

Chapter 5

Requirements on risk retention

5.1 Interpretation and application

Application

- 5.1.1 **G** This chapter applies to *originators, sponsors and original lenders*, which are not *PRA-authorized persons*, and which are *established in the United Kingdom*.

Interpretation

- 5.1.2 **R** In this chapter, the following definitions apply:
- 5.1.3 **R**
- (1) 'contingent form of retention' means retention of a material net economic interest through the use of guarantees, letters of credit and other similar forms of credit support ensuring an immediate enforcement of the retention;
 - (2) 'synthetic form of retention' means retention of a material net economic interest through the use of derivative instruments; and
 - (3) 'UK Solvency II Firm' has the same definition as in Article 2.1 of Chapter 2, Solvency II Firms: Insurance General Application of the *PRA Rulebook*.



5.2 Retention of a material net economic interest

- 5.2.1 **R** The *originator, sponsor or original lender* of a *securitisation* shall retain on an ongoing basis a material net economic interest in the *securitisation* of not less than 5%. That interest shall be measured at the origination and shall be determined by the notional value for off-balance-sheet items.
- 5.2.2 **R** Where the *originator, sponsor or original lender* have not agreed between them who will retain the material net economic interest, the *originator* shall retain the material net economic interest.
- 5.2.3 **R** There shall be no multiple applications of the retention requirements for any given *securitisation*.
- 5.2.4 **R** The material net economic interest shall not be split amongst different types of retainers and shall not be subject to any credit-risk mitigation or hedging.
- 5.2.5 **R** For the purposes of ■ SECN 5, an entity shall not be considered to be an *originator* where the entity has been established or operates for the sole purpose of securitising exposures.
- 5.2.6 **R** Subject to ■ SECN 5.2.7R, *originators* shall not select assets to be transferred to the *SSPE* with the aim of rendering losses on the assets transferred to the *SSPE*, measured over the life of the transaction, or over a maximum of 4 years where the life of the transaction is longer than 4 years, higher than the losses over the same period on comparable assets held on the balance sheet of the *originator*.
- 5.2.7 **R** *Originators* may select assets to be transferred to the *SSPE* that ex ante have a higher than average credit risk profile as compared to the comparable assets, if any, that remain on the balance sheet of the *originator* provided that the higher credit risk profile of the assets transferred to the *SSPE* is clearly communicated to the *investors* or potential *investors*.
- 5.2.8 **R** (1) Only the following shall qualify as a retention of a material net economic interest of not less than 5% within the meaning of ■ SECN 5.2.1R:

- (a) the retention of not less than 5% of the nominal value of each of the *tranches* sold or transferred to *investors*;
 - (b) in the case of *revolving securitisations* or *securitisations of revolving exposures*, the retention of the *originator's* interest of not less than 5% of the nominal value of each of the securitised exposures;
 - (c) the retention of randomly selected exposures, equivalent to not less than 5% of the nominal value of the securitised exposures, where such non-securitised exposures would otherwise have been securitised in the *securitisation*, provided that the number of potentially securitised exposures is not less than 100 at origination;
 - (d) the retention of the *first loss tranche* and, where such retention does not amount to 5% of the nominal value of the securitised exposures, if necessary, other *tranches* having the same or a more severe risk profile than those transferred or sold to *investors* and not maturing any earlier than those transferred or sold to *investors*, so that the retention equals in total not less than 5% of the nominal value of the securitised exposures; or
 - (e) the retention of a first loss exposure of not less than 5% of every securitised exposure in the *securitisation*.
- (2) (a) By way of derogation from (1), in the case of *NPE securitisations*, where a *non-refundable purchase price discount* has been agreed, the retention of a material net economic interest for the purposes of (1) shall not be less than 5% of the sum of the net value of the securitised exposures that qualify as *non-performing exposures* and, if applicable, the nominal value of any performing securitised exposures.
- (b) The net value of a *non-performing exposure* shall be calculated by deducting the *non-refundable purchase price discount* agreed at the level of the individual securitised exposure at the time of origination or, where applicable, a corresponding share of the *non-refundable purchase price discount* agreed at the level of the pool of underlying exposures at the time of origination from the exposure's nominal value or, where applicable, its outstanding value at the time of origination.
- (c) In addition, for the purpose of determining the net value of the securitised *non-performing exposures*, the *non-refundable purchase price discount* may include the difference between the nominal amount of the *tranches* of the *NPE securitisation* underwritten by the originator for subsequent sale and the price at which these *tranches* are first sold to unrelated third parties.

5.2.9

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- (1) Where:
- (a) a *mixed financial holding company*;
 - (b) a *UK parent institution*;
 - (c) a *financial holding company* that is established in the United Kingdom; or
 - (d) a subsidiary of such a company or institution,

as an *originator* or *sponsor*, securitises exposures from one or more *CRR firms*, *FCA investment firms* or other *financial institutions* which are included in the scope of supervision on a consolidated basis, the requirements set out in ■ SECN 5.2.1R to ■ SECN 5.2.5R may be satisfied based on the consolidated situation of the *mixed financial holding company*, *UK parent institution* or *financial holding company* concerned.

- (2) Subject to the modifications for *FCA investment firms* in (3), (1) applies only if *CRR firms*, *FCA investment firms* or *financial institutions* which created the securitised exposures:
 - (a) comply with the requirements in Chapter 4 of the Internal Capital Adequacy Assessment Part of the *PRA Rulebook*; and
 - (b) deliver the information needed to satisfy the requirements in ■ SECN 4 or equivalent *PRA rules*, in a timely manner, to the *originator* or *sponsor* and, if the *originator* or *sponsor* is a subsidiary, to the *mixed financial holding company*, *UK parent institution* or *financial holding company* which is the parent undertaking of the subsidiary.
- (3) In the case of *FCA investment firms*, compliance with the requirements set out in Article 4.2 of Chapter 4 of the Internal Capital Adequacy Assessment Part of the *PRA Rulebook* are modified in accordance with this subparagraph:
 - (a) *FCA investment firms* must have internal methodologies that enable them to assess the credit risk of exposures to individual obligors, securities or *securitisation positions* and credit risk at the portfolio level;
 - (b) the internal methodologies must not rely solely or mechanistically on external credit ratings; and
 - (c) where an *FCA investment firm* determines the amount of own funds that it should hold by reference to a rating by an external credit assessment institution or by reference to the fact that an exposure is unrated, this does not exempt the *FCA investment firm* from additionally considering other relevant information for assessing its allocation of internal capital.
- (4) In ■ SECN 5.2.9R 'subsidiary' has the meaning given in Article 4(1)(16) of *UK CRR*.

5.2.10

R ■ SECN 5.2.1R to ■ SECN 5.2.5R shall not apply where the securitised exposures are exposures to or exposures fully, unconditionally and irrevocably guaranteed by:

- (1) central governments or central banks;
- (2) regional governments, local authorities and 'public sector entities' within the meaning of Article 4(1)(8) of *UK CRR*;
- (3) institutions to which a 50% risk weight or less is assigned under Part Three, Title II, Chapter 2 of *UK CRR* and articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the *PRA Rulebook*;

- (4) national promotional banks or institutions within the meaning of Article 2(3) of Regulation (EU) 2015/1017 of the European Parliament and of the Council; or
- (5) the multilateral development banks listed in Article 117 of *UK CRR*.

5.2.11

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■ SECN 5.2.1R to ■ SECN 5.2.5R shall not apply to transactions based on a clear, transparent and accessible index, where the underlying reference entities are identical to those that make up an index of entities that is widely traded, or are other tradable securities other than *securitisation positions*.



5.3 Retainers of material net economic interest

- 5.3.1** **R** The requirement that the retained material net economic interest shall not be split among different types of retainers under **■ SECN 5.2.4R** shall be fulfilled by any of the following:
- (1) the *originator* or *originators*;
 - (2) the *sponsor* or *sponsors*; or
 - (3) the *original lender* or *original lenders*.
- 5.3.2** **R** Where more than one *originator* is eligible to fulfil the retention requirement each *originator* shall fulfil that requirement on a pro rata basis by reference to the securitised exposures for which it is the *originator*.
- 5.3.3** **R** Where more than one *original lender* is eligible to fulfil the retention requirement, each *original lender* shall fulfil that requirement on a pro rata basis by reference to the securitised exposures for which it is the *original lender*.
- 5.3.4** **R** By way of derogation from **■ SECN 5.3.2R** and **■ SECN 5.3.3R**, the retention requirement may be fulfilled in full by a single *originator* or *original lender* provided that either of the following conditions is met:
- (1) the *originator* or *original lender* has established and is managing the *ABCP programme* or other *securitisation*; or
 - (2) the *originator* or *original lender* has established the *ABCP programme* or other *securitisation* and has contributed over 50% of the total securitised exposures measured by nominal value at origination.
- 5.3.5** **R** Where more than one *sponsor* is eligible to fulfil the retention requirement, the retention requirement shall be fulfilled by either:
- (1) the *sponsor* whose economic interest is most appropriately aligned with *investors* as agreed by the multiple sponsors on the basis of objective criteria including, but not limited to, the transaction's fee structure, the *sponsor's* involvement in the establishment and

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The following must be taken into account when assessing whether an entity has been established or operates for the sole purpose of securitising exposures as referred to in ■ SECN 5.2.5R:

management of the *ABCP programme* or other *securitisation* and exposure to credit risk of the *securitisations*; or

(2) by each *sponsor* in proportion to the total number of *sponsors*.

the entity has a business strategy and the capacity to meet payment obligations consistent with a broader business model and involving material support from capital, assets, fees or other income available to the entity, relying neither on the exposures being securitised, nor on any interests retained or proposed to be retained in accordance with ■ SECN 5, as well as any corresponding income from such exposures and interests; and

(2) the members of the management body have the necessary experience to enable the entity to pursue the established business strategy, and the entity has adequate corporate governance arrangements.



5.4 Fulfilment of the retention requirement through a synthetic form of retention or contingent form or retention

5.4.1

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- (1) The fulfilment of the retention requirement in a manner equivalent to one of the options set out in ■ **SECN 5.2.8R** through a synthetic or contingent form of retention shall meet all of the following conditions:
 - (a) the amount retained is at least equal to the amount required under the option which the synthetic or contingent form of retention corresponds to; and
 - (b) the retainer has explicitly disclosed in the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* that it will retain a material net economic interest in the *securitisation* through a synthetic or contingent form of retention on an ongoing basis.
- (2) For the purposes of ■ **SECN 5.4.1R(1)(b)** the retainer shall disclose in the final offering document, prospectus transaction summary or overview of the main features of the *securitisation*, all the details on the applicable synthetic form of retention or contingent form of retention, including, the methodology used in its determination of the material net interest retained and an explanation on which of the options in in ■ **SECN 5.2.8R** the retention is equivalent to.
- (3) Where an entity other than a *CRR firm* or a UK Solvency II Firm retains an economic interest through a synthetic form of retention or contingent form of retention, that interest retained on a synthetic or contingent basis must be fully collateralised in cash and held on a segregated basis as *client money* as referred to in ■ **CASS 7.12.1R**.

5.5 Retention of not less than 5% of the nominal value of each of the tranches sold or transferred to investors

5.5.1

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The retention of not less than 5% of the nominal value of each of the *tranches* sold or transferred to the *investors* referred to in ■ SECN 5.2.8R(1)(a) may be complied with through any of the following methods:

- (1) the retention of not less than 5% of the nominal value of each of the securitised exposures, provided that the retained credit risk ranks *pari passu* with or is subordinated to the credit risk securitised in relation to the same exposures;
- (2) the provision, in the context of an *ABCP programme*, of a liquidity facility, where all the following conditions are met:
 - (a) the liquidity facility covers 100% of the share of the credit risk of the securitised exposures of the relevant *securitisation* transaction that is being funded by the respective *ABCP programme*;
 - (b) the liquidity facility covers the credit risk for as long as the retainer has to retain the material net economic interest by means of such liquidity facility for the relevant *securitisation* transaction;
 - (c) the liquidity facility is provided by the *originator, sponsor or original lender* in the *securitisation* transaction; and
 - (d) the *investors* becoming exposed to such *securitisations* have been given access to appropriate information with the initial disclosure to enable them to verify that (a), (b) and (c) are complied with; or
- (3) the retention of an exposure which exposes its holder to the credit risk of each issued *tranche* of a *securitisation* transaction on a *pro-rata* basis (*vertical tranche*) of not less than 5% of the total nominal value of each of the issued *tranches*.



5.6 Retention of the originator's interest in a revolving securitisation of revolving exposures

5.6.1

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The retention of the *originator's* interest of not less than 5% of the nominal value of each of the securitised exposures as referred to in ■ **SECN 5.2.8R(1)(b)** shall only be considered fulfilled where the retained credit risk of such exposures ranks *pari passu* with or is subordinated to the credit risk securitised in relation to the same exposures.

5.7 Retention of randomly selected exposures equivalent to not less than 5% of the nominal value of the securitised exposures

5.7.1

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- (1) The pool of at least 100 potentially securitised exposures from which retained non-securitised and securitised exposures are to be randomly selected, as referred to in ■ SECN 5.2.8R(1)(c), shall be sufficiently diverse to avoid an excessive concentration of the retained interest.
- (2) When selecting the exposures, referred to in ■ SECN 5.7.1R(1), retainers shall take into account quantitative and qualitative factors that are appropriate for the type of securitised exposures to ensure that the distinction between retained non-securitised and securitised exposures is random. For that purpose, and where relevant, retainers shall take into consideration the following factors when selecting exposures:
 - (a) the time of the origination of the loan (vintage);
 - (b) the type of securitised exposures;
 - (c) the geographical location;
 - (d) the origination date;
 - (e) the maturity date;
 - (f) the loan to value ratio;
 - (g) the collateral type;
 - (h) the industry sector;
 - (i) the outstanding loan balance; and
 - (j) any other factor deemed relevant by the retainer.
- (3) Retainers shall not select different individual exposures at different points in time, except where that may be necessary to fulfil the retention requirement in relation to a *securitisation* in which the securitised exposures fluctuate over time, either due to new exposures being added to the *securitisation* or to changes in the level of the individual securitised exposures.
- (4) Where the retainer is the *securitisation's servicer*, the selection conducted in accordance with ■ SECN 5.7.1R must not lead to a deterioration in the servicing standards applied by the retainer on the transferred exposures relative to the retained exposures.



5.8 Retention of the first loss tranche

5.8.1

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- (1) The retention of the *first loss tranche* referred to in ■ SECN 5.2.8R(1)(d) may be fulfilled by holding either on-balance sheet or off-balance sheet positions and by either of the following methods:
 - (a) provision of a contingent form of retention or of a liquidity facility in the context of an *ABCP programme*, which fulfils all of the following criteria:
 - (i) the exposure covers at least 5% of the nominal value of the securitised exposures;
 - (ii) the exposure constitutes a first loss position in relation to the *securitisation*;
 - (iii) the exposure covers the credit risk for the entire duration of the retention commitment;
 - (iv) the exposure is provided by the retainer; and
 - (v) the *investors* have been given access within the initial disclosure to all information necessary to verify that (i) to (iv) are complied with; or
 - (b) *over collateralisation*, if it operates as a 'first loss' position of not less than 5% of the nominal value of the securitised exposures.
- (2) Where the *first loss tranche* exceeds 5% of the nominal value of the securitised exposures, the retainer may choose to retain a pro-rata portion of such *first loss tranche* only, provided that portion is equivalent to at least 5% of the nominal value of the securitised exposures.

5.9 Retention of a first loss exposure of not less than 5% of every securitised exposure

5.9.1

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- (1) The retention of a first loss exposure at the level of every securitised exposure as referred to in ■ SECN 5.2.8R(1)(e) shall only be considered to be fulfilled where the retained credit risk is subordinated to the credit risk securitised in relation to the same exposures.
- (2) By way of derogation from (1), the retention of a first lost exposure at the level of every securitised exposure as referred to in ■ SECN 5.2.8R(1)(e) may also be fulfilled through the sale by the *originator* or *original lender* of the underlying exposures at a discounted value where each of the following conditions is met:
 - (a) the amount of the discount is not less than 5% of the nominal value of each exposure; and
 - (b) the discounted sale amount is refundable to the *originator* or *original lender* only if that discounted sale amount is not absorbed by losses related to the credit risk associated to the securitised exposures.

5.10 Application of the retention options on NPE securitisations

5.10.1

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- (1) In case of *NPE securitisations* as referred to in ■ SECN 5.2.8(2), for the purposes of applying ■ SECN 5.5.1R(1) and ■ SECN 5.6R to ■ SECN 5.9R to the share of *non-performing exposures* in the pool of underlying exposures of a *securitisation*, any reference to the nominal value of the securitised exposures shall be construed as a reference to the net value of the *non-performing exposures*.
- (2) For the purposes of ■ SECN 5.7, the net value of the retained *non-performing exposures* shall be calculated using the same amount of the *non-refundable purchase price discount* that would have been applied had the retained *non-performing exposures* been securitised.
- (3) For the purposes of ■ SECN 5.2.8R(1)(a), ■ SECN 5.6 or ■ SECN 5.9 the net value of the retained part of the *non-performing exposures* shall be computed using the same percentage of the *non-refundable purchase price discount* that applies to the part that is not retained.
- (4) Where the *non-refundable purchase price discount* as referred to in ■ SECN 5.2.8(2)(b) has been agreed at the level of the pool of underlying *non-performing exposures*, the net value of individual securitised *non-performing exposures* included in the pool or sub-pool, as applicable, shall be calculated by applying a corresponding share of the *non-refundable purchase price discount* agreed at pool or sub-pool level to each of the securitised *non-performing exposures* in proportion to their nominal value or, where applicable, their outstanding value at the time of origination.
- (5) Where the *non-refundable purchase price discount* includes the difference between the nominal amount of one tranche or several *tranches* of a *NPE securitisation* underwritten by the *originator* for subsequent sale and the price at which that *tranche* or those *tranches* are first sold to unrelated third parties as referred to in ■ SECN 5.2.8R(2)(c), that difference shall be taken into account in the calculation of the net value of individual securitised *non-performing exposures* by applying a corresponding share of the difference to each of the securitised *non-performing exposures* in proportion to their nominal value.

5.11 Measurement of the level of retention

5.11.1

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- (1) When measuring the level of retention of the net economic interest, the following criteria shall be applied:
 - (a) the origination shall be considered as the time at which the exposures were first securitised;
 - (b) where the calculation of the level of retention is based on nominal values, it shall not take into account the acquisition price of assets;
 - (c) finance charge collections and other fee income in respect of the securitised exposures net of costs ('excess spread') shall not be taken into account when measuring the retainer's net economic interest; and
 - (d) the retention option and methodology used to calculate the net economic interest shall not be changed during the life of a *securitisation* transaction, unless exceptional circumstances require a change and that change is not used as a means to reduce the amount of the retained interest.
- (2) The retainer shall not be required to replenish or readjust its retained interest to at least 5% as losses are realised on its retained exposures or allocated to its retained positions.



5.11A Measurement of the material net economic interest to be retained for exposures in the form of drawn and undrawn amounts of credit facilities

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The calculation of the net economic interest to be retained for credit facilities, including credit cards, shall be based on amounts already drawn, realised or received only and shall be adjusted in accordance with changes to those amounts.

5.12.1

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5.12 Prohibition of hedging or selling the retained interest

- (1) The obligation in ■ SECN 5.2.1R to retain on an ongoing basis a material net economic interest in the *securitisation* shall be deemed to have been met only where, taking into account the economic substance of the transaction, both of the following conditions are met:
 - (a) the retained material net economic interest is not subject to any credit risk mitigation or hedging of either the retained *securitisation positions* or the retained exposures; and
 - (b) the retainer does not sell, transfer or otherwise surrender all or part of the rights, benefits or obligations arising from the retained net economic interest.
- (2) By way of derogation from ■ SECN 5.12.1R(1)(a), the retainer may hedge the net economic interest where the hedge:
 - (a) is not against the credit risk of either the retained *securitisation positions* or the retained exposures; or
 - (b) is undertaken prior to the *securitisation* as a prudent element of credit granting or risk management and does not create a differentiation for the retainer's benefit between the credit risk of the retained *securitisation positions* or exposures and the *securitisation positions* or exposures transferred to *investors*.
- (3) The retainer may use retained exposures or *securitisation positions* as collateral for secured funding purposes including, where relevant, funding arrangements that involve a sale, transfer or other surrender of all or part of the rights, benefits or obligations arising from the retained net economic interest, provided that such use as collateral does not transfer the exposure to the credit risk of those retained exposures or *securitisation positions* to a third party.
- (4) ■ SECN 5.12.1R(1)(b) shall not apply:
 - (a) in the event of the insolvency of the retainer; or
 - (b) in the case of retention on a consolidated basis, in accordance with ■ SECN 5.14.



5.13 Transactions for which the retention requirement does not apply as referred to in SECN 5.2.11R

5.13.1

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Transactions for which the retention requirement does not apply, as referred to in ■ SECN 5.2.11R, shall include *securitisation positions* in the correlation trading portfolio, which are either reference instruments satisfying the criterion in Article 338(1)(b) of the *UK CRR* or which are eligible for inclusion in the correlation trading portfolio.

5.14 Retention on a consolidated basis

5.14.1

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A mixed financial holding company, a UK parent institution or financial holding company established in the United Kingdom satisfying, in accordance with ■ SECN 5.2.9R, the retention requirement on the basis of its consolidated situation shall, in the case the retainer is no longer included in the scope of supervision on a consolidated basis, ensure that one or more of the remaining entities included in the scope of supervision on a consolidated basis fulfils the retention requirement.



5.15 Arrangements or embedded mechanisms

5.15.1

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Retainers shall not use arrangements or embedded mechanisms in the *securitisation* by virtue of which the retained interest at origination would decline faster than the interest transferred. In the allocation of the cash flows, the retained interest shall not be prioritised to preferentially benefit from being repaid or amortised ahead of the transferred interest. The amortisation of the retained interest via cash flow allocation or through the allocation of losses that, in effect, reduce the level of retention over time, shall be allowed.



5.16 Fulfilment of the retention requirements in securitisations of own issued debt instruments

5.16.1

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Where an entity securitises its own issued debt instruments, including *covered bonds*, and the underlying exposures of the securitisation comprise exclusively those own-issued debt instruments, the retention requirement in ■ SECN 5.2.1R to ■ SECN 5.2.5R shall be considered complied with.

5.17 Retention requirement on resecuritisations

5.17.1

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- (1) Subject to (2), in the context of *resecuritisation* as far as enabled in accordance with ■ SECN 7.2 and ■ SECN 7.3, a retainer must retain the material net economic interest in relation to each of the respective transaction levels.
- (2) The *originator* of a *resecuritisation* is not obliged to retain a material net economic interest at the transaction level of the *resecuritisations* where all of the following conditions are met:
 - (a) the *originator* of the *resecuritisation* is also the *originator* and the retainer of the underlying *securitisations*;
 - (b) the *resecuritisation* is backed by a pool of exposures comprising solely exposures or positions which were retained by the *originator* in the underlying securitisation in excess of the required minimum net economic interest prior to the date of origination of the *resecuritisation*; and
 - (c) there is no maturity mismatch between the underlying *securitisation positions* or exposures and the *resecuritisation*.
- (3) A fully supported *ABCP programme*, which meets the requirements of ■ SECN 7.3 is not a *resecuritisation* for the purposes of ■ SECN 5.17.
- (4) The retransferring by the *securitisation's originator* of an issued tranche into contiguous *tranches* shall not constitute a *resecuritisation*.

5.18 Assets transferred to SSPE

5.18.1

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- (1) For the purposes of ■ SECN 5.2.6R, assets held on the balance sheet of the *originator* that according to the documentation of the *securitisation* meet the eligibility criteria shall be deemed to be comparable to the assets to be transferred to the *SSPE* where, at the time of the selection of the assets, both of the following conditions are met:
- (a) the expected performance of both the assets to be further held on the balance sheet and the assets to be transferred is determined by similar factors; and
 - (b) on the basis of indications including past performance and applicable models, it can be reasonably expected that the performance of the assets to be further held on the balance sheet will not be significantly better during the time period referred to in ■ SECN 5.2.6R than the performance of the assets to be transferred.
- (2) An *originator* shall be deemed to have complied with ■ SECN 5.2.6R where, after the *securitisation*, there are no exposures left on the *originator's* balance sheet that are comparable to the securitised exposures, other than the exposures which the *originator* is already contractually committed to securitise, and provided that that fact has been clearly communicated to investors.

5.18.2

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In assessing whether the originator has complied with ■ SECN 5.2.6R, the *FCA* would expect to take into account the actions the *originator* has taken to comply with that *rule*. In particular, the *FCA* would expect to take account of any internal policies, procedures and controls put in place by the *originator* to prevent the systematic or intentional selection for *securitisation* purposes of assets of a higher average credit risk profile than comparable assets retained on its balance sheet.



5.19 Disclosure of the level of the commitment to maintain a net economic interest

5.19.1

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- (1) The retainer shall disclose to *investors* within the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* at least the following information regarding the level of its commitment to maintain a net economic interest in the *securitisation*:
 - (a) confirmation of the retainer's identity, whether it retains as *originator, sponsor or original lender* and, where the retainer is the *originator*, how it meets the requirement set out in
 - SECN 5.2.5R taking into account the principles set out in
 - SECN 5.3.6R;
 - (b) which of the modalities provided for in ■ SECN 5.2.8R(1) has been applied to retain a net economic interest; and
 - (c) confirmation of the level of retention at origination and of the commitment to retain on an ongoing basis, which shall relate only to the continuation of fulfilment of the original obligation and shall not require data on the current nominal or market value, or on any impairments or write-downs on the retained interest.
- (2) Where the exemptions referred to in ■ SECN 5.2.10R and ■ SECN 5.2.11R apply to a *securitisation* transaction, *firms* acting as *originator, sponsor or original lender* shall disclose within the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* information on the applicable exemption to *investors*.
- (3) The disclosure referred to in (1) and (2) shall be appropriately documented within the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* and made publicly available, except in bilateral or private transactions where private disclosure is considered by the parties to be sufficient. The inclusion of a statement on the retention commitment in the prospectus for the securities issued under the *securitisation programme* is an appropriate means of fulfilling the requirement.

