriate" hedging or a "major share" of the risk will always contain an element of subjectivity and must be analysed on a case by case basis.</i></p> <p><b>Interest payable by Borrowers on the Loans is a fixed interest rate with a minimum fixed interest rate of 9,90% for PIL Loans and an implied fixed rate for each Point of Sale Loan. According to the Portfolio Concentration Levels the weighted average yield of the POS Loans is equal or greater than 6% and the weighted average yield of the PIL Loans is equal or greater than 18%, with a maximum portfolio concentration of PIL loans of 40%. Under the Cap Agreement, the Cap Counterparty will be required to make a payment to the Issuer if for such Payment Date, the rate of 1 Month EURIBOR exceeds 3 per cent (the "Cap Rate") and the payment will be based on the Notional Amount.</b></p>	
35	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	35. Currency risks arising from the securitisation shall be appropriately mitigated.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<i>In the absence of any currency mismatch, no currency hedging is necessary.</i>	



36	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	36. Any measures taken to that effect shall be disclosed.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See point 34 above.	

  

37	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.2. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See "THE SECURITISED PORTFOLIO, THE RECEIVABLES, Characteristics of the Receivables". "For the purposes of Article 21(2) of the EU Securitisation Regulation: (b) except for the purpose of hedging interest-rate or currency risk, the Issuer will not enter into derivative contracts."	

  

38	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	38. ...Shall ensure that the pool of underlying exposures does not include derivatives.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	"For the purposes of Article 21(2) of the EU Securitisation Regulation: (a) the Securitised Portfolio, as at the Initial Cut-Off Date, does not include any derivatives for purposes of Article 21(2) of the EU Securitisation Regulation on the basis that the Receivables in the Securitised Portfolio have been entered into substantially on the terms of similar standard documentation for unsecured consumer loans; and"	

39	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	39. Those derivatives shall be underwritten and documented according to common standards in international finance.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p>See the definition of Cap Agreement.</p> <p>"On or about the Closing Date, the Issuer will enter into the Cap Transaction with the Cap Counterparty under a 1992 ISDA Master Agreement (Multicurrency-Cross Border) (the "ISDA Master Agreement"), together with a Schedule thereto (the "Schedule"), a 1995 ISDA credit support annex (the "Credit Support Annex") and a cap confirmation (the "Cap Confirmation" and each, together with the ISDA Master Agreement, the Schedule and the Credit Support Annex, the "Cap Agreement")." The Cap Agreement will be entered into in order to hedge against the potential interest rate exposure of the Issuer in relation to its floating rate interest obligations under the Rated Notes compared to the fixed rate of interest payable in respect of the Receivables.</p> <p><b>PCS notes that the Cap Agreement is underwritten according to common standards in international finance.</b></p>	

  

40	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.3. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds, and shall not reference complex formulae or derivatives.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	40. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds and shall not reference complex formulae or derivatives.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	<p><b>Regarding the Assets:</b></p> <p>See definition of "Eligible Receivables".</p> <p>(m) the interest rate in relation to it is a fixed rate of interest (and for the avoidance of doubt, the relevant UPL Agreement may specify more than one fixed rate of interest over the term of the loan);</p> <p><b>PCS: the Point of Sale Loans have a synthetic fixed rate and synthetic principal balance, stemming from the discount and the PIL Loans have a fixed rate, minimum of 9.90%.</b></p> <p><b>Regarding the Liabilities:</b></p> <p><b>PCS: the payments on the Classes A to E Notes are floating rate based on 1-month Euribor (Reuters EURIBOR01), including Base Rate Modification language. The Class J Notes have a fixed rate.</b></p>	

41	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>21.4. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p> <p>(b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;</p> <p>(c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and</p> <p>(d) No provisions shall require automatic liquidation of the underlying exposures at market value.</p>	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<p>41. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<p><b>PCS Comment</b></p> <p>See "CASHFLOWS AND CASH MANAGEMENT, Application following the Service of an Enforcement Notice".</p> <p>"Following the service of an Enforcement Notice (which has not been revoked) on the Issuer, the Issuer or the Cash Manager will calculate all amounts received or recovered in respect of the Charged Property, such amounts (including, for the avoidance of doubt, amounts received on enforcement or realisation of the Security) being the <b>"Post-Enforcement Amounts"</b></p> <p>See also "CASHFLOWS AND CASH MANAGEMENT, Cap Collateral Account Priority of Payment".</p> <p>"...the day on which an Enforcement Notice is given pursuant to Condition 14 (Enforcement), then the Collateral Amount on such day shall be transferred to the Transaction Account as Cap Collateral Account Surplus and deemed to form part of the Interest Available Funds. The Collateral Account Priority of Payment may not be amended without the Cap Counterparty's express consent."</p> <p><b>PCS has reviewed the descriptions of the priorities of payment and Principal Available Funds and found no amount of cash will be trapped following the Service of an Enforcement Notice.</b></p>	
42	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<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>	
	<b>Verified?</b>	<b>Yes</b>
	<p><b>PCS Comment</b></p> <p>See "CASHFLOWS AND CASH MANAGEMENT, Post-Enforcement Priority of Payments" and see Redemption of the Notes in 4.9.2.1 in ("Information Concerning the Securities to be admitted to trading").</p> <p><b>PCS notes that the Post-Enforcement Priority of Payments is sequential.</b></p>	

43	<b>STS criteria</b>
	43. (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and
	<div>Verified?</div> <div>Yes</div>
	<b>PCS Comment</b>
	See Point 43, above.
44	<b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a>
	44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.
	<div>Verified?</div> <div>Yes</div>
	<b>PCS Comment</b>
	<p>See Originator STS Notification STSS43:</p> <p>"Confirmed - there are no provisions in the Transaction Documents requiring automatic liquidation of the loans following delivery of an enforcement notice."</p> <p>See Security Trust Deed, 5.3, Enforcement of Security by the Security Trustee</p> <p>Subject to Clause 6.1 (<i>Preconditions to Security Trustee acting</i>) below, at any time after all or part of the Security has become enforceable:</p> <p>5.3.1 the Security Trustee may, without notice, recover judgment in its own name and take such steps as it may be directed or requested to enforce the security created in favour of the Security Trustee by, and contained in, this Deed, provided that the Security Trustee shall be bound by Clause 16 (Priorities of Payments and Cap Collateral Account Priority of Payment) of this Deed in determining the priority in which any monies received by it shall be applied;</p> <p>5.3.2 no amount standing to the credit of the Transaction Account may be withdrawn therefrom by any Person without the prior written consent of the Security Trustee; and</p> <p>5.3.3 the Security Trustee shall hold and apply all monies received by it under this Deed in connection with the realisation of the Charged Property or enforcement of the Security in accordance with the Post-Enforcement Priority of Payments;</p> <p>See Security Trust Deed, Clause 6.1 Preconditions to Security Trustee acting</p> <p>The Security Trustee:</p> <p>6.1.1. shall not be obliged to take any proceedings, actions or steps as are contemplated by any provision of Clause 5 (Enforcement of Security); or</p> <p>unless it has been directed by the Note Trustee and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all Liabilities (together with any VAT) to which it may render itself liable or which it may incur by so doing.</p> <p>See also Prospectus, OVERVIEW OF THE RIGHTS OF NOTEHOLDERS, "Convening a meeting following an Event of Default":</p> <p>"If an Event of Default occurs and is continuing, the holders of the Most Senior Class may, by request in writing signed by holders of at least 25% of the Principal Amount Outstanding of the Most Senior Class or by an Extraordinary Resolution, direct the Note Trustee to direct the Security Trustee to give an Enforcement Notice to the Issuer pursuant to which the Notes of each class shall become immediately due and repayable at their respective Principal Amount Outstanding together with any accrued (and unpaid) interest, subject to each of the Note Trustee and the Security Trustee being indemnified and/or secured and/or prefunded to its satisfaction."</p> <p><b>PCS has reviewed the relevant triggers, as partially outlined above, and concluded that no provision allows for automatic liquidation.</b></p>

45	Legislative text – Article 21 - Requirements relating to standardisation		<a href="#">GO TO TABLE OF CONTENTS</a>
	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		<a href="#">SEE RELATED EBA GUIDELINES</a>
	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		
Not applicable for this transaction since the priority of payments is sequential.			

46	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<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>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, KEY STRUCTURAL FEATURES, REVOLVING PERIOD, AND AMORTISATION PERIOD.</p> <p>"The Revolving Period is the period commencing on the Closing Date and ending on the start of the Amortisation Period or the delivery of an Enforcement Notice, the triggers for which are described below.</p> <p>"Amortisation Period" shall mean the period commencing on the occurrence of the earlier of (i) the Specified Revolving Period End Date; and (ii) the occurrence of an Early Amortisation Event and ending on the earlier of (a) the delivery of an Enforcement Notice and (b) the date on which there are no amounts outstanding in respect of the Notes.</p> <p>Specified Revolving Period End Date means the Payment Date falling in May 2024 or such other date agreed to in writing by the Servicer and the Note Trustee and notified to the Issuer</p>		

47	STS criteria	<a href="#">SEE RELATED EBA GUIDELINES</a>
	47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;	
	Verified?	Yes
	PCS Comment	
	<p>See definition of "<b>Early Amortisation Event</b>" means the occurrence of any of the following events:</p> <p>(g) the occurrence of a Portfolio Performance Trigger Event;</p> <p>(i) a failure to maintain the Cash Reserve Fund at the Cash Reserve Required Amount on any Payment Date;</p> <p>A "<b>Portfolio Performance Trigger Event</b>" shall occur where any of (i) the Dynamic Delinquency Trigger; and/or (ii) the Cumulative Net Loss Triggers tests are failed.</p>	
48	STS criteria	<a href="#">SEE RELATED EBA GUIDELINES</a>
	48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;	
	Verified?	Yes
	PCS Comment	
	<p>See definition of "<b>Early Amortisation Event</b>" means the occurrence of any of the following events:</p> <p>(a) <i>Insolvency</i>: the occurrence of an Insolvency Event in relation to the Transferor or the Servicer, or in relation to the Cash Manager in circumstances where the Cash Manager, is Pepper Assets Services, S.L.U.;</p> <p>(b) <i>Failure to pay: Issuer</i>: the failure by the Issuer to make payment when due (which shall take into account any applicable grace period) in accordance with the Security Trust Deed and Cash Management Agreement;</p> <p>(c) <i>Failure to pay: Transferor</i>: the failure by the Transferor to make a payment when due in accordance with the Receivables Sale Agreement and such failure is not remedied within 3 Business Days after a written notice to or discovery of such failure by an officer of the Transferor;</p> <p>(f) the occurrence of a Servicer Default, or the occurrence of a Cash Manager Default and a replacement or back-up cash manager has not been appointed in accordance with the Transaction Documents;</p> <p>"Servicer" means Pepper Assets Services, S.L.U. in its capacity as servicer pursuant to the Servicing Agreement or such other person as may from time to time be appointed as replacement servicer of the Transferred Receivables pursuant to the Servicing Agreement.</p> <p>"Servicer Default" has the meaning specified in clause 7 (<i>Servicer Defaults</i>) of the Servicing Agreement.</p>	
49	STS criteria	<a href="#">SEE RELATED EBA GUIDELINES</a>
	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 definition of " <b>Early Amortisation Event</b> " means the occurrence of any of the following events:	

	(k) on any Payment Date, a debit balance remains outstanding on any of the Principal Deficiency Ledgers following the relevant payments and/or provisions required to be made by the Issuer on such date in accordance with the Interest Priority of Payments and such debit balance is not cured on the next successive Payment Date.	
50	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	50. (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	(j) the aggregate Principal Balance of all Eligible Receivables is less than € 174,500,000;	
	(l) on any Payment Date, a debit balance remains outstanding on any of the Principal Deficiency Ledgers following the relevant payments and/or provisions required to be made by the Issuer on such date in accordance with the Interest Priority of Payments and such debit balance is not cured on the next successive Payment Date.	
51	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.7. The transaction documentation shall clearly specify: (a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers; (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 (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	51. The transaction documentation shall clearly specify: (a) the contractual obligations, duties and responsibilities of the servicer and the trustee, if any, and other ancillary service providers;	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	Servicer/Cash Manager: Servicing Agreement and Back-up Servicing Agreement – see also description in prospectus under SERVICING AND CASH MANAGEMENT. Note Trustee: Trust Deed Security Trustee: Security Trust Deed and Cash Management Agreement Account Bank: Account Bank Agreement Principal Paying Agent, Registrar and Agent Bank: Agency Agreement Cap Counterparty: Cap Agreement, Cap Confirmation, ISDA schedule, CSA Corporate Services Provider: Corporate Services Agreement	

52	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	52. (b) the processes and responsibilities necessary to ensure that a default by or an insolvency of the servicer does not result in a termination of servicing, such as a contractual provision which enables the replacement of the servicer in such cases; and	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>Replacement of Servicer:</p> <p><b>See <i>Non-Rating Triggers Table</i></b> for list of "Servicer Defaults" (a) to (g) or "Cash Manager Defaults" (a) to (f).</p> <p>"The Servicer shall continue to perform all of its servicing functions under the Servicing Agreement until, in circumstances where a Back-Up Servicer is not then in place, a Successor Servicer has been appointed.</p> <p>The Servicer will agree to use all reasonable efforts and cooperate with the Issuer and such Successor Servicer in effecting the termination of the responsibilities and rights of the Servicer to conduct servicing.</p>	
53	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	53. (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p><b>Replacement of Account Bank Provider:</b> see Provision 9 in Account Bank Agreement.</p> <p>9.1. Termination by the Issuer</p> <p>(B) if any rating of the Account Bank falls below the Required Rating; or</p> <p>(D) if proceedings are initiated against the Account Bank under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the Account Bank is solvent) [...].</p> <p>(E) if a default is made by the Account Bank in the payment, on the due date, of any payment due and payable by it under this Agreement and such default continues unremedied for a period of five Business Days after the earlier of the Account Bank becoming aware of such default and receipt by the Account Bank of written notice from the Issuer</p> <p>(F) if a material default is made by the Account Bank in the performance or observance of any of its other covenants and obligations under this Agreement</p> <p>provided that such termination shall not be effective:</p> <p>(1) until the Issuer transfers (at its own cost) the balances of the relevant Issuer Accounts to accounts held with another bank or financial institution (which is a Qualified Institution) (a "Replacement Account Bank") on substantially similar terms to those set out in this Agreement</p> <p><b>The Account Bank Termination is not effective until the balances have been transferred. For the Replacement of Cap Counterparty:</b> see Prospectus, Accounts and Cash Management, Interest Rate Cap Transaction"</p> <p>The occurrence of certain termination events and events of default contained in the Cap Transaction may cause the termination of the Cap Agreement prior to its stated termination date. Such events include:</p> <p>(a) the principal due in respect of the Notes is declared to be due and payable in full in accordance with the terms of the Trust Deed as a result of an Event of Default;</p> <p>(b) redemption of the Rated Notes pursuant to Condition 9.3 (Optional Redemption in whole: Call Option Date), Condition 9.4 (Optional Redemption in whole: Clean Up Call) or Condition 9.5 (Optional Redemption in whole for taxation reasons);</p>	



<p>(c) amendment of any Transaction Document without the prior written consent of the Cap Counterparty if such amendment affects the amount, timing or priority of any payments due from such Cap Counterparty to the Issuer or from the Issuer to such Cap Counterparty;</p> <p>(d) failure by the Cap Counterparty to take certain remedial measures required under the Cap Agreement following a Cap Counterparty Rating Event;</p> <p>(e) if at any time the Reference Rate in respect of any Class of Notes is different to the EUR Floating Rate Option (as defined in the Cap Confirmation); and</p> <p>(f) if on each date it enters into a Transaction or any time thereafter for as long as a Transaction remains outstanding, the Issuer is not classified as an NFC- for the purposes of EMIR; and</p> <p>(g) if any amendment, modification or waiver is made to the underlying securitisation transaction or any Transaction Party (other than the Cap Counterparty) takes any action or inaction that would, in the opinion of the Cap Counterparty result in it being in breach of the requirements of EU Securitisation Regulation; and</p> <p>(h) if either (i) the Issuer fails to issue the Notes, enter into all related Transaction Documents substantially in the form of the latest drafts provided to the Cap Counterparty or deliver the documents required to be delivered on the Closing Date to the Cap Counterparty pursuant to Part 3 (Agreement to Deliver Documents) of the Schedule, on the Closing Date, or (ii) the Issuer provides written notice to the Cap Counterparty that the Notes will not be issued on or before the Closing Date.</p> <p>Upon the occurrence of any event of default or termination event specified in the Cap Agreement, the non-defaulting party (in case of an event of default) or the person(s) specified in the Cap Agreement as having such right (in case of a termination event) may, after a period of time set forth in the Cap Agreement, elect to terminate the Cap Agreement. If the Cap Agreement is terminated due to an event of default or a termination event, a termination payment may be due by one party to the other.</p> <p><b>See also KEY STRUCTURAL FEATURES - "Replacement of the Cap Agreement - Replacement upon early termination"</b></p> <p>"In the event that the Cap Agreement is terminated prior to its scheduled termination date, and prior to the service of an Enforcement Notice or the redemption in full of all outstanding Notes, the Issuer shall use its reasonable efforts to enter into a replacement Cap Agreement."</p>
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54	Legislative text – Article 21 - Requirements relating to standardisation	<a href="#">GO TO TABLE OF CONTENTS</a>
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		<a href="#">SEE RELATED EBA GUIDELINES</a>
54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised		
Verified?		Yes
PCS Comment		
<p>See Prospectus, THE SERVICER/CASH MANAGER, whole section, second paragraph:</p> <p>Pepper Asset Services, S.L.U. is a private limited liability company (Sociedad Limitada) incorporated in Spain and registered with the Mercantile Registry of Madrid Tome 30.580, Sheet 138, Section 8th, Page M-550.413. It has Spanish tax number B86615945 and its registered office is at C/ Juan Esplandiú 13 C1, Madrid (28007), Spain.</p> <p>Pepper Asset Services, S.L.U. was incorporated in last quarter of December 2012 and acquired servicing platform of the then existing non-bank specialist lender Celeris Servicios Financieros, S.A. E.F.C. in February 2013. Pepper Asset Services is the servicing company of Red Hot Australia Holdco's group companies in Spain and head company of the group in Spain. It operates out of its offices where approximately 320 employees are dedicated to loan origination and servicing for Pepper Finance.</p> <p>Pepper Asset Services, S.L.U. has more than 5 years' experience in the servicing of receivables similar to those in the Securitised Portfolio.</p> <p><b>Pepper Asset Services acquired the Servicing platform in February 2013 and started servicing third party assets before starting its own origination and servicing thereof through Pepper Finance Spain, founded as a branch of Pepper Asset Services in March 2014. Pepper is neither prudentially regulated, nor does it have a Servicer Rating in Spain.</b></p>		

	<b>PCS has taken comfort in the fact that the individuals responsible for the origination and underwriting and Servicing have more than five years of experience at Pepper or in predecessor companies, and the underwriting and origination is set up in a very similar way to a prudentially regulated institution.</b>	
55	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See prospectus, SERVICING AND CASH MANAGEMENT, whole section. See Servicing Agreement, also 3.5. Separateness Covenants of Servicer.</p> <p>See also Prospectus, ORIGINATION AND SERVICING PROCESS, see also BACK-UP SERVICER AND DELEGATE,</p> <p><b>Link Financial Outsourcing</b> is part of the Link Financial Group, a trusted provider of outsourced loan management, standby and servicing solutions. The Group has been working with European financial institutions since 1998, managing more than 2.5 million individual and business accounts across seven European countries. In the UK, Link Financial Outsourcing services a wide range of credit lines including credit cards, consumer loans, mortgages, student loans, auto finance, utility receivables and equipment lease agreements. The company is recognised by the market as being best in class, Standard and Poor's rates it as "Strong" in the Special Servicing division and "Above Average" in the Primary Servicing division.</p> <p><i>The EBA Guidelines specify that this criterion should be considered to have the requisite elements of the criterion if it is a prudentially regulated financial institution.</i></p> <p><b>PCS conducted a detailed due diligence of "Pepper Spain" regarding the Experience in Origination, Underwriting and Servicing in 2019 and PCS has reviewed the updated due diligence information in 2022. Pepper Finance (Spain) is the financial branch of Pepper Assets Services, S.L.U. ("Pepper Asset Services") (the Servicer) and the Seller (the Transferor). Pepper has also made available to PCS risk, collection and operational policies for both types of loans which seems to cover all aspects of origination and servicing as any regulated entity would have. Pepper Finance in Spain was incorporated in March 2014, more than five years ago.</b></p>	
56	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.9. The transaction documentation shall set out in clear and consistent terms definitions, remedies and actions relating to delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	56. The transaction documentation shall set out in clear and consistent terms definitions	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	See Prospectus, ORIGINATION AND SERVICING PROCESS and SERVICING AND CASH MANAGEMENT	

57	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
57. The transaction documentation shall set out in clear and consistent terms, remedies and actions relating to delinquency and default of debtors debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See Prospectus, ORIGINATION AND SERVICING PROCESS		
See SERVICING AND CASH MANAGEMENT		
The Servicer will agree in the Servicing Agreement to service the Receivables in accordance with its customary and usual servicing procedures for servicing receivables comparable to such Receivables and in accordance with the Guidelines. The Servicer shall at all times administer the Receivables and the Related Rights in accordance with the Guidelines, which 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.		
See also RISKS RELATED TO ECONOMIC ENVIRONMENT, Risk arising from the Spanish economic situation, COVID-19 and related potential circumstances		
<b>PCS has read the description of the Servicing Process, in particular the in-depth description of the payment holidays and restructurings in the context of COVID-19 (private and public moratoria) although the Initial Portfolio will not include any receivables with any Covid-19 Moratoria and as of 2022, the public moratoria have elapsed.</b>		

58	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
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.		
<b>STS criteria</b>		
58. The transaction documentation shall clearly specify the priorities of payment,		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See Prospectus, CASHFLOWS AND CASH MANAGEMENT, subsections:		
<ul style="list-style-type: none"><li>• Priorities of Payments:</li><li>• Interest Priority of Payments</li><li>• Revolving Period Principal Priority of Payments</li><li>• Amortisation Period Principal Priority of Payments (formatting mistake)</li><li>• Application following the Service of an Enforcement Notice (<i>Post-Enforcement Priority of Payments</i>)</li></ul>		
Clause 16 ( <i>Priorities of Payments and Cap Collateral Account Priority of Payments</i> ) in the Security Trust Deed and Cash Management Agreement.		
<b>PCS has reviewed the relevant documents to satisfy itself that these criteria are met.</b>		

59	<b>STS criteria</b>		
	59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.		
	<table border="1"> <tr> <td data-bbox="208 312 1153 344"><b>Verified?</b></td><td data-bbox="1153 312 2114 344"><b>Yes</b></td></tr> </table>	<b>Verified?</b>	<b>Yes</b>
<b>Verified?</b>	<b>Yes</b>		
	<b>PCS Comment</b>		
	<p><b><i>The transaction features a revolving period, sequential priority of payments, with deficiency ledgers, and includes triggers relating to the performance reverting to post enforcement priorities of payment.</i></b></p> <p>See KEY STRUCTURAL FEATURES, Early Amortisation Event (a) to (k).</p> <p>See 13.1 Events of Default (a) to (g)</p> <p>13.2 Delivery of Enforcement Notice: Subject to Condition 13.3 (Conditions to delivery of Enforcement Notice), if an Event of Default occurs and is continuing, the Security Trustee may, at its discretion, and shall if directed by the Note Trustee:</p> <p>(a) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or</p> <p>(b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes, deliver an Enforcement Notice to the Issuer.</p> <p>deliver an Enforcement Notice to the Issuer.</p> <p><b><i>PCS notes that both “Events” described above are clearly documented and defined.</i></b></p>		
60	<b>STS criteria</b>		
	60. The transaction documentation shall clearly specify the obligation to report such events.		
	<table border="1"> <tr> <td data-bbox="208 863 1153 895"><b>Verified?</b></td><td data-bbox="1153 863 2114 895"><b>Yes</b></td></tr> </table>	<b>Verified?</b>	<b>Yes</b>
<b>Verified?</b>	<b>Yes</b>		
	<b>PCS Comment</b>		
	<p><b><i>See Prospectus</i></b>, “CASHFLOWS AND CASH MANAGEMENT, Disclosure of modifications to the priorities of payments”.</p> <p>“Any events which trigger changes in the Priorities of Payments and any change in the Priorities of Payments which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the EU Securitisation Regulation. Such disclosure shall be made by means of a securitisation repository (as defined in the EU Securitisation Regulation) or such other method as the Transferor deems appropriate from time to time.</p> <p>As at the date of this Prospectus, it is intended that such information will be made available via the website of the European DataWarehouse GmbH at <a href="https://editor.eurodw.eu/">https://editor.eurodw.eu/</a>.</p> <p><b><i>PCS has reviewed the relevant documents to satisfy itself that these criteria are met.</i></b></p>		
61	<b>STS criteria</b>		
	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 1254 1153 1286"><b>Verified?</b></td><td data-bbox="1153 1254 2114 1286"><b>Yes</b></td></tr> </table>	<b>Verified?</b>	<b>Yes</b>
<b>Verified?</b>	<b>Yes</b>		
	<b>PCS Comment</b>		
	<p><b><i>See Prospectus</i></b>, “CASHFLOWS AND CASH MANAGEMENT, Disclosure of modifications to the priorities of payments”.</p>		

<p>"Any events which trigger changes in the Priorities of Payments and any change in the Priorities of Payments which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the EU Securitisation Regulation. Such disclosure shall be made by means of a securitisation repository (as defined in the EU Securitisation Regulation) or such other method as the Transferor deems appropriate from time to time. As at the date of this Prospectus, it is intended that such information will be made available via the website of the European Data Warehouse"</p> <p><i>This a future event:</i></p> <p><i>This criterion requires notification to investors of events occurring in the future. Therefore, this criterion is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</i></p> <p><i>However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement.</i></p> <p><b>PCS has reviewed the prospectus and found an appropriate covenant for this reporting obligation.</b></p>
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62	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	62. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	Although the wording of the Regulation as to what constitutes the "facilitation of timely resolution of conflicts" is very vague, the EBA Guidelines have helpfully set out the five minimum requirements that the documents should contain to meet this criterion.	
	See Prospectus, TERMS AND CONDITIONS OF THE NOTES, section 16	
	See also TRUST DEED, SCHEDULE 4, PROVISIONS FOR MEETINGS OF NOTEHOLDERS	
	(a) the method for calling meetings; as for method: covered in 16.1, 16.2 (Extraordinary Resolution) and 16.3 (meeting upon request of the noteholders)	
	(b) the maximum timeframe for setting up a meeting: covered in 5.1 and 10.1 TRUST DEED	
	(c) the required quorum: covered in 7 and 8 TRUST DEED	
	(d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision: extraordinary: covered in 16.4 PROSPECTUS and 7.,8.,9 in TRUST DEED	
	(e) where applicable, a location for the meetings which should be in the EU: : covered in 16.1 PROSPECTUS	

63	Legislative text – Article 21 - Requirements relating to standardisation		<a href="#">GO TO TABLE OF CONTENTS</a>
	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		<a href="#">SEE RELATED EBA GUIDELINES</a>
	63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
	Verified?		Yes
	PCS Comment		
	See Criterion 62 above, the sections in the Trust Deed and Prospectus clearly identify the fiduciary duties to the investors.		

64	Legislative text – Article 22 - Requirements relating to transparency		GO TO TABLE OF CONTENTS
	22.1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period no shorter than five years.		
	STS criteria		SEE RELATED EBA GUIDELINES
	64. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised,		
	Verified?	Yes	
	PCS Comment		
	See Prospectus, HISTORICAL DEFAULT AND LOSS PERFORMANCE		
The tables and graphs in this section relate to the historical default and loss performance of Point of Sale Loans and PIL Loans originated by the Transferor and have been prepared by the Transferor.			
See Prospectus, LISTING AND GENERAL INFORMATION			
(p) The Transferor has made available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to the Receivables, and the sources of those data and the basis for claiming similarity in accordance with Article 22(1) of the EU Securitisation Regulation. Such data covers a period of at least five years and has been made available via the website of the European DataWarehouse GmbH. This website and the contents thereof do not form part of this Prospectus			
PCS has reviewed the historical data. Cumulative static defaults based on monthly and quarterly vintages, dating back to July 2015 were provided on the PIL loan, dating back to January 2015 for the POS loan as well, both sets of data extending to 2021, q2 or q3. Also, for both the POS (point of sale) and PIL loans, dynamic delinquencies based on current outstandings up to seven unpaid instalments until February 2022 and cumulative static recoveries (based on default volumes) are made available until 2021, all of the statistics split by the two products PIL and POS.			

65	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	65. and the sources of those data and the basis for claiming similarity, to potential investors before pricing.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b> See Prospectus, HISTORICAL DEFAULT AND LOSS PERFORMANCE The tables and graphs in this section relate to the historical default and loss performance of Point of Sale Loans and PIL Loans originated by the Transferor and have been prepared by the Transferor.	
66	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	66. Those data shall cover a period no shorter than five years.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b> <i>See item 64 above.</i>	
67	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	22.2. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party, including verification that the data disclosed in respect of the underlying exposures is accurate.	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	67. A sample of the underlying exposures shall be subject to external verification prior to issuance of the securities resulting from the securitisation by an appropriate and independent party,	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b> VERIFICATION The Transferor has caused a sample of the Receivables (including the data disclosed in respect of those Receivables) to be externally verified by an appropriate and independent third party. An agreed upon procedures review on a representative sample of loans selected from an initial pool of receivables as at 30 September 2021 was conducted by a third-party and completed on or about 30 April 2022. The independent third party has also performed agreed upon procedures to verify that the stratification tables disclosed under this section "Statistical Information on the Provisional Securitised Portfolio" in respect of the Receivables is accurate and to check certain criteria to confirm eligibility of all Receivables in the Provisional Portfolio. The Transferor has reviewed the reports of the third party and is of the opinion that there were no significant adverse findings in those reports. The third party undertaking the review has reported the factual findings to the parties to the engagement letter. The third party undertaking the review only accepts a duty of care to the parties to the engagement letters governing the performance of the agreed upon procedures and to the fullest extent permitted by law shall have no responsibility to anyone else in respect of the work it has performed or the reports it has produced save where terms are expressly agreed.	

<p><b>PCS has been provided with the AUP report. The Eligibility Criteria Check was done on the provisional pool as of 1 March. 2022. The loan to file audit itself was conducted on a pool dated September 2021, it had been started in December of 2021 and with the transaction being delayed for market reasons is more than 6 months old at issue date. The majority of the assets (more than 70%) have, according to the originator not changed. The audit result was in accordance with the Regulation.</b></p>		
68	<p><b>STS criteria</b></p> <p>68. Including verification that the data disclosed in respect of the underlying exposures is accurate.</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See item 67, above.</p>	<p><a href="#">SEE RELATED EBA GUIDELINES</a></p>
69	<p><b>Legislative text – Article 22 - Requirements relating to transparency</b></p> <p>22.3. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE, and shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.</p> <p><b>STS criteria</b></p> <p>69. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE.</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See Prospectus, LISTING AND GENERAL INFORMATION</p> <p>(u) The Transferor will make available a liability cashflow model, either directly or indirectly through one or more entities which provide such liability cashflow models to investors generally (being, as at the date of this Prospectus, Intex), which precisely represents the contractual relationship between the loans and the payments flowing between the Transferor, investors in the Notes, other third parties and the Issuer (i) prior to pricing of the Notes to potential investors and (ii) on an on-going basis to investors in the and to potential investors in the Notes upon request. As at the date of this Prospectus, it is intended that such information will be made available via the website of the European DataWarehouse GmbH. This website and the contents thereof do not form part of this Prospectus.</p> <p><b>PCS has been provided with evidence of the model, implemented in INTEX.</b></p>	<p><a href="#">GO TO TABLE OF CONTENTS</a></p> <p><a href="#">SEE RELATED EBA GUIDELINES</a></p>
70	<p><b>STS criteria</b></p> <p>70. And shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See item 69, above.</p>	<p><a href="#">SEE RELATED EBA GUIDELINES</a></p>



71	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>22.4. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1). By way of derogation from the first subparagraph, originators may, from 1 June 2021, decide to publish the available information related to the principal adverse impacts of the assets financed by underlying exposures on sustainability factors</p> <p>22.6 By 10 July 2021, the ESAs shall develop, through the Joint Committee of the European Supervisory Authorities, draft regulatory technical standards in accordance with Articles 10 to 14 of Regulations (EU) No 1093/2010, (EU) No 1094/2010 and (EU) No 1095/2010 on the content, methodologies and presentation of information referred to in the second subparagraph of paragraph 4 of this Article, in respect of the sustainability indicators in relation to adverse impacts on the climate and other environmental, social and governance-related adverse impacts.</p>	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<p>71. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p><i>Not applicable for consumer loans.</i></p>	

72	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>	
	<b>STS criteria</b>	
	<p>72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, "CERTAIN REGULATORY DISCLOSURES – EU Securitisation Regulation, <i>Transparency Requirements</i>".</p> <p>For the purposes of Article 7(2) of the EU Securitisation Regulation, the Transferor, as "originator" for the purposes of the EU Securitisation Regulation, has been designated as the entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation. In addition, for purposes of Article 22 of the EU Securitisation Regulation, the Transferor, as "originator" for the purposes of the EU Securitisation Regulation, is the entity responsible for compliance with Article 7 of the EU Securitisation Regulation.</p>	

73	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>	
	<b>STS criteria</b>	
	<p>73. The information required by point (a) the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request.</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, LISTING AND GENERAL INFORMATION</p> <p>(q) Upon request, the Transferor will also make available certain loan-by-loan data to investors prior to pricing of the Notes. Such data will be made available via the website of the European DataWarehouse GmbH at <a href="https://editor.eurodw.eu/">https://editor.eurodw.eu/</a>. This website and the contents thereof do not form part of this Prospectus</p>	
74	<b>STS criteria</b>	
	<p>74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, "LISTING AND GENERAL INFOMRATION"</p> <p>(s) Reporting under the EU Securitisation Regulation</p> <p>(ii) The Transferor:</p> <p>(B) has made available, or procured that there has been made available, the STS Notification required to be made available pursuant to Article 7(1)(d) of the EU Securitisation Regulation prior to the pricing of the Notes (at least in draft form) and will make available, or procure that there is made available, that STS Notification in final form at the latest 15 days after the Closing Date; and</p> <p>(C) has made available, or procured that there has been made available, the documents required to be made available pursuant to Article 7(1)(b) of the EU Securitisation Regulation (including the Transaction Documents, this Prospectus and any supplements thereto) prior to the pricing of the Notes (at least in draft form) and will make available, or procure that there is made available, those documents in final form at the latest 15 days after the Closing Date (other than the Back-Up Servicer Collection Account Pledge Agreement, which will be made available in final form as soon as practicable following execution thereof), in each case by publication on the website of European DataWarehouse GmbH, or any other replacement or additional website from time to time that is a "securitisation repository" for the purposes of the EU Securitisation Regulation.</p>	

75	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.	
	<b>STS criteria</b>	
	75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See item 74, above.	

76	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	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;	
	<b>STS criteria</b>	
	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,	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See Prospectus, LISTING AND GENERAL INFORMATION  (s) Reporting under the EU Securitisation Regulation  (i) The Transferor, as "originator" for the purposes of the EU Securitisation Regulation, will make available, or procure that there is made available, certain loan-by-loan information and investor reports in relation to the Securitised Portfolio and the Transaction in accordance with Articles 7(1)(a) and 7(1)(e) of the EU Securitisation Regulation simultaneously (which shall be by the Servicer's provision of the Monthly Servicer and Cash Manager Report) on the website of European DataWarehouse GmbH, being a "securitisation repository" registered under Article 10 of the EU Securitisation Regulation, at <a href="https://editor.eurodw.eu/">https://editor.eurodw.eu/</a> . For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.  (iii) The Transferor will make the information referred to in paragraphs (i) and (ii) above available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes, in each case, subject to, to the extent required by, and in accordance with, Article 7(1) of the EU Securitisation Regulation and any Regulatory Direction.	

77	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<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"> <li>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</li> <li>(ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</li> <li>(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;</li> <li>(iv) the servicing, back-up servicing, administration and cash management agreements;</li> <li>(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;</li> <li>(vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;</li> </ul>	
	<b>STS criteria</b>	
	<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> <p>(i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p><i>See item 74, above.</i></p>	
78	<b>STS criteria</b>	
	<p>78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p><i>See item 74, above.</i></p>	
79	<b>STS criteria</b>	
	<p>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;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p><i>See item 74, above.</i></p>	

80	<b>STS criteria</b>
	80. (iv) the servicing, back-up servicing, administration and cash management agreements;
	<b>Verified?</b> Yes
	<b>PCS Comment</b> <i>See item 74, above.</i>
81	<b>STS criteria</b>
	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;
	<b>Verified?</b> Yes
	<b>PCS Comment</b> <i>See item 74, above.</i>
82	<b>STS criteria</b>
	82. (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements;
	<b>Verified?</b> Yes
	<b>PCS Comment</b> <i>See item 74, above.</i>
83	<b>Legislative text – Article 22 - Requirements relating to transparency</b> <a href="#">GO TO TABLE OF CONTENTS</a>
	7.1. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;
	<b>STS criteria</b>
	83. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;
	<b>Verified?</b> Yes
	<b>PCS Comment</b> See Prospectus, CASHFLOWS AND CASH MANAGEMENT. The “Priorities of Payment” are also listed in the Trust Deed.

84	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<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"> <li>(i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure;</li> <li>(ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</li> <li>(iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;</li> <li>(iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position;</li> </ul>	
	<b>STS criteria</b>	
	<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>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<i>Not applicable</i>	
	<b>STS criteria</b>	
	<p>85. (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<i>Not applicable</i>	
	<b>STS criteria</b>	
	<p>86. (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<i>Not applicable</i>	

87	<b>STS criteria</b>	
	87. (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position;	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	Not applicable	

88	Legislative text – Article 22 - Requirements relating to transparency		<a href="#">GO TO TABLE OF CONTENTS</a>
	7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (d) in the case of STS securitisations, the STS notification referred to in Article 27;		
	STS criteria		
	88. (d) in the case of STS securitisations, the STS notification referred to in Article 27;		
	Verified?	Yes	
	PCS Comment		
	See Prospectus, “LISTING AND GENERAL INFORMATION” (v). (w) STS Requirements “The Transferor, as originator, has submitted an STS notification to ESMA, in accordance with Article 27 of the EU Securitisation Regulation, that the STS criteria have been satisfied with respect to the Transaction. It is expected that the STS Notification will be available on the website of ESMA at <a href="https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-and-standardised-sts-securitisation">https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-and-standardised-sts-securitisation</a> .”		

89	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<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"> <li>(i) all materially relevant data on the credit quality and performance of underlying exposures;</li> <li>(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;</li> <li>(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.</li> </ul>	
	<b>STS criteria</b>	
	<p>89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>(s) Reporting under the EU Securitisation Regulation</p> <p>(i) The Transferor, as "originator" for the purposes of the EU Securitisation Regulation, will make available, or procure that there is made available, certain loan-by-loan information and investor reports in relation to the Securitised Portfolio and the Transaction in accordance with Articles 7(1)(a) and 7(1)(e) of the EU Securitisation Regulation simultaneously (which shall be by the Servicer's provision of the Monthly Servicer and Cash Manager Report) on the website of European DataWarehouse GmbH, being a "securitisation repository" registered under Article 10 of the EU Securitisation Regulation, at <a href="https://editor.eurowd.eu/">https://editor.eurowd.eu/</a>. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.</p> <p>(iii) The Transferor will make the information referred to in paragraphs (i) and (ii) above available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes, in each case, subject to, to the extent required by, and in accordance with, Article 7(1) of the EU Securitisation Regulation and any Regulatory Direction.</p>	
90	<b>STS criteria</b>	
	<p>90. (i) all materially relevant data on the credit quality and performance of underlying exposures;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>LISTING AND GENERAL INFORMATION</p> <p>(r) The Monthly Servicer and Cash Manager Reports produced by the Servicer on behalf of the Issuer will contain information as set out in the Servicing Agreement including, but not limited to information in respect of the Receivables, a confirmation of the Transferor's retained material net economic interest in the securitisation as required by the EU Risk Retention Requirements and the UK Risk Retention Requirements, details relating to any repurchases of Receivables by the Transferor pursuant to the Receivables Sale Agreement and details with respect to the rates of interest, Note principal and interest payments and other payments by the Issuer.</p>	



91	<b>STS criteria</b>
	91. (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties,
	<b>Verified?</b> Yes
	<b>PCS Comment</b>  See item 90, above.
92	<b>STS criteria</b>
	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;
	<b>Verified?</b> Yes
	<b>PCS Comment</b>  See item 90, above.  See also Prospectus, LISTING AND GENERAL INFORMATION  (u) The Transferor will make available a liability cashflow model, either directly or indirectly through one or more entities which provide such liability cashflow models to investors generally (being, as at the date of this Prospectus, Intex), which precisely represents the contractual relationship between the loans and the payments flowing between the Transferor, investors in the Notes, other third parties and the Issuer (i) prior to pricing of the Notes to potential investors and (ii) on an on-going basis to investors in the and to potential investors in the Notes upon request. As at the date of this Prospectus, it is intended that such information will be made available via the website of the European DataWarehouse GmbH. This website and the contents thereof do not form part of this Prospectus.
93	<b>STS criteria</b>
	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.
	<b>Verified?</b> Yes
	<b>PCS Comment</b>  See item 90, above.

94	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p>	
	<b>STS criteria</b>	
	<p>94. (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, LISTING AND GENERAL INFORMATION</p> <p>(s) Reporting under the EU Securitisation Regulation</p> <p>(ii) The Transferor:</p> <p>(A) will make available, or procure that there is made available, any information required to be made available pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the EU Securitisation Regulation without delay;</p>	

95	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<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> <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> <p>(ii) a change in the structural features that can materially impact the performance of the securitisation;</p> <p>(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> <p>(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;</p> <p>(v) any material amendment to transaction documents.</p>	
	<b>STS criteria</b>	
	<p>95. (g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See item 94, above.</p>	

96	<b>STS criteria</b>
	96. (ii) a change in the structural features that can materially impact the performance of the securitisation;
	<div>Verified?</div> <div>Yes</div>
	<div>PCS Comment</div> <div>See item 94, above.</div>
97	<b>STS criteria</b>
	97. (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;
	<div>Verified?</div> <div>Yes</div>
	<div>PCS Comment</div> <div>See item 94, above.</div>
98	<b>STS criteria</b>
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions;
	<div>Verified?</div> <div>Yes</div>
	<div>PCS Comment</div> <div>See item 94, above.</div>
99	<b>STS criteria</b>
	99. (v) any material amendment to transaction documents.
	<div>Verified?</div> <div>Yes</div>
	<div>PCS Comment</div> <div>See item 94, above.</div>

100	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<b>STS criteria</b>		
100. The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one month after the due date for the payment of interest [...ABCP provisions]		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See item 76, above.		

101	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<b>STS criteria</b>		
101. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay 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. 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. 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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
See item 94, above.		

102	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Or</p> <p>The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC.</p> <p>Or</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> <li>(a) includes a well-functioning data quality control system;</li> <li>(b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website;</li> <li>(c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;</li> <li>(d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and</li> <li>(e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation.</li> </ul>	
	<b>STS criteria</b>	
	<p>102. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, "CERTAIN REGULATORY DISCLOSURES – EU Securitisation Regulation, <i>Transparency Requirements</i>".</p> <p>For the purposes of Article 7(2) of the EU Securitisation Regulation, the Transferor, as "originator" for the purposes of the EU Securitisation Regulation, has been designated as the entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation. In addition, for purposes of Article 22 of the EU Securitisation Regulation, the Transferor, as "originator" for the purposes of the EU Securitisation Regulation, is the entity responsible for compliance with Article 7 of the EU Securitisation Regulation.</p> <p>As to the information to be made available to prospective investors by the Transferor, reference is made to the information set out herein and forming part of this Prospectus and to any other information provided separately (which information shall not form part of this Prospectus) and, after the Closing Date, to the Monthly Servicer and Cash Manager Reports provided to the Noteholders pursuant to the Servicing Agreement, which will be made available on the website of European DataWarehouse GmbH, being a "securitisation repository" registered under Article 10 of the EU Securitisation Regulation, at <a href="https://editor.eurodw.eu/">https://editor.eurodw.eu/</a>. The website of European DataWarehouse GmbH and the contents thereof do not form part of this Prospectus.</p> <p><i>PCS notes that the information is provided on the website of European DataWarehouse GmbH, being a "securitisation repository" registered under Article 10 of the EU Securitisation Regulation, at <a href="https://editor.eurodw.eu/">https://editor.eurodw.eu/</a> as disclosed in the Prospectus.</i></p>	

103	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<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>	
	<b>STS criteria</b>	
	<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>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, "CERTAIN REGULATORY DISCLOSURES – EU Securitisation Regulation, <i>Transparency Requirements</i>".</p>	
	<p>For the purposes of Article 7(2) of the EU Securitisation Regulation, the Transferor, as "originator" for the purposes of the EU Securitisation Regulation, has been designated as the entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of Article 7(1) of the EU Securitisation Regulation. In addition, for purposes of Article 22 of the EU Securitisation Regulation, the Transferor, as "originator" for the purposes of the EU Securitisation Regulation, is the entity responsible for compliance with Article 7 of the EU Securitisation Regulation.</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,	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
2	<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>	
	<p><b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b></p> <p><b>True sale, assignment or transfer with the same legal effect</b></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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b></p> <p><b>True sale, assignment or transfer with the same legal effect</b></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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>	
	18. Whereas, pursuant to Article 20(2), contractual terms and conditions attached to the transfer of title that expose investors to a high risk that the securitised assets will be reclaimed in the event of the seller's insolvency should not be permissible in STS securitisations, such prohibition should not include the statutory provisions granting the right to a liquidator or a court to invalidate the transfer of title with the aim of preventing or combating fraud, as referred to in Article 20(3).	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>	
	<b><i>True sale, assignment or transfer with the same legal effect</i></b>	
	10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:	
	(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;	
	(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;	
	(c) assessment of clawback risks and re-characterisation risks.	
	11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.	
	12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.	

3	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>	
	<b>True sale, assignment or transfer with the same legal effect</b>	
	<p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p>	
	<p>(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;</p>	
	<p>(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;</p>	
	<p>(c) assessment of clawback risks and re-characterisation risks.</p>	
	<p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p>	
	<p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>	
4	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>	
	<p>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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b>	
	<b>Severe deterioration in the seller credit quality standing</b>	
	<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>	
	<b>Insolvency of the seller</b>	
	<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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	21. The objective of the criterion in Article 20(6), which requires the seller to provide the representations and warranties confirming to the seller's best knowledge that the transferred exposures are neither encumbered nor otherwise in a condition that could potentially adversely affect the enforceability of the transfer of title, is to ensure that the underlying exposures are not only beyond the reach not only of the seller but equally of its creditors, and to allocate the commercial risk of the encumbrance of the underlying exposures to the seller.	
	<b>EBA Final non-ABCP STS Guidelines</b>	

6	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b>	
	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.	
	<b>EBA Final non-ABCP STS Guidelines</b>	

<b>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b>		
<b>Clear eligibility criteria</b>		
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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.2 Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b></p> <p><b>Active portfolio management</b></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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Eligibility criteria for the underlying exposures, active portfolio management (Article 20(7))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	

10,	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
11	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b></p> <p><b><i>Contractually binding and enforceable obligations</i></b></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,	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
13	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b></p> <p><b><i>Exposures with periodic payment streams</i></b></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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b> 29. The objective of the criterion specified in the third subparagraph is that the underlying exposures do not include transferable securities, as they may add to the complexity of the transaction and of the risk and due diligence analysis to be carried out by the investor.	
	<b>EBA Final non-ABCP STS Guidelines</b>	

15	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>No resecuritisation (Article 20(9))</b> 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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Underwriting standards (Article 20(10))</b> 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.	
	<b>EBA Final non-ABCP STS Guidelines</b>	



17	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Underwriting standards (Article 20(10))</b>	
	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;	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.4 Underwriting standards, originator’s expertise (Article 20(10))</b>	
	<b><i>No less stringent underwriting standards</i></b>	
	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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Underwriting standards (Article 20(10))</b>	
	<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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.4 Underwriting standards, originator's expertise (Article 20(10))</b>	
	<b><i>Disclosure of material changes from prior underwriting standards</i></b>	
	<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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Underwriting standards (Article 20(10))</b>	
	34. The objective of the criterion specified in the second subparagraph of Article 20(10) is to prohibit the securitisation of self-certified mortgages for STS purposes, given the moral hazard that is inherent in granting such types of loans.	
	37 (d) the scope of the criterion with respect to the specific types of residential loans as referred to in the second subparagraph of Article 20(10) and to the nature of the information that should be captured by this criterion;	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.4 Underwriting standards, originator's expertise (Article 20(10))</b>	
	<b>Residential loans</b>	
	29. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the pool of underlying exposures should not include residential loans that were both marketed and underwritten on the premise that the loan applicant or intermediaries were made aware that the information provided might not be verified by the lender.	
	30. Residential loans that were underwritten but were not marketed on the premise that the loan applicant or intermediaries were made aware that the information provided might not be verified by the lender, or become aware after the loan was underwritten, are not captured by this requirement.	
	31. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the 'information' provided should be considered to be only relevant information. The relevance of the information should be based on whether the information is a relevant underwriting metric, such as information considered relevant for assessing the creditworthiness of a borrower, for assessing access to collateral and for reducing the risk of fraud.	
	32. Relevant information for general non-income-generating residential mortgages should normally be considered to constitute income, and relevant information for income-generating residential mortgages should normally be considered to constitute rental income. Information that is not useful as an underwriting metric, such as mobile phone numbers, should not be considered relevant information.	

20	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Underwriting standards (Article 20(10))</b>	
	35. The objective of the criterion specified in the third subparagraph of Article 20(10) is to ensure that the assessment of the borrower's creditworthiness is based on robust processes. It is expected that the application of this article will be limited in practice, given that the STS is limited to originators based in the EU, and the criterion is understood to cover only exposures originated by the EU originators to borrowers in non-EU countries.	
	37. (e) clarification of the criterion with respect to the assessment of a borrower's creditworthiness based on equivalent requirements in third countries;	
	<b>EBA Final non-ABCP STS Guidelines</b>	

21	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Underwriting standards (Article 20(10))</b></p> <p>36. The objective of the criterion specified in the fourth subparagraph of Article 20(10) is for the originator or original lender to have an established performance history of credit claims or receivables similar to those being securitised, and for an appropriately long period of time.</p> <p>37. (f) identification of criteria on which the expertise of the originator or the original lender should be determined:</p> <p>(i) when assessing if the originator or the original lender has the required expertise, some general principles should be set out against which the expertise should be assessed. The general principles have been designed to allow a robust qualitative assessment of the expertise. One of these principles is the regulatory authorisation: this is to allow for more flexibility in such qualitative assessments of the expertise if the originator or the original lender is a prudentially regulated institution which holds regulatory authorisations or permissions that are relevant with respect to origination of similar exposures. The regulatory authorisation in itself should, however, not be a guarantee that the originator or original lender has the required expertise;</p> <p>(ii) irrespective of such general principles, specific criteria should be developed, based on specifying a minimum period for an entity to perform the business of originating similar exposures, compliance with which would enable the entity to be considered to have a sufficient expertise. Such expertise should be assessed at the group level, so that possible restructuring at the entity level would not automatically lead to non-compliance with the expertise criterion. It is not the intention of such specific criteria to form an impediment to the entry of new participants to the market. Such entities should also be eligible for compliance with the expertise criterion, as long as their management body and senior staff with managerial responsibility for origination of similar exposures, have sufficient experience over a minimum specified period.</p> <p>38. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.4 Underwriting standards, originator's expertise (Article 20(10))</b></p> <p><b>Similar exposures</b></p> <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> <ul style="list-style-type: none"> <li>(i) residential loans secured with one or several mortgages on residential immovable property, or residential loans fully guaranteed by an eligible protection provider among those referred to in Article 20(1) of Regulation (EU) No 575/2013 qualifying for credit quality step 2 or above as set out in Part Three, Title II, Chapter 2 of that regulation;</li> <li>(ii) commercial loans secured with one or several mortgages on commercial immovable property or other commercial premises;</li> <li>(iii) credit facilities provided to individuals for personal, family or household consumption purposes;</li> <li>(iv) auto loans and leases;</li> <li>(v) credit card receivables;</li> <li>(vi) trade receivables;</li> </ul> <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><b>Criteria for determining the expertise of the originator or original lender</b></p> <p>34. For the purposes of determining whether an originator or original lender has expertise in originating exposures of a similar nature to those securitised in accordance with Article 20(10) of Regulation (EU) 2017/2402, both of the following should apply:</p>	

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

23	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b></p> <p>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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b></p> <p><b>Exposures in default</b></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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>	
	<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	<p>39. The objective of the criterion in Article 20(11) is to ensure that STS securitisations are not characterised by underlying exposures whose credit risk has already been affected by certain negative events such as disputes with credit-impaired debtors or guarantors, debt-restructuring processes or default events as identified by the EU prudential regulation. Risk analysis and due diligence assessments by investors become more complex whenever the securitisation includes exposures subject to certain ongoing negative credit risk developments. For the same reasons, STS securitisations should not include underlying exposures to credit-impaired debtors or guarantors that have an adverse credit history. In addition, significant risk of default normally rises as rating grades or other scores are assigned that indicate highly speculative credit quality and high likelihood of default, i.e. the possibility that the debtor or guarantor is not able to meet its obligations becomes a real possibility. Such exposures to credit-impaired debtors or guarantors should therefore also not be eligible for STS purposes.</p>	
	<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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	<b>Exposures to a credit-impaired debtor or guarantor</b>	
	<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>	
	<b>To the best of the originator’s or original lender’s knowledge</b>	
	<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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	<p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(d) Interpretation of the criterion with respect to the debtors and guarantors found on the credit registry: it is important to interpret this requirement in a narrow sense to ensure that the existence of a debtor or guarantor on the credit registry of persons with adverse credit history should not automatically exclude the exposure to that debtor/guarantor from compliance with this criterion. It is understood that this criterion should relate only to debtors and guarantors that are, at the time of origination of the exposure, considered entities with adverse credit history. Existence on a credit registry at the time of origination of the exposure for reasons that can be reasonably ignored for the purposes of the credit risk assessment (for example due to missed payments which have been resolved in the next two payment periods) should not be captured by this requirement. Therefore, this criterion should not automatically exclude from the STS framework exposures to all entities that are on the credit registries, 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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b></p> <p><b><i>Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process</i></b></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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:	
	(d) Interpretation of the criterion with respect to the debtors and guarantors found on the credit registry: it is important to interpret this requirement in a narrow sense to ensure that the existence of a debtor or guarantor on the credit registry of persons with adverse credit history should not automatically exclude the exposure to that debtor/guarantor from compliance with this criterion. It is understood that this criterion should relate only to debtors and guarantors that are, at the time of origination of the exposure, considered entities with adverse credit history. Existence on a credit registry at the time of origination of the exposure for reasons that can be reasonably ignored for the purposes of the credit risk assessment (for example due to missed payments which have been resolved in the next two payment periods) should not be captured by this requirement. Therefore, this criterion should not automatically exclude from the STS framework exposures to all entities that are on the credit registries, taking into account that this would unintentionally exclude a significant number of entities given that different practices exist across EU jurisdictions with respect to entry requirements of such credit registries, and the fact that credit registries in some jurisdictions may contain both positive and negative information about the clients;	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	<b><i>Credit registry</i></b>	
	43. The requirement referred to in Article 20(11)(b) of Regulation (EU) 2017/2402 should be limited to exposures to debtors or guarantors to which both of the following requirements apply at the time of origination of the underlying exposure:	
	(a) the debtor or guarantor is explicitly flagged in a credit registry as an entity with adverse credit history due to negative status or negative information stored in the credit registry;	
	(b) the debtor or guarantor is on the credit registry for reasons that are relevant to the purposes of the credit risk assessment.	

30	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>	
	<b>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	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.	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>	
	<b>Risk of contractually agreed payments not being made being significantly higher than for comparable exposures</b>	
	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	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>	
	<b>At least one payment made (Article 20(12))</b>	
	41. STS securitisations should minimise the extent to which investors are required to analyse and assess fraud and operational risk. At least one payment should therefore be made by each underlying borrower at the time of transfer, since this reduces the likelihood of the loan being subject to fraud or operational issues, unless in the case of revolving securitisations in which the distribution of securitised exposures is subject to constant changes because the securitisation relates to exposures payable in a single instalment or with an initial legal maturity of an exposure of below one year.	
	42. To facilitate consistent interpretation of this criterion, its scope and the types of payments referred to therein should be further clarified.	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.6 At least one payment made (Article 20(12))</b>	
	<b>Scope of the criterion</b>	
	46. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, further advances in terms of an exposure to a certain borrower should not be deemed to trigger a new 'at least one payment' requirement with respect to such an exposure.	
	<b>At least one payment</b>	
	47. For the purposes of Article 20(12) of Regulation (EU) 2017/2402, the payment referred to in the requirement according to which 'at least one payment' should have been made at the time of transfer should be a rental, principal or interest payment or any other kind of payment.	

32	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>	
	<b>No predominant dependence on the sale of assets (Article 20(13))</b>	
	<p>43. Dependence of the repayment of the holders of the securitisation positions on the sale of assets securing the underlying exposures increases the liquidity risks, market risks and maturity transformation risks to which the securitisation is exposed. It also makes the credit risk of the securitisation more difficult for investors to model and assess.</p>	
	<p>44. The objective of this criterion is to ensure that the repayment of the principal balance of exposures at the contract maturity – and therefore repayment of the holders of the securitisation positions – is not intended to be predominantly reliant on the sale of assets securing the underlying exposures, unless the value of the assets is guaranteed or fully mitigated by a repurchase obligation.</p>	
	<p>45. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p>	
	<p>(a) the term 'predominant dependence' on the sale of assets securing the underlying exposures should be further interpreted:</p>	
	<p>(i) when assessing whether the repayment of the holders of the securitisation positions is or is not predominantly dependent on the sale of assets, the following three aspects should be taken into account: (i) the principal balance at contract maturity of underlying exposures that depend on the sale of assets securing those underlying exposures to repay the balance; (ii) the distribution of maturities of such exposures across the life of the transaction, which aims to reduce the risk of correlated defaults due to idiosyncratic shocks; and (iii) the granularity of the pool of exposures, which aims to promote sufficient distribution in sale dates and other characteristics that may affect the sale of the underlying exposures.</p>	
	<p>(i) no types of securitisations should be excluded ex ante from the compliance with this criterion and from the STS securitisation as long as they meet all the requirements specified in the guidance. For example, this criterion does not aim to exclude leasing transactions and interest-only residential mortgages from STS securitisation, provided they comply with the guidance provided and all other applicable STS requirements. However, it is expected that commercial real estate transactions, or securitisations where the assets are commodities (e.g. oil, grain, gold), or bonds whose maturity dates fall after the maturity date of the securitisation, would not meet these requirements, as in all these cases it is expected that the repayment is predominantly reliant on the sale of the assets, that other possible ways to repay the securitisation positions are substantially limited, and that the granularity of the portfolio is low.</p>	
	<p>46. With respect to the exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402, it should be ensured that the entity providing the guarantee or the repurchase obligation of the assets securing the underlying exposures is not an empty-shell or defaulted entity, so that it has sufficient loss absorbency to exercise the guarantee of the repurchase of the assets.</p>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>4.7 No Predominant dependence on the sale of assets</b>	
	<b>Predominant dependence on the sale of assets</b>	
	<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>	
	<b>Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402</b>	
	<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	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b>	
	<b>Risk retention (Article 21(1))</b>	
	47. The main objective of the risk retention criterion is to ensure an alignment between the originators'/sponsors'/original lenders' and investors' interests, and to avoid application of the originate-to-distribute model in securitisation.	
	48. The content of the criterion is deemed sufficiently clear that no further guidance in addition to that provided by the Delegated Regulation further specifying the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/2402 is considered necessary.	
	<b>EBA Final non-ABCP STS Guidelines</b>	

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

	53. Where the mitigation of interest-rate and currency risks referred to in Article 21(2) of Regulation (EU) 2017/2402 is carried out not through derivatives but by other risk-mitigating measures, those measures should be designed to be sufficiently robust. When such risk-mitigating measures are used to mitigate multiple risks at the same time, the disclosure required by Article 21(2) of Regulation (EU) 2017/2402 should include an explanation of how the measures hedge the interest-rate risks and currency risks on one hand, and other risks on the other hand.
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35	<p><b>Article 21 - Requirements relating to standardisation</b></p> <p><b>EBA Final non-ABCP STS Guidelines – statements on background and rationale</b></p> <p><b>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></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><b>EBA Final non-ABCP STS Guidelines</b></p> <p><b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></p> <p><b>Appropriate mitigation of interest-rate and currency risks</b></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>	<a href="#">BACK TO CHECKLIST</a>
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36	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></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,	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
38	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></p> <p><b>Derivatives</b></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	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b></p> <p><b>Common standards in international finance</b></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	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Referenced interest payments (Article 21(3))</b>	
	<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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>5.2 Referenced interest payments (Article 21(3))</b>	
	<b>Referenced rates</b>	
	<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>	
	<b>Complex formulae or derivatives</b>	
	<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	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</b></p> <p><b><i>Exceptional circumstances</i></b></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><b><i>Amount trapped in the SSPE in the best interests of investors</i></b></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	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</b>	
	55. The objective of this criterion is to prevent investors from being subjected to unexpected repayment profiles and to provide appropriate legal comfort regarding their enforceability, for instances where an enforcement or an acceleration notice has been delivered.	
	56. STS securitisations should be such that the required investor's risk analysis and due diligence do not have to factor in complex structures of the payment priority that are difficult to model, nor should the investor be exposed to complex changes in such structures throughout the life of the transaction. Therefore, it should be ensured that junior noteholders do not have inappropriate payment preference over senior noteholders that are due and payable.	
	57. In addition, taking into account that market risk on the underlying collateral constitutes an element of complexity in the risk and due diligence analysis to be carried out by investors, the objective is also to ensure that the performance of STS securitisations does not rely, due to contractual triggers, on the automatic liquidation at market price of the underlying collateral.	
	58. To facilitate consistent interpretation of this criterion, the scope and operational functioning of conditions specified under letters (a), (b) and (d) of Article 21(4) should be specified further.	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</b>	
	<b>Repayment</b>	
	63. The requirements in Article 21(4)(b) of Regulation (EU) 2017/2402 should be understood as covering only the repayment of the principal, without covering the repayment of interest.	
	64. For the purposes of Article 21(4)(b) of Regulation (EU) 2017/2402, non-sequential payments of principal in a situation where an enforcement or an acceleration notice has been delivered should be prohibited. Where there is no enforcement or acceleration event, principal receipts could be allowed for replenishment purposes pursuant to Article 20(12) of that Regulation.	

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

45	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Non-sequential priority of payments (Article 21(5))</b>	
	<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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>5.4 Non-sequential priority of payments (Article 21(5))</b>	
	<b>Performance-related triggers</b>	
	<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	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b> 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. 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.	
	<b>EBA Final non-ABCP STS Guidelines</b> <b>5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b> <b><i>Insolvency-related event with regard to the servicer</i></b> 67. For the purposes of Article 21(6)(b) of Regulation (EU) 2017/2402, an insolvency-related event with respect to the servicer should lead to both of the following: (a) it should enable the replacement of the servicer in order to ensure continuation of the servicing; (b) it should trigger the termination of the revolving period.	

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

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

55	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Expertise of the Servicer (Article 21(8))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>Expertise of the Servicer (Article 21(8))</b></p> <p><b><i>Well-documented and adequate policies, procedures and risk management controls</i></b></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,	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
57	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<b>Remedies and actions related to delinquency and default of debtor (Article 21(9))</b>	
	68. Investors should be in a position to know, when they receive the transaction documentation, what procedures and remedies are planned in the event that adverse credit events affect the underlying exposures of the securitisation. Transparency of remedies and procedures, in this respect, allows investors to model the credit risk of the underlying exposures with less uncertainty. In addition, clear, timely and transparent information on the characteristics of the waterfall determining the payment priorities is necessary for the investor to correctly price the securitisation position.	
	69. To facilitate consistent interpretation of this criterion, the terms ‘in clear and consistent terms’ and ‘clearly specify’ should be further clarified.	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<b>5.7 Remedies and actions related to delinquency and default of debtor (Article 21(9))</b>	
	<b><i>Clear and consistent terms</i></b>	
	For the purposes of Article 21(9) of Regulation (EU) 2017/2402, to ‘set out clear and consistent terms’ and to ‘clearly specify’ should be understood as requiring that the same precise terms are used throughout the transaction documentation in order to facilitate the work of investors.	

62,	Article 21 - Requirements relating to standardisation	<a href="#">BACK TO CHECKLIST</a>
63	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
Resolution of conflicts between different classes of investors		
70. The objective of this criterion is to help ensure clarity for securitisation noteholders of their rights and ability to control and enforce on the underlying credit claims or receivables. This should make the decision-making process more effective, for instance in circumstances where enforcement rights on the underlying assets are being exercised.		
71. To facilitate consistent interpretation of this criterion, the term ‘clear provisions that facilitate the timely resolution of conflicts between different classes of investors’ should be further interpreted.		
EBA Final non-ABCP STS Guidelines		
5.8 Resolution of conflicts between different classes of investors (Article 20(10))		
Clear provisions facilitating the timely resolution of conflicts between different classes of investors		
73. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, provisions of the transaction documentation that ‘facilitate the timely resolution of conflicts between different classes of investors’, should include provisions with respect to all of the following:		
(a) the method for calling meetings or arranging conference calls;		
(b) the maximum timeframe for setting up a meeting or conference call;		
(c) the required quorum;		
(d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision;		
(e) where applicable, a location for the meetings which should be in the Union.		
74. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, where mandatory statutory provisions exist in the applicable jurisdiction that set out how conflicts between investors have to be resolved, the transaction documentation may refer to these provisions.		



64,	<b>Article 22 - Requirements relating to transparency</b>	<a href="#">BACK TO CHECKLIST</a>
65,	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
66	<p><b>Data on historical default and loss performance (Article 22(1))</b></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>	
	<b>EBA Final non-ABCP STS Guidelines</b>	
	<p><b>6.1 Data on historical default and loss performance (Article 22(1))</b></p> <p><b>Data</b></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><b>Substantially similar exposures</b></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,	<b>Article 22 - Requirements relating to transparency</b>	<a href="#">BACK TO CHECKLIST</a>
68	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
	<p><b>Verification of a sample of the underlying exposures (Article 22(2))</b></p> <p>74. The objective of the criterion is to provide a level of assurance that the data on and reporting of the underlying credit claims or receivables is accurate and that the underlying exposures meet the eligibility criteria, by ensuring checks on the data to be disclosed to the investors by an external entity not affected by a potential conflict of interest within the transaction.</p> <p>75. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> <li>(a) requirements on the sample of the underlying exposures subject to external verification;</li> <li>(b) requirements on the party executing the verification;</li> <li>(c) scope of the verification;</li> <li>(d) requirement on the confirmation of the verification.</li> </ul>	
	<p><b>EBA Final non-ABCP STS Guidelines</b></p> <p><b>6.2 Verification of a sample of the underlying exposures (Article 22(2))</b></p> <p><b><i>Sample of the underlying exposures subject to external verification</i></b></p> <p>78. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, the underlying exposures that should be subject to verification prior to the issuance should be a representative sample of the provisional portfolio from which the securitised pool is extracted and which is in a reasonably final form before issuance.</p> <p><b><i>Party executing the verification</i></b></p> <p>79. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, an appropriate and independent party should be deemed to be a party that meets both of the following conditions:</p> <ul style="list-style-type: none"> <li>(a) it has the experience and capability to carry out the verification;</li> <li>(b) it is none of the following: <ul style="list-style-type: none"> <li>(i) a credit rating agency;</li> <li>(ii) a third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402;</li> <li>(iii) an entity affiliated to the originator.</li> </ul> </li> </ul> <p><b><i>Scope of the verification</i></b></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"> <li>(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;</li> <li>(b) verification of the fact that the data disclosed to investors in any formal offering document in respect of the underlying exposures is accurate.</li> </ul> <p><b><i>Confirmation of the verification</i></b></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	<b>Article 22 - Requirements relating to transparency</b>		<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
	<b>Liability cashflow model (Article 22(3))</b> 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.		
	<b>EBA Final non-ABCP STS Guidelines</b>		
	<b>Liability cash flow model (Article 22(3))</b> <b>Precise representation of the contractual relationship</b> 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. <b>Third parties</b> 83. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, where the liability cash flow model is developed by third parties, the originator or sponsor should remain responsible for making the information available to potential investors.		
71	<b>Article 22 - Requirements relating to transparency</b>		<a href="#">BACK TO CHECKLIST</a>
	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
	<b>Environmental performance of assets (Article 22(4))</b> 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.		
	<b>EBA Final non-ABCP STS Guidelines</b>		
	<b>Environmental performance of assets (Article 22(4))</b> <b>Available information related to the environmental performance</b> 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.		