

STS Term Master Checklist
DRIVER UK MASTER S.A., Compartment 2
Twenty series executed as at 25 November 2021



PRIME COLLATERALISED SECURITIES (PCS) UK LIMITED

25th November 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.

25th November 2021

STS Disclaimer

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

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

Neither CRR Assessments or LCR Assessments are endorsed or regulated by any regulatory and/or supervisory authority nor, other than as set out above, are the PCS Association or either of its subsidiaries, PCS UK and PCS EU, regulated by any regulator and/or supervisory authority including the Belgian Financial Services and Markets Authority, the United Kingdom Financial Conduct Authority, the French *Autorité des Marchés Financiers* or the European Securities and Markets Authority.

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Equally, by completing (either positively or negatively) any STS or CRR status assessment of certain instruments, no statement of any kind is made as to the value or price of these instruments or the appropriateness of the interest rate they carry (if any).

In the provision of any STS Verification or CRR Assessment or LCR Assessment, PCS has based its decision on information provided directly and indirectly by the originator or sponsor of the relevant securitisation. Specifically, it has relied on statements made in the relevant prospectus or deal sheet, documentation and/or in certificates provided by, or on behalf of, the originator or sponsor in accordance with PCS' published procedures for the relevant PCS verification or assessment. You should make yourself familiar with these procedures to understand fully how any PCS service is completed. These can be found in the PCS website www.pcsmarket.org (the "**PCS Website**"). Neither the PCS Association nor PCS UK undertake their own direct verification of the underlying facts stated in the prospectus, deal sheet, documentation or certificates for the relevant instruments and the completion of any STS Verification or CRR Assessment or LCR Assessment is not a confirmation or implication that the information provided to it by or on behalf of the originator or sponsor is accurate or complete.

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To understand the meaning and limitations of any STS Verification you must read the General Disclaimer that appears on the PCS Website.

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

Prime Collateralised Securities (PCS) STS Verification

Individual(s) undertaking the assessment	Robert Leach
Date of Verification	25 November 2021
The transaction to be verified (the “Transaction”)	DRIVER UK MASTER S.A., Compartment 2; Twenty series executed as at 25 November 2021
Issuer	DRIVER UK MASTER S.A., acting for and on behalf of its Compartment 2
Originator	Volkswagen Financial Services (UK) Limited
Lead Manager(s)	Lloyds Bank Corporate Markets
Transaction Legal Counsel	Hogan Lovells International LLP
Rating Agencies	Fitch, Moody’s, S&P
Stock Exchange	Luxembourg Stock Exchange
Target Closing Date	25 November 2021

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

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

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

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

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

1	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<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>		
STS criteria		SEE RELATED EBA GUIDELINES
<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>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>The Receivables Purchase Agreement</p> <p>On 20 November 2013 and each Additional Purchase Date prior to the Closing Date, VWFS has sold to the Issuer and the Issuer has purchased from VWFS all right, title and interest of VWFS in the Initial VWFS Receivables and any Additional Receivables offered for sale on such Additional Purchase Dates. Such sales were made by way of absolute assignment and, accordingly, VWFS, with full title guarantee, and so far as relating to the Scottish Receivables (which will be held in trust), with absolute warrandice, assigned to (or held on trust for) the Issuer all of its rights, title and interest in and to each Initial VWFS Receivable, including to the fullest extent possible under applicable law, all Ancillary Rights related to such Initial VWFS Receivables but excluding the Excluded Amounts. These are equitable assignments until they are perfected following the occurrence of a Notification Event.</p> <p>On each Additional Purchase Date on or after the Closing Date, VWFS may sell to the Issuer and the Issuer may purchase from VWFS all rights, title and interest of VWFS to the Additional Receivables specified by VWFS in the relevant Notice of Sale. Each such sale is made by way of absolute assignment and, accordingly, VWFS, with full title guarantee, and so far as relating to the Scottish Receivables (which will be held in trust), with absolute warrandice, assigned and will assign and agree to assign to (or hold in trust for) the Issuer all of its rights, title and interest in and to each Additional Receivable, including to the fullest extent possible under applicable law, all Ancillary Rights related to such Additional Receivables but excluding the Excluded Amounts. These will be equitable assignments until they are perfected following the occurrence of a Notification Event.</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>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”:</p> <ul style="list-style-type: none"> • Clawback requires an unfair preference “defrauding” creditors; • Clawback puts the burden of proof on the insolvency officer or creditors – in other words it cannot be automatic nor require the purchaser to prove their innocence. <p>Since “severe clawback” is a jurisdictional concept, in analysing this issue PCS will therefore first seek to determine the Originator’s jurisdiction for the purposes of insolvency law. This would be its centre of main interest or “COMI”.</p> <p>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.</p> <p>In the case of the Transaction, title to the assets is transferred by means of an equitable or beneficial assignment.</p> <p>The legal opinions from Hogan Lovells International LLP and Shepherd and Wedderburn LLP collectively confirm that an equitable assignment of the beneficial interest meets the definition of “true sale” outlined above.</p> <p>In the case of Volkswagen Financial Services (UK) Limited, a finance company situated in the United Kingdom, the COMI is considered the United Kingdom. United Kingdom insolvency law provides for clawback in the cases of preferences and transactions at an undervalue and require the insolvency officer to prove that case. Therefore, and as confirmed by the Opinions, the transfer is not, in our opinion, subject to “severe clawback”.</p>	
2	<p>STS criteria</p>	<p>SEE RELATED EBA GUIDELINES</p>
	<p>2. The transfer of the title to the SSPE shall not be subject to severe clawback provisions in the event of the seller's insolvency.</p>	
	<p>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p> <p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Representations and Warranties in relation to the Sale of the Purchased Receivables</p> <p>VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of itself (i) as at 20 November 2013 in relation to the Initial VWFS Receivables, (ii) as at each Additional Cut-Off Date prior to the Additional Cut-Off Date falling in October 2014 in relation to the relevant Additional Receivables acquired on such Additional Purchase Dates, (iii) on 25 November 2014 but as if made as at the Additional Cut-Off Date falling in October 2014 in relation to the VWFS Receivables purchased on 25 November 2014, and (iv) otherwise, as at each relevant Additional Cut-Off Date in relation to the relevant Additional Receivables acquired on such Additional Purchase Dates after 25 November 2014, that:</p> <p>(j) VWFS centre of main interests (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated in the United Kingdom and it does not have an establishment, branch, business establishment or other fixed establishment other than in the United Kingdom. The terms “centre of main interest” and “establishment” have the meanings given to them: in Article 3(1) and Article 2(10) respectively (i) of the EU Insolvency Regulation and (ii) in the EU Insolvency Regulation as it forms part of domestic law of the United Kingdom by virtue of the EUWA and as amended by the Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146) and Insolvency (Amendment) (EU Exit) Regulations 2020 (SI 2020/647).</p> <p>COMI is in the UK. The UK does not have severe clawback provisions. See comment under checklist point 1.</p>	

2a	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS		
<p>20.2. For the purpose of paragraph 1, any of the following shall constitute severe clawback provisions:</p> <p>(a) provisions which allow the liquidator of the seller to invalidate the sale of the underlying exposures solely on the basis that it was concluded within a certain period before the declaration of the seller's insolvency;</p> <p>(b) provisions where the SSPE can only prevent the invalidation referred to in point (a) if it can prove that it was not aware of the insolvency of the seller at the time of sale.</p>				
STS criteria		SEE RELATED EBA GUIDELINES		
<table border="1"> <tr> <td data-bbox="219 440 1151 467">Verified?</td> <td data-bbox="1160 440 2107 467">Yes</td> </tr> </table>			Verified?	Yes
Verified?	Yes			
PCS Comment				
<p><i>COMI is in the UK. UK does not have severe clawback provisions. See comment under Checklist point 1.</i></p>				

2b	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS		
<p>20.3. For the purpose of paragraph 1, clawback provisions in national insolvency laws that allow the liquidator or a court to invalidate the sale of underlying exposures in case of fraudulent transfers, unfair prejudice to creditors or of transfers intended to improperly favour particular creditors over others, shall not constitute severe clawback provisions.</p>				
STS criteria		SEE RELATED EBA GUIDELINES		
<table border="1"> <tr> <td data-bbox="219 799 1151 826">Verified?</td> <td data-bbox="1160 799 2107 826">Yes</td> </tr> </table>			Verified?	Yes
Verified?	Yes			
PCS Comment				
<p><i>COMI is in the UK. UK does not have severe clawback provisions. See comment under Checklist point 1.</i></p>				

3	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS		
<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>				
STS criteria		SEE RELATED EBA GUIDELINES		
<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>				
<table border="1"> <tr> <td data-bbox="219 1206 1151 1233">Verified?</td> <td data-bbox="1160 1206 2107 1233">Yes</td> </tr> </table>			Verified?	Yes
Verified?	Yes			
PCS Comment				
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>The Receivables Purchase Agreement</p>				

VWFS is the "originator" for the purposes of Article 2(3) of the UK Securitisation Regulation and the EU Securitisation Regulation. VWFS is legally bound to comply with the provisions of the UK Securitisation Regulation and contractually agrees to comply with the provisions of the EU Securitisation Regulation. All Receivables included in the Portfolio have been originated by VWFS and are sold to the Issuer by VWFS in its capacity as Seller.

4	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	<p>20.5. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to affect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p>	
	STS criteria	SEE RELATED EBA GUIDELINES
	<p>4. Where the transfer of the underlying exposures is performed by means of an assignment and perfected at a later stage than at the closing of the transaction, the triggers to effect such perfection shall, at least include the following events:</p> <p>(a) severe deterioration in the seller credit quality standing;</p> <p>(b) insolvency of the seller; and</p> <p>(c) unremedied breaches of contractual obligations by the seller, including the seller's default.</p>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>The Receivables Purchase Agreement</p> <p>On 20 November 2013 and each Additional Purchase Date prior to the Closing Date, VWFS has sold to the Issuer and the Issuer has purchased from VWFS all right, title and interest of VWFS in the Initial VWFS Receivables and any Additional Receivables offered for sale on such Additional Purchase Dates. Such sales were made by way of absolute assignment and, accordingly, VWFS, with full title guarantee, and so far as relating to the Scottish Receivables (which will be held in trust), with absolute warrantice, assigned to (or held on trust for) the Issuer all of its rights, title and interest in and to each Initial VWFS Receivable, including to the fullest extent possible under applicable law, all Ancillary Rights related to such Initial VWFS Receivables but excluding the Excluded Amounts. These are equitable assignments until they are perfected following the occurrence of a Notification Event.</p> <p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>1. MASTER DEFINITIONS SCHEDULE</p> <p>"Notification Event" means the occurrence of any of the following events:</p> <p>(a) Non-Payment: VWFS or its guarantor fails to pay any amount due under any Transaction Documents within three Business Days after the earlier of its becoming aware of such default and its receipt of written notice by or on behalf of the Security Trustee requiring the same to be remedied;</p> <p>(b) Attachment: all or any part of the property, business, undertakings, assets or revenues of VWFS having an aggregate value in excess of GBP 20 million has been attached as a result of any distress, execution or diligence being levied or any encumbrance taking possession or similar attachment and such attachment has not been lifted within 30 days, unless in any such case the Security Trustee certifies that in its reasonable opinion such event will not materially prejudice the ability of VWFS to observe or perform its obligations under the Transaction Documents or the enforceability or collectability of the Receivables;</p> <p>(c) Insolvency Event: an Insolvency Event, in respect of VWFS or the Servicer;</p>	

- (d) Security Interest: VWFS creates or grants any Security Interest or permits any Security Interest to arise or purports to create or grant any Security Interest or purports to permit any Security Interest to arise (i) over or in relation to (1) any Purchased Receivable; (2) any right, title or interest or the Issuer in relation to a Purchased Receivable or the Collections; or (3) any proceeds of or sums received or payable in respect of a Purchased Receivable, in each case other than as permitted under the Transaction Documents;
- (e) Dispute: VWFS disputes, in any manner, the validity or efficacy of any sale and purchase of a Receivable under the Receivables Purchase Agreement and as a result, in the reasonable opinion of the Security Trustee, there is, or is likely to be, a Material Adverse Effect on the ability of VWFS to perform its obligations under the Transaction Documents or the enforceability, collectability or origination of the Purchased Receivables is or is likely to be materially prejudiced;
- (f) Illegality: it becomes impossible or unlawful for VWFS to continue its business and/or discharge its obligations as contemplated by the Transaction Documents and as a result, in the reasonable opinion of the Security Trustee, there is, or is likely to be, a Material Adverse Effect on the ability of VWFS to perform its obligations under the Transaction Documents or the enforceability, collectability or origination of the Purchased Receivables is or is likely to be materially prejudiced;
- (g) Failure to repurchase: VWFS fails to (i) repurchase a Non-Conforming Receivable having become obliged to do so pursuant to clause 9 (Repurchase) of the Receivables Purchase Agreement or (ii) pay any amount required pursuant to clause 9 (Repurchase) of the Receivables Purchase Agreement; and
- (h) Failure to perform: the Seller shall fail to perform or observe any material term, covenant or agreement under the Receivables Purchase Agreement applicable to it (other than as referred to in paragraphs (a) or (g) above) and such failure shall remain unremedied for 180 days (or if such failure is not capable of remedy, in the Seller's sole discretion, 15 Business Days after receipt by the Seller of written notice from the issuer or any Noteholder requiring the failure to be remedied (which Notification Event shall be deemed to occur only upon the last day of the relevant period)) and the Security Trustee certifies that in its reasonable opinion such failure is materially prejudicial to the Noteholders.

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	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
	20.6. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.	
	STS criteria	SEE RELATED EBA GUIDELINES
	5. The seller shall provide representations and warranties that, to the best of its knowledge, the underlying exposures included in the securitisation are not encumbered or otherwise in a condition that can be foreseen to adversely affect the enforceability of the true sale or assignment or transfer with the same legal effect.	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i> .	
	Eligibility Criteria	
	VWFS warranted to the Issuer in the Receivables Purchase Agreement (before it was amended and restated on 25 November 2014) (i) as at 20 November 2013 in respect of the Initial VWFS Receivables and (ii) as at each Additional Purchase Date prior to the Additional Cut-Off Date falling in October 2014 in relation to the relevant Additional Receivables acquired on any Additional Purchase Dates prior to 25 November 2014 that all VWFS Receivables sold under the Receivables Purchase Agreement on 20 November 2013 and on any Additional Purchase Dates prior to 25 November 2014 met the eligibility criteria set forth in the Receivables Purchase Agreement before it was amended and restated on 25 November 2014.	
	VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of the VWFS Receivables sold by it under the Receivables Purchase Agreement, (i) on 25 November 2014 and (ii) otherwise as at each Additional Cut-Off Date in relation to the Additional Receivables to be acquired on such Additional Purchase Date after 25 November 2014, that each VWFS Receivable meets each of the following conditions (for the avoidance of doubt, when applying the conditions below the Receivables have been selected randomly and not with the intention to prejudice the Noteholders):	
	(h) that the relevant Financing Contracts constitute legal valid, binding and enforceable agreements with full recourse to the Obligor;	
	(i) that the status and enforceability of the Purchased Receivables is not impaired due to warranty claims or any other rights of the Obligor (even if the Issuer knew or could have known on the Cut-Off Date of the existence of such defences or rights);	
	(j) that the status and enforceability of the Purchased Receivables is not impaired by set-off rights and that no Obligor maintains deposits on accounts with VWFS;	
	m) that it can dispose of the Purchased Receivables free from rights of third parties and, to the best of the Seller’s knowledge, the Purchased Receivables are not in a condition that can be foreseen to adversely affect the enforceability of the assignment;	
	(n) the Seller is the legal and beneficial owner, free from any Security Interest, of the Purchased Receivables;	

6	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.7. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management. Exposures transferred to the SSPE after the closing of the transaction shall meet the eligibility criteria applied to the initial underlying exposures.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>6. The underlying exposures transferred from, or assigned by, the seller to the SSPE shall meet pre-determined, clear and documented eligibility criteria....</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Eligibility Criteria</p> <p>VWFS warranted to the Issuer in the Receivables Purchase Agreement (before it was amended and restated on 25 November 2014) (i) as at 20 November 2013 in respect of the Initial VWFS Receivables and (ii) as at each Additional Purchase Date prior to the Additional Cut-Off Date falling in October 2014 in relation to the relevant Additional Receivables acquired on any Additional Purchase Dates prior to 25 November 2014 that all VWFS Receivables sold under the Receivables Purchase Agreement on 20 November 2013 and on any Additional Purchase Dates prior to 25 November 2014 met the eligibility criteria set forth in the Receivables Purchase Agreement before it was amended and restated on 25 November 2014.</p> <p>VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of the VWFS Receivables sold by it under the Receivables Purchase Agreement, (i) on 25 November 2014 and (ii) otherwise as at each Additional Cut-Off Date in relation to the Additional Receivables to be acquired on such Additional Purchase Date after 25 November 2014, that each VWFS Receivable meets each of the following conditions (for the avoidance of doubt, when applying the conditions below the Receivables have been selected randomly and not with the intention to prejudice the Noteholders): [...]</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	STS criteria	SEE RELATED EBA GUIDELINES
<p>7. Which do not allow for active portfolio management of those exposures on a discretionary basis. For the purpose of this paragraph, substitution of exposures that are in breach of representations and warranties shall not be considered active portfolio management.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>ADMINISTRATION OF THE PURCHASED RECEIVABLES UNDER THE SERVICING AGREEMENT</i>.</p> <p>Administration of Collections and Costs of Administration</p> <p>Based on the Seller's, the Servicer's and the Issuer's understanding of the spirit of Article 20(7) of the UK Securitisation Regulation and the EBA STS Guidelines applicable to Non-ABCP Securitisations, the Seller, the Servicer and the Issuer agree not to undertake active portfolio management of the Purchased Receivables included in the Portfolio on a discretionary basis.</p> <p>See Prospectus, <i>TRANSACTION OVERVIEW</i>.</p> <p>Remedy for breach of representation and warranty</p>		

	<p>Redelivery Repurchase Agreement</p> <p>Written-Off Purchased Receivables</p> <p>See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>Optional Redemption of the Notes / Clean-Up Call Option</p> <p>See underlying transaction documents, Redelivery Repurchase Agreement, Servicing Agreement.</p> <p><i>The EBA Guidelines set out seven devices to repurchase securitised assets which are not to be considered indicative of "active portfolio management". To the extent that a transaction only contains some or all of those seven devices and does not provide any other form of repurchase, then the STS criterion will be met. If the transaction should contain a repurchase device that is not included in the EBA's list, then an analysis will need to be conducted as to whether this additional device offends against the principles set out in the EBA Guidelines (15.a and b) as defining "active portfolio management".</i></p>	
8	<p>STS criteria</p>	<p>SEE RELATED EBA GUIDELINES</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>Verified?</p>	<p>Yes</p>
	<p>PCS Comment</p>	
	<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Eligibility Criteria</p> <p>VWFS warranted to the Issuer in the Receivables Purchase Agreement (before it was amended and restated on 25 November 2014) (i) as at 20 November 2013 in respect of the Initial VWFS Receivables and (ii) as at each Additional Purchase Date prior to the Additional Cut-Off Date falling in October 2014 in relation to the relevant Additional Receivables acquired on any Additional Purchase Dates prior to 25 November 2014 that all VWFS Receivables sold under the Receivables Purchase Agreement on 20 November 2013 and on any Additional Purchase Dates prior to 25 November 2014 met the eligibility criteria set forth in the Receivables Purchase Agreement before it was amended and restated on 25 November 2014.</p> <p>VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of the VWFS Receivables sold by it under the Receivables Purchase Agreement, (i) on 25 November 2014 and (ii) otherwise as at each Additional Cut-Off Date in relation to the Additional Receivables to be acquired on such Additional Purchase Date after 25 November 2014, that each VWFS Receivable meets each of the following conditions (for the avoidance of doubt, when applying the conditions below the Receivables have been selected randomly and not with the intention to prejudice the Noteholders):</p> <p><i>This criterion is a future event criterion. In other words, it cannot be either met or failed at the outset of the transaction. But if, at a later stage, it is not met, then the Originator will need to inform 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.</i></p>	

9	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<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>		
STS criteria		SEE RELATED EBA GUIDELINES
<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>		
Verified?		Yes
<p>PCS Comment</p> <p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Homogeneity</p> <p>For the purposes of Article 20(8) of the UK Securitisation Regulation and Articles 1(a) to (d) of the Commission Delegated Regulation (EU) 2019/1851 ("HRTS") as it forms part of domestic law of the United Kingdom by virtue of the EUWA and as amended by the Technical Standards (Securitisation Regulation) (EU Exit) Instrument (No 2) 2020 (FCA 2020/54) (the "UK HRTS"), the Purchased Receivables: (i) have been underwritten according to similar underwriting standards, (ii) are serviced according to similar servicing procedures, (iii) fall within the same category of auto loans and leases and (iv) in accordance with the homogeneity factors set forth in Article 20(8) of the UK Securitisation Regulation and Article 3(5)(b) of the UK HRTS, the Obligors are all resident or incorporated in one jurisdiction, being the United Kingdom.</p> <p><i>In the Transaction, the loans were underwritten on a similar basis, they are being serviced by Volkswagen Financial Services (UK) Limited on the same platform, they are a single asset class – auto loans – and, based on the EBA's suggested approach, the assets are all originated in the UK. PCS also takes great comfort from the fact that transactions containing pools with similar characteristics have always been considered to be "homogenous" by a wide consensus of market participants.</i></p>		
10	STS criteria	SEE RELATED EBA GUIDELINES
<p>10. The underlying exposures shall contain obligations that are contractually binding and enforceable.</p>		
Verified?		Yes
<p>PCS Comment</p> <p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Eligibility Criteria</p> <p>VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of the VWFS Receivables sold by it under the Receivables Purchase Agreement, (i) on 25 November 2014 and (ii) otherwise as at each Additional Cut-Off Date in relation to the Additional Receivables to be acquired on such Additional Purchase Date after 25 November 2014, that each VWFS Receivable meets each of the following conditions (for the avoidance of doubt, when applying the conditions below the Receivables have been selected randomly and not with the intention to prejudice the Noteholders):</p> <p>(h) that the relevant Financing Contracts constitute legal valid, binding and enforceable agreements with full recourse to the Obligor;</p> <p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>"Obligor" means, with respect to any Receivable, the person or persons obliged directly or indirectly to make payments in respect of such Receivable, including any person who has guaranteed the obligations in respect of such Receivable.</p>		

11	STS criteria	SEE RELATED EBA GUIDELINES
	11. With full recourse to debtors and, where applicable, guarantors.	
	Verified?	Yes
	PCS Comment	
See point 10 above.		

12	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS	
	20.8. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts, relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
	STS criteria	SEE RELATED EBA GUIDELINES	
	12. The underlying exposures shall have defined periodic payment streams, the instalments of which may differ in their amounts.		
	Verified?	Yes	
	PCS Comment		
See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i> . Eligibility Criteria (r) that on the relevant Cut-Off Date at least one instalment has been paid in respect of each of the Purchased Receivables and that the Purchased Receivables require substantially equal monthly payments to be made within seventy-two (72) months of the date of origination of the Financing Contract and may also provide for a final balloon payment;			
13	STS criteria	SEE RELATED EBA GUIDELINES	
	13. Relating to rental, principal, or interest payments, or to any other right to receive income from assets supporting such payments. The underlying exposures may also generate proceeds from the sale of any financed or leased assets.		
	Verified?	Yes	
	PCS Comment		
	See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i> . The Financing Contracts are governed by English or Scottish law and take the form of hire purchase agreements ("HP Agreements" or "HP No Balloon") and personal contract purchase agreements ("PCP Agreements" or "PCP") between VWFS and Obligors. HP Agreements Mainly directed at retail Obligors, HP Agreements are available for both new and used vehicles. HP Agreements contain standard rental terms where an initial payment is made and then the balance is amortised in substantially equal monthly instalments. At the end of the term of the HP Agreement, after an additional "option to purchase" fee is paid, the Obligor owns the vehicle. PCP Agreements		

PCP Agreements are used for the financing of new and used vehicles in the retail market. PCP Agreements are similar to HP Agreements but with an additional larger "balloon" final rental payment at the end of the term of the PCP Agreement, where the Obligor can either settle the contract by paying the balloon payment (and thereby purchase the vehicle) or, subject to the vehicle being in a condition acceptable to VWFS and within agreed mileage, return the vehicle to VWFS in full and final settlement of the PCP Agreement.

Where the Obligor chooses not to return the vehicle, title in the vehicle passes to the Obligor when the Obligor pays the additional "option to purchase" fee to VWFS (which fee does not form part of the Receivables). Where the Obligor chooses to return the vehicle, VWFS then acts as the Obligor's agent in selling the vehicle and the sale proceeds of the vehicle are applied to settle the Final Rental Amount. Any surplus on sale in excess of the Final Rental Amount is retained by VWFS as a fee for acting as the Obligor's agent and is not passed back to the Obligor. The sale proceeds of the vehicle, including any surplus on sale in excess of the Final Rental Amount, are transferred to the Issuer as PCP Recoveries and Enforcement Proceeds. Any shortfall between the sale proceeds and the Final Rental Amount is not recovered from the Obligor.

See Prospectus, *THE PURCHASED RECEIVABLES POOL*.

10. Effective Interest Rate

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	20.8. The underlying exposures shall not include transferable securities, as defined in Article 4(1), (24) of Article 2(1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	STS criteria	SEE RELATED EBA GUIDELINES
	14. The underlying exposures shall not include transferable securities, as defined in Article 4(1), (24) of Article 2(1) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 of the European Parliament and of the Council other than corporate bonds, provided that they are not listed on a trading venue.	
	Verified?	Yes
	PCS Comment	
	See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i> .	
	Representations and Warranties in relation to the Sale of the Purchased Receivables	
	VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of itself (i) as at 20 November 2013 in relation to the Initial VWFS Receivables, (ii) as at each Additional Cut-Off Date prior to the Additional Cut-Off Date falling in October 2014 in relation to the relevant Additional Receivables acquired on such Additional Purchase Dates, (iii) on 25 November 2014 but as if made as at the Additional Cut-Off Date falling in October 2014 in relation to the VWFS Receivables purchased on 25 November 2014, and (iv) otherwise, as at each relevant Additional Cut-Off Date in relation to the relevant Additional Receivables acquired on such Additional Purchase Dates after 25 November 2014, that:	
	(l) The Purchased Receivables comprised in the Portfolio will not include: (i) any transferable securities for purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for purposes of Article 20(9) of the UK Securitisation Regulation; or (iii) any derivatives for purposes of article 21(2) of the UK Securitisation Regulation, in each case on the basis that the Purchased Receivables have been entered into substantially on the terms of similar standard documentation for HP Agreements and PCP Agreements.	

15	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.9. The underlying exposures shall not include any securitisation position.		
STS criteria		SEE RELATED EBA GUIDELINES
15. The underlying exposures shall not include any securitisation position.		
Verified?		Yes
PCS Comment		
See point 14 above.		

16	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
16. The underlying exposures shall be originated in the ordinary course of the originator's or original lender's business.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i> .		
Representations and Warranties in relation to the Sale of the Purchased Receivables		
<p>VWFS represents and warrants to the Issuer and to the Security Trustee, in respect of itself (i) as at 20 November 2013 in relation to the Initial VWFS Receivables, (ii) as at each Additional Cut-Off Date prior to the Additional Cut-Off Date falling in October 2014 in relation to the relevant Additional Receivables acquired on such Additional Purchase Dates, (iii) on 25 November 2014 but as if made as at the Additional Cut-Off Date falling in October 2014 in relation to the VWFS Receivables purchased on 25 November 2014, and (iv) otherwise, as at each relevant Additional Cut-Off Date in relation to the relevant Additional Receivables acquired on such Additional Purchase Dates after 25 November 2014, that:</p> <p>(k) the Purchased Receivables are originated in the ordinary course of the business of VWFS pursuant to underwriting standards which are no less stringent than those which also apply to Financing Contracts which will not be securitised. In particular, VWFS represents and warrants that it has in place (i) effective systems to apply its standard criteria for granting the Purchased Receivables and (ii) processes for approving and, where relevant, amending, renewing and re-financing the Purchased Receivables, in order to ensure that granting of the Purchased Receivables is based on a thorough assessment of each Obligor's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Obligor meeting its obligations under the relevant agreement. Furthermore, VWFS represents and warrants that the assessment of each Obligor's creditworthiness shall meet the requirements of Article 8 of Directive 2008/48/EC, in particular, the assessment: (i) will be performed on the basis of sufficient information, where appropriate obtained from the Obligor and, where necessary, on the basis of a consultation of the relevant database, and (ii) will be repeated before any significant increase in the total amount is granted after the conclusion of the financial contract, in combination with an update of the Obligor's financial information.</p>		

17	STS criteria	SEE RELATED EBA GUIDELINES
17. Pursuant to underwriting standards that are no less stringent than those that the originator or original lender applied at the time of origination to similar exposures that are not securitised.		
Verified?		Yes
PCS Comment		
See point 16 above.		

18	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.		
STS criteria		SEE RELATED EBA GUIDELINES
18. The underwriting standards pursuant to which the underlying exposures are originated and any material changes from prior underwriting standards shall be fully disclosed to potential investors without undue delay.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Changes to underwriting standards</p> <p>VWFS as Seller agrees that if it makes any material changes to its underwriting standards during the Revolving Period it will promptly provide the Issuer and the Security Trustee with details of such changes together with an explanation of the purpose of such changes. The Issuer will notify such changes to investors in accordance with Condition 12 (Notices) 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	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.10. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>19. In the case of securitisations where the underlying exposures are residential loans, the pool of loans shall not include any loan that was marketed and underwritten on the premise that the loan applicant or, where applicable intermediaries, were made aware that the information provided might not be verified by the lender.</p>		
Verified?		Yes
PCS Comment		
<p><i>Not applicable.</i></p>		

20	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<p>20.10. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>20. The assessment of the borrower's creditworthiness shall meet the requirements set out in Article 8 of Directive 2008/48/EC or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of Directive 2014/17/EU or, where applicable, equivalent requirements in third countries.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Representations and Warranties in relation to the Sale of the Purchased Receivables</p> <p>(k) the Purchased Receivables are originated in the ordinary course of the business of VWFS pursuant to underwriting standards which are no less stringent than those which also apply to Financing Contracts which will not be securitised. In particular, VWFS represents and warrants that it has in place (i) effective systems to apply its standard criteria for granting the Purchased Receivables and (ii) processes for approving and, where relevant, amending, renewing and re-financing the Purchased Receivables, in order to ensure that granting of the Purchased Receivables is based on a thorough assessment of each Obligor's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Obligor meeting its obligations under the relevant agreement. Furthermore, VWFS represents and warrants that the assessment of each Obligor's creditworthiness shall meet the requirements of Article 8 of Directive 2008/48/EC, in particular, the assessment: (i) will be performed on the basis of sufficient information, where appropriate obtained from the Obligor and, where necessary, on the basis of a consultation of the relevant database, and (ii) will be repeated before any significant increase in the total amount is granted after the conclusion of the financial contract, in combination with an update of the Obligor's financial information.</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>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>		

21	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.10. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.		
STS criteria		SEE RELATED EBA GUIDELINES
21. The originator or original lender shall have expertise in originating exposures of a similar nature to those securitised.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>THE SELLER AND SERVICER</i>.</p> <p>Origination and Securitisation Expertise</p> <p>As already set out under the section "Incorporation, Registered Office and Purpose" one of the main purposes of VWFS for almost 3 decades has been the origination, underwriting and servicing of finance contracts of a similar nature to those securitised under this Transaction. The members of its management body and the senior staff of VWFS have adequate knowledge and skills in originating, underwriting and servicing automotive finance receivables, similar to the automotive finance receivables included in the Portfolio, gained through years of practice and continuing education. The members of the management body and VWFS senior staff have been appropriately involved within the governance structure of the functions of originating and underwriting of the Portfolio. Additionally, VWFS has been securitising finance contracts actively since 2002 through private as well as public securitisation transactions, similar to this Transaction. The members of its management body and the senior staff responsible for the securitisation transactions of VWFS have also professional experience in the securitisation of automotive finance receivables of many years, gained through years of practice and continuing education. Other subsidiaries of Volkswagen AG have also been securitising lease receivables and loan receivables all across Europe, Australia, Brazil, Canada, Japan, China, Turkey and USA.</p> <p><i>An entity originating assets similar to those securitised for at least five years is deemed, according to the EBA Guidelines to have "expertise".</i></p>		

22	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
20.11. The underlying exposures shall be transferred to the SSPE after selection without undue delay and shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 or exposures to a credit-impaired debtor or guarantor, who, to the best of the originator's or original lender's knowledge:		
STS criteria		
22. The underlying exposures shall be transferred to the SSPE after selection without undue delay...		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>THE PURCHASED RECEIVABLES POOL</i>.</p> <p>The characteristics set forth in this section are based on the portfolio of Purchased Receivables as at the Additional Cut-Off Date falling in October 2021. The statistical distribution of the characteristics of the portfolio of Purchased Receivables as at the Additional Cut-Off Date falling in October 2021 is illustrated in the tables below.</p> <p><i>PCS has assumed that any period of three-and-a-half months or less between pool cut date and closing will meet the requirements of the criterion. This is in line with market standards.</i></p>		

23	STS criteria	SEE RELATED EBA GUIDELINES
23. And shall not include, at the time of selection, exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013...		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Eligibility Criteria</p> <p>(z) that the Obligor related to the Purchased Receivable is not:</p> <ul style="list-style-type: none"> (i) an Obligor who VWFS considers as unlikely to pay its obligations to VWFS and/or to an Obligor who is past due more than 90 days on any material credit obligation to VWFS; (ii) a credit-impaired Obligor or guarantor who, on the basis of information obtained (i) from the Obligor of the relevant Receivable, (ii) in the course of VWFS' servicing of the Receivables or VWFS' risk management procedures, or (iii) from a third party: <ul style="list-style-type: none"> (1) 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 of the Purchased Receivables to the Issuer; (2) 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 VWFS; or (3) 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 receivables held by VWFS which are not securitised; 		

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

27	STS criteria	
	27. (i) a restructured underlying exposure has not presented new arrears since the date of the restructuring which must have taken place at least one year prior to the date of transfer or assignment of the underlying exposures to the SSPE; and	
	Verified?	Yes
	PCS Comment	
<p><i>See point 23 above.</i></p> <p><i>No restructured borrowers are included in the pool.</i></p>		
28	STS criteria	
	28. (ii) the information provided by the originator, sponsor and SSPE in accordance with points (a) and (e)(i) of the first subparagraph of Article 7(1) explicitly sets out the proportion of restructured underlying exposures, the time and details of the restructuring as well as their performance since the date of the restructuring;	
	Verified?	Yes
	PCS Comment	
<p><i>See point 23 above.</i></p> <p><i>No restructured borrowers are included in the pool.</i></p>		
29	STS criteria	
	29. (b) was, at the time of origination, where applicable, on a public credit registry of persons with adverse credit history or, where there is no such public credit registry, another credit registry that is available to the originator or original lender;	
	Verified?	Yes
	PCS Comment	
<p><i>See point 23 above.</i></p>		
30	STS criteria	
	30. (c) has a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made is significantly higher than for comparable exposures held by the originator which are not securitised.	
	Verified?	Yes
	PCS Comment	
<p><i>See point 23 above.</i></p>		

31	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<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>		
STS criteria		SEE RELATED EBA GUIDELINES
<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>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Eligibility Criteria</p> <p>(r) that on the relevant Cut-Off Date at least one instalment has been paid in respect of each of the Purchased Receivables and that the Purchased Receivables require substantially equal monthly payments to be made within seventy-two (72) months of the date of origination of the Financing Contract and may also provide for a final balloon payment;</p>		

32	Legislative text – Article 20 - Requirements relating to simplicity	GO TO TABLE OF CONTENTS
<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>		
STS criteria		SEE RELATED EBA GUIDELINES
<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>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Redelivery Repurchase Agreement</p> <p>The Issuer entered into a Redelivery Repurchase Agreement with VWFS on 28 May 2019. Subject to an Insolvency Event not having occurred in respect of VWFS if, on any day during a Monthly Period, a Financing Contract related to a Purchased Receivable becomes a Redelivery Financing Contract (such Purchased Receivable being a "Redelivery Purchased Receivable"), then on the Payment Date falling after the end of such Monthly Period (or, at the option of VWFS, on the second Payment Date falling after the end of such Monthly Period) (such date being the "Redelivery Repurchase Date") VWFS shall repurchase the Redelivery Purchased Receivable from the Issuer for a price equal to the Redelivery Repurchase Price. The Redelivery Repurchase Price is an amount equal to (i) the outstanding principal balance of a Redelivery Purchased Receivable as at the first day of the Monthly Period in which such Purchased Receivable becomes a Redelivery Purchased Receivable together with any arrears outstanding on such date but excluding any future interest payments (calculated on the basis of the Obligor internal rate of return) multiplied by (ii) one (1) minus the Replenished Receivables Overcollateralisation Percentage. On the Closing Date, VWFS will repurchase any Redelivery Purchased Receivables existing as at the Closing Date.</p> <p>The Seller is not obliged to repurchase any Redelivery Purchased Receivable if, on the Redelivery Repurchase Date, such Purchased Receivable is a Delinquent Receivable or a Defaulted Receivable or (for the avoidance of doubt) as a result of the Early Settlement of any Purchased Receivable during the relevant Monthly Period.</p>		

<p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>1. MASTER DEFINITIONS SCHEDULE</p> <p>"Redelivery Financing Contract" means a Redelivery PCP Financing Contract or a Redelivery VT Financing Contract, as applicable.</p> <p>"Redelivery PCP Financing Contract" means a PCP Agreement under which the Obligor opts to make full and final settlement of a PCP Agreement by redelivery to the Seller of the Vehicle financed by such PCP Agreement.</p> <p>"Redelivery VT Financing Contract" means a Regulated Financing Contract which is subject to Voluntary Termination.</p>

33	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.1. The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
STS criteria		SEE RELATED EBA GUIDELINES
33.The originator, sponsor or original lender shall satisfy the risk retention requirement in accordance with Article 6.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Retention Statement</p> <p>VWFS shall, whilst any of the Notes remain outstanding retain for the life of such Notes a material net economic interest of not less than 5 per cent. with respect to the Transaction in accordance with Article 6(3)(c) of the UK Securitisation Regulation and Article 6(3)(c) of the EU Securitisation Regulation.</p> <p>VWFS undertakes that it will not reduce, hedge or otherwise mitigate its credit exposure to the material net economic interest for the purposes of Article 6(1) of the UK Securitisation Regulation and Article 6(1) of the EU Securitisation Regulation and:</p> <p>(a) with respect to the UK Securitisation Regulation, until such time as UK regulatory technical standards are published jointly by the FCA and PRA, Article 12 of the Commission Delegated Regulation specifying the risk retention requirements pursuant to the UK Securitisation Regulation (the "Commission Delegated Regulation") (BTS 625/2014 as amended by Annex R of The Technical Standards (Capital Requirements) (EU Exit) (No. 3) Instrument 2019) and, pursuant to Article 43(7) of the UK Securitisation Regulation, until regulatory technical standards are adopted jointly by the FCA and PRA, provided that the level of retention may reduce over time in compliance with Article 10(2) of the Commission Delegated Regulation.</p> <p>(b) for the purposes of the EU Securitisation Regulation Article 12 of Commission Delegated Regulation (EU) 625/2014, until regulatory technical standards are adopted by the Commission pursuant to Article 6(7) of the EU Securitisation Regulation, provided that the level of retention may reduce over time in compliance with Article 10 (2) of the Commission Delegated Regulation (EU) 625/2014.</p> <p>As at the Closing Date and any Further Issue Date, such interest will be comprised of an interest in randomly selected exposures equivalent to no less than 5 per cent. of the nominal amount of the securitised exposures.</p>		

34	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.2. The interest rate and currency risks arising from the securitisation shall be appropriately mitigated and any measures taken to that effect shall be disclosed.		
STS criteria		SEE RELATED EBA GUIDELINES
34. The interest rate...risks arising from the securitisation shall be appropriately mitigated.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk / Risk of Swap Counterparty Insolvency</p> <p>Noteholders may be subject to interest rate risk</p> <p>Payments in respect of the Purchased Receivables made to the Seller by an Obligor under a Financing Contract comprise monthly amounts calculated with respect to a fixed interest rate which may be different to Compounded Daily SONIA plus margin, which is the interest rate (being subject to a floor of zero) payable on the Class A Notes and the Class B Notes.</p> <p>The Issuer will hedge afore-described interest rate risk and will use payments made by the Swap Counterparties to make payments on the Notes on each Payment Date, in each case calculated with respect to the swap notional amount which is equal to the outstanding Series Nominal Amount on the relevant Series of Notes, following payment on the immediately preceding Payment Date.</p> <p>See Prospectus, <i>IMPORTANT TRANSACTION DOCUMENTS AND TRANSACTION FEATURES</i>.</p> <p>Swap Agreements</p> <p>The Issuer will enter into each Swap Agreement with the relevant Swap Counterparty. Each Swap Agreement will hedge in respect of a particular Series of Notes the interest rate risk deriving from fixed rate interest payments owed by the Obligors to the Issuer under the Receivables and floating rate interest payments owed by the Issuer under the relevant Series of 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"> <i>• A statement in the Prospectus or other document setting out the boundary conditions of the hedging. This should state in effect how far the hedging stretches and under what scenario’s it will break. For example, if interbank rates rise above X%. This will provide a common-sense feel for whether, at first glance, the hedging is reasonable.</i> <i>• Risk Factors section of the Prospectus to check that no statements refer to the risks of “unhedged positions”. This is based on the legal requirement to disclose any relevant information to investors. If the originator or its advisers believed that the hedging in a transaction was unusually light, this should be disclosed in the Risk Section.</i> <i>• The “pre-sale” report from a recognised credit rating agency (if used) so as to identify any issues with hedging. Again, rating agencies as credit specialists should highlight in their analysis any substantial and unusual hedging risks.</i> <p><i>In the case of the Transaction, payments from the underlying receivables include fixed rate payments, while the Class A and B notes are floating rate. Interest rate swaps are used in the Transaction to mitigate fixed-to-floating interest rate risk.</i></p>		

35	STS criteria	SEE RELATED EBA GUIDELINES
35. Currency risks arising from the securitisation shall be appropriately mitigated.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>Denomination</p> <p>The issue in the aggregate Nominal Amount of up to GBP 10,000,000,000 consists of transferable Notes with a Nominal Amount of at least GBP 100,000 each, ranking equally among themselves. The Notes rank senior to the Subordinated Loan.</p> <p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>Eligibility Criteria</p> <p>(e) that such Purchased Receivable is denominated and payable in Sterling;</p> <p><i>Notes and underlying assets both denominated in Sterling.</i></p>		
36	STS criteria	SEE RELATED EBA GUIDELINES
36. Any measures taken to that effect shall be disclosed.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk / Risk of Swap Counterparty Insolvency</p> <p>Noteholders may be subject to interest rate risk</p> <p>Payments in respect of the Purchased Receivables made to the Seller by an Obligor under a Financing Contract comprise monthly amounts calculated with respect to a fixed interest rate which may be different to Compounded Daily SONIA plus margin, which is the interest rate (being subject to a floor of zero) payable on the Class A Notes and the Class B Notes.</p> <p>The Issuer will hedge afore-described interest rate risk and will use payments made by the Swap Counterparties to make payments on the Notes on each Payment Date, in each case calculated with respect to the swap notional amount which is equal to the outstanding Series Nominal Amount on the relevant Series of Notes, following payment on the immediately preceding Payment Date.</p> <p>See Prospectus, <i>IMPORTANT TRANSACTION DOCUMENTS AND TRANSACTION FEATURES</i>.</p> <p>Swap Agreements</p> <p>The Issuer will enter into each Swap Agreement with the relevant Swap Counterparty. Each Swap Agreement will hedge in respect of a particular Series of Notes the interest rate risk deriving from fixed rate interest payments owed by the Obligors to the Issuer under the Receivables and floating rate interest payments owed by the Issuer under the relevant Series of 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>		

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.

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:

- 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.
- 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.
- 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.

37	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.2. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and shall ensure that the pool of underlying exposures does not include derivatives.</p> <p>Those derivatives shall be underwritten and documented according to common standards in international finance.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
37. Except for the purpose of hedging currency risk or interest rate risk, the SSPE shall not enter into derivative contracts and...		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>36. OTHER UNDERTAKINGS OF THE ISSUER</p> <p>(l) not to enter into any derivative contracts other than for the purposes of hedging the interest rate risk of the Purchased Receivables.</p>		
38	STS criteria	SEE RELATED EBA GUIDELINES
38. ...Shall ensure that the pool of underlying exposures does not include derivatives.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DESCRIPTION OF THE PORTFOLIO</i>.</p> <p>The Purchased Receivables comprised in the Portfolio will not include: (i) any transferable securities for purposes of Article 20(8) of the UK Securitisation Regulation; (ii) any securitisation positions for purposes of Article 20(9) of the UK Securitisation Regulation; or (iii) any derivatives for purposes of article 21(2) of the UK Securitisation Regulation, in each case on the basis that the Purchased Receivables have been entered into substantially on the terms of similar standard documentation for HP Agreements and PCP Agreements.</p>		

39	STS criteria	SEE RELATED EBA GUIDELINES
39. Those derivatives shall be underwritten and documented according to common standards in international finance.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i> .		
1. MASTER DEFINITIONS SCHEDULE		
"Swap Agreements" means (i) the relevant interest rate swap agreement between the Issuer and the Swap Counterparty in respect of the respective Series of Notes pursuant to the 1992 ISDA Master Agreement or the 2002 ISDA Master Agreement, as applicable, (ii) the associated schedule, (iii) the credit support annex dated on or about 25 November 2021 and (iv) a confirmation dated on or about 25 November 2021 or any amendments thereto to swap a floating interest rate under such Series of Class A Notes or Series of Class B Notes against a fixed rate.		
See also underlying swap documents.		

40	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.3. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds, and shall not reference complex formulae or derivatives.		
STS criteria		SEE RELATED EBA GUIDELINES
40. Any referenced interest payments under the securitisation assets and liabilities shall be based on generally used market interest rates, or generally used sectoral rates reflective of the cost of funds and shall not reference complex formulae or derivatives.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>TRANSACTION OVERVIEW</i> .		
THE NOTES		
Interest and principal		
Class A Notes		
Each Series of the Class A Notes entitle the Class A Noteholders thereof to receive from the Available Distribution Amount on each Payment Date:		
(a) interest at the rate equivalent to the sum (subject to a floor of zero) of SONIA plus a rate specified in the Final Terms for the relevant Series (the "Class A Notes Interest Rate") on the Nominal Amount of the Class A Notes outstanding immediately prior to such Payment Date; and [...]		
Class B Notes		
Each Series of the Class B Notes entitle the Class B Noteholders thereof to receive on each Payment Date, out of the amounts remaining from the Available Distribution Amount on each Payment Date:		
(a) after payment of interest due and payable on the Class A Notes, interest at the rate equivalent to the sum (subject to a floor of zero) of SONIA plus a rate specified in the Final Terms for the relevant Series (the "Class B Notes Interest Rate") on the Nominal Amount of the Class B Notes the outstanding immediately prior to such Payment Date; and [...]		

The underlying receivables pay a fixed rate of interest.

41	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.4. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p> <p>(b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;</p> <p>(c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and</p> <p>(d) No provisions shall require automatic liquidation of the underlying exposures at market value.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>41. Where an enforcement or an acceleration notice has been delivered:</p> <p>(a) no amount of cash shall be trapped in the SSPE beyond what is necessary to ensure the operational functioning of the SSPE or the orderly repayment of investors in accordance with the contractual terms of the securitisation, unless exceptional circumstances require that amount is trapped in order to be used, in the best interests of investors, for expenses in order to avoid the deterioration in the credit quality of the underlying exposures;</p>		
Verified?	Yes	
PCS Comment		
<p>See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>General Abstract of the Conditions of the Notes</p> <p>Order of Priority</p> <p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>20. ORDER OF PRIORITY</p> <p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>1. MASTER DEFINITIONS SCHEDULE</p> <p>"Available Distribution Amount"</p>		

42	STS criteria	SEE RELATED EBA GUIDELINES
42. (b) Principal receipts from the underlying exposures shall be passed to investors via sequential amortisation of the securitisation positions, as determined by the seniority of the securitisation position;		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i>. General Abstract of the Conditions of the Notes Order of Priority See Prospectus, <i>TRUST AGREEMENT</i>. 20. ORDER OF PRIORITY <i>Principal is paid sequentially under post-enforcement order of priority.</i></p>		
43	STS criteria	
43. (c) Repayment of the securitisation positions shall not be reversed with regard to their seniority; and		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i>. General Abstract of the Conditions of the Notes Order of Priority See Prospectus, <i>TRUST AGREEMENT</i>. 20. ORDER OF PRIORITY <i>There is no reversal of seniority under the post-enforcement order of priority.</i></p>		
44	STS criteria	SEE RELATED EBA GUIDELINES
44. (d) No provisions shall require automatic liquidation of the underlying exposures at market value.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TRUST AGREEMENT</i>. 16. FORECLOSURE ON THE SECURITY; FORECLOSURE EVENT; ENFORCEMENT EVENT 16.3 [...] For the avoidance of doubt, upon the occurrence of an Enforcement Event, the Security Trustee is not automatically required to liquidate the Purchased Receivables at market value.</p>		

45	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.5. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.		
STS criteria		SEE RELATED EBA GUIDELINES
45. Transactions which feature non-sequential priority of payments shall include triggers relating to the performance of the underlying exposures resulting in the priority of payments reverting to sequential payments in order of seniority. Such performance-related triggers shall include at least the deterioration in the credit quality of the underlying exposures below a pre-determined threshold.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i>.</p> <p>General Abstract of the Conditions of the Notes</p> <p>Order of Priority</p> <p>Order of Priority of Distributions</p> <p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>20. ORDER OF PRIORITY</p> <p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>1. MASTER DEFINITIONS SCHEDULE</p> <p>"Credit Enhancement Increase Condition" shall be deemed to be in effect if:</p> <p>(a) the Dynamic Net Loss Ratio for three consecutive Payment Dates exceeds (i) .025 per cent., if the Weighted Average Seasoning is less than or equal to 12 months (inclusive) (ii) 0.75 per cent., if the Weighted Average Seasoning is between 12 months (exclusive) and 22 months (inclusive), (iii) 2.00 per cent. if the Weighted Average Seasoning is between 22 months (exclusive) and 34 months (inclusive), or (iv) if the Weighted Average Seasoning is greater than 34 months, the Dynamic Net Loss Ratio shall not apply; or</p> <p>(b) the 12-Months Average Dynamic Net Loss Ratio exceeds (i) 0.60 per cent. during the Revolving Period or (ii) 1.20 per cent. after the end of the Revolving Period; or</p> <p>(c) the Late Delinquency Ratio exceeds 1.30 per cent. on any Payment Date on or before 25 November 2022, provided that this event will be waived following a Term Takeout if the Issuer receives a Rating Agency confirmation that the sale of the Receivables will not result in a downgrade of the outstanding Notes on or before the Payment Date immediately following the occurrence of such event; or</p> <p>(d) a Servicer Replacement Event occurs and is continuing; or</p> <p>(e) an Insolvency Event occurs with respect to VWFS; or</p> <p>(f) the Cash Collateral Account does not contain (A) the Specified General Cash Collateral Account Balance on three consecutive Payment Dates or (B) the Minimum Cash Collateral Account Balance at any Determination Date.</p> <p><i>Credit Enhancement Increase Condition trigger results in sequential payments in order of priority.</i></p>		

46	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>21.6. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p> <ul style="list-style-type: none"> (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold; (b) the occurrence of an insolvency-related event with regard to the originator or the servicer; (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event); (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period). 		
STS criteria		SEE RELATED EBA GUIDELINES
<p>46. The transaction documentation shall include appropriate early amortisation provisions or triggers for termination of the revolving period where the securitisation is a revolving securitisation, including at least the following:</p>		
Verified?	Yes	
PCS Comment		
<p>See Prospectus, <i>GENERAL DESCRIPTION OF THE PROGRAMME</i>.</p> <p>Revolving Period</p> <p>The Revolving Period means the period from (and including) the Initial Issue Date and ending on (and including) the earlier of (i) the Series Revolving Period Expiration Date of the last outstanding Series of Class A Notes and (ii) the occurrence of an Early Amortisation Event.</p> <p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>1. MASTER DEFINITIONS SCHEDULE</p> <p>"Early Amortisation Event" shall mean any of the following:</p> <ul style="list-style-type: none"> (a) the occurrence of a Servicer Replacement Event; (b) the Accumulation Balance on two consecutive Payment Dates exceeds 15 per cent. of the Discounted Receivables Balance after application of the relevant Order of Priority on such Payment Date; (c) on any Payment Date falling after six consecutive Payment Dates following the Initial Issue Date, the Class A Actual Overcollateralisation Percentage is determined as being lower than 29.20 per cent.; (d) VWFS ceases to be an Affiliate of Volkswagen Financial Services AG or any successor thereto; (e) the Seller fails to perform its obligations under clause 9 (Repurchase) or clause 10 (Payment for Non-existent Receivables) of the Receivables Purchase Agreement or clause 3 (Repurchase) of the Redelivery Repurchase Agreement provided that, in the case of the Seller's failure to perform its obligations under clause 3 (Repurchase) of the Redelivery Repurchase Agreement, such failure subsists for two Payment Dates following the Payment Date on which such Redelivery Purchased Receivables were required to be repurchased; (f) the Issuer fails to enter into a replacement Swap Agreement within 30 calendar days following the termination of a Swap Agreement or the respective Swap Counterparty fails to post collateral, in each case within the time period specified in the applicable Swap Agreement, (each as provided for in clause 19 (Distribution Account; Cash Collateral Account; Counterparty Downgrade Collateral Account; Swap Provisions) of the Trust Agreement or to take any other measure which does not result in a downgrade of the Notes; 		

	<p>(g) the Credit Enhancement Increase Condition is in effect; or</p> <p>(h) the occurrence of a Foreclosure Event.</p> <p>"Credit Enhancement Increase Condition" shall be deemed to be in effect if:</p> <p>(a) the Dynamic Net Loss Ratio for three consecutive Payment Dates exceeds (i) 0.25 per cent., if the Weighted Average Seasoning is less than or equal to 12 months (inclusive) (ii) 0.75 per cent., if the Weighted Average Seasoning is between 12 months (exclusive) and 22 months (inclusive), (iii) 2.00 per cent. if the Weighted Average Seasoning is between 22 months (exclusive) and 34 months (inclusive), or (iv) if the Weighted Average Seasoning is greater than 34 months, the Dynamic Net Loss Ratio shall not apply; or</p> <p>(b) the 12-Months Average Dynamic Net Loss Ratio exceeds (i) 0.60 per cent. during the Revolving Period or (ii) 1.20 per cent. after the end of the Revolving Period; or</p> <p>(c) the Late Delinquency Ratio exceeds 1.30 per cent. on any Payment Date on or before 25 November 2022, provided that this event will be waived following a Term Takeout if the Issuer receives a Rating Agency confirmation that the sale of the Receivables will not result in a downgrade of the outstanding Notes on or before the Payment Date immediately following the occurrence of such event; or</p> <p>(d) a Servicer Replacement Event occurs and is continuing; or</p> <p>(e) an Insolvency Event occurs with respect to VWFS; or</p> <p>(f) the Cash Collateral Account does not contain (A) the Specified General Cash Collateral Account Balance on three consecutive Payment Dates or (B) the Minimum Cash Collateral Account Balance at any Determination Date.</p> <p>"Insolvency Event"</p> <p>"Servicer Replacement Event"</p>	
47	<p>STS criteria</p> <p>47. (a) a deterioration in the credit quality of the underlying exposures to or below a pre-determined threshold;</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 46 above.</p>	<p>SEE RELATED EBA GUIDELINES</p>
48	<p>STS criteria</p> <p>48. (b) the occurrence of an insolvency-related event with regard to the originator or the servicer;</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 46 above.</p>	<p>SEE RELATED EBA GUIDELINES</p>

49	STS criteria	SEE RELATED EBA GUIDELINES
49. (c) the value of the underlying exposures held by the SSPE falls below a pre-determined threshold (early amortisation event);		
Verified?		Yes
PCS Comment		
<i>See point 46 above.</i>		
50	STS criteria	SEE RELATED EBA GUIDELINES
50. (d) a failure to generate sufficient new underlying exposures that meet the pre-determined credit quality (trigger for termination of the revolving period).		
Verified?		Yes
PCS Comment		
<i>See point 46 above.</i>		

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

	<p>See Prospectus, <i>ADMINISTRATION OF THE PURCHASED RECEIVABLES UNDER THE SERVICING AGREEMENT</i>.</p> <p>See Prospectus, <i>CORPORATE ADMINISTRATION AND ACCOUNTS</i>.</p> <p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>See also underlying transaction documents.</p>		
52	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>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</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Verified?</td> <td style="text-align: center;">Yes</td> </tr> </table> <p>PCS Comment</p> <p>See Prospectus, <i>IMPORTANT TRANSACTION DOCUMENTS AND TRANSACTION FEATURES</i>.</p> <p>Servicer Replacement Event</p> <p>See underlying transaction document: Servicing Agreement.</p> <p>6. SERVICER REPLACEMENT AND TERMINATION</p> <p>6.1 If a Servicer Replacement Event occurs and is continuing, the Issuer may, with the consent of the Security Trustee, or the Security Trustee may itself, elect to terminate the Servicer's appointment hereunder by giving written notice of such election (such notice, a "Servicer Termination Notice") to the Servicer and specifying the date of such termination in such notice provided that such termination shall not take effect until a successor servicer has been appointed in accordance with the provisions of clause 6.11.</p>	Verified?	Yes
Verified?	Yes		
53	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>53. (c) provisions that ensure the replacement of derivative counterparties, liquidity providers and the account bank in the case of their default, insolvency, and other specified events, where applicable.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">Verified?</td> <td style="text-align: center;">Yes</td> </tr> </table> <p>PCS Comment</p> <p>See Prospects, <i>TRUST AGREEMENT</i>.</p> <p>13. ACCOUNTS</p> <p>13.2 Should any Account be terminated either by the Account Bank, or by the Issuer, the Issuer shall promptly inform the Security Trustee of such termination. The Issuer shall, together with the Security Trustee, open an account, on conditions as close as possible to those previously received, with the Successor Bank specified by the Security Trustee, which has at least the Account Bank Required Ratings. The Issuer shall conclude a new Account Agreement with the Successor Bank as counterparty and with the consent of the Security Trustee the new Account Agreement shall include a provision, in which the Successor Bank undertakes to promptly notify the other contract parties of any downgrade in its rating.</p> <p>19. DISTRIBUTION ACCOUNT; CASH COLLATERAL ACCOUNT; COUNTERPARTY DOWNGRADE COLLATERAL ACCOUNT; SWAP PROVISIONS</p> <p>19.9 The Issuer shall promptly, following the early termination of the Swap Agreement due to an "event of default" or "termination event" (each as defined in the applicable Swap Agreement) and in accordance with the terms of the Swap Agreement, enter into a replacement Swap Agreement with an Eligible Swap Counterparty to the extent possible and practicable through application of available funds in the Counterparty Downgrade Collateral Account (after returning any Excess Swap Collateral to the Swap Counterparty).</p> <p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Interest Rate Risk / Risk of Swap Counterparty Insolvency</p>	Verified?	Yes
Verified?	Yes		

<p>Termination of Swap Agreements</p> <p>See Prospectus, <i>ABSTRACT OF THE OTHER PRINCIPAL TRANSACTION DOCUMENTS</i>.</p> <p>The Swap Agreements</p> <p>See Prospectus, <i>KEY MINIMUM REQUIRED RATING DURING THE TERM OF THE TRANSACTION</i>.</p> <p>Account Bank Required Rating, Eligible Swap Counterparty</p> <p>See Prospectus, <i>IMPORTANT TRANSACTION DOCUMENTS AND TRANSACTION FEATURES</i>.</p> <p>Account Agreement</p> <p>See also underlying transaction documents: Account Agreement.</p>

54	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
	21.8. The servicer shall have expertise in servicing exposures of a similar nature to those securitised and shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.	
	STS criteria	SEE RELATED EBA GUIDELINES
	54. The servicer shall have expertise in servicing exposures of a similar nature to those securitised	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>THE SELLER AND SERVICER</i>.</p> <p>Origination and Securitisation Expertise</p> <p>As already set out under the section "Incorporation, Registered Office and Purpose" one of the main purposes of VWFS for almost 3 decades has been the origination, underwriting and servicing of finance contracts of a similar nature to those securitised under this Transaction. The members of its management body and the senior staff of VWFS have adequate knowledge and skills in originating, underwriting and servicing automotive finance receivables, similar to the automotive finance receivables included in the Portfolio, gained through years of practice and continuing education. The members of the management body and VWFS senior staff have been appropriately involved within the governance structure of the functions of originating and underwriting of the Portfolio. Additionally, VWFS has been securitising finance contracts actively since 2002 through private as well as public securitisation transactions, similar to this Transaction. The members of its management body and the senior staff responsible for the securitisation transactions of VWFS have also professional experience in the securitisation of automotive finance receivables of many years, gained through years of practice and continuing education. Other subsidiaries of Volkswagen AG have also been securitising lease receivables and loan receivables all across Europe, Australia, Brazil, Canada, Japan, China, Turkey and USA.</p> <p><i>The EBA Guidelines provide that an entity that has serviced similar assets for at least five years will be deemed to meet the expertise criterion.</i></p>	

55	STS criteria	SEE RELATED EBA GUIDELINES
55. And shall have well documented and adequate policies, procedures and risk management controls relating to the servicing of exposures.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, THE SELLER AND SERVICER.</p> <p>Origination and Securitisation Expertise</p> <p>See Prospectus, <i>BUSINESS PROCEDURES OF VOLKSWAGEN FINANCIAL SERVICES (UK) LIMITED</i>.</p> <p>Collections and Recoveries</p> <p>See underlying transaction documents.</p> <p>Servicing Agreement.</p> <p><i>Additional due diligence was conducted in connection with verifying these criteria.</i></p>		

56	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.9. The transaction documentation shall set out in clear and consistent terms definitions, remedies and actions relating to delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.		
STS criteria		SEE RELATED EBA GUIDELINES
56. The transaction documentation shall set out in clear and consistent terms definitions		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>BUSINESS PROCEDURES OF VOLKSWAGEN FINANCIAL SERVICES (UK) LIMITED</i>.</p> <p>Collections and Recoveries</p> <p>See Prospectus, <i>ADMINISTRATION OF THE PURCHASED RECEIVABLES UNDER THE SERVICING AGREEMENT</i>.</p> <p>See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i>.</p> <p>1. MASTER DEFINITIONS SCHEDULE.</p> <p>"Charged-Off Amount", "Charged-Off Receivable", "Customary Operating Practices", "Defaulted Receivable", "Delinquent Receivable", "Payment Holiday With No Term Extension", "Payment Holiday With Term Extension", "Written-Off Purchased Receivables"</p> <p>See also underlying transaction documents: Servicing Agreement, Incorporated Terms Memorandum.</p>		

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

58	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.9. The transaction documentation shall clearly specify the priorities of payment, events which trigger changes in such priorities of payment as well as the obligation to report such events. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.		
STS criteria		
58. The transaction documentation shall clearly specify the priorities of payment,		
Verified?		Yes
PCS Comment		
See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i> . Order of Priority See also underlying transaction documents: Trust Agreement.		

59	STS criteria	
59. The transaction documentation shall clearly specify the events which trigger changes in such priorities of payment.		
Verified?		Yes
PCS Comment		
See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i> . Order of Priority See Prospectus, <i>TRUST AGREEMENT</i> . 16. FORECLOSURE ON THE SECURITY; FORECLOSURE EVENT; ENFORCEMENT EVENT 20. ORDER OF PRIORITY See Prospectus, <i>INCORPORATED TERMS MEMORANDUM</i> . 1. MASTER DEFINITIONS SCHEDULE.		

	<p>"Credit Enhancement Increase Condition"</p> <p>"Early Amortisation Event"</p> <p>"Enforcement Event"</p> <p>"Foreclosure Event"</p> <p>See underlying transaction documents: Trust Agreement.</p>		
60	<p>STS criteria</p> <p>60. The transaction documentation shall clearly specify the obligation to report such events.</p> <table border="1" data-bbox="210 518 2114 550"> <tr> <td data-bbox="210 518 1153 550">Verified?</td> <td data-bbox="1153 518 2114 550">Yes</td> </tr> </table> <p>PCS Comment</p> <p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>16. FORECLOSURE ON THE SECURITY; FORECLOSURE EVENT; ENFORCEMENT EVENT</p> <p>16.2 The Security Trustee shall without undue delay upon becoming aware of the same give notice to the Noteholders, the Rating Agencies and the Subordinated Lender of the occurrence of a Foreclosure Event and serve an Enforcement Notice upon the Issuer. The Security Trustee will act upon instruction of the Noteholders in the majority required as set out in the definition of Enforcement Event in order to determine whether such Foreclosure Event shall constitute an Enforcement Event.</p>	Verified?	Yes
Verified?	Yes		
61	<p>STS criteria</p> <p>61. Any change in the priorities of payments which will materially adversely affect the repayment of the securitisation position shall be reported to investors without undue delay.</p> <table border="1" data-bbox="210 869 2114 901"> <tr> <td data-bbox="210 869 1153 901">Verified?</td> <td data-bbox="1153 869 2114 901">Yes</td> </tr> </table> <p>PCS Comment</p> <p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>16. FORECLOSURE ON THE SECURITY; FORECLOSURE EVENT; ENFORCEMENT EVENT</p> <p>16.2 The Security Trustee shall without undue delay upon becoming aware of the same give notice to the Noteholders, the Rating Agencies and the Subordinated Lender of the occurrence of a Foreclosure Event and serve an Enforcement Notice upon the Issuer. The Security Trustee will act upon instruction of the Noteholders in the majority required as set out in the definition of Enforcement Event in order to determine whether such Foreclosure Event shall constitute an Enforcement Event.</p> <p>See also underlying transaction documents: Servicing Agreement.</p> <p>Schedule 1</p> <p>Services to be provided by the Servicer</p> <p>2.19 Monthly Investor Report</p> <p><i>In the case of a Foreclosure Event, a notice is served without undue delay. In the case of a Credit Enhancement Increase Condition coming into effect, this would be reported monthly, as part of the investor report. The occurrence of a Credit Enhancement Increase Condition would also be reported as a significant event within the significant event report.</i></p>	Verified?	Yes
Verified?	Yes		

62	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
21.10. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.		
STS criteria		SEE RELATED EBA GUIDELINES
62. The transaction documentation shall include clear provisions that facilitate the timely resolution of conflicts between different classes of investors, voting rights shall be clearly defined and allocated to bondholders		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TERMS AND CONDITIONS OF THE CLASS A NOTES</i>.</p> <p>14. Amendments to the Conditions and Benchmark Rate Modification</p> <p>See Prospectus, <i>TERMS AND CONDITIONS OF THE CLASS B NOTES</i>.</p> <p>14. Amendments to the Conditions and Benchmark Rate Modification</p> <p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>See Prospectus, <i>RISK FACTORS</i>.</p> <p>Risks in connection with the application of the German Debenture Act (Gesetz über Schuldverschreibungen aus Gesamtemissionen)</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>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; and (e) where applicable, a location for the meetings which should be in the UK:</i></p> <p><i>The notes are governed by German law and the transaction documentation refers to the German Debenture Act which provides provisions that set out how conflicts between investors are to be resolved.</i></p>		

63	Legislative text – Article 21 - Requirements relating to standardisation	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>63. and the responsibilities of the trustee and other entities with fiduciary duties to investors shall be clearly identified.</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>TRUST AGREEMENT</i>.</p> <p>See underlying transaction documents: Trust Agreement.</p>		

64	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>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.</p>		
STS criteria		SEE RELATED EBA GUIDELINES
<p>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,</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>DELINQUENCIES</i>.</p> <p>The following data indicates, for the PCP and HP portfolio of VWFS and for a given month the outstanding balance of the receivables which are current, one up to thirty (1-30) days, thirty-one up to sixty (31-60) days, sixty-one up to ninety (61-90) days or more than ninety (90) days in arrears, expressed as a percentage of the total outstanding balance of the PCP and HP portfolio at the beginning of such period.</p> <p>See Prospectus, <i>HISTORICAL PERFORMANCE DATA</i>.</p> <p>VWFS has extracted data on the historical performance of the entire managed portfolio for the HP & PCP auto loan portfolio. The tables below show historical data on net losses, for the period from Q3 2002 to 2020 from contracts originated since 2002 and defaulted before Q3 2021. Such data was extracted from VWFS' internal data warehouse which is sourced from its contract management and accounting systems.</p> <p>Total Portfolio</p> <p>The net losses data displayed below are in static format and show the cumulative net losses realised after the specified number of months since origination, for each portfolio of loans originated in a particular month, expressed as a percentage of the original principal balance of that portfolio. Net losses are calculated by deducting the vehicle sales proceeds as well as any other recoveries from the outstanding balances of the respective loans up to the final write-off of the loan (net losses are shown in the month where the write-off of the contract has been carried out by the Seller). The data includes standard and balloon loans to corporate and private debtors to finance new and used vehicles. The exposures to which such data relates are substantially similar to those being securitised as they have been originated in accordance with consistent origination procedures, on the basis of similar contractual terms and exposures securitised are selected based on strict eligibility criteria and thus generally perform better than VWFS' managed portfolio as a whole.</p>		

	<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>(a) Before pricing of the Notes, for the purpose of compliance with Article 22(1) of the UK Securitisation Regulation, the Servicer will make available to investors and potential investors information on static and dynamic historical default and loss performance, for a period of at least 5 years. In this regard, see the section "HISTORICAL PERFORMANCE DATA" of this Base Prospectus.</p>
65	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>65. and the sources of those data and the basis for claiming similarity, to potential investors before pricing.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 64 above.</p>
66	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>66. Those data shall cover a period no shorter than five years.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See point 64 above.</p>
67	<p>Legislative text – Article 22 - Requirements relating to transparency GO TO TABLE OF CONTENTS</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>STS criteria SEE RELATED EBA GUIDELINES</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>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(b) For the purpose of compliance with Article 22(2) of the UK Securitisation Regulation, the Servicer confirms that a sample of Financing Contracts has been externally verified by an appropriate and independent party prior to the date of this Base Prospectus (see also the section "THE PURCHASED RECEIVABLES POOL") (as well as an agreed upon procedures review, amongst</p>



<p>other things, of the conformity of the Financing Contracts in the Portfolio with certain of the Eligibility Criteria (where applicable)). For the purposes of the verification a confidence level of at least 95% was applied. The Servicer confirms no significant adverse findings have been found. The independent party has also performed agreed upon procedures on the data included in the stratification tables in the section "THE PURCHASED RECEIVABLES" in order to verify that the stratification tables are accurate. The Servicer confirms no significant adverse findings have been found. Based on the review by the independent party, the Servicer confirms that to the best of its knowledge such information is accurate and is in accordance with the facts and does not omit anything likely to affect its import.</p> <p><i>PCS has reviewed information provided in connection with the auditor's report on "agreed upon procedures" (AUP) commonly known as a "pool audit" and PCS can confirm that this was done by an appropriate and independent third party.</i></p>	
68	<p>STS criteria SEE RELATED EBA GUIDELINES</p> <p>68. Including verification that the data disclosed in respect of the underlying exposures is accurate.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p><i>See point 67 above.</i></p>

69	<p>Legislative text – Article 22 - Requirements relating to transparency GO TO TABLE OF CONTENTS</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>STS criteria SEE RELATED EBA GUIDELINES</p> <p>69. The originator or the sponsor shall, before the pricing of the securitisation, make available to potential investors a liability cash flow model which precisely represents the contractual relationship between the underlying exposures and the payments flowing between the originator, sponsor, investors, other third parties and the SSPE.</p> <p>Verified? Yes</p> <p>PCS Comment</p> <p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>(c) Before pricing of the Notes, for the purpose of compliance with Article 22(3) of the UK Securitisation Regulation, the Servicer will make available a cashflow liability model of the Transaction on the website of of EuroABS (https://www.euroabs.com) which precisely represents the contractual relationship between the Purchased Receivables and the payments flowing between the Seller and investors in the Notes. Such cashflow model will be available after the Closing Date to investors on an ongoing basis and to potential investors on request.</p>
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70	STS criteria	SEE RELATED EBA GUIDELINES
70. And shall, after pricing, make that model available to investors on an ongoing basis and to potential investors upon request.		
Verified?		Yes
PCS Comment		
<p>See point 69 above.</p> <p>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. However, PCS will nevertheless look to see if there is a covenant on the part of the originator to comply in the future with this requirement whilst noting, at the same time, that the absence of any such covenant – although possibly unsettling for some investors - would not invalidate the STS status of the transaction at closing.</p>		

71	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
22.4. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).		
STS criteria		SEE RELATED EBA GUIDELINES
71. In case of a securitisation where the underlying exposures are residential loans or car loans or leases, the originator and sponsor shall publish the available information related to the environmental performance of the assets financed by such residential loans or car loans or leases, as part of the information disclosed pursuant to point (a) of the first subparagraph of Article 7(1).		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>(d) For the purpose of compliance with Article 22(4) of the UK Securitisation Regulation, the Servicer confirms that, so far as it is aware, information on environmental performance of the Vehicles relating to the Purchased Receivables is not available to be reported pursuant to Article 22(4) of the UK Securitisation Regulation. The Servicer confirms that once information on environmental performance of the Vehicles relating to the Purchased Receivables is available and able to be reported, it will make such information available to investors on an ongoing basis in order to comply with the requirements of Article 22(4) of the UK Securitisation Regulation.</p>		

72	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
STS criteria		
72. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Reporting Entity – UK Reporting Requirements</p> <p>The Seller, as originator, is responsible for compliance with Article 7 of the UK Securitisation Regulation in accordance with Article 22(5) of the UK Securitisation Regulation.</p>		

73	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>22.5. The originator and the sponsor shall be responsible for compliance with Article 7 of this Regulation. The information required by point (a) of the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.</p>		
STS criteria		
73. The information required by point (a) the first subparagraph of Article 7(1) shall be made available to potential investors before pricing upon request.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(g) For the purposes of Article 7(1)(a) and (e) of the UK Securitisation Regulation, information on the Purchased Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Receivables and an investor report (such information to be provided simultaneously) in accordance with the UK Securitisation Regulation Disclosure Requirements. During the Standstill Period such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements.</p>		

74	STS criteria	
		74. The information required by points (b) to (d) of the first subparagraph of Article 7(1) shall be made available before pricing at least in draft or initial form.
	Verified?	Yes
	PCS Comment	
		<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(e) Before pricing of the Notes and within 15 days of the Closing Date, for the purposes of compliance with Article 22(5) and Article 7(1)(b) of the UK Securitisation Regulation, the Servicer will make available certain Transaction Documents and the Base Prospectus. It is not possible to make final documentation available before pricing of the Notes and so the Servicer has made available the Base Prospectus and draft Receivables Purchase Agreement, Redelivery Repurchase Agreement, Servicing Agreement, Agency Agreement, Account Agreement, Subordinated Loan Agreement, Trust Agreement, Incorporated Terms Memorandum, Deed of Charge and Assignment and template Swap Agreements on the website of the European Data Warehouse (UK) (https://eurodw.co.uk). Such Transaction Documents in final form will be available after the Closing Date to investors on an ongoing basis and to potential investors on request.</p> <p>(f) Before pricing of the Notes in initial form and on or around the Closing Date in final form, for the purposes of compliance with Article 7(1)(d) of the UK Securitisation Regulation, the Servicer will make available the UK STS notification referred to in Article 27 of the UK Securitisation Regulation on the website of the European Data Warehouse (UK) (https://eurodw.co.uk).</p>

75	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
		22.5. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.
	STS criteria	
		75. The final documentation shall be made available to investors at the latest 15 days after closing of the transaction.
	Verified?	Yes
	PCS Comment	
		<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(e) Before pricing of the Notes and within 15 days of the Closing Date, for the purposes of compliance with Article 22(5) and Article 7(1)(b) of the UK Securitisation Regulation, the Servicer will make available certain Transaction Documents and the Base Prospectus. It is not possible to make final documentation available before pricing of the Notes and so the Servicer has made available the Base Prospectus and draft Receivables Purchase Agreement, Redelivery Repurchase Agreement, Servicing Agreement, Agency Agreement, Account Agreement, Subordinated Loan Agreement, Trust Agreement, Incorporated Terms Memorandum, Deed of Charge and Assignment and template Swap Agreements on the website of the European Data Warehouse (UK) (https://eurodw.co.uk). Such Transaction Documents in final form will be available after the Closing Date to investors on an ongoing basis and to potential investors on request.</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.

76	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(a) information on the underlying exposures on a quarterly basis, or, in the case of ABCP, information on the underlying receivables or credit claims on a monthly basis;</p>		
STS criteria		
<p>76. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(a) information on the underlying exposures on a quarterly basis,</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(g) For the purposes of Article 7(1)(a) and (e) of the UK Securitisation Regulation, information on the Purchased Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Receivables and an investor report (such information to be provided simultaneously) in accordance with the Securitisation Regulation (UK) Disclosure Requirements. During the Standstill Period such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		

77	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <ul style="list-style-type: none"> (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust; (iii) the derivatives and guarantees agreements as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator; (iv) the servicing, back-up servicing, administration and cash management agreements; (v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value; (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and liquidity facility agreements; 		
STS criteria		
<p>77. (b) all underlying documentation that is essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:</p> <ul style="list-style-type: none"> (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions; 		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(e) Before pricing of the Notes and within 15 days of the Closing Date, for the purposes of compliance with Article 22(5) and Article 7(1)(b) of the UK Securitisation Regulation, the Servicer will make available certain Transaction Documents and the Base Prospectus. It is not possible to make final documentation available before pricing of the Notes and so the Servicer has made available the Base Prospectus and draft Receivables Purchase Agreement, Redelivery Repurchase Agreement, Servicing Agreement, Agency Agreement, Account Agreement, Subordinated Loan Agreement, Trust Agreement, Incorporated Terms Memorandum, Deed of Charge and Assignment and template Swap Agreements on the website of the European Data Warehouse (UK) (https://eurodw.co.uk). Such Transaction Documents in final form will be available after the Closing Date to investors on an ongoing basis and to potential investors on request.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		
78	STS criteria	
78. (ii) for traditional securitisation the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;		
Verified?		Yes
PCS Comment		
See point 77 above.		

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

83	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
7.1. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;		
STS criteria		
83. That underlying documentation shall include a detailed description of the priority of payments of the securitisation;		
Verified?		Yes
PCS Comment		
See Prospectus, <i>OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES</i> . General Abstract of the Conditions of the Notes Order of Priority See underlying transaction documents: Trust Agreement.		

84	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (c) where section 85 of the 2000 Act (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the FCA for the purposes of Part 6 of the 2000 Act (official listing) ¹ do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the securitisation, including, where applicable: (i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure; (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features; (iii) details regarding the voting rights of the holders of a securitisation position and their relationship to other secured creditors; (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) that could have a material impact on the performance of the securitisation position;		
STS criteria		
84. where section 85 of the 2000 Act (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the FCA for the purposes of Part 6 of the 2000 Act (official listing) do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the securitisation, including, where applicable: (i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure;		
Verified?		Yes
PCS Comment		
<i>The Prospectus serves as the transaction summary in this transaction.</i>		

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

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

88	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	STS criteria	
	88. (d) in the case of STS securitisations, the STS notification referred to in Article 27;	
	Verified?	Yes
	PCS Comment	
See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i> . Article 7 and Article 22 of the UK Securitisation Regulation		

<p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(f) Before pricing of the Notes in initial form and on or around the Closing Date in final form, for the purposes of compliance with Article 7(1)(d) of the UK Securitisation Regulation, the Servicer will make available the UK STS notification referred to in Article 27 of the UK Securitisation Regulation on the website of the European Data Warehouse (UK) (https://eurodw.co.uk).</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>

89	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors:</p> <p>(e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:</p> <ul style="list-style-type: none"> (i) all materially relevant data on the credit quality and performance of underlying exposures; (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties, and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation; (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6. 		
STS criteria		
89. (e) quarterly investor reports, or, in the case of ABCP, monthly investor reports, containing the following:		
Verified?	Yes	
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(g) For the purposes of Article 7(1)(a) and (e) of the UK Securitisation Regulation, information on the Purchased Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Receivables and an investor report (such information to be provided simultaneously) in accordance with the Securitisation Regulation (UK) Disclosure Requirements. During the Standstill Period such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements.</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	STS criteria	
90. (i) all materially relevant data on the credit quality and performance of underlying exposures;		
Verified?	Yes	
PCS Comment		
<p><i>See point 89 above.</i></p>		

91	STS criteria
	91. (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties,
	Verified? Yes
	PCS Comment <i>See point 89 above.</i>
92	STS criteria
	92. (ii)...and, in the case of a securitisation which is not an ABCP transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the securitisation;
	Verified? Yes
	PCS Comment <i>See point 89 above.</i>
93	STS criteria
	93. (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) has been applied, in accordance with Article 6.
	Verified? Yes
	PCS Comment <i>See point 89 above.</i>

94	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authorities referred to in Article 29 and, upon request, to potential investors: (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;	
	STS criteria	
	94. (f) any inside information relating to the securitisation that the originator, sponsor or SSPE is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation;	
	Verified? Yes	
	PCS Comment <i>See Prospectus, EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING.</i>	

<p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(h) For the purposes of Article 7(1)(f) of the UK Securitisation Regulation the Issuer will, without delay, publish any inside information relating to the Transaction. The Servicer is not required to comply with Article 7(1)(f) 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>

95	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. The originator, sponsor and SSPE of a securitisation shall, in accordance with paragraph 2 of this Article, make at least the following information available to holders of a securitisation position, to the competent authority referred to in Article 29 and, upon request, to potential investors:</p> <p>(g) where point (f) does not apply, any significant event such as:</p> <ul style="list-style-type: none"> (i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach; (ii) a change in the structural features that can materially impact the performance of the securitisation; (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation; (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where competent authorities have taken remedial or administrative actions; (v) any material amendment to transaction documents. 		
STS criteria		
<p>95. (g) where point (f) does not apply, any significant event such as:</p> <p>(i) a material breach of the obligations laid down in the documents provided in accordance with point (b), including any remedy, waiver or consent subsequently provided in relation to such a breach;</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(i) For the purposes of Article 7(1)(g) of the UK Securitisation Regulation and pursuant to its obligation to comply with the Securitisation Regulation (UK) Disclosure Requirements, the Servicer will, without delay, publish information in respect of any significant event such as (i) a material breach of the obligations laid down in the Transaction Documents, (ii) a change in the structural features that can materially impact the performance of the securitisation, (iii) a change in the risk characteristics of the Transaction or the Purchased Receivables that can materially impact the performance of the securitisation, (iv) if the Transaction ceases to meet the STS requirements or if the FCA has taken remedial or administrative actions and (v) any material amendments to the Transaction Documents. During the Standstill Period such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>		

96	STS criteria
	96. (ii) a change in the structural features that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>
97	STS criteria
	97. (iii) a change in the risk characteristics of the securitisation or of the underlying exposures that can materially impact the performance of the securitisation;
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>
98	STS criteria
	98. (iv) in the case of STS securitisations, where the securitisation ceases to meet the STS requirements or where the competent authority has taken remedial or administrative actions;
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>
99	STS criteria
	99. (v) any material amendment to transaction documents.
	Verified? Yes
	PCS Comment <i>See point 95 above.</i>

100	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>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]</p>		
STS criteria		
<p>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]</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p> <p>(g) For the purposes of Article 7(1)(a) and (e) of the UK Securitisation Regulation, information on the Purchased Receivables will be made available before pricing of the Notes and on a monthly basis the Servicer will make available information on the Purchased Receivables and an investor report (such information to be provided simultaneously) in accordance with the Securitisation Regulation (UK) Disclosure Requirements. During the Standstill Period such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements.</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>		

101	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.1. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay</p> <p>When complying with this paragraph, the originator, sponsor and SSPE of a securitisation shall comply with national and 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>		
STS criteria		
<p>101. Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay</p>		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Article 7 and Article 22 of the UK Securitisation Regulation</p> <p>For the purposes of the Securitisation Regulation (UK) Disclosure Requirements the Servicer (on behalf of the Seller as the originator for the purposes of the UK Securitisation Regulation) confirms and (where applicable) will make available the following information:</p>		

	<p>(h) For the purposes of Article 7(1)(f) of the UK Securitisation Regulation the Issuer will, without delay, publish any inside information relating to the Transaction. The Servicer is not required to comply with Article 7(1)(f) of the UK Securitisation Regulation.</p> <p>(i) For the purposes of Article 7(1)(g) of the UK Securitisation Regulation and pursuant to its obligation to comply with the Securitisation Regulation (UK) Disclosure Requirements, the Servicer will, without delay, publish information in respect of any significant event such as (i) a material breach of the obligations laid down in the Transaction Documents, (ii) a change in the structural features that can materially impact the performance of the securitisation, (iii) a change in the risk characteristics of the Transaction or the Purchased Receivables that can materially impact the performance of the securitisation, (iv) if the Transaction ceases to meet the STS requirements or if the FCA has taken remedial or administrative actions and (v) any material amendments to the Transaction Documents. During the Standstill Period such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements.</p> <p><i>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</i></p>
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102	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
	<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity designated in accordance with the first subparagraph shall make the information for a securitisation transaction available by means of a securitisation repository.</p> <p>Or</p> <p>The obligations referred to in the second and fourth subparagraphs shall not apply to securitisations where no prospectus has to be drawn up in compliance with Directive 2003/71/EC.</p> <p>Or</p> <p>Where no securitisation repository is registered in accordance with Article 10, the entity designated to fulfil the requirements set out in paragraph 1 of this Article shall make the information available by means of a website that:</p> <ul style="list-style-type: none"> (a) includes a well-functioning data quality control system; (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website; (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk; (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and (e) makes it possible to keep record of the information for at least five years after the maturity date of the securitisation. 	
	STS criteria	
	<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>	
	Verified?	Yes
	PCS Comment	
	<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Securitisation Regulation – UK Reporting Requirements</p> <p>Under the Servicing Agreement VWFS as Servicer undertakes to the Issuer that, pursuant to the UK Securitisation Regulation, it will make the information available to the Noteholders, to the FCA and to potential Noteholders, that the Issuer is required to make available pursuant to and in compliance with the Securitisation Regulation (UK) Disclosure Requirements. During the Standstill Period, such information will be in the format contemplated by the Securitisation Regulation (EU) Disclosure Requirements. The Servicer will make such information available on the website of the European Data Warehouse (UK) (https://editor.eurowd.co.uk/). There is no requirement to report to a UK securitisation repository where the prospectus has not been approved by the FCA.</p>	

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

103	Legislative text – Article 22 - Requirements relating to transparency	GO TO TABLE OF CONTENTS
<p>7.2. The originator, sponsor and SSPE of a securitisation shall designate amongst themselves one entity to fulfil the information requirements pursuant to points (a), (b), (d), (c), (e), (f) and (g) of the first subparagraph of paragraph 1.</p> <p>The entity responsible for reporting the information, and the securitisation repository where the information is made available shall be indicated in the documentation regarding the securitisation.</p>		
STS criteria		
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.		
Verified?		Yes
PCS Comment		
<p>See Prospectus, <i>EU AND UK RISK RETENTION AND SECURITISATION REGULATION REPORTING</i>.</p> <p>Reporting Entity – UK Reporting Requirements</p> <p>VWFS, in its capacity as originator, has been designated as the entity responsible for fulfilling the information requirements under Article 7 of the UK Securitisation Regulation pursuant to Article 7(2) of the UK Securitisation Regulation. VWFS in its capacity as Servicer will perform all of VWFS' obligations under the Securitisation Regulation (UK) Disclosure Requirements. As to the information made available to prospective investors by the Servicer, reference is made to the information set out herein and forming part of this Base Prospectus and to the Monthly Investor Reports that are prepared pursuant to the Servicing Agreement.</p> <p>All the criteria from 76 onwards are future event criteria, as to which we refer you to PCS' comment under point 75 above.</p>		

Definitions:

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

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

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

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

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

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

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

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

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

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

EBA Final non-ABCP STS Guidelines:

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

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

2b	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</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>		
EBA Final non-ABCP STS Guidelines		
<p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <p>(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;</p> <p>(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;</p> <p>(c) assessment of clawback risks and re-characterisation risks.</p> <p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p> <p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>		

3	<p>Article 20 - Requirements relating to simplicity</p> <p>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></p> <p>19. Article 20(4) specifies that, where the transfer of title occurs not directly between the seller and the SSPE but through one or more intermediary steps involving further parties, the requirements relating to the true sale, assignment or other transfer with the same legal effect, apply at each step.</p> <p>EBA Final non-ABCP STS Guidelines</p> <p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>True sale, assignment or transfer with the same legal effect</i></p> <p>10. For the purposes of Article 20(1) of Regulation (EU) 2017/2402 and in order to substantiate the confidence of third parties, including third parties verifying simple, transparent and standardised (STS) compliance in accordance with Article 28 of that Regulation and competent authorities meeting the requirements specified therein, all of the following should be provided:</p> <p>(a) confirmation of the true sale or confirmation that, under the applicable national framework, the assignment or transfer segregate the underlying exposures from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale;</p> <p>(b) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in point (a) against the seller or any other third party, under the applicable national legal framework;</p> <p>(c) assessment of clawback risks and re-characterisation risks.</p> <p>11. The confirmation of the aspects referred to in paragraph 10 should be achieved by the provision of a legal opinion provided by qualified external legal counsel, except in the case of repeat issuances in standalone securitisation structures or master trusts that use the same legal mechanism for the transfer, including instances in which the legal framework is the same.</p> <p>12. The legal opinion referred to in paragraph 11 should be accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402 and any relevant competent authority from among those referred to in Article 29 of that regulation.</p>	<p>BACK TO CHECKLIST</p>
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4	<p>Article 20 - Requirements relating to simplicity</p> <p>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></p> <p>True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p>20. The objective of the criterion in Article 20(5) is to minimise legal risks related to unperfected transfers in the context of an assignment of the underlying exposures, by specifying a minimum set of events subsequent to closing that should trigger the perfection of the transfer of the underlying exposures.</p> <p>22. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) how to substantiate the confidence of third parties with respect to compliance with Article 20(1): it is understood that this should be achieved by providing a legal opinion. While the guidance does not explicitly require the provision of a legal opinion in all cases, the guidance expects a legal opinion to be provided as a general rule, and omission to be an exception;</p> <p>(b) the triggers to effect the perfection of the transfer if assignments are perfected at a later stage than at the closing of the transaction.</p> <p>EBA Final non-ABCP STS Guidelines</p> <p>4.1 True sale, assignment or transfer with the same legal effect, representations and warranties (Article 20(1)-(6))</p> <p><i>Severe deterioration in the seller credit quality standing</i></p> <p>13. For the purposes of Article 20(5) of Regulation (EU) 2017/2402, the transaction documentation should identify, with regard to the trigger of 'severe deterioration in the seller credit quality standing', credit quality thresholds that are objectively observable and related to the financial health of the seller.</p> <p><i>Insolvency of the seller</i></p> <p>14. For the purposes of Article 20(5) of Regulation (EU) 2017/2402, the trigger of 'insolvency of the seller' should refer, at least, to events of legal insolvency as defined in national legal frameworks.</p>	<p>BACK TO CHECKLIST</p>
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5	<i>Article 20 - Requirements relating to simplicity</i>	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<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>		
EBA Final non-ABCP STS Guidelines		

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

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

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

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<p>Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p>30 (b) a non-exhaustive list of examples of exposures types that should be considered to have defined periodic payment streams. The individual examples are without prejudice to applicable requirements, such as the requirement with respect to the defaulted exposures in accordance with Article 20(11) of Regulation (EU) 2017/2402 and the requirement with respect to the residual value in accordance with Article 20(13) of that regulation.</p>		
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<p>4.3 Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))</p> <p><i>Exposures with periodic payment streams</i></p> <p>21. For the purposes of Article 20(8) of Regulation (EU) 2017/2402, exposures with defined periodic payment streams should include:</p> <p>(a) exposures payable in a single instalment in the case of revolving securitisation, as referred to in Article 20(12) of Regulation (EU) 2017/2402;</p> <p>(b) exposures related to credit card facilities;</p> <p>(c) exposures with instalments consisting of interest and where the principal is repaid at the maturity, including interest-only mortgages;</p> <p>(d) exposures with instalments consisting of interest and repayment of a portion of the principal, where either of the following conditions is met:</p> <p 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>		

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	Homogeneity, obligations of the underlying exposures, periodic payment streams, no transferable securities (Article 20(8))	
	29. The objective of the criterion specified in the third subparagraph is that the underlying exposures do not include transferable securities, as they may add to the complexity of the transaction and of the risk and due diligence analysis to be carried out by the investor.	
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	No resecuritisation (Article 20(9))	
	31. The objective of this criterion is to prohibit resecuritisation subject to derogations for certain cases or for resecuritisation as specified in Regulation (EU) 2017/2402. This is a lesson learnt from the financial crisis, when resecuritisations were structured into highly leveraged structures in which notes of lower credit quality could be re-packaged and credit enhanced, resulting in transactions whereby small changes in the credit performance of the underlying assets had severe impacts on the credit quality of the resecuritisation bonds. The modelling of the credit risk arising in these bonds proved very difficult, also due to high levels of correlations arising in the resulting structures.	
	32. The criterion is deemed sufficiently clear and does not require any further clarification.	
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	Underwriting standards (Article 20(10))	
	33. The objective of the criterion specified in the first subparagraph of Article 20(10) is to prevent cherry picking and to ensure that the exposures that are to be securitised do not belong to exposure types that are outside the ordinary business of the originator, i.e. types of exposures in which the originator or original lender may have less expertise and/or interest at stake. This criterion is focused on disclosure of changes to the underwriting standards and aims to help the investors assess the underwriting standards pursuant to which the exposures transferred into securitisation have been originated.	
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<p>Underwriting standards (Article 20(10))</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>		
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<p>4.4 Underwriting standards, originator’s expertise (Article 20(10))</p> <p><i>No less stringent underwriting standards</i></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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<p>Underwriting standards (Article 20(10))</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>		
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<p>4.4 Underwriting standards, originator's expertise (Article 20(10))</p> <p><i>Disclosure of material changes from prior underwriting standards</i></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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<p>Underwriting standards (Article 20(10))</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>		
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<p>4.4 Underwriting standards, originator’s expertise (Article 20(10))</p> <p>Residential loans</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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<p>Underwriting standards (Article 20(10))</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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Underwriting standards (Article 20(10))		
<p>36. The objective of the criterion specified in the fourth subparagraph of Article 20(10) is for the originator or original lender to have an established performance history of credit claims or receivables similar to those being securitised, and for an appropriately long period of time.</p>		
<p>37. (f) identification of criteria on which the expertise of the originator or the original lender should be determined:</p>		
<p>(i) when assessing if the originator or the original lender has the required expertise, some general principles should be set out against which the expertise should be assessed. The general principles have been designed to allow a robust qualitative assessment of the expertise. One of these principles is the regulatory authorisation: this is to allow for more flexibility in such qualitative assessments of the expertise if the originator or the original lender is a prudentially regulated institution which holds regulatory authorisations or permissions that are relevant with respect to origination of similar exposures. The regulatory authorisation in itself should, however, not be a guarantee that the originator or original lender has the required expertise;</p>		
<p>(ii) irrespective of such general principles, specific criteria should be developed, based on specifying a minimum period for an entity to perform the business of originating similar exposures, compliance with which would enable the entity to be considered to have a sufficient expertise. Such expertise should be assessed at the group level, so that possible restructuring at the entity level would not automatically lead to non-compliance with the expertise criterion. It is not the intention of such specific criteria to form an impediment to the entry of new participants to the market. Such entities should also be eligible for compliance with the expertise criterion, as long as their management body and senior staff with managerial responsibility for origination of similar exposures, have sufficient experience over a minimum specified period.</p>		
<p>38. It is expected that information on the assessment of the expertise is provided in sufficient detail in the STS notification.</p>		
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4.4 Underwriting standards, originator's expertise (Article 20(10))		
Similar exposures		
<p>22. For the purposes of Article 20(10) of Regulation (EU) 2017/2402, exposures should be considered to be similar when one of the following conditions is met:</p>		
<p>(a) the exposures belong to one of the following asset categories referred to in the Delegated Regulation further specifying which underlying exposures are deemed to be homogeneous in accordance with Articles 20(8) and 24(15) of Regulation (EU) 2017/2402:</p>		
<p>(i) residential loans secured with one or several mortgages on residential immovable property, or residential loans fully guaranteed by an eligible protection provider among those referred to in Article 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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<p>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>39. The objective of the criterion in Article 20(11) is to ensure that STS securitisations are not characterised by underlying exposures whose credit risk has already been affected by certain negative events such as disputes with credit-impaired debtors or guarantors, debt restructuring processes or default events as identified by the EU prudential regulation. Risk analysis and due diligence assessments by investors become more complex whenever the securitisation includes exposures subject to certain ongoing negative credit risk developments. For the same reasons, STS securitisations should not include underlying exposures to credit-impaired debtors or guarantors that have an adverse credit history. In addition, significant risk of default normally rises as rating grades or other scores are assigned that indicate highly speculative credit quality and high likelihood of default, i.e. the possibility that the debtor or guarantor is not able to meet its obligations becomes a real possibility. Such exposures to credit-impaired debtors or guarantors should therefore also not be eligible for STS purposes.</p> <p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(a) Interpretation of the term ‘exposures in default’: given the differences in interpretation of the term ‘default’, the interpretation of this criterion should refer to additional guidance on this term provided in the existing delegated regulations and guidelines developed by the EBA, while taking into account the limitation of scope of that additional guidance to certain types of institutions;</p>		
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<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>Exposures in default</p> <p>37. For the purposes of the first subparagraph of Article 20(11) of Regulation (EU) 2017/2402, the exposures in default should be interpreted in the meaning of Article 178(1) of Regulation (EU) 575/2013, as further specified by the Delegated Regulation on the materiality threshold for credit obligations past due developed in accordance with Article 178 of that Regulation, and by the EBA Guidelines on the application of the definition of default developed in accordance with Article 178(7) of that regulation.</p> <p>38. Where an originator or original lender is not an institution and is therefore not subject to Regulation (EU) 575/2013, the originator or original lender should comply with the guidance provided in the previous paragraph to the extent that such application is not deemed to be unduly burdensome. In that case, the originator or original lender should apply the established processes and the information obtained from debtors on origination of the exposures, information obtained from the originator in the course of its servicing of the exposures or in the course of its risk management procedure or information notified to the originator by a third party.</p>		

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<p>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>39. The objective of the criterion in Article 20(11) is to ensure that STS securitisations are not characterised by underlying exposures whose credit risk has already been affected by certain negative events such as disputes with credit-impaired debtors or guarantors, debt-restructuring processes or default events as identified by the EU prudential regulation. Risk analysis and due diligence assessments by investors become more complex whenever the securitisation includes exposures subject to certain ongoing negative credit risk developments. For the same reasons, STS securitisations should not include underlying exposures to credit-impaired debtors or guarantors that have an adverse credit history. In addition, significant risk of default normally rises as rating grades or other scores are assigned that indicate highly speculative credit quality and high likelihood of default, i.e. the possibility that the debtor or guarantor is not able to meet its obligations becomes a real possibility. Such exposures to credit-impaired debtors or guarantors should therefore also not be eligible for STS purposes.</p> <p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(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>		
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<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>Exposures to a credit-impaired debtor or guarantor</p> <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> <p>To the best of the originator’s or original lender’s knowledge</p> <p>41. For the purposes of Article 20(11) of Regulation (EU) 2017/2402, the ‘best knowledge’ standard should be considered to be fulfilled on the basis of information obtained only from any of the following combinations of sources and circumstances:</p> <p>(a) debtors on origination of the exposures;</p> <p>(b) the originator in the course of its servicing of the exposures or in the course of its risk management procedures;</p> <p>(c) notifications to the originator by a third party;</p> <p>(d) publicly available information or information on any entries in one or more credit registries of persons with adverse credit history at the time of origination of an underlying exposure, only to the extent that this information had already been taken into account in the context of (a), (b) and (c), and in accordance with the applicable regulatory and supervisory requirements, including with respect</p>		

to sound credit granting criteria as specified in Article 9 of Regulation (EU) 2017/2402. This is with the exception of trade receivables that are not originated in the form of a loan, with respect to which credit-granting criteria do not need to be met.

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No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
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;		
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4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))		
<i>Exposures to credit-impaired debtors or guarantors that have undergone a debt-restructuring process</i>		
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.		

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

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<p>No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>40. To facilitate consistent interpretation of this criterion, the following aspects should be further clarified:</p> <p>(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.</p>		
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<p>4.5 No exposures in default and to credit-impaired debtors/guarantors (Article 20(11))</p> <p>Risk of contractually agreed payments not being made being significantly higher than for comparable exposures</p> <p>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:</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>45. The requirement in the previous paragraph should be considered to have been met where either of the following applies:</p> <p>(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;</p> <p>(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.</p>		
31	Article 20 - Requirements relating to simplicity	BACK TO CHECKLIST
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<p>At least one payment made (Article 20(12))</p> <p>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.</p> <p>42. To facilitate consistent interpretation of this criterion, its scope and the types of payments referred to therein should be further clarified.</p>		
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<p>4.6 At least one payment made (Article 20(12))</p> <p>Scope of the criterion</p> <p>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.</p> <p>At least one payment</p> <p>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.</p>		

32	<p>Article 20 - Requirements relating to simplicity</p> <p>EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i></p> <p>No predominant dependence on the sale of assets (Article 20(13))</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>BACK TO CHECKLIST</p>
	<p>EBA Final non-ABCP STS Guidelines</p> <p>4.7 No Predominant dependence on the sale of assets</p> <p><i>Predominant dependence on the sale of assets</i></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><i>Exemption provided in the second subparagraph of Article 20(13) of Regulation (EU) 2017/2402</i></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>	

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Risk retention (Article 21(1))		
47. The main objective of the risk retention criterion is to ensure an alignment between the originators'/sponsors'/original lenders' and investors' interests, and to avoid application of the originate-to-distribute model in securitisation.		
48. The content of the criterion is deemed sufficiently clear that no further guidance in addition to that provided by the Delegated Regulation further specifying the risk retention requirement in accordance with Article 6(7) of Regulation (EU) 2017/2402 is considered necessary.		
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Appropriate mitigation of interest-rate and currency risks (Article 21(2))		
49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.		
50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.		
51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.		
52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:		
(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;		
(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;		
(c) clarification of the term 'common standards in international finance'.		
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5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))		
Appropriate mitigation of interest-rate and currency risks		
51. For the purposes of Article 21(2) of Regulation (EU) 2017/2402 in order for the interest-rate and currency risks arising from the securitisation to be considered 'appropriately mitigated', it should be sufficient that a hedge or mitigation is in place, on condition that it is not unusually limited with the effect that it covers a major share of the respective interest-rate or currency risks under relevant scenarios, understood from an economic perspective. Such a mitigation may also be in the form of derivatives or other mitigating measures including reserve funds, over collateralisation, excess spread or other measures.		
52. Where the appropriate mitigation of interest-rate and currency risks is carried out through derivatives, all of the following requirements should apply:		
(a) the derivatives should be used only for genuine hedging of asset and liability mismatches of interest rates and currencies, and should not be used for speculative purposes;		
(b) the derivatives should be based on commonly accepted documentation, including International Swaps or Derivatives Association (ISDA) or similar established national documentation standards;		
(c) the derivative documentation should provide, in the event of the loss of sufficient creditworthiness of the counterparty below a certain level, measured either on the basis of the credit rating or otherwise, that the counterparty is subject to collateralisation requirements or makes a reasonable effort for its replacement or guarantee by another counterparty.		

53. Where the mitigation of interest-rate and currency risks referred to in Article 21(2) of Regulation (EU) 2017/2402 is carried out not through derivatives but by other risk-mitigating measures, those measures should be designed to be sufficiently robust. When such risk-mitigating measures are used to mitigate multiple risks at the same time, the disclosure required by Article 21(2) of Regulation (EU) 2017/2402 should include an explanation of how the measures hedge the interest-rate risks and currency risks on one hand, and other risks on the other hand.

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

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<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <p>(a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks;</p> <p>(b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion;</p> <p>(c) clarification of the term 'common standards in international finance'.</p>		
EBA Final non-ABCP STS Guidelines		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>54. The measures referred to in paragraphs 52 and 53, as well as the reasoning supporting the appropriateness of the mitigation of the interest-rate and currency risks through the life of the transaction, should be disclosed.</p>		

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

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<p>Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>49. The objective of this criterion is to reduce any payment risk arising from different interest-rate and currency profiles of assets and liabilities. Mitigating or hedging interest-rate and currency risks arising in the transaction enhances the simplicity of the transaction, since it helps investors to model those risks and their impact on the credit risk of the securitisation investment.</p> <p>50. It should be clarified that hedging (through derivative instruments) is only one possible way of addressing the risks mentioned. Whichever measure is applied for the risk mitigation, it should, however, be subject to specific conditions so that it can be considered to appropriately mitigate the risks mentioned.</p> <p>51. One of these conditions aims to prohibit derivatives that do not serve the purpose of hedging interest-rate or currency risk from being included in the pool of underlying exposures or entered into by the SSPE, given that derivatives add to the complexity of the transaction and to the complexity of the risk and due diligence analysis to be carried out by the investor. Derivatives hedging interest-rate or currency risk enhance the simplicity of the transaction, since hedged transactions do not require investors to engage in the modelling of currency and interest-rate risks.</p> <p>52. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> (a) conditions that the measures should comply with so that they can be considered to appropriately mitigate the interest-rate and currency risks; (b) clarification with respect to the scope of derivatives that should and should not be captured by this criterion; (c) clarification of the term 'common standards in international finance'. 		
EBA Final non-ABCP STS Guidelines		
<p>5.1 Appropriate mitigation of interest-rate and currency risks (Article 21(2))</p> <p>Common standards in international finance</p> <p>56. For the purposes of Article 21(2) of Regulation (EU) 2017/2402, common standards in international finance should include ISDA or similar established national documentation standards.</p>		

40	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
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<p>Referenced interest payments (Article 21(3))</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>		
EBA Final non-ABCP STS Guidelines		
<p>5.2 Referenced interest payments (Article 21(3))</p> <p>Referenced rates</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>Complex formulae or derivatives</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	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
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<p>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>55. The objective of this criterion is to prevent investors from being subjected to unexpected repayment profiles and to provide appropriate legal comfort regarding their enforceability, for instances where an enforcement or an acceleration notice has been delivered.</p> <p>56. STS securitisations should be such that the required investor's risk analysis and due diligence do not have to factor in complex structures of the payment priority that are difficult to model, nor should the investor be exposed to complex changes in such structures throughout the life of the transaction. Therefore, it should be ensured that junior noteholders do not have inappropriate payment preference over senior noteholders that are due and payable.</p> <p>57. In addition, taking into account that market risk on the underlying collateral constitutes an element of complexity in the risk and due diligence analysis to be carried out by investors, the objective is also to ensure that the performance of STS securitisations does not rely, due to contractual triggers, on the automatic liquidation at market price of the underlying collateral.</p> <p>58. To facilitate consistent interpretation of this criterion, the scope and operational functioning of conditions specified under letters (a), (b) and (d) of Article 21(4) should be specified further.</p>		
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<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p><i>Exceptional circumstances</i></p> <p>59. For the purposes of Article 21(4)(a) of Regulation (EU) 2017/2402, a list of 'exceptional circumstances' should, to the extent possible, be included in the transaction documentation.</p> <p>60. Given the nature of 'exceptional circumstances' and in order to allow some flexibility with respect to potential unusual circumstances requiring that cash be trapped in the SSPE in the best interests of investors, where a list of 'exceptional circumstances' is included in the transaction documentation in accordance with paragraph 59, such a list should be non-exhaustive.</p> <p><i>Amount trapped in the SSPE in the best interests of investors</i></p> <p>61. For the purposes of Article 21(4)(a) of Regulation (EU) 2017/2402, the amount of cash to be considered as trapped in the SSPE should be that agreed by the trustee or other representative of the investors who is legally required to act in the best interests of the investors, or by the investors in accordance with the voting provisions set out in the transaction documentation.</p> <p>62. For the purposes of Article 21(4)(a) of Regulation (EU) 2017/2402, it should be permissible to trap the cash in the SSPE in the form of a reserve fund for future use, as long as the use of the reserve fund is exclusively limited to the purposes set out in Article 21(4)(a) of Regulation (EU) 2017/2402 or to orderly repayment to the investors.</p>		

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<p>Requirements in case of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>55. The objective of this criterion is to prevent investors from being subjected to unexpected repayment profiles and to provide appropriate legal comfort regarding their enforceability, for instances where an enforcement or an acceleration notice has been delivered.</p> <p>56. STS securitisations should be such that the required investor's risk analysis and due diligence do not have to factor in complex structures of the payment priority that are difficult to model, nor should the investor be exposed to complex changes in such structures throughout the life of the transaction. Therefore, it should be ensured that junior noteholders do not have inappropriate payment preference over senior noteholders that are due and payable.</p> <p>57. In addition, taking into account that market risk on the underlying collateral constitutes an element of complexity in the risk and due diligence analysis to be carried out by investors, the objective is also to ensure that the performance of STS securitisations does not rely, due to contractual triggers, on the automatic liquidation at market price of the underlying collateral.</p> <p>58. To facilitate consistent interpretation of this criterion, the scope and operational functioning of conditions specified under letters (a), (b) and (d) of Article 21(4) should be specified further.</p>		
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<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>Repayment</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>		

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<p>5.3 Requirements in the event of enforcement or delivery of an acceleration notice (Article 21(4))</p> <p>Liquidation of the underlying exposures at market value</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	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
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Non-sequential priority of payments (Article 21(5))		
<p>59. The objective of this criterion is to ensure that non-sequential (pro rata) amortisation should be used only in conjunction with clearly specified contractual triggers that determine the switch of the amortisation scheme to a sequential priority, safeguarding the transaction from the possibility that credit enhancement is too quickly amortised as the credit quality of the transaction deteriorates, thereby exposing senior investors to a decreasing amount of credit enhancement.</p>		
<p>60. To facilitate consistent interpretation of this criterion, a non-exhaustive list of examples of performance-related triggers that may be included is provided in the guidance.</p>		
EBA Final non-ABCP STS Guidelines		
5.4 Non-sequential priority of payments (Article 21(5))		
Performance-related triggers		
<p>66. For the purposes of Article 21(5) of Regulation (EU) 2017/2402, the triggers related to the deterioration in the credit quality of the underlying exposures may include the following:</p>		
<p>(a) with regard to underlying exposures for which a regulatory expected loss (EL) can be determined in accordance with Regulation (EU) 575/2013 or other relevant EU regulation, cumulative losses that are higher than a certain percentage of the regulatory one-year EL on the underlying exposures and the weighted average life of the transaction;</p>		
<p>(b) cumulative non-matured defaults that are higher than a certain percentage of the sum of the outstanding nominal amount of tranche held by the investors and the tranches that are subordinated to them;</p>		
<p>(c) the weighted average credit quality in the portfolio decreasing below a given pre-specified level or the concentration of exposures in high credit risk (probability of default) buckets increasing above a pre-specified level.</p>		

46,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
47,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
48,	Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))	
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.	
EBA Final non-ABCP STS Guidelines		
5.5 Early amortisation provisions/triggers for termination of the revolving period (Article 21(6))		
<i>Insolvency-related event with regard to the servicer</i>		
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,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
52,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
53	Transaction Documentation (Article 21(7))	
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.		
EBA Final non-ABCP STS Guidelines		

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

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

56,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
57	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Remedies and actions related to delinquency and default of debtor (Article 21(9))</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>		
EBA Final non-ABCP STS Guidelines		
<p>5.7 Remedies and actions related to delinquency and default of debtor (Article 21(9))</p> <p><i>Clear and consistent terms</i></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,	Article 21 - Requirements relating to standardisation	BACK TO CHECKLIST
63	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Resolution of conflicts between different classes of investors</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>		
EBA Final non-ABCP STS Guidelines		
<p>5.8 Resolution of conflicts between different classes of investors (Article 20(10))</p> <p><i>Clear provisions facilitating the timely resolution of conflicts between different classes of investors</i></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"> (a) the method for calling meetings or arranging conference calls; (b) the maximum timeframe for setting up a meeting or conference call; (c) the required quorum; (d) the minimum threshold of votes to validate such a decision, with clear differentiation between the minimum thresholds for each type of decision; (e) where applicable, a location for the meetings which should be in the United Kingdom. <p>74. For the purposes of Article 21(10) of Regulation (EU) 2017/2402, where mandatory statutory provisions exist in the applicable jurisdiction that set out how conflicts between investors have to be resolved, the transaction documentation may refer to these provisions.</p>		

64,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
65,	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
66	Data on historical default and loss performance (Article 22(1))	
	<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; (b) the term ‘substantially similar exposures’.</p>	
	EBA Final non-ABCP STS Guidelines	
	6.1 Data on historical default and loss performance (Article 22(1))	
	Data	
	<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>	
	Substantially similar exposures	
	<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; (b) as a result of the similarity referred to in point (a) it could reasonably have been expected, on the basis of indications such as past performance or applicable models, that, over the life of the transaction, or over a maximum of four years, where the life of the transaction is longer than four years, their performance would not be significantly different.</p>	
	<p>77. The substantially similar exposures should not be limited to exposures held on the balance sheet of the originator.</p>	

67,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
68	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Verification of a sample of the underlying exposures (Article 22(2))</p> <p>74. The objective of the criterion is to provide a level of assurance that the data on and reporting of the underlying credit claims or receivables is accurate and that the underlying exposures meet the eligibility criteria, by ensuring checks on the data to be disclosed to the investors by an external entity not affected by a potential conflict of interest within the transaction.</p> <p>75. To facilitate consistent interpretation of this criterion, the following aspects should be clarified:</p> <ul style="list-style-type: none"> (a) requirements on the sample of the underlying exposures subject to external verification; (b) requirements on the party executing the verification; (c) scope of the verification; (d) requirement on the confirmation of the verification. 		
EBA Final non-ABCP STS Guidelines		
<p>6.2 Verification of a sample of the underlying exposures (Article 22(2))</p> <p>Sample of the underlying exposures subject to external verification</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>Party executing the verification</p> <p>79. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, an appropriate and independent party should be deemed to be a party that meets both of the following conditions:</p> <ul style="list-style-type: none"> (a) it has the experience and capability to carry out the verification; (b) it is none of the following: <ul style="list-style-type: none"> (i) a credit rating agency; (ii) a third party verifying STS compliance in accordance with Article 28 of Regulation (EU) 2017/2402; (iii) an entity affiliated to the originator. <p>Scope of the verification</p> <p>80. For the purposes of Article 22(2) of Regulation (EU) 2017/2402, the verification to be carried out based on the representative sample, applying a confidence level of at least 95%, should include both of the following:</p> <ul style="list-style-type: none"> (a) verification of the compliance of the underlying exposures in the provisional portfolio with the eligibility criteria that are able to be tested prior to issuance; (b) verification of the fact that the data disclosed to investors in any formal offering document in respect of the underlying exposures is accurate. <p>Confirmation of the verification</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,	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
70	EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>	
<p>Liability cashflow model (Article 22(3))</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>		
EBA Final non-ABCP STS Guidelines		
<p>Liability cash flow model (Article 22(3))</p> <p>Precise representation of the contractual relationship</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>Third parties</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	Article 22 - Requirements relating to transparency	BACK TO CHECKLIST
EBA Final non-ABCP STS Guidelines – statements on <i>background and rationale</i>		
<p>Environmental performance of assets (Article 22(4))</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>		
EBA Final non-ABCP STS Guidelines		
<p>Environmental performance of assets (Article 22(4))</p> <p>Available information related to the environmental performance</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>		