

# **STS Term Master Checklist**

## **ELVET MORTGAGES 2021-1 PLC**



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

15<sup>th</sup> October 2021



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

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

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

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

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

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

**15<sup>th</sup> October 2021**

## STS Disclaimer

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

PCS UK is authorised by the UK Financial Conduct Authority as a third party verifying STS compliance pursuant to article 28 of the Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 (the "STS Regulation") and The Securitisation (Amendment) (EU Exit) Regulations 2019.

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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	Robert Leach
Date of Verification	15 October 2021
<b>The transaction to be verified (the “Transaction”)</b>	<b>ELVET MORTGAGES 2021-1 PLC</b>
Issuer	ELVET MORTGAGES 2021-1 PLC
Originator	Atom Bank Plc
Lead Manager(s)	Citigroup Global Markets Limited, BNP Paribas
Transaction Legal Counsel	Allen & Overy LLP
Rating Agencies	Fitch, DBRS
Stock Exchange	Euronext Dublin (Irish Stock Exchange)
Target Closing Date	15 October 2021

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

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

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

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

Article	Summary of article contents	Checklist Points	
<b>Article 20 – Simplicity</b>			
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/quarantors, portion of restructured debtors, adverse credit history, higher pool risk</a>	22 - 30	✓
20(12)	<a href="#">At least one payment made</a>	31	✓
20(13)	<a href="#">No predominant dependence on the sale of asset</a>	32	✓
<b>Article 21 – Standardisation</b>			
21(1)	<a href="#">Risk retention</a>	33	✓
21(2)	<a href="#">Appropriate mitigation of interest-rate and currency risks 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	✓
<b>Articles 22 and 7 – Transparency</b>			
22(1)	<a href="#">Historical asset data</a>	64 - 66	✓
22(2)	<a href="#">AUP/asset verification</a>	67, 68	✓
22(3)	<a href="#">Liability cashflow model</a>	69, 70	✓
22(4)	<a href="#">Environmental performance of asset</a>	71	✓
22(5)	<a href="#">Responsibility for article 7, 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>
<p>20.1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>1. The title to the underlying exposures shall be acquired by the SSPE by means of a true sale or assignment or transfer with the same legal effect in a manner that is enforceable against the seller or any other third party.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, RISK FACTORS.</p> <p><b>RISKS RELATED TO THE MORTGAGES</b></p> <p>Seller to retain Legal title to the Loans and risks relating to set-off</p> <p>The sale by the Seller to the Issuer of the English Loans, the Northern Irish Loans and their Related Security (until legal title is conveyed) takes effect in equity only. The sale by the Seller to the Issuer of the Scottish Loans and their Related Security is given effect by a Scots law governed declaration of trust by the Seller for the benefit of the Issuer (the "Scottish Declaration of Trust"). The holding of a beneficial interest under a Scottish trust has (broadly) equivalent legal consequences in Scotland to the holding of an equitable interest in England, Wales and Northern Ireland. In each case this means that legal title to the Loans and their Related Security in the Portfolio will remain with the Seller until certain perfection trigger events occur under the terms of the Mortgage Sale Agreement (see Summary of the Key Transaction Documents – Mortgage Sale Agreement, below). The Issuer has not applied, and prior to the occurrence of a Perfection Event (i) will not apply to the Land Registry of England and Wales (the "Land Registry") to register or record its equitable interest in the English Mortgages, (ii) will not apply to the Land Registry of Northern Ireland and/or the Registry of Deeds in Belfast (the "Registers of Northern Ireland") to register or record its equitable interest in the Northern Irish Mortgages and (iii) will not (and it is not competent to) apply to the General Register of Sasines or Land Register of Scotland (as appropriate) (together the "Registers of Scotland") to register or record its beneficial interest in the Scottish Mortgages pursuant to the Scottish Declaration of Trust.</p> <p>See Prospectus, TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING.</p> <p>Sale of Portfolio:</p> <p>The sale by the Seller to the Issuer of each English Loan and each Northern Irish Loan and its Related Security in the Portfolio will be given effect by an equitable assignment.</p> <p>The sale by the Seller to the Issuer of each Scottish Loan and its Related Security in the Portfolio will be given effect by a Scottish Declaration of Trust by the Seller in favour of the Issuer granted on the Closing Date.</p> <p>The terms "sale", "sell" and "sold" when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest and such equitable assignment and the beneficial interest created under and pursuant to the Scottish Declaration of Trust, as applicable. The terms "repurchase" and "repurchased" when used in this Prospectus in connection with a Loan and its Related Security shall be construed to include (A) the repurchase of the equitable interest of the Issuer in respect of such Loan and its Related Security (to the extent that it is an English Loan or a Northern Irish Loan) and the repurchase of the beneficial interest in respect of such Loan and its Related Security (to the extent that it is a Scottish Loan) under the Scottish Declaration of Trust and release of such Loan and its Related Security from the Scottish Declaration of Trust and (B) the purchase by the Seller of such Loan and its Related Security from the Issuer pursuant to the terms of the Mortgage Sale Agreement.</p> <p>Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Loans and their Related Security comprising the Portfolio will not be given to the relevant individual or individuals specified as borrowers in respect of a Loan or the individual or individuals from time to time assuming an obligation to repay (under a guarantee or otherwise) such Loan or any part of it (collectively, the "Borrowers" and each a "Borrower") and the Issuer will not apply to the Land Registry, the Registers of Northern Ireland or the Registers of Scotland to register or record its equitable or beneficial interest in the English Mortgages or the Northern Irish Mortgages, or take any steps to complete or perfect its title to the Scottish Mortgages. Prior to the occurrence of a Perfection Event, the legal title to each Loan and its Related Security in the Portfolio will be held by the Seller on bare trust for the Issuer (including, in respect of a Scottish Loan, under the trust declared and created by the Scottish Declaration of Trust). Following a Perfection Event and notice of the transfer of the Loans and their Related Security to the Issuer being sent to the relevant Borrowers, legal title to the Loans and their Related Security (subject to appropriate registration or recording at the Land Registry, the Registers of Northern Ireland or the Registers of Scotland (as appropriate)) will pass to the Issuer.</p>		

	<p><i>"True sale" is not a legal concept but a rating agency creation.</i></p> <p><i>The essence of a "true sale" is that the property in the securitised assets has legally moved from the originator/seller to the SSPE in such a way that the SSPE's ownership will be recognised as a matter of law, including and especially in the case of the insolvency of the originator/seller. In a "true sale" the insolvency officer and creditors of the insolvent originator/seller are not able to satisfy the claims of the originator/seller's creditor out of the proceeds of the securitised assets. Following a "true sale" there is no legal device by which the assets can automatically revert to the originator/seller's ownership. Such automatic reversion is associated with security interests and anathema to a "true sale".</i></p> <p><i>This is clearly stated in the wording of the Regulation (20.1). The expression "transfer to the same effect" indicates that, as long as the conditions in the preceding paragraph are met, the Regulation does not seek to limit the type of legal devices which can be used to effect such transfer of title.</i></p> <p><i>The issue of "true sale" is separate from the issue of "clawback". "Clawback" refers to legal processes through which, in the insolvency of the seller of an asset, an insolvency officer is entitled to reverse the sale – even in cases where a "true sale" has taken place.</i></p> <p><i>All European jurisdictions, to PCS' knowledge, have rules allowing for clawbacks. Clawbacks are usually rules to avoid a company heading towards insolvency from "defrauding" its existing creditors either by selling assets at very low prices (to friends and relations) or unfairly preferring certain creditors over others.</i></p> <p><i>The Regulation (20.1) therefore does not require STS "true sales" to be clawback proof since this would mean that no European securitisation could ever be STS. It does require the sale not to be subject to "severe clawback". The Regulation does not define "severe clawback" but gives an example (20.2) where a clawback happens for no reasons. The Regulation (20.3) also explicitly excludes from the definition of "severe clawback" the traditional European basis for such devices which all come under the general category of "preferences".</i></p> <p><i>PCS further notes that the examples (20.2 and 20.3) refer to the insolvency law of a jurisdiction and therefore believes that clawback risk is to be assessed on a jurisdictional basis rather than on a transactional basis. Finally, PCS does not believe and nor is there any evidence that the legislators or regulatory authorities are seeking to craft a higher standard than that which has been used for decades by the market and was the basis for the legislative text.</i></p> <p><i>Based on the above considerations, PCS believes that transfers from jurisdictions meeting the following criteria – absent any other indications – shall not fall within the definition of "severe clawback":</i></p> <ul style="list-style-type: none"> <li><i>• Clawback requires an unfair preference "defrauding" creditors;</i></li> <li><i>• Clawback puts the burden of proof on the insolvency officer or creditors – in other words it cannot be automatic nor require the purchaser to prove their innocence.</i></li> </ul> <p><i>Since "severe clawback" is a jurisdictional concept, in analysing this issue PCS will therefore first seek to determine the Originator's jurisdiction for the purposes of insolvency law. This would be its centre of main interest or "COMI".</i></p> <p><i>The second step would be to determine whether the relevant COMI contains severe claw back provisions in its insolvency legislation. Although the determination of a COMI can be a technically fraught analysis of international conflicts of law, PCS notes that in the vast majority of securitisations there is no real issue as the COMI is self-evident.</i></p> <p><i>In the case of the Transaction, title to the assets is transferred by means of an equitable or beneficial assignment.</i></p> <p><i>The legal opinions from Allen &amp; Overy LLP, Tughans, and Shepherd and Wedderburn, collectively confirm that an equitable assignment and a Scottish assignment of the beneficial interest meets the definition of "true sale" outlined above.</i></p> <p><i>In the case of Atom Bank PLC, a finance company situated in the United Kingdom, the COMI is considered the United Kingdom. United Kingdom insolvency law provides for clawback in the cases of preferences and transactions at an undervalue and require the insolvency officer to prove that case. Therefore, and as confirmed by the Opinions, the transfer is not, in our opinion, subject to "severe clawback".</i></p>	
2	<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>
	<p><b>PCS Comment</b></p> <p>See underlying transaction documents: Incorporated Terms Memorandum.</p> <p>2. Centre of main interests</p>	

The Seller has its "centre of main interests", as that term is used in the EU Insolvency Regulation, the UK Insolvency Regulation and the UNCITRAL Implementing Regulations, in England. *COMI is in the UK. UK does not have severe clawback provisions. See comment under Checklist point 1.*

<b>2a</b>	<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>		
		<b>Yes</b>
<b>PCS Comment</b>		
<i>Neither provision applies as COMI is UK.</i>		

<b>2b</b>	<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>		
		<b>Yes</b>
<b>PCS Comment</b>		
<i>COMI is in the UK. UK does not have severe clawback provisions. See comment under Checklist point 1.</i>		



3	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>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.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>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.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day. For the avoidance of doubt, the Loan Warranties are given in relation to the Portfolio and not the Provisional Portfolio.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia...</p> <p>(c) Each Loan was (i) originated by the Seller as principal in the ordinary course of business pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio and (ii) originated, and is denominated, in Sterling.</p> <p>See also Prospectus, <i>TRANSACTION OVERVIEW – TRANSACTION PARTIES</i>.</p> <p>"Seller": Atom Bank Plc</p> <p><i>The Prospectus indicates that all receivables were originated by Atom Bank PLC. The Prospectus and documents also indicate that only Atom Bank Plc is selling the securitised assets to the SSPE. Therefore, the criterion about intermediate transfers is not applicable to the Transaction.</i></p>		

4	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>20.5. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to affect such perfection shall, at least include the following events:</p> <ul style="list-style-type: none"> <li>(a) severe deterioration in the seller credit quality standing;</li> <li>(b) insolvency of the seller; and</li> <li>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</li> </ul>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>4. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to effect such perfection shall, at least include the following events:</p> <ul style="list-style-type: none"> <li>(a) severe deterioration in the seller credit quality standing;</li> <li>(b) insolvency of the seller; and</li> <li>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</li> </ul>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>TRANSACTION OVERVIEW – TRIGGERS TABLES</i>.</p> <p>Non-Rating Triggers Table</p> <p>Perfection Events:</p> <p>Prior to the completion of the transfer of legal title of the Loans to the Issuer, the Issuer will be subject to certain risks as set out in the risk factor entitled Legal title to the Loans and risks relating to set-off and Set-off may adversely affect the value of the Portfolio or any part thereof in the section entitled Risk Factors. Completion of transfer of the legal title of the Loans by the Seller to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:</p> <ul style="list-style-type: none"> <li>(a) the Seller being required (i) by an order of a court of competent jurisdiction, or (ii) by a regulatory authority which has jurisdiction over the Seller, or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply, to perfect legal title to the Loans and Related Security; or</li> <li>(b) it becoming necessary by law to take any or all such actions referred to in paragraph (a) above; or</li> <li>(c) a material breach by the Seller of its obligations under the Transaction Documents (to which it is party), where such breach remains unremedied for a period of 30 days following the Seller becoming aware of such breach; or</li> <li>(d) the security created under or pursuant to the Deed of Charge or any material part of that security being, in the reasonable opinion of the Security Trustee, in jeopardy; or</li> <li>(e) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or</li> <li>(f) an Insolvency Event occurring in relation to the Seller; or</li> <li>(g) the Seller determines, as at any date, that its CET1 Ratio has fallen below 7 per cent., where "CET1 Ratio" means the ratio (expressed as a percentage) of Common Equity Tier 1 as at such date to the Risk Weighted Assets as at the same date, in each case calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, "Common Equity Tier 1" means, as at any date, the sum of all amounts that constitute common equity tier 1 capital of the Seller as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing capital requirement regulations but without taking into account any transitional, phasing-in or similar provisions and "Risk Weighted Assets" means, as at any date, the aggregate amount of the risk weighted assets of the Seller as at such date, as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the UK CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing capital requirement regulations; or</li> </ul>		

(h) it becoming unlawful in any applicable jurisdiction for the Seller to hold legal title in respect of any Loan in the Portfolio.

*Criterion 4 requires two steps:*

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

*In the absence of any definition of “an assignment perfected at a later stage” in the Regulation or the EBA Guidelines and without additional views from the UK Financial Conduct Authority it is not possible to determine with finality whether an English equitable assignment is “unperfected” within the meaning of the Regulation – as distinguished from the meaning of the English rules of equity.*

*PCS believes there are good reasons why the Regulation’s term of “an assignment perfected at a later stage” does not encompass an English equitable assignment.*

*However, this is not a question that is required to be answered in the case of the Transaction since, even if equitable assignments are unperfected assignments as defined in the Regulation, the requirements of the criterion are met by the Transaction.*

*PCS has measured the trigger events against the EBA Guidelines.*

*20.5(a)*

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

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

*20.5(b)*

*The insolvency trigger is in the Transaction*

*20.5(c)*

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

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

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

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

*The unremedied breach trigger is in the Transaction.*

5	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>5. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in Representations and Warranties) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day. For the avoidance of doubt, the Loan Warranties are given in relation to the Portfolio and not the Provisional Portfolio.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also The Loans - Insurance Contracts above:</p> <p>(h) The Loans and their Related Security are not subject, either totally or partially, to any lien, assignment, assignation, standard security, charge or pledge to any third parties or are otherwise in a condition that could be foreseen to adversely affect the enforceability of the sale to the Issuer.</p> <p>(gg) The Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold and/or assigned by the Seller to the Issuer free and clear of all Security, claims and equities (including, without limitation, rights of set off or counterclaim) subject to the Borrowers' equity of redemption and subject to registration or recording at the Land Registry, the Registers of Northern Ireland or Registers of Scotland of the Seller as legal title holder and proprietor or heritable creditor of the relevant Mortgage.</p>		

6	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....</p>		
<b>Verified?</b>		<b>Yes</b>
<p><b>PCS Comment</b></p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in Representations and Warranties) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day. For the avoidance of doubt, the Loan Warranties are given in relation to the Portfolio and not the Provisional Portfolio.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also The Loans - Insurance Contracts above:</p> <p><i>The EBA Guidelines clarify that "clear" does not mean easily readable or comprehended by a non-expert. In the Regulation a criterion is "clear" when a court or tribunal could determine whether, presumably in all cases, the criterion is met for each asset. In the Regulation, "clear" is about certainty of determination.</i></p> <p><i>PCS has read the eligibility criteria in the Prospectus. As they are mandatory, they meet the "predetermined" requirement. As they are in the Prospectus, they meet the "documented" requirement. PCS has also concluded that they allow determination in each case and so meet the "clear" requirement.</i></p>		
7	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>7. Which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management.</p>		
<b>Verified?</b>		<b>Yes</b>
<p><b>PCS Comment</b></p> <p>See Prospectus, <i>TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING</i>.</p> <p>Repurchase of the Loans and Related Security:</p> <p>Subject to the section of this Prospectus entitled Summary of the Key Transaction Documents – Mortgage Sale Agreement - Repurchase by the Seller, the Seller is liable for the repurchase of the relevant Loans and their Related Security upon a material breach of Loan Warranties (which the Seller fails to remedy within the agreed grace period, being 30 Business Days from and including the date upon which the Issuer gives notice to the Seller of such breach).</p> <p>The Seller will repurchase, in accordance with the Mortgage Sale Agreement, all Loans and their Related Security in respect of which there has been a Further Advance or Product Switch in the month following the month in which such Further Advance or Product Switch took place. The Seller will make Further Advances in accordance with the standards of a Prudent Mortgage Lender and Product Switches in accordance with the standards of a Reasonable, Prudent Residential Mortgage Servicer. Further Advances and Product Switches will be made only in the ordinary course of the Seller's mortgage origination and servicing business.</p>		

	<p>The Seller has no discretionary rights of repurchase in relation to any Loans or their Related Security and the Seller has no right or obligation to substitute or sell any of the Loans or their Related Security included in the Portfolio.</p> <p>See also Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Repurchase by the Seller</p> <p>See also underlying transaction documents: Mortgage Sale Agreement.</p> <p>9. WARRANTIES AND REPURCHASE BY THE SELLER</p> <p><i>The EBA Guidelines set out seven devices to repurchase securitised assets which are not to be considered indicative of "active portfolio management". To the extent that a transaction only contains some or all of those seven devices and does not provide any other form of repurchase, then the STS criterion will be met.</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><i>PCS has reviewed the repurchase devices set out in the Prospectus and the Mortgage Sale Agreement and each one meets the EBA guidelines.</i></p>	
8	<p><b>STS criteria</b></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> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p><i>Not applicable – not a revolving transaction. PCS notes that loans where there is a further advance or product switch are subject to a repurchase obligation.</i></p>	<p><a href="#">SEE RELATED EBA GUIDELINES</a></p>
9	<p><b>Legislative text – Article 20 - Requirements relating to simplicity</b></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></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> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>THE LOANS</i>.</p> <p>Characteristics of the Loans</p> <p>Other characteristics</p>	<p><a href="#">GO TO TABLE OF CONTENTS</a></p> <p><a href="#">SEE RELATED EBA GUIDELINES</a></p>

<p>The Loans comprised in the Portfolio as at the Cut-Off Date are homogeneous for purposes of Article 20(8) of the Securitisation Regulation, on the basis that all such Loans: (i) have been underwritten by the Seller in accordance with similar underwriting standards applying similar approaches with respect to the assessment of a potential borrower's credit risk; (ii) are repayment loans entered into substantially on the terms of similar standard documentation for residential mortgage loans; (iii) are serviced by the Servicer pursuant to the Servicing Agreement in accordance with the same servicing procedures with respect to monitoring, collections and administration of cash receivables generated from such Loans; and (iv) form one asset category, namely residential loans secured with one or several mortgages or standard securities on residential immovable property in England, Wales, Northern Ireland or Scotland.</p> <p><i>In the Transaction, the loans were underwritten on a similar basis, they are being serviced by Atom Bank PLC according to similar servicing procedures, they are a single asset class – residential mortgage loans – and, based on the EBA's suggested approach, the loans are all originated in the same jurisdiction.</i></p> <p><i>PCS also takes comfort from the fact that transactions containing pools with similar characteristics have always been considered to be "homogenous" by a wide consensus of market participants.</i></p>			
<b>10</b>	<p><b>STS criteria</b> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></p> <p>10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Verified?</b></td> <td style="text-align: center;"><b>Yes</b></td> </tr> </table> <p><b>PCS Comment</b></p> <p>See Prospectus, SUMMARY OF THE KEY TRANSACTION DOCUMENTS.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia [...]:</p> <p>(p) The Current Balance on each Loan and its Related Security constitutes a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid, binding and enforceable obligations of the Borrower and each Loan and its Related Security is non-cancellable (except that (i) the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest; (ii) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and, for the avoidance of doubt, such laws include but are not limited to, the CRA; and (iii) this representation shall not apply in respect of any early repayment charges or redemption fees).</p>	<b>Verified?</b>	<b>Yes</b>
<b>Verified?</b>	<b>Yes</b>		
<b>11</b>	<p><b>STS criteria</b> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></p> <p>11. With full recourse to debtors and, where applicable, guarantors.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"><b>Verified?</b></td> <td style="text-align: center;"><b>Yes</b></td> </tr> </table> <p><b>PCS Comment</b></p> <p>See Prospectus, SUMMARY OF THE KEY TRANSACTION DOCUMENTS.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p>	<b>Verified?</b>	<b>Yes</b>
<b>Verified?</b>	<b>Yes</b>		

	The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia...: (m) The Seller has full recourse to the relevant Borrower under the relevant Loan.
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<b>12</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 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>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, <i>THE LOANS</i>.</p> <p>Characteristics of the Loans</p> <p>Repayment Terms</p> <p>Loans are typically repayable on a repayment basis, where the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid.</p> <p>The required monthly payment in respect of the Loans may alter from month to month for various reasons, including changes in interest rates.</p> <p>Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in Overpayments and Early Repayment Charges below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid expenses and any applicable repayment fee(s).</p> <p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Summary table of the Provisional Portfolio as at the Portfolio Reference Date</p> <p>Repayment Loans (%): 100%</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Representations and Warranties</p> <p>(bbb) No Loan is a help to buy loan, a buy to let loan, a right to buy loan, an interest-only loan, a Self-Certified Loan, or a Flexible Loan.</p>	



13	<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>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>THE LOANS</i>.</p> <p>Characteristics of the Loans</p> <p>Repayment Terms</p> <p>Loans are typically repayable on a repayment basis, where the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid.</p> <p>The required monthly payment in respect of the Loans may alter from month to month for various reasons, including changes in interest rates.</p> <p>See Prospectus.</p> <p>Underlying Assets</p> <p>The Issuer will make payments on the Notes, the Class VRR Notes and the Certificates from, inter alia, payments of principal and revenue received from a portfolio comprising mortgage loans and their related security originated by Atom Bank Plc ("Atom Bank" and the "Seller") and sold to the Issuer on the Closing Date. The Issuer confirms that the assets backing the issue of the Notes, the Class VRR Notes and the Certificates do not consist of securities and are not part of a re-securitisation.</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>"Related Security" means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all rights, remedies or benefits related thereto including:</p> <ul style="list-style-type: none"> <li>(a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including any deed of consent and MHA/CP Documentation) from occupiers and other persons having an interest in or rights in connection with the relevant Property;</li> <li>(b) each right of action of the Seller against any person (including any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the relevant Loan; and</li> <li>(c) the benefit of (including the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (taken out by or on behalf of the relevant Borrower) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and relevant Loan Files.</li> </ul>		

14	<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), (24) of Article 2(1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.		
<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), (24) of Article 2(1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>The Portfolio does not contain transferable securities as defined in point (44) of Article 4(1) of Directive 2014/65/EU and point (24) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA, derivative instruments or securitisation positions.</p>		

15	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
20.9. The underlying exposures shall not include any securitisation position.		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
15. The underlying exposures shall not include any securitisation position.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>The Portfolio does not contain transferable securities as defined in point (44) of Article 4(1) of Directive 2014/65/EU and point (24) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA, derivative instruments or securitisation positions.</p>		

16	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<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.		
<b>STS criteria</b>		<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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, SUMMARY OF THE KEY TRANSACTION DOCUMENTS.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "The Loans - Insurance Contracts" above:</p> <p>(c) Each Loan was (i) originated by the Seller as principal in the ordinary course of business pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio and (ii) originated, and is denominated, in Sterling.</p>		
17	<b>STS criteria</b>	<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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, SUMMARY OF THE KEY TRANSACTION DOCUMENTS.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "The Loans - Insurance Contracts" above:</p> <p>(c) Each Loan was (i) originated by the Seller as principal in the ordinary course of business pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio and (ii) originated, and is denominated, in Sterling.</p>		

18	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<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.		
<b>STS criteria</b>		<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.		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See Prospectus, <i>THE LOANS</i>.</p> <p>Lending Criteria</p> <p>Changes to the Lending Criteria</p> <p>The Seller may vary the Lending Criteria from time to time in the manner of a Prudent Mortgage Lender.</p> <p>Any such changes over time have not affected the homogeneity (as determined in accordance with Article 20(8) of the UK Securitisation Regulation) of the Loans comprising the Portfolio. Any material change to the Lending Criteria after the date of this Prospectus which would (A) affect the homogeneity (as determined in accordance with Article 20(8) of the UK Securitisation Regulation) of the Loans comprising the Portfolio, or which would (B) materially affect the overall credit risk or the expected average performance of the Portfolio will (to the extent such change affects the Loans included in the Portfolio from time to time) be disclosed (along with an explanation of the rationale for such changes being made) to investors by the Seller without undue delay.</p> <p><i>Although somewhat confusingly drafted, the EBA Guidelines make clear that the part of the criterion referring to changes from prior underwriting is a future event criterion. It applies changes in underwriting criteria that occur post-closing. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost.</i></p> <p><i>Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.</i></p>		

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>		
<p>See also <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p>		

	<p><b>Representations and Warranties</b></p> <p>On the Closing Date, the Loan Warranties (described below in Representations and Warranties) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day. For the avoidance of doubt, the Loan Warranties are given in relation to the Portfolio and not the Provisional Portfolio.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also The Loans - Insurance Contracts above:</p> <p>(tt) No Loan was marketed and underwritten on the premise that the loan applicant or, as applicable, any intermediary, was made aware that the information provided might not be verified by the Seller.</p>
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<b>20</b>	<b>Legislative text – Article 20 - Requirements relating to simplicity</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
	<p>20.10. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>	
	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<p>20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, <i>THE LOANS</i>.</p> <p>Lending Criteria</p> <p>The assessment of a borrower's creditworthiness is conducted in accordance with the lending criteria and, where appropriate, shall meet the requirements set out in Article 8 of the Consumer Credit Directive or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of the Mortgage Credit Directive.</p> <p><i>The criterion requires consumer loans or mortgages to have been underwritten in accordance with one of two European Directives. European Directives, in contrast to Regulations, do not have direct effect but must be implemented into national law country by country.</i></p> <p><i>Therefore, if the assets concerned, as in the case of the Transaction, are residential mortgages, the relevant Directive is 2014/17/EU. The next step is to determine which UK law transcribed this Directive into local law.</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><i>This was done in the UK via the MCD Order issued in March 2016.</i></p>	

<b>21</b>	<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>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>THE SELLER AND THE SERVICER</i>.</p> <p>Overview</p> <p>The Seller is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and Prudential Regulation Authority and it has regulatory authorisation and permissions which are relevant to the origination and servicing of mortgage loans similar to those comprising the Portfolio which are not sold to the Issuer. The Servicer has well-documented and adequate policies, procedures and risk-management controls in relation to the servicing of mortgage loans similar to those comprising the Portfolio which are not sold to the Issuer.</p> <p>Management Experience</p> <p>Executive Team Experience</p> <p>Senior Management Experience</p> <p><i>Members of the management body and senior staff have relevant professional experience in origination of exposures of a similar nature to those securitised, of at least five years.</i></p>		

<b>22</b>	<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>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>"Cut-Off Date" means 31 August 2021.</p> <p><i>PCS has assumed that any period of three-and-a-half months or less between pool cut date and closing will meet the requirements of the criterion. This is in line with market standards.</i></p>		

<b>23</b>	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
<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>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See also <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia [...]:</p> <p>(o) No Loan is considered by the Seller as being in default within the meaning of Article 178(1) of Regulation (EU) No.575/2013 as it forms part of domestic law by virtue of the EUWA..</p>		

<b>24</b>	<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> <p style="margin-left: 20px;">(i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and</p> <p style="margin-left: 20px;">(ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;</p> <p>(b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender; 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 25-29 below.</p>		

25	<b>STS criteria</b>	
25.(a) has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within three years prior to the date of origination.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "The Loans - Insurance Contracts" above:</p> <p>(yy) To the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestrated, entered into an individual voluntary arrangement or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a non-appealable county court judgment, Scottish court decree for payment bankruptcy order, non-appealable high court judgment, debt relief order or administration order from the Enforcements of Judgements Office, order entered or made against them within six years prior to the Closing Date, or has incurred material damages as a result of a missed payment within six years prior to the Closing Date or has undergone a debt restructuring process with regard to his/her non-performing exposures within six years prior to the Closing Date</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>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "The Loans - Insurance Contracts" above:</p> <p>(yy) To the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestrated, entered into an individual voluntary arrangement or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a non-appealable county court judgment, Scottish court decree for payment bankruptcy order, non-appealable high court judgment, debt relief order or administration order from the Enforcements of Judgements Office, order entered or made against them within six years prior to the Closing Date, or has incurred material damages as a result of a missed payment within six years prior to the Closing Date or has undergone a debt restructuring process with regard to his/her non-performing exposures within six years prior to the Closing Date</p>		



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>	<b>Yes</b>
<b>PCS Comment</b>	
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "The Loans - Insurance Contracts" above:</p> <p>(yy) To the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestrated, entered into an individual voluntary arrangement or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a non-appealable county court judgment, Scottish court decree for payment bankruptcy order, non-appealable high court judgment, debt relief order or administration order from the Enforcements of Judgements Office, order entered or made against them within six years prior to the Closing Date, or has incurred material damages as a result of a missed payment within six years prior to the Closing Date or has undergone a debt restructuring process with regard to his/her non-performing exposures within six years prior to the Closing Date</p>	
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>	<b>Yes</b>
<b>PCS Comment</b>	
<i>No restructure borrowers are included in the pool.</i>	
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>	<b>Yes</b>
<b>PCS Comment</b>	
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p>	

	<p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia [...]:</p> <p>(xx) To the best of the Seller's knowledge, (i) at the time of origination of the relevant Loan, no Borrower appeared on a register available to the Seller of persons with an adverse credit history or (ii) as at the Portfolio Reference Date, had a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made was significantly higher than for comparable exposures held by the Seller which are not included in the Portfolio.</p>
<b>30</b>	<p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <p>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.</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See point 29 above.</p>

<b>31</b>	<p><b>Legislative text – Article 20 - Requirements relating to simplicity</b> <a href="#">GO TO TABLE OF CONTENTS</a></p> <p>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.</p> <p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <p>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.</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia [...]:</p> <p>(k) Each Borrower has paid at least one Monthly Instalment.</p>
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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>
<p>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.</p>		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See Prospectus, THE LOANS.</p> <p>Characteristics of the Loans</p> <p>Repayment Terms</p> <p>Loans are typically repayable on a repayment basis, where the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid.</p> <p>The required monthly payment in respect of the Loans may alter from month to month for various reasons, including changes in interest rates.</p> <p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Summary table of the Provisional Portfolio as at the Portfolio Reference Date</p> <p>Repayment Loans (%): 100%</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Representations and Warranties</p> <p>(bbb) No Loan is a help to buy loan, a buy to let loan, a right to buy loan, an interest-only loan, a Self-Certified Loan, or a Flexible Loan.</p> <p><i>Although there was some uncertainty over the status of interest-only mortgages, this has been definitively cleared up by the EBA Guidelines specific statement that this criterion was not designed to capture these products. In particular, we note that the presence of an amortisation plan setting out payments by means of monthly instalments is clearly not compatible with a repayment predominantly dependent on the sale of the assets securing the underlying exposures.</i></p> <p><i>In this transaction all of the loans are repayment loans, therefore, none of the assets in the pool display any predominant reliance on the sale of the assets.</i></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 Prospectus <i>TRANSACTION OVERVIEW - OVERVIEW OF THE CHARACTERISTICS OF THE NOTES, CLASS VRR NOTES AND CERTIFICATES</i>.</p> <p>Risk Retention and the Class VRR Notes</p> <p>For the purposes of, among other things, satisfying the U.S. Risk Retention Rules, the UK risk retention requirements under the UK Securitisation Regulation and contractually complying with the EU risk retention requirements as at the closing date under the EU Securitisation Regulation, the Issuer will, pursuant to the Trust Deed, issue on the Closing Date the Class VRR Notes. The owner of the Class VRR Notes on the Closing Date will be Atom Bank. As at the Closing Date, the principal amount of the Class VRR Notes will be equal to £[ ], being equal to 5 per cent. of the aggregate principal amount of the Notes, and the Certificates (the initial principal amount of which is zero) multiplied by (100/95). The Class VRR Notes will entitle the Class VRR Noteholders to the VRR Proportion of the principal and interest amounts paid to Noteholders under the Notes and the VRR Proportion of any amounts payable on the Certificates.</p> <p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Risk Retention Requirements</p> <p>Atom Bank will retain, as originator (the Retention Holder), on an ongoing basis, a material net economic interest of not less than 5 per cent. in the securitisation in accordance with Article 6(1) of the UK Securitisation Regulation (the UK Retention Requirements).</p> <p>Atom Bank (as originator) will undertake to (i) the Joint Lead Managers in the Subscription Agreement and (ii) to the Issuer, the Swap Provider, the Note Trustee and the Security Trustee in the Deed of Charge that, for so long as the principal amount of any Note remains outstanding and for so long as any Certificate remains outstanding, it will:</p> <ul style="list-style-type: none"> <li>(a) acquire and retain on an ongoing basis the Retained Interest in accordance with the applicable Retention Requirements;</li> <li>(b) provide the Cash Manager with the information required by Article 7(e)(iii) of the UK Securitisation Regulation and Article 7(e)(iii) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date) in order to enable the Cash Manager to produce each Investor Report;</li> <li>(c) not sell, hedge or otherwise mitigate (and shall procure that none of its affiliates shall sell, hedge or otherwise mitigate) the credit risk under or associated with the Retained Interest except to the extent permitted under the UK Securitisation Regulation or the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as it is interpreted and applied on the Closing Date) (as applicable); and</li> <li>(d) not to change the manner or form in which it retains the Retained Interest, except to the extent permitted under the UK Securitisation Regulation or the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as it is interpreted and applied on the Closing Date) (as applicable),</li> </ul> <p>provided that Atom Bank (as originator) will not be in breach of the undertakings given above if due to events, actions or circumstances beyond Atom Bank's control, Atom Bank (as originator) is not able to comply with such undertakings.</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>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk</p> <p>The Issuer is subject to the risk of a mismatch between the rate of interest payable in respect of the Loans and the rate of interest payable in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (and the corresponding payments under the Class VRR Notes). Some of the Loans in the Portfolio pay or will pay a fixed rate of interest for an initial period of time. However, the Issuer's liabilities with respect to interest under the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are based on Compounded Daily SONIA.</p> <p>To provide a hedge against the possible variance between:</p> <p>(a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and</p> <p>(b) the rate of interest under the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes (and the corresponding payments under the Class VRR Notes) being calculated by reference to Compounded Daily SONIA,</p> <p>the Issuer will enter into a swap transaction (the "Swap Transaction") with the Swap Provider under the Swap Agreement on the Closing Date in order to mitigate this risk (see Credit Structure – Interest Rate Risk for the Notes and Class VRR Notes below).</p> <p>See also Prospectus, <i>CREDIT STRUCTURE</i>.</p> <p>8. Interest Rate Risk for the Notes and Class VRR Notes</p> <p><i>Clearly and explicitly, "appropriate" hedging does not require "perfect" hedging. This is confirmed by the EBA Guidelines which require the hedges to cover a "major share" of the risk from an "economic perspective". However, the definition of "appropriate" hedging or a "major share" of the risk will always contain an element of subjectivity and must be analysed on a case-by-case basis.</i></p> <p><i>The fact that the Regulation was crafted by the legislators to recognise existing high-quality European securitisations rather than raise the bar to a level not previously encountered, together with the common-sense approach of the EBA, leads to the conclusion that transactions considered adequately hedged by common investor and rating agency consensus should be held to meet this criterion.</i></p> <p><i>This still requires an analysis of the matter. Since PCS is not a quantitative analysis provider or a credit rating agency, our verification is based on a second-hand analysis which focuses on:</i></p> <ul style="list-style-type: none"> <li>• <i>A statement in the Prospectus or other document setting out the boundary conditions of the hedging. This should state in effect how far the hedging stretches and under what scenario's it will break. For example, if interbank rates rise above X%. This will provide a common-sense feel for whether, at first glance, the hedging is reasonable.</i></li> <li>• <i>Risk Factors section of the prospectus to check that no statements refer to the risks of "unhedged positions". This is based on the legal requirement to disclose any relevant information to investors. If the originator or its advisers believed that the hedging in a transaction was unusually light, this should be disclosed in the Risk Section.</i></li> <li>• <i>The "pre-sale" report from a recognised credit rating agency (if used) so as to identify any issues with hedging. Again, rating agencies as credit specialists should highlight in their analysis any substantial and unusual hedging risks.</i></li> </ul>		

<p><i>In the case of the Transaction, payments from the mortgage loans represent mostly fixed rate payments, while the notes are floating rate. An interest rate swap is used in the Transaction to mitigate fixed-to-floating interest rate risk, covering the period during which the underlying assets have fixed rates. Information provided in the transaction documents indicate that interest rate risk has been appropriately mitigated.</i></p>	
<b>35</b>	<p><b>STS criteria</b> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></p> <p>35. Currency risks arising from the securitisation shall be appropriately mitigated.</p> <p><b>Verified?</b> <span style="float: right;"><b>Yes</b></span></p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Registered Definitive Notes and denominations in integral multiples</p> <p>Each of the Notes and the Class VRR Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000.</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia...:</p> <p>(c) Each Loan was (i) originated by the Seller as principal in the ordinary course of business pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio and (ii) originated, and is denominated, in Sterling.</p> <p><i>See PCS comment under 34 above.</i></p> <p><i>Both notes and Loans are denominated in Sterling. In the absence of any currency mismatch, no currency hedging is therefore necessary.</i></p>
<b>36</b>	<p><b>STS criteria</b> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></p> <p>36. Any measures taken to that effect shall be disclosed.</p> <p><b>Verified?</b> <span style="float: right;"><b>Yes</b></span></p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk</p> <p>See Prospectus, <i>CREDIT STRUCTURE</i>.</p> <p>8. Interest Rate Risk for the Notes and Class VRR Notes</p> <p>Swap Agreement</p> <p><i>See PCS comment under 34 above.</i></p>

37	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>21.2. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives. Those derivatives shall be underwritten and documented according to common standards in international finance.</p>		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>5 COVENANTS</p> <p>(b) Restrictions on activities: (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage, (ii) other than the Swap Agreement (or any replacement), the Issuer will not enter into derivative contracts for the purposes of Article 21 (2) of the UK Securitisation Regulation, or (iii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;</p>		
38	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>38. ...Shall ensure that the pool of underlying exposures does not include derivatives.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>The Portfolio does not contain transferable securities as defined in point (44) of Article 4(1) of Directive 2014/65/EU and point (24) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA, derivative instruments or securitisation positions.</p> <p><i>See also the definition of "Authorised Investment", which does not allow derivatives as a form of authorised investment.</i></p>		
39	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
<p>39. Those derivatives shall be underwritten and documented according to common standards in international finance.</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>CREDIT STRUCTURE</i>.</p> <p>8. Interest Rate Risk for the Notes and Class VRR Notes</p> <p>Swap Agreement</p>		

	"ISDA Master Agreement" means the 1992 ISDA Master Agreement, as published by the International Swaps and Derivatives Association, Inc..
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<b>40</b>	<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>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus.</p> <p>Benchmarks Regulation</p> <p>Interest payable under the Notes and the Class VRR Notes is calculated by reference to Compounded Daily SONIA. As at the date of this Prospectus, the administrator of SONIA is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No 2016/1011 (the "EU Benchmarks Regulation"). The Bank of England, as administrator of SONIA, is exempt under Article 2 of the EU Benchmarks Regulation but has issued a statement of compliance with the principles for financial benchmarks issued in 2013 by the International Organisation of Securities Commissions.</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Mortgage Sale Agreement</p> <p>Representations and Warranties</p> <p>On the Closing Date, the Loan Warranties (described below in "Representations and Warranties") will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer on that day.</p> <p>The warranties that will be given to the Issuer and separately to the Security Trustee by the Seller pursuant to the Mortgage Sale Agreement (the "Loan Warranties") include, inter alia, (defined terms having the meaning given to them in the Mortgage Sale Agreement), and see also "The Loans - Insurance Contracts" above:</p> <p>(ccc) All Loans are either Fixed Rate Loans or Loans with SVRs.</p> <p>See Prospectus, <i>THE LOANS</i>.</p> <p>Characteristics of the Loans</p> <p>Interest Rate Types</p> <p>The Portfolio consists of Loans which have (after an initial specific period where a fixed rate of interest applies) a managed variable interest rate (the "Standard Variable Rate" or "SVR"). As at the Closing Date, the Seller's SVR is 3.5 per cent.</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>
<b>PCS Comment</b>		
<p>See Prospectus, <i>CASHFLOWS</i>.</p> <p>Distributions following the service of an Enforcement Notice on the Issuer and on the Refinancing Date (if any) or on the 10 Per Cent. Clean-up Call Date (if any) or on the Portfolio Call Option Completion Date (if any)</p> <p><i>Post-enforcement priority of payments indicates that no cash is trapped.</i></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>
<b>PCS Comment</b>		
<p>See Prospectus, <i>CASHFLOWS</i>.</p> <p>Distributions following the service of an Enforcement Notice on the Issuer and on the Refinancing Date (if any) or on the 10 Per Cent. Clean-up Call Date (if any) or on the Portfolio Call Option Completion Date (if any)</p> <p><i>Principal is paid sequentially under post enforcement order of priority.</i></p>		

43	<b>STS criteria</b>	
	43. (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
See Prospectus, <i>CASHFLOWS</i> . <i>The priority of payments post-enforcement maintains repayment in line with seniority.</i>		

  

44	<b>STS criteria</b>	
	44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i> . Deed of Charge Post-Enforcement Priority of Payments No provision of the Deed of Charge, or any other Transaction Document, will require the automatic liquidation of the Portfolio on or following the service of an Enforcement Notice.		

45	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	
	21.5. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.	
	<b>STS criteria</b>	
	45. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.	
<b>Verified?</b>	Yes	
<b>PCS Comment</b>		
See Prospectus, <i>CASHFLOWS</i> . <i>The first step in analysing this criterion is to determine whether the transaction features non-sequential priorities of payment.</i> <i>The Transaction does not have such non-sequential priorities.</i> <i>If the Transaction does, then does it contain appropriate triggers.</i> <i>The EBA Guidelines provide three examples of triggers that meet the requirement of “deterioration of the credit quality of the underlying exposures below a pre-determined threshold”. Where a trigger is one of the EBA example, then the criterion is met. If not, then an analysis must be conducted to determine whether the trigger does meet the definition of the Regulation.</i>		

	No non-sequential priorities of payment.
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<b>46</b>	<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>	
	<i>Not applicable – no revolving period.</i>	
<b>47</b>	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<p>47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<i>Not applicable – no revolving period.</i>	
<b>48</b>	<b>STS criteria</b>	<a href="#">SEE RELATED EBA GUIDELINES</a>
	<p>48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p>	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<i>Not applicable – no revolving period.</i>	

49	<b>STS criteria</b>	<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);		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<i>Not applicable – no revolving period.</i>		
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>		
<i>Not applicable – no revolving period.</i>		

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



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>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>Servicing Agreement</p> <p>Removal or Resignation of the Servicer</p> <p>Standby Servicing Agreement</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>See Prospectus, <i>CREDIT STRUCTURE</i>.</p> <p>8. Interest Rate Risk for the Notes and Class VRR Notes</p> <p>Swap Agreement</p> <p>General</p> <p>Upon termination of the Swap Agreement, the Servicer (on behalf of the Issuer) shall procure a replacement swap transaction, although no guarantees of such replacement can be given.</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>The Bank Account Agreement</p> <p>See also underlying transaction documents:</p> <p>Elavon Bank Account Agreement</p> <p>12. TERMINATION</p> <p>Citi Bank Account Agreement</p> <p>13. TERMINATION</p>		

54	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<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.		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, THE SELLER AND THE SERVICER.</p> <p>Overview</p> <p>The Seller is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and Prudential Regulation Authority and it has regulatory authorisation and permissions which are relevant to the origination and servicing of mortgage loans similar to those comprising the Portfolio which are not sold to the Issuer. The Servicer has well-documented and adequate policies, procedures and risk-management controls in relation to the servicing of mortgage loans similar to those comprising the Portfolio which are not sold to the Issuer.</p> <p>Management Experience</p> <p>Executive Team Experience</p> <p>Senior Management Experience</p> <p>See also Prospectus, <i>THE STANDBY SERVICER</i>.</p> <p>BGMSL is a subsidiary of Link Group, an ASX (Sydney) listed public company, and is regulated by the Financial Conduct Authority (FCA Number 306235) with permissions to, amongst other things, service commercial and residential mortgage loans in the United Kingdom on behalf of third parties. BCMGlobal Mortgage Services Limited has significantly more than 5 years' experience servicing loans similar to the Loans included in the Portfolio.</p>		
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, <i>THE SELLER AND THE SERVICER</i>.</p> <p>Overview</p> <p>The Seller is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and Prudential Regulation Authority and it has regulatory authorisation and permissions which are relevant to the origination and servicing of mortgage loans similar to those comprising the Portfolio which are not sold to the Issuer. The Servicer has well-documented and adequate policies, procedures and risk-management controls in relation to the servicing of mortgage loans similar to those comprising the Portfolio which are not sold to the Issuer.</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>		

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>		
<p>See Prospectus, <i>THE LOANS</i>.</p> <p>Servicing of the Portfolio</p> <p>Arrears and Default Procedures</p> <p>Delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, losses, charge offs, recoveries and other asset performance remedies and actions are defined in accordance with the collections and recovery policy and default and write-off policy applied by the Seller from time to time to loans and the security for their repayment which are beneficially owned solely by the Seller (the "Seller's Policy") as it applies to the Loans from time to time.</p> <p>Capitalising Arrears</p> <p>Arrears policy</p> <p>The Seller has detailed Collections and Recoveries Policy and Procedures in place to detail the approach taken to arrears management including borrower contact strategy, governance processes, actions taken at each stage of the collections lifecycle, borrower scoring and segmentation, affordability assessments, arrears treatments and forbearance solutions, litigation and repossession, management information and mandates. These policies and procedures are aligned to all required regulation including MCOB.</p> <p>Enforcement Procedures</p> <p>See also underlying transaction documents: Servicing Agreement.</p>		
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 comment 56 above.		

58	<b>Legislative text – Article 21 - Requirements relating to standardisation</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>21.9. The transaction documentation shall clearly specify the priorities of payment, events which trigger changes in such priorities of payment as well as the obligation to report such events. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.</p>		
<p><b>STS criteria</b></p>		
<p>58. The transaction documentation shall clearly specify the priorities of payment,</p>		
<p><b>Verified?</b></p>		<p><b>Yes</b></p>
<p><b>PCS Comment</b></p>		
<p>See Prospectus, <i>CASHFLOWS</i>.</p> <p>Application of Available Revenue Receipts prior to the service of an Enforcement Notice on the Issuer</p> <p>Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer</p> <p>Distributions following the service of an Enforcement Notice on the Issuer and on the Refinancing Date (if any) or on the 10 Per Cent. Clean-up Call Date (if any) or on the Portfolio Call Option Completion Date (if any)</p> <p>See also underlying transaction documents:</p> <p>Cash Management Agreement</p> <p>SCHEDULE 2</p> <p>CASH MANAGEMENT AND MAINTENANCE OF LEDGERS</p> <p>12. Priority of Payments for the Application of Available Revenue Receipts prior to the service of an Enforcement Notice</p> <p>13. Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer</p> <p>Deed of Charge</p> <p>17. POST-ENFORCEMENT PRIORITY OF PAYMENTS</p>		
59	<p><b>STS criteria</b></p>	
<p>59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.</p>		
<p><b>Verified?</b></p>		<p><b>Yes</b></p>
<p><b>PCS Comment</b></p>		
<p>See Prospectus, <i>TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>11. EVENTS OF DEFAULT</p> <p>See Prospectus, <i>CASHFLOWS</i> section.</p> <p>Distributions following the service of an Enforcement Notice on the Issuer and on the Refinancing Date (if any) or on the 10 Per Cent. Clean-up Call Date (if any) or on the Portfolio Call Option Completion Date (if any)</p>		



60	<b>STS criteria</b>	
60. The transaction documentation shall clearly specify the obligation to report such events.		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Disclosure of Modifications to the Priorities of Payments</p> <p>Any events which trigger changes in any Priorities of Payments and any change in any Priorities of Payments which will materially adversely affect the repayment of the Notes, the Class VRR Notes or the Certificates will be disclosed by the Designated Reporting Entity without undue delay to the extent required under Article 21(9) of the UK Securitisation Regulation.</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.		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Disclosure of Modifications to the Priorities of Payments</p> <p>Any events which trigger changes in any Priorities of Payments and any change in any Priorities of Payments which will materially adversely affect the repayment of the Notes, the Class VRR Notes or the Certificates will be disclosed by the Designated Reporting Entity without undue delay to the extent required under Article 21(9) of the Securitisation Regulation.</p>		
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>		
<p>See Prospectus, <i>TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS, CLASS VRR NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</i>.</p> <p>Noteholder Meeting provisions</p> <p>See also Prospectus, <i>TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>13. MEETINGS OF NOTEHOLDERS, CERTIFICATEHOLDERS AND CLASS VRR NOTEHOLDERS - MODIFICATION, WAIVER AND SUBSTITUTION</p>		

<p>See also underlying transaction documents: Trust Deed.</p> <p>SCHEDULE 8</p> <p>PROVISIONS FOR MEETINGS OF NOTEHOLDERS AND CLASS VRR NOTEHOLDERS</p> <p><i>Although the wording of the Regulation as to what constitutes the “facilitation of timely resolution of conflicts” is very vague, the EBA Guidelines have helpfully set out the five minimum requirements that the documents should contain to meet this criterion.</i></p> <p><i>PCS notes that the Prospectus covers the five provisions detailed in the EBA Guidelines.</i></p> <p><i>Although the wording of the Regulation as to what constitutes the “facilitation of timely resolution of conflicts” is very vague, the EBA Guidelines have helpfully set out the five minimum requirements that the documents should contain to meet this criterion. The documentation covers the following:</i></p> <p><i>(a) the method for calling meetings; as for method; (b) the maximum timeframe for setting up a meeting; (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 UK:</i></p>
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<b>63</b>	<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>
	63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i> .	
	Deed of Charge, Trust Deed	
	See also transaction documents: Trust Deed and Deed of Charge.	

64	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
22.1. The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period no shorter than five years.		
<b>STS criteria</b>		<a href="#">SEE RELATED EBA GUIDELINES</a>
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,		
<b>Verified?</b>		Yes
<b>PCS Comment</b>		
<p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Data on static and dynamic historical default and loss performance of loans similar to the Loans</p> <p>The tables set out below present the historical performance data obtained from the European DataWarehouse for a portfolio of mortgage loans which have been securitised in other prime UK RMBS transactions which are deemed substantially similar to those being securitised by means of the securitisation transaction described in this Prospectus, based on solely the criteria set out below.</p> <p>The underlying portfolio is deemed substantially similar to the Loans securitised in the transaction described in this Prospectus and the sample was selected by the European DataWarehouse based on the following criteria:</p> <ul style="list-style-type: none"> <li>• The mortgage loans are residential non-buy to let mortgage loans granted to owner-occupied borrowers for the purpose of acquiring a residential property in the United Kingdom;</li> <li>• The mortgage receivables resulting therefrom have been securitised in a prime UK RMBS transaction;</li> <li>• The UK RMBS transactions selected were continuously reporting from the later of i) Q4 2014 and ii) the closing date of the transaction, up to Q1 2020; and</li> <li>• The mortgage loans were performing with no arrears as of the first time period they are included in the sample which is the later of i) Q1 2014, ii) the date of securitisation and iii) the date added to a revolving securitisation.</li> </ul> <p><i>PCS has reviewed historical static and dynamic data made available in connection with the transaction.</i></p>		
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>		
<p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Data on static and dynamic historical default and loss performance of loans similar to the Loans</p> <p>The tables set out below present the historical performance data obtained from the European DataWarehouse for a portfolio of mortgage loans which have been securitised in other prime UK RMBS transactions which are deemed substantially similar to those being securitised by means of the securitisation transaction described in this Prospectus, based on solely the criteria set out below.</p> <p>The underlying portfolio is deemed substantially similar to the Loans securitised in the transaction described in this Prospectus and the sample was selected by the European DataWarehouse based on the following criteria:</p> <ul style="list-style-type: none"> <li>• The mortgage loans are residential non-buy to let mortgage loans granted to owner-occupied borrowers for the purpose of acquiring a residential property in the United Kingdom;</li> </ul>		

	<ul style="list-style-type: none"> <li>The mortgage receivables resulting therefrom have been securitised in a prime UK RMBS transaction;</li> <li>The UK RMBS transactions selected were continuously reporting from the later of i) Q4 2014 and ii) the closing date of the transaction, up to Q1 2020; and</li> <li>The mortgage loans were performing with no arrears as of the first time period they are included in the sample which is the later of i) Q1 2014, ii) the date of securitisation and iii) the date added to a revolving securitisation.</li> </ul>
<b>66</b>	<p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <p>66. Those data shall cover a period no shorter than five years.</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Data on static and dynamic historical default and loss performance of loans similar to the Loans</p> <p>The tables set out below present the historical performance data obtained from the European DataWarehouse for a portfolio of mortgage loans which have been securitised in other prime UK RMBS transactions which are deemed substantially similar to those being securitised by means of the securitisation transaction described in this Prospectus, based on solely the criteria set out below.</p> <p>The underlying portfolio is deemed substantially similar to the Loans securitised in the transaction described in this Prospectus and the sample was selected by the European DataWarehouse based on the following criteria:</p> <ul style="list-style-type: none"> <li>The mortgage loans are residential non-buy to let mortgage loans granted to owner-occupied borrowers for the purpose of acquiring a residential property in the United Kingdom;</li> <li>The mortgage receivables resulting therefrom have been securitised in a prime UK RMBS transaction;</li> <li>The UK RMBS transactions selected were continuously reporting from the later of i) Q4 2014 and ii) the closing date of the transaction, up to Q1 2020; and</li> <li>The mortgage loans were performing with no arrears as of the first time period they are included in the sample which is the later of i) Q1 2014, ii) the date of securitisation and iii) the date added to a revolving securitisation.</li> </ul>
<b>67</b>	<p><b>Legislative text – Article 22 - Requirements relating to transparency</b> <a href="#">GO TO TABLE OF CONTENTS</a></p> <p>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.</p> <p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <p>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,</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Verification of data</p> <p>Atom Bank has caused the data set out in this section to be externally verified by an appropriate and independent third party.</p>

<p>The Provisional Portfolio has been subject to an agreed upon procedures review to review amongst other things, (i) conformity of the Loans with the Loan Warranties (where applicable)) and (ii) a sample of loans selected from the Provisional Portfolio conducted by a third-party and completed on or about 17 September 2021 with respect to the Provisional Portfolio in existence as of 31 August 2021. This independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed in respect of the underlying exposures are accurate. No significant adverse findings arose from such review. The third party undertaking the review only has obligations to the parties to the engagement letters governing the performance of the agreed upon procedures subject to the limitations and exclusions contained therein.</p> <p><i>PCS has reviewed the report on “agreed upon procedures” (AUP) commonly known as a “pool audit”. PCS can confirm that this was done by an appropriate and independent third party.</i></p>	
<b>68</b>	<p><b>STS criteria</b> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></p>
<p>68. Including verification that the data disclosed in respect of the underlying exposures is accurate.</p>	
<b>Verified?</b>	<b>Yes</b>
<b>PCS Comment</b>	
<p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Verification of data</p> <p>Atom Bank has caused the data set out in this section to be externally verified by an appropriate and independent third party.</p> <p>The Provisional Portfolio has been subject to an agreed upon procedures review to review amongst other things, (i) conformity of the Loans with the Loan Warranties (where applicable)) and (ii) a sample of loans selected from the Provisional Portfolio conducted by a third-party and completed on or about 17 September 2021 with respect to the Provisional Portfolio in existence as of 31 August 2021. This independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed in respect of the underlying exposures are accurate. No significant adverse findings arose from such review. The third party undertaking the review only has obligations to the parties to the engagement letters governing the performance of the agreed upon procedures subject to the limitations and exclusions contained therein.</p> <p><i>Based solely on the words of the AUP and without any additional due diligence or interaction with the auditing firm responsible for the AUP or sight of the instructions to such firm, PCS has concluded that the AUP appears to meet the requirements of the criterion.</i></p>	
<b>69</b>	<p><b>Legislative text – Article 22 - Requirements relating to transparency</b> <span style="float: right;"><a href="#">GO TO TABLE OF CONTENTS</a></span></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> <span style="float: right;"><a href="#">SEE RELATED EBA GUIDELINES</a></span></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>	
<b>Verified?</b>	<b>Yes</b>
<b>PCS Comment</b>	
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and Reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>Cashflow model</p>	

Atom Bank (as originator) has prior to pricing, as required by Article 22(3) of the UK Securitisation Regulation, made available to potential investors (through the Reporting Website) a cashflow model, either directly or indirectly through one or more entities which provide such cashflow models to investors generally. Atom Bank (in its capacity as originator) shall procure that such cashflow model: (i) precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, Noteholders, Class VRR Noteholders, Certificateholders, other third parties and the Issuer, and (ii) is made available to investors in the Notes and Certificates on an ongoing basis and to potential investors upon request.	
<b>70</b>	<p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></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><i>See point 69 above.</i></p> <p><i>Although technically covering the period between pricing and close, this is primarily a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost. Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction.</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 whilst noting, at the same time, that the absence of any such covenant – although possibly unsettling for some investors - would not invalidate the STS status of the transaction at closing.</i></p>

<b>71</b>	<p><b>Legislative text – Article 22 - Requirements relating to transparency</b> <a href="#">GO TO TABLE OF CONTENTS</a></p> <p>22.4. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).</p> <p><b>STS criteria</b> <a href="#">SEE RELATED EBA GUIDELINES</a></p> <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> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p>See Prospectus, <i>CHARACTERISTICS OF THE PROVISIONAL PORTFOLIO</i>.</p> <p>Environmental performance of the Loans</p> <p>Atom Bank does collect information relating to the environmental performance of the Loans in the Portfolio at origination of each Loan but does not load such information into its reporting systems, and does not monitor this information on an ongoing basis thereafter.</p> <p><i>This environmental impact criterion only applies to mortgages and car loan securitisations. The EBA Guidelines though make it clear that an originator is only required to disclose information that is in its possession and captured in its internal data base or IT systems. PCS notes the statement made in the prospectus by the originator that it does not possess such information in its internal data base or IT systems.</i></p>
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<b>72</b>	<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>		
72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS, CLASS VRR NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</i>.</p> <p>Provision of Information under the UK Securitisation Regulation and the EU Securitisation Regulation:</p> <p>Atom Bank will be responsible for compliance with Article 7 of the UK Securitisation Regulation for the purposes of Article 22(5) of the UK Securitisation Regulation.</p>		

<b>73</b>	<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>		
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.		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Confirmations of the Seller</p> <p>The Seller confirms that it has made available, prior to pricing:</p> <ul style="list-style-type: none"> <li>the information required to be made available under Article 7(1)(a) of the UK Securitisation Regulation and Article 7(1)(a) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date), to the extent such information has been requested by a potential investor;</li> </ul>		

<b>74</b>	<b>STS criteria</b>	
	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.	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Confirmations of the Seller</p> <p>The Seller confirms that it has made available, prior to pricing:</p> <ul style="list-style-type: none"> <li>• the information required to be made available under Article 7(1)(b) of the UK Securitisation Regulation and Article 7(1)(b) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date) in draft form;</li> <li>• the information required to be made available under Article 7(1)(c) of the UK Securitisation Regulation and Article 7(1)(c) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date) in the form of this Prospectus;</li> <li>• a cashflow model required to be made available under Article 22(3) of the UK Securitisation Regulation (as to which see the section entitled Cashflow model below);</li> <li>• data on static and dynamic historical default and loss performance required to be made available under Article 22(1) of the UK Securitisation Regulation (as to which see the section entitled Characteristics of the Provisional Portfolio - Data on static and dynamic historical default and loss performance of loans similar to the Loans; and</li> <li>• a draft of the STS Notification,</li> </ul> <p>in each case (except for data on static and dynamic historical default and loss performance, which is contained in this Prospectus in the section entitled "Characteristics of the Provisional Portfolio - Data on static and dynamic historical default and loss performance of loans similar to the Loans") on <a href="https://www.euroabs.com">https://www.euroabs.com</a> in respect of Article 7(2) of the UK Securitisation Regulation (or any alternative website which conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation) and in respect of Article 7(2) of the EU Securitisation Regulation (or any alternative website which conforms to the requirements set out in Article 7(2) of the EU Securitisation Regulation as such articles are interpreted and applied on the Closing Date)) (the "Reporting Website").</p>	

<b>75</b>	<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>	<b>Yes</b>
	<b>PCS Comment</b>	
	<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>The Designated Reporting Entity will:</p> <p>(b) within 15 days of the Closing Date make available via the Reporting Website copies of the Transaction Documents and this Prospectus.</p>	



*This criterion speaks to document disclosure within 15 days of closing and therefore is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if it is not met within the specified 15-day period, then the Originator will need to inform ESMA and the STS status of the securitisation will be lost.*

*Therefore, as a technical matter, this criterion is not applicable at the closing of a transaction. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement whilst noting at the same time that the absence of any such covenant – although possibly unsettling for some investors – would not invalidate the STS status of the transaction at closing.*

<b>76</b>	<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 authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(a) information on the underlying exposures on a quarterly basis, or, in the case of ABCP, information on the underlying receivables or credit claims on a monthly basis;</p>		
<b>STS criteria</b>		
<p>76. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(a) information on the underlying exposures on a quarterly basis,</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>The Designated Reporting Entity will, from the Closing Date:</p> <p>(b) procure that the Servicer prepares a quarterly report on each Reporting Date containing certain loan-by-loan information in relation to the Portfolio as required by (i) Article 7(1)(a) of the UK Securitisation Regulation in respect of the relevant Collection Period (the "UK Loan-Level Report" and together with the UK Investor Report, the "UK Securitisation Regulation Investor Reports") and (ii) Article 7(1)(a) of the EU Securitisation Regulation as such articles are interpreted and applied on the Closing Date in respect of the relevant Collection Period (the "EU Loan-Level Report" and together with the EU Investor Report, the "EU Securitisation Regulation Investor Reports"). The Designated Reporting Entity shall procure that the Servicer prepares the Loan-Level Reports in accordance with the UK Article 7 Technical Standards and the EU Article 7 Technical Standards (in the case of the EU Article 7 Technical Standards, as such articles are interpreted and applied on the Closing Date), as applicable. The Cash Manager shall have no responsibility for preparing any Loan-Level Report.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		

77	<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 authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <ul style="list-style-type: none"> <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> <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> </ul>		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>Information required to be reported under Article 7(1)(f) and Article 7(1)(g) of the Securitisation Regulation</p> <p>The Designated Reporting Entity will:</p> <ul style="list-style-type: none"> <li>(b) within 15 days of the Closing Date make available via the Reporting Website copies of the Transaction Documents and this Prospectus.</li> </ul> <p>The Designated Reporting Entity's obligation to publish information required to be reported by the Issuer pursuant to Articles 7(1)(f) and 7(1)(g) of the UK Securitisation Regulation and Articles 7(1)(f) and 7(1)(g) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date) shall be conditional upon delivery by the Issuer or the Servicer, to the extent the Issuer or the Servicer becomes aware, of any information falling under Articles 7(1)(f) and 7(1)(g) of the UK Securitisation Regulation and Articles 7(1)(f) and 7(1)(g) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date), provided that the Designated Reporting Entity shall not be required to monitor the price at which any Class of Notes or Class VRR Notes trade at any time.</p> <p>The reports set out above shall be published on the Reporting Website and each such report shall be made available no later than one month following the Interest Payment Date following the Collection Period to which it relates.</p> <p>The Designated Reporting Entity will make the information referred to in each of the sections above available to the holders of any of the Notes, Class VRR Notes, Certificates relevant competent authorities and, upon request, to potential investors in the Notes or Certificates.</p> <p>See Prospectus, <i>SUMMARY OF THE KEY TRANSACTION DOCUMENTS</i>.</p> <p>"Transaction Documents" means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Swap Collateral Account Agreement, the Collection Account Declaration of Trust Accession Undertaking, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Scottish Supplemental Charge, the Swap Agreement, a share trust deed dated 20 August 2021 (the "Share Trust Deed"), the power of attorney granted by the Issuer in favour of the Security Trustee under the Deed of Charge (the "Issuer Power of Attorney", an incorporated terms memorandum signed for the purposes of identification by, among others, the Issuer, the Seller and the Security Trustee (the "Incorporated Terms Memorandum"), the Mortgage Sale Agreement, the Scottish Declaration of Trust, the power of attorney granted by the Seller in favour of the Issuer and the Security Trustee on the Closing Date (the "Seller Power of Attorney", the Trust Deed, the Standby</p>		

	<p>Servicing Agreement, any Securities Custody Agreement and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes, Class VRR Notes and Certificates.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
<b>78</b>	<p><b>STS criteria</b></p> <p>78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p><i>See point 77.</i></p>
<b>79</b>	<p><b>STS criteria</b></p> <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> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p><i>See point 77.</i></p>
<b>80</b>	<p><b>STS criteria</b></p> <p>80. (iv) the servicing, back-up servicing, administration and cash management agreements;</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p><i>See point 77.</i></p>
<b>81</b>	<p><b>STS criteria</b></p> <p>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;</p> <p><b>Verified?</b> Yes</p> <p><b>PCS Comment</b></p> <p><i>See point 77.</i></p>

<b>82</b>	<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>
	<b>Yes</b>
<b>PCS Comment</b>	
See point 77.	

<b>83</b>	<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>	
	<b>Yes</b>	
	<b>PCS Comment</b>	
	<p>See underlying transaction documents:</p> <p>Cash Management Agreement.</p> <p>SCHEDULE 2</p> <p>CASH MANAGEMENT AND MAINTENANCE OF LEDGERS</p> <p>12. Priority of Payments for the Application of Available Revenue Receipts prior to the service of an Enforcement Notice</p> <p>13. Application of Available Redemption Receipts prior to the service of an Enforcement Notice on the Issuer</p> <p>Deed of Charge</p> <p>17. POST-ENFORCEMENT PRIORITY OF PAYMENTS</p>	

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 section 85 of the 2000 Act (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the FCA for the purposes of Part 6 of the 2000 Act (official listing)<sup>1</sup> do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the securitisation, including, where applicable:</p> <ul style="list-style-type: none"> <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. where section 85 of the 2000 Act (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the FCA for the purposes of Part 6 of the 2000 Act (official listing) do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the securitisation, including, where applicable:</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>		
<p><i>The Prospectus serves as the transaction summary in this transaction. The information is contained in the Prospectus.</i></p>		
85	<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>		
<p><i>See point 84 above.</i></p>		
86	<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>		
<p><i>See point 84 above.</i></p>		

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

<b>87</b>	<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>	
See point 84 above.		

<b>88</b>	<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: (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	<b>STS criteria</b>	
	88. (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	<b>Verified?</b>	<b>Yes</b>
	<b>PCS Comment</b>	
<p>See Prospectus.</p> <p>UK Simple, Transparent and Standardised Securitisation ("STS")</p> <p>It is intended that the transaction described in this Prospectus (the "Transaction") qualifies as an STS securitisation within the meaning of Article 18 of Regulation (EU) 2017/2402 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020 ("EUWA") as amended, varied, superceded or substituted from time to time including any relevant binding technical standards, regulations, instruments, rules, policy statements, guidance, transitional relief or other implementing measures of the FCA, the Bank of England, the PRA, the Pensions Regulator or other relevant UK regulator (or their successor) in relation thereto (the "UK Securitisation Regulation") and a notification will be submitted by Atom Bank prior to the Closing Date to the Financial Conduct Authority ("FCA"), in accordance with Article 27 of the UK Securitisation Regulation, confirming that the requirements of Articles 19 to 22 of the UK Securitisation Regulation have been satisfied with respect to the Notes, the Class VRR Notes and the Certificates (such notification, the "STS Notification"). The STS Notification, once notified to the FCA, will be available for download on the FCA STS register website. In relation to the STS Notification, Atom Bank has been designated as the first contact point for investors and competent authorities.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		

89	<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>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>The Designated Reporting Entity will, from the Closing Date:</p> <p>(a) procure that the Cash Manager prepares, and the Cash Manager will prepare, (to the satisfaction of the Designated Reporting Entity) a quarterly investor report one Business Day after each Interest Payment Date (a "Reporting Date") in relation to the immediately preceding Collection Period containing information including, but not limited to, the ratings of the Rated Notes (based on information provided by the Servicer), amounts paid by the Issuer pursuant to the relevant Priority of Payments on the most recent Interest Payment Date, required counterparty information (based on information provided by the Servicer), and Atom Bank's continued holding of the Class VRR Notes (as confirmed by Atom Bank to the Cash Manager), in each case to be provided in relation to the Portfolio, the Notes, the Class VRR Notes and the Certificates as required by Article 7(1)(e) of the UK Securitisation Regulation (the "UK Investor Report") and Article 7(1)(e) of the EU Securitisation Regulation (the "EU Investor Report") (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date). The Investor Reports shall be prepared by the Cash Manager, to the satisfaction of the Designated Reporting Entity in accordance with the UK Article 7 Technical Standards and the EU Article 7 Technical Standards (in the case of the EU Article 7 Technical Standards, as such articles are interpreted and applied on the Closing Date), as applicable;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		
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><i>See point 89 above.</i></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>	<b>Yes</b>
	<b>PCS Comment</b>	
		<i>See point 89 above.</i>
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>	<b>Yes</b>
	<b>PCS Comment</b>	
		<i>See point 89 above.</i>
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>	<b>Yes</b>
	<b>PCS Comment</b>	
		<p><i>See point 89 above.</i></p> <p>See also Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>Atom Bank (as originator) shall provide or, as relevant, procure the provision to the Cash Manager for inclusion in the Investor Reports (or otherwise so that such information can be available to investors) of readily accessible data and information with respect to the provision of such investor information and compliance by Atom Bank (as originator) with the requirements of Article 7(1)(e)(iii) of the UK Securitisation Regulation and Article 7(1)(e)(iii) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date), by confirming the risk retention of Atom Bank (as originator) as contemplated by Article 6(1) of the UK Securitisation Regulation and Article 6(1) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date), as applicable (see the section Certain Regulatory Disclosures - Risk Retention Requirements above).</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>



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, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>Information required to be reported under Article 7(1)(f) and Article 7(1)(g) of the UK Securitisation Regulation and Article 7(1)(f) and Article 7(1)(g) of EU Securitisation Regulation</p> <p>The Designated Reporting Entity will:</p> <p>(a) publish on the Reporting Website (without delay), any information required to be reported pursuant to Articles 7(1)(f) and 7(1)(g) of the UK Securitisation Regulation and Articles 7(1)(f) and 7(1)(g) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date). The Designated Reporting Entity will only be required to publish such information as the Issuer or the Servicer may from time to time notify to it and/or direct it to publish;</p> <p>The reports set out above shall be published on the Reporting Website and each such report shall be made available no later than one month following the Interest Payment Date following the Collection Period to which it relates.</p> <p>The Designated Reporting Entity will make the information referred to in each of the sections above available to the holders of any of the Notes, Class VRR Notes, Certificates relevant competent authorities and, upon request, to potential investors in the Notes or Certificates.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		

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 authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(ii) a change in the structural features that can materially impact the performance of the securitisation;</li> <li>(iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;</li> <li>(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;</li> <li>(v) any material amendment to transaction documents.</li> </ul>		
<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><i>See point 94 above.</i></p>		
96	<b>STS criteria</b>	
<p>96. (ii) a change in the structural features that can materially impact the performance of the securitisation;</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p><i>See point 94 above.</i></p>		
97	<b>STS criteria</b>	
<p>97. (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;</p>		
<b>Verified?</b>		<b>Yes</b>
<b>PCS Comment</b>		
<p><i>See point 94 above.</i></p>		

98	<b>STS criteria</b>	
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where the competent authority has taken remedial or administrative actions;	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See point 94 above.	
99	<b>STS criteria</b>	
	99. (v) any material amendment to transaction documents.	
	<b>Verified?</b>	Yes
	<b>PCS Comment</b>	
	See point 94 above.	

100	<b>Legislative text – Article 22 - Requirements relating to transparency</b>		<a href="#">GO TO TABLE OF CONTENTS</a>
	7.1. The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one month after the due date for the payment of interest [...ABCP provisions]		
	<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>		Yes
	<b>PCS Comment</b>		
	<p>See Prospectus, <i>TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS, CLASS VRR NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</i>.</p> <p>Provision of Information under the UK Securitisation Regulation and the EU Securitisation Regulation:</p> <p>For the purposes of Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (as if it were applicable), Atom Bank (as originator) (the "Designated Reporting Entity"), has been designated as the entity responsible for complying with Article 7 of the UK Securitisation Regulation together with any guidance published in relation thereto by the PRA, the FCA or other relevant UK regulator (or their successor), including any regulatory and/or implementing technical standards and Article 7 of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as if it were applicable and as such articles are interpreted and applied on the Closing Date) ("Disclosure Requirements") and will either fulfil such requirements itself or procure that such requirements are complied with on its behalf.</p> <p>From the Closing Date, the Designated Reporting Entity will, among other things:</p> <p>(a) procure that the Cash Manager prepares, and the Cash Manager will prepare, (to the satisfaction of the Designated Reporting Entity) a quarterly investor report one Business Day after each Interest Payment Date (a "Reporting Date") in relation to the immediately preceding Collection Period containing information required by Article 7(1)(e) of the UK Securitisation Regulation and Article 7(1)(e) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date) including, but not limited to the ratings of</p>		

<p>the Rated Notes (based on information provided by the Servicer), amounts paid by the Issuer pursuant to the relevant Priority of Payments on the most recent Interest Payment Date, required counterparty information (based on information provided by the Servicer), and Atom Bank's continued holding of the Class VRR Notes (as confirmed by Atom Bank to the Cash Manager), in each case to be provided in relation to the Portfolio, the Notes, the Class VRR Notes and the Certificates (the "Investor Reports"); and</p> <p>(b) procure that the Servicer prepares a quarterly report on each Reporting Date containing certain loan-by-loan information in relation to the Portfolio as required by Article 7(1)(a) of the UK Securitisation Regulation and Article 7(1)(a) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date) in respect of the relevant Collection Period (the "Loan-Level Reports" and together with the Investor Reports, the "Securitisation Regulations Investor Reports").</p> <p>The Designated Reporting Entity will publish (or procure the publication of) the Securitisation Regulations Investor Reports (simultaneously with each other) on <a href="https://www.euroabs.com">https://www.euroabs.com</a> (or any alternative website which conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date)) (the "Reporting Website"). The information set out in the Reporting Website and the contents thereof do not form part of this Prospectus. Following the appointment by the Designated Reporting Entity of a securitisation repository registered under Article 10 of the UK Securitisation Regulation (the "UK SR Repository"), the Designated Reporting Entity shall be responsible for procuring that each Securitisation Regulations Investor Report is made available through such UK SR Repository in accordance with the requirements of Article 7 of the UK Securitisation Regulation.</p> <p>See underlying transaction documents, Cash Management Agreement.</p> <p>9. INFORMATION</p> <p>9.4 Information Covenants</p> <p>(c) The Designated Reporting Entity will, on each Reporting Date, provide to EuroABS (or its replacement) the Securitisation Regulations Investor Reports for publication (simultaneously with each other) on the Reporting Website on the relevant Reporting Date.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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<b>101</b>	<b>Legislative text – Article 22 - Requirements relating to transparency</b>	<a href="#">GO TO TABLE OF CONTENTS</a>
<p>7.1. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay</p> <p>When complying with this paragraph, the originator, sponsor and SSPE of a securitisation shall comply with national and United Kingdom law governing the protection of confidentiality of information and the processing of personal data in order to avoid potential breaches of such law as well as any confidentiality obligation relating to customer, original lender or debtor information, unless such confidential information is anonymised or aggregated.</p> <p>In particular, with regard to the information referred to in point (b) the originator, sponsor and SSPE may provide a summary of the concerned documentation.</p> <p>Competent authorities referred to in Article 29 shall be able to request the provision of such confidential information to them in order to fulfil their duties under this Regulation.</p>		
<b>STS criteria</b>		
101. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay		
<b>Verified?</b>	<b>Yes</b>	
<b>PCS Comment</b>		
<p>See Prospectus, <i>CERTAIN REGULATORY DISCLOSURES</i>.</p> <p>Transparency and Reporting under the UK Securitisation Regulation and the EU Securitisation Regulation</p> <p>Information required to be reported under Article 7(1)(f) and Article 7(1)(g) of the UK Securitisation Regulation and Article 7(1)(f) and Article 7(1)(g) of the EU Securitisation Regulation</p>		

<p>The Designated Reporting Entity will:</p> <p>(a) publish on the Reporting Website (without delay), any information required to be reported pursuant to Articles 7(1)(f) and 7(1)(g) of the UK Securitisation Regulation and Articles 7(1)(f) and 7(1)(g) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date). The Designated Reporting Entity will only be required to publish such information as the Issuer or the Servicer may from time to time notify to it and/or direct it to publish;</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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<b>102</b>	<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> <p>(a) includes a well-functioning data quality control system;</p> <p>(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;</p> <p>(c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;</p> <p>(d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and</p> <p>(e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation.</p>		
<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, <i>TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS, CLASS VRR NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS</i>.</p> <p>Provision of Information under the UK Securitisation Regulation and the EU Securitisation Regulation:</p> <p>For the purposes of Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (as if it were applicable), Atom Bank (as originator) (the "Designated Reporting Entity"), has been designated as the entity responsible for complying with Article 7 of the UK Securitisation Regulation together with any guidance published in relation thereto by the PRA, the FCA or other relevant UK regulator (or their successor), including any regulatory and/or implementing technical standards and Article 7 of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as if it were applicable and as such articles are interpreted and applied on the Closing Date) ("Disclosure Requirements") and will either fulfil such requirements itself or procure that such requirements are complied with on its behalf.</p>		

<p>The Designated Reporting Entity will publish (or procure the publication of) the Securitisation Regulations Investor Reports on <a href="https://www.euroabs.com">https://www.euroabs.com</a> (or any alternative website which conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date)) (the "Reporting Website"). The information set out in the Reporting Website and the contents thereof do not form part of this Prospectus. Following the appointment by the Designated Reporting Entity of a securitisation repository registered under Article 10 of the UK Securitisation Regulation (the "UK SR Repository"), the Designated Reporting Entity shall be responsible for procuring that each Securitisation Regulations Investor Report is made available through such UK SR Repository in accordance with the requirements of Article 7 of the UK Securitisation Regulation.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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<b>103</b>	<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, <i>TRANSACTION OVERVIEW – RIGHTS OF NOTEHOLDERS, CLASS VRR NOTEHOLDERS, CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS.</i></p> <p>Provision of Information under the UK Securitisation Regulation and the EU Securitisation Regulation:</p> <p>For the purposes of Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (as if it were applicable), Atom Bank (as originator) (the "Designated Reporting Entity"), has been designated as the entity responsible for complying with Article 7 of the UK Securitisation Regulation together with any guidance published in relation thereto by the PRA, the FCA or other relevant UK regulator (or their successor), including any regulatory and/or implementing technical standards and Article 7 of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as if it were applicable and as such articles are interpreted and applied on the Closing Date) ("Disclosure Requirements") and will either fulfil such requirements itself or procure that such requirements are complied with on its behalf.</p> <p>The Designated Reporting Entity will publish (or procure the publication of) the Securitisation Regulations Investor Reports on <a href="https://www.euroabs.com">https://www.euroabs.com</a> (or any alternative website which conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation and Article 7(2) of the EU Securitisation Regulation (in the case of the EU Securitisation Regulation, as such articles are interpreted and applied on the Closing Date)) (the "Reporting Website"). The information set out in the Reporting Website and the contents thereof do not form part of this Prospectus. The information set out in the Reporting Website and the contents thereof do not form part of this Prospectus. Following the appointment by the Designated Reporting Entity of a securitisation repository registered under Article 10 of the UK Securitisation Regulation (the "UK SR Repository"), the Designated Reporting Entity shall be responsible for procuring that each Securitisation Regulations Investor Report is made available through such UK SR Repository in accordance with the requirements of Article 7 of the UK Securitisation Regulation.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		

## 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><i>True sale, assignment or transfer with the same legal effect</i></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> <ul style="list-style-type: none"> <li>(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;</li> <li>(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;</li> <li>(c) assessment of clawback risks and re-characterisation risks.</li> </ul> <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>		
<p><b>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</b></p> <p>18. Whereas, pursuant to Article 20(2), contractual terms and conditions attached to the transfer of title that expose investors to a high risk that the securitised assets will be reclaimed in the event of the seller's insolvency should not be permissible in STS securitisations, such prohibition should not include the statutory provisions granting the right to a liquidator or a court to invalidate the transfer of title with the aim of preventing or combating fraud, as referred to in Article 20(3).</p>		
<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><i>True sale, assignment or transfer with the same legal effect</i></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>		

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

<b>4</b>	<a href="#">BACK TO CHECKLIST</a>
<b>Article 20 - Requirements relating to simplicity</b>	
<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>	
20. The objective of the criterion in Article 20(5) is to minimise legal risks related to unperfected transfers in the context of an assignment of the underlying exposures, by specifying a minimum set of events subsequent to closing that should trigger the perfection of the transfer of the underlying exposures.	
22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:	
(a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;	
(b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.	
<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>Severe deterioration in the seller credit quality standing</i></b>	
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.	
<b><i>Insolvency of the seller</i></b>	
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.	

<b>5</b>	<b><i>Article 20 - Requirements relating to simplicity</i></b>	<a href="#">BACK TO CHECKLIST</a>
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>		
<p>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.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		

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

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

12, 13	<a href="#">BACK TO CHECKLIST</a>
<b>Article 20 - Requirements relating to simplicity</b>	
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
<b>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>	
<p>30 (b) a non-exhaustive list of examples of exposures types that should be considered to have defined periodic payment streams. The individual examples are without prejudice to applicable requirements, such as the requirement with respect to the defaulted exposures in accordance with Article 20(11) of Regulation (EU) 2017/2402 and the requirement with respect to the residual value in accordance with Article 20(13) of that regulation.</p>	
<b>EBA Final non-ABCP STS Guidelines</b>	
<b>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</b>	
<b><i>Exposures with periodic payment streams</i></b>	
<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 style="padding-left: 20px;">(i) the remaining principal is repaid at the maturity;</p> <p style="padding-left: 20px;">(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	<a href="#">BACK TO CHECKLIST</a>
<b>Article 20 - Requirements relating to simplicity</b>	
<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	<a href="#">BACK TO CHECKLIST</a>
<b>Article 20 - Requirements relating to simplicity</b>	
<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.	
<b>EBA Final non-ABCP STS Guidelines</b>	

16	<a href="#">BACK TO CHECKLIST</a>
<b>Article 20 - Requirements relating to simplicity</b>	
<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>		
<p><b>Underwriting standards (Article 20(10))</b></p> <p>37. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) the term ‘similar exposures’, with reference to requirements specified in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402;</p> <p>(b) the term ‘no less stringent underwriting standards’: independently of the guidance provided in these guidelines, it is understood that, in the spirit of restricting the ‘originate-to-distribute’ model of underwriting, where similar exposures exist on the originator’s balance sheet, the underwriting standards that have been applied to the securitised exposures should also have been applied to similar exposures that have not been securitised, i.e. the underwriting standards should have been applied not solely to securitised exposures;</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>4.4 Underwriting standards, originator’s expertise (Article 20(10))</b></p> <p><b><i>No less stringent underwriting standards</i></b></p> <p>23. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, the underwriting standards applied to securitised exposures should be compared to the underwriting standards applied to similar exposures at the time of origination of the securitised exposures.</p> <p>24. Compliance with this requirement should not require either the originator or the original lender to hold similar exposures on its balance sheet at the time of the selection of the securitised exposures or at the exact time of their securitisation, nor should it require that similar exposures were actually originated at the time of origination of the securitised exposures.</p>		

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<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>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>		
<p><b>4.4 Underwriting standards, originator's expertise (Article 20(10))</b></p> <p><b><i>Disclosure of material changes from prior underwriting standards</i></b></p> <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>		

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<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>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.</p> <p>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;</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>Residential loans</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

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

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

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<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>(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>		
<b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>		
<b>Exposures in default</b>		
<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>		

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<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.

<b>26</b>	<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>Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process</i></b>		
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.		



29	<b>Article 20 - Requirements relating to simplicity</b>	<a href="#">BACK TO CHECKLIST</a>
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<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>		
<b>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</b>		
<b><i>Credit registry</i></b>		
<p>43. The requirement referred to in Article 20(11)(b) of Regulation (EU) 2017/2402 should be limited to exposures to debtors or guarantors to which both of the following requirements apply at the time of origination of the underlying exposure:</p> <p>(a) the debtor or guarantor is explicitly flagged in a credit registry as an entity with adverse credit history due to negative status or negative information stored in the credit registry;</p> <p>(b) the debtor or guarantor is on the credit registry for reasons that are relevant to the purposes of the credit risk assessment.</p>		

30	<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) 2017/24027, given that in both cases the requirement (i) aims to prevent adverse selection of underlying exposures and (ii) relates to the comparison of the credit quality of exposures transferred to the SSPE and comparable exposures that remain on the originator's balance sheet. To facilitate the interpretation, a list is given of examples of how to achieve compliance with the requirement.		
<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>Risk of contractually agreed payments not being made being significantly higher than for comparable exposures</i></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><i>Scope of the criterion</i></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><i>At least one payment</i></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	<p><b>Article 20 - Requirements relating to simplicity</b></p> <p><b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b></p> <p><b>No predominant dependence on the sale of assets (Article 20(13))</b></p> <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>	<p><a href="#">BACK TO CHECKLIST</a></p>
	<p>EBA Final non-ABCP STS Guidelines</p> <p><b>4.7 No Predominant dependence on the sale of assets</b></p> <p><b><i>Predominant dependence on the sale of assets</i></b></p> <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> <p><b><i>Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402</i></b></p> <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>	

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

<b>34</b>	<a href="#">BACK TO CHECKLIST</a>
<b>Article 21 - Requirements relating to standardisation</b>	
<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
<b>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b>	
<p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term 'common standards in international finance'.</p>	
<b>EBA Final non-ABCP STS Guidelines</b>	
<b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b>	
<b>Appropriate mitigation of interest-rate and currency risks</b>	
<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>	

	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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<b>35</b>	<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>		
<p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term ‘common standards in international finance’.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<b>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</b>		
<b>Appropriate mitigation of interest-rate and currency risks</b>		
<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>		

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> <ul style="list-style-type: none"> <li>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</li> <li>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</li> <li>(c) clarification of the term ‘common standards in international finance’.</li> </ul>		
<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> <ul style="list-style-type: none"> <li>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</li> <li>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</li> <li>(c) clarification of the term 'common standards in international finance'.</li> </ul>		
<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>		
<p><b>Referenced interest payments (Article 21(3))</b></p> <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>		
<p><b>5.2 Referenced interest payments (Article 21(3))</b></p> <p><b>Referenced rates</b></p> <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> <p><b>Complex formulae or derivatives</b></p> <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>		
<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>Repayment</b></p> <p>63. The requirements in Article 21(4)(b) of Regulation (EU) 2017/2402 should be understood as covering only the repayment of the principal, without covering the repayment of interest.</p> <p>64. For the purposes of Article 21(4)(b) of Regulation (EU) 2017/2402, non-sequential payments of principal in a situation where an enforcement or an acceleration notice has been delivered should be prohibited. Where there is no enforcement or acceleration event, principal receipts could be allowed for replenishment purposes pursuant to Article 20(12) of that Regulation.</p>		

44	<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>		
<p><b>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</b></p> <p><b>Liquidation of the underlying exposures at market value</b></p> <p>65. For the purposes of Article 21(4)(d) of Regulation (EU) 2017/2402, the investors' decision to liquidate the underlying exposures at market value should not be considered to constitute an automatic liquidation of the underlying exposures at market value.</p>		

45	<b>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,	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
47,	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
48,	<b>Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))</b>	
49,	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.	
50	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,	<b>Article 21 - Requirements relating to standardisation</b>	<a href="#">BACK TO CHECKLIST</a>
52,	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
53	<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	<p><b>Article 21 - Requirements relating to standardisation</b></p> <p><b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b></p> <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>	<a href="#">BACK TO CHECKLIST</a>
	<p><b>EBA Final non-ABCP STS Guidelines</b></p> <p><b>5.8 Expertise of the servicer (Article 21(8))</b></p> <p><b><i>Criteria for determining the expertise of the servicer</i></b></p> <p>68. For the purposes of determining whether a servicer has expertise in servicing exposures of a similar nature to those securitised in accordance with Article 21(8) of Regulation (EU) 2017/2402, both of the following should apply:</p> <p>(a) the members of the management body of the servicer and the senior staff, other than members of the management body, responsible for servicing exposures of a similar nature to those securitised should have adequate knowledge and skills in the servicing of exposures similar to those securitised;</p> <p>(b) any of the following principles on the quality of the expertise should be taken into account in the determination of the expertise:</p> <p>(i) the role and duties of the members of the management body and the senior staff and the required capabilities should be adequate;</p> <p>(ii) the experience of the members of the management body and the senior staff gained in previous positions, education and training should be sufficient;</p> <p>(iii) the involvement of the members of the management body and the senior staff within the governance structure of the function of servicing the exposures should be appropriate;</p> <p>(iv) in the case of a prudentially regulated entity, the regulatory authorisations or permissions held by the entity should be deemed relevant to the servicing of similar exposures to those securitised.</p> <p>69. A servicer should be deemed to have the required expertise where either of the following applies:</p> <p>(a) the business of the entity, or of the consolidated group, to which the entity belongs, for accounting or prudential purposes, has included the servicing of exposures of a similar nature to those securitised, for at least five years;</p> <p>(b) where the requirement referred to in point (a) is not met, the servicer should be deemed to have the required expertise where they comply with both of the following:</p> <p>(i) at least two of the members of its management body have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at personal level, of at least five years;</p> <p>(ii) senior staff, other than members of the management body, who are responsible for managing the entity's servicing of exposures of a similar nature to those securitised, have relevant professional experience in the servicing of exposures of a similar nature to those securitised, at a personal level, of at least five years;</p> <p>(iii) the servicing function of the entity is backed by the back-up servicer compliant with point (a).</p> <p>70. For the purpose of demonstrating the number of years of professional experience, the relevant expertise should be disclosed in sufficient detail and in accordance with the applicable confidentiality requirements to permit investors to carry out their obligations under Article 5(3)(c) of Regulation (EU) 2017/2402.</p> <p><i>Exposures of similar nature</i></p> <p>71. For the purposes of Article 21(8) of Regulation (EU) 2017/2402, interpretation of the term 'exposures of similar nature' should follow the interpretation provided in paragraph 23 above.</p>	

55	<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 United Kingdom and such regulatory authorisations or permissions are deemed relevant to the servicing;</p> <p>(b) The servicer is an entity that is not subject to prudential and capital regulation and supervision in the United Kingdom, and a proof of existence of well-documented and adequate policies and risk management controls is provided that also includes a proof of adherence to good market practices and reporting capabilities. The proof should be substantiated by an appropriate third-party review, such as by a credit rating agency or external auditor.</p>		

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

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



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

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>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>6.2 Verification of a sample of the underlying exposures (Article 22(2))</b></p> <p><b><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,	<b>Article 22 - Requirements relating to transparency</b>	<a href="#">BACK TO CHECKLIST</a>
70	<b>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></b>	
<p><b>Liability cashflow model (Article 22(3))</b></p> <p>76. The objective of this criterion is to assist investors in their ability to appropriately model the cash flow waterfall of the securitisation on the liability side of the SSPE.</p> <p>77. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) interpretation of the term ‘precise’ representation of the contractual relationships;</p> <p>(b) implications when the model is provided by third parties.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>Liability cash flow model (Article 22(3))</b></p> <p><b>Precise representation of the contractual relationship</b></p> <p>82. For the purposes of Article 22(3) of Regulation (EU) 2017/2402, the representation of the contractual relationships between the underlying exposures and the payments flowing among the originator, sponsor, investors, other parties and the SSPE should be considered to have been done ‘precisely’ where it is done accurately and with an amount of detail sufficient to allow investors to model payment obligations of the SSPE and to price the securitisation accordingly. This may include algorithms that permit investors to model a range of different scenarios that will affect cash flows, such as different prepayment or default rates.</p> <p><b>Third parties</b></p> <p>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.</p>		

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>		
<p><b>Environmental performance of assets (Article 22(4))</b></p> <p>78. It should be clarified that this is a requirement of disclosure about the energy efficiency of the assets when this information is available to the originator, sponsor or SSPE, rather than a requirement for a minimum energy efficiency of the assets.</p> <p>79. To facilitate consistent interpretation of this criterion, the term ‘available information related to the environmental performance’ should be further clarified.</p>		
<b>EBA Final non-ABCP STS Guidelines</b>		
<p><b>Environmental performance of assets (Article 22(4))</b></p> <p><b>Available information related to the environmental performance</b></p> <p>84. This requirement should be applicable only if the information on the energy performance certificates for the assets financed by the underlying exposures is available to the originator, sponsor or the SSPE and captured in its internal database or IT systems. Where information is available only for a proportion of the underlying exposures, the requirement should apply only in respect of the proportion of the underlying exposures for which information is available.</p>		