



**THE STS VERIFICATION PROCESS
– THE STRUCTURED PATH TO
YOUR SUCCESS.**

Update on STS and related Securitisation topics

STS Verification International GmbH ("SVI")

March 2024



THE STS MARKET SEGMENT AND THE ROLE OF SVI

Simple, Transparent & Standardised (“STS”) Securitisations

- As part of the European securitization framework, the STS regime has been established in 2019 as a first-class capital market segment with strict and uniform regulation
- The STS label offers access to the widest investor base possible
- Market standard for public securitisation, widely used by private securitisations
- STS reduces the capital requirements for investors and originators (for retained senior tranches in synthetic transactions)

The Role of the Third-Party Verifier (“TPV”)

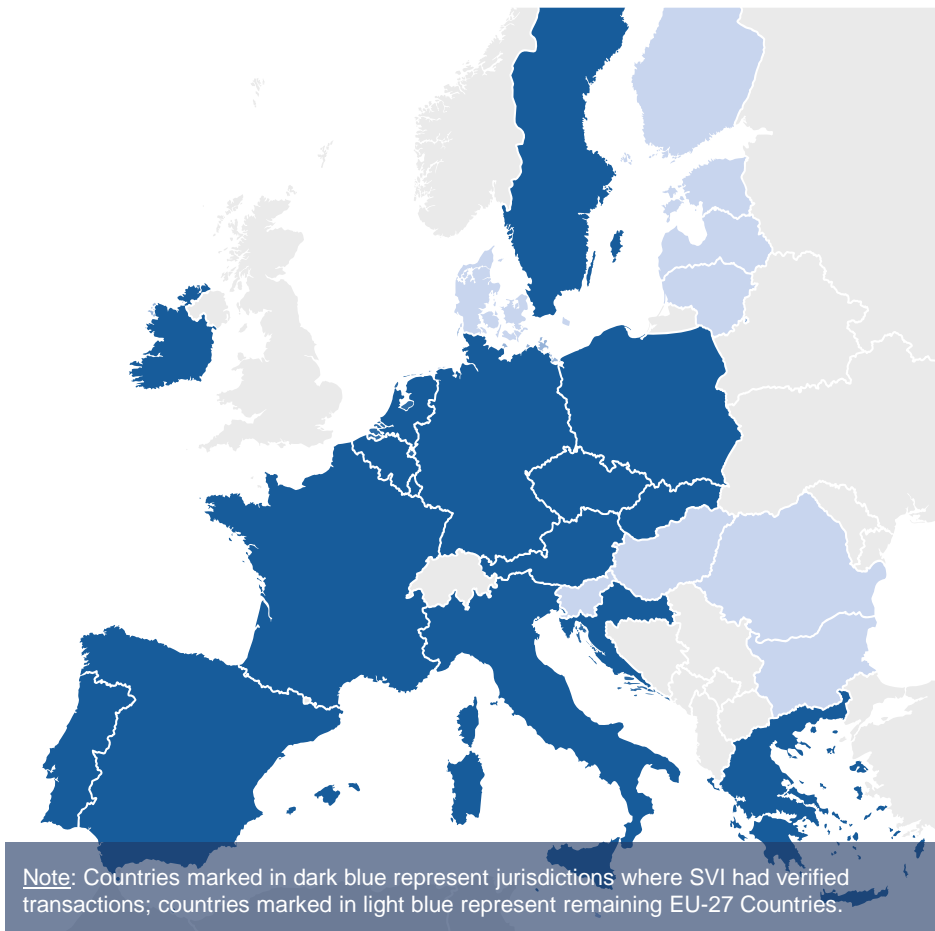


- A Third-Party Verifier can be appointed by the originator, sponsor or SSPE to assess compliance of a securitisation with the STS criteria
- The TPV ensures appropriate interpretation and consistent application of the STS criteria (incl. RTS/ITS and guidelines) during the structuring phase, thereby reducing liability risk for the transaction parties
- The TPV acts as first point of contact for questions and coordinated approach to the competent supervisory authorities

TOP 5 FACTS ABOUT SVI

- **Mission:** Established in 2018 as 100% subsidiary of True Sale International (“TSI”), the mission of SVI is to contribute to a well developed, high quality and sustainable securitisation market in Europe through the provision of neutral and objective verification of compliance of securitisation transactions with the STS (“Simple, Transparent, Standardised”) criteria, acting as Third-Party Verifier pursuant to Art. 28 of the Securitisation Regulation
- **Authorization/Supervision:** SVI has been authorized and is supervised by the competent authority (BaFin) to act as Third-Party Verifier in all countries of the EU
- **Transaction Types & Asset Classes:** SVI covers the transaction types non-ABCP (=Term ABS), ABCP and synthetic on-balance-sheet securitisations involving all asset classes that are potentially eligible for STS and also provides certain (CRR/LCR/Article 270) assessments building upon STS
- **Resources:** 4 SVI staff, 3 TSI staff (through a partnership agreement) and a panel of 3 external lawyers (focus on review of legal opinions) involved in the STS verification process for SVI, led by Michael Osswald (Managing Director)
- **Track Record:** More than 220 securitisations verified by SVI so far, healthy pipeline of verifications in progress

SVI – A PAN-EUROPEAN STS VERIFIER



■ Jurisdictions where SVI has verified transactions include the following:

➤ Austria		➤ Belgium	
➤ Czech Republic		➤ France	
➤ Germany		➤ Greece	
➤ Ireland		➤ Italy	
➤ Luxembourg		➤ Netherlands	
➤ Poland		➤ Portugal	
➤ Spain		➤ Slovakia	
➤ Sweden		➤ International	

- In addition, SVI has verified transactions where the Seller was domiciled in a third country (e.g. UK, Switzerland, US), but a EU-domiciled related company has acted as Originator in line with the Securitisation Regulation.

SVI TRACK RECORD ACROSS THE KEY MARKET SEGMENTS

Auto ABS

SVI clients include all major originators:

- Captives (BMW, Ford, Mercedes, RCI, Stellantis, VWFS & other undisclosed)
- Non-Captives (ALD, ICLH, LeasePlan, Raiffeisen Leasing)
- Bank lenders (321Crédito, Bank11, BBVA, BDK, BNPP, CreditPlus, MyMoney Bank, Porsche Bank, Santander Consumer Bank)

Underlyings include auto loan and auto leases (including residual values)

RMBS

SVI clients include major mortgage lenders from:

- Germany (UniCredit & other undisclosed)
- France (undisclosed)
- Ireland (Finance Ireland, Allied Irish Banks)
- The Netherlands (NIBC & other undisclosed)
- Spain (undisclosed)

Mortgage portfolios include both

- owner-occupied
- Buy-to-Let and
- mixed portfolios

SVI TRACK RECORD ACROSS THE KEY MARKET SEGMENTS

(CONTINUED)

Consumer ABS

SVI clients include credit card issuers (e.g. Advanzia Bank) and consumer lenders (e.g. Auxmoney, Santander Consumer Bank, Bicredit)

Equipment Lease ABS

SVI clients include abcbank, ALBIS Leasing, Deutsche Leasing, Grenke, PEAC Finance and PKO Leasing

Synthetic Securitisations

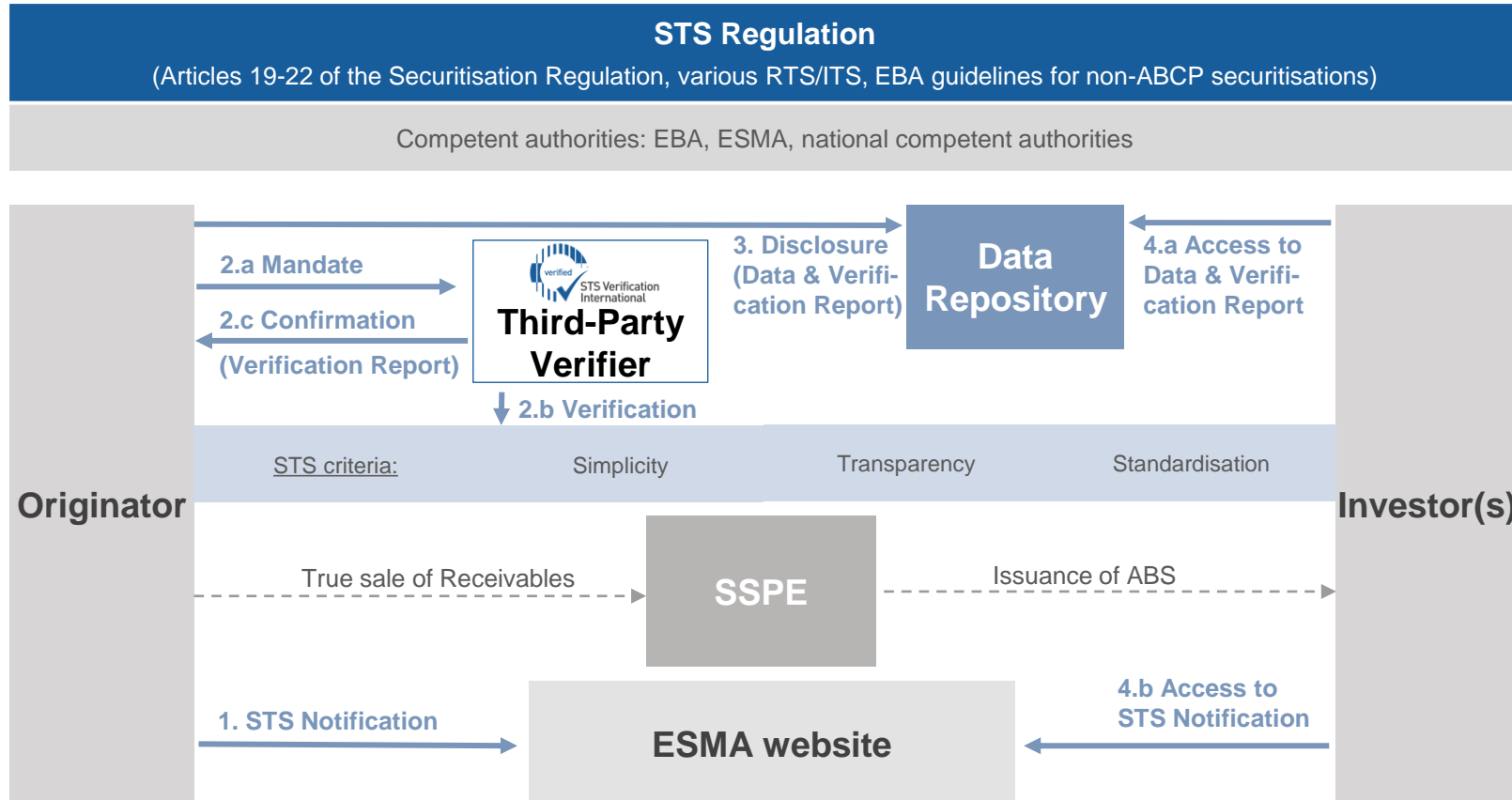
SVI clients include major commercial banks from Belgium (BNPP Fortis), France (BNPP, CACIB), Germany (BayernLB, Commerzbank, LBBW), Greece (Piraeus Bank), Italy (BNL), Austria (Erste Bank) and other undisclosed credit institutions

ABCP

SVI clients include all major ABCP sponsor banks from:

- France (BNPP, CACIB, CIC, SocGen)
- Germany (BayernLB, Commerzbank, DZ Bank, Helaba, LBBW, NordLB)
- Italy (Intesa, UniCredit)
- The Netherlands (ING, Rabobank)
- United Kingdom (HSBC)

STS NOTIFICATION AND STS VERIFICATION (EXAMPLE OF NON-ABCP SECURITISATIONS)



VERIFICATION METHODS AND THE SVI VERIFICATION REPORT

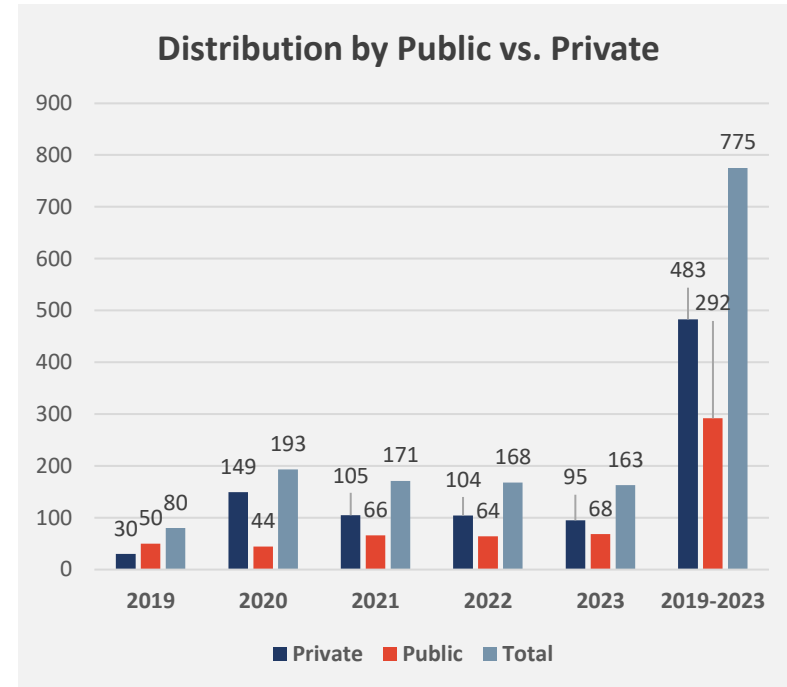
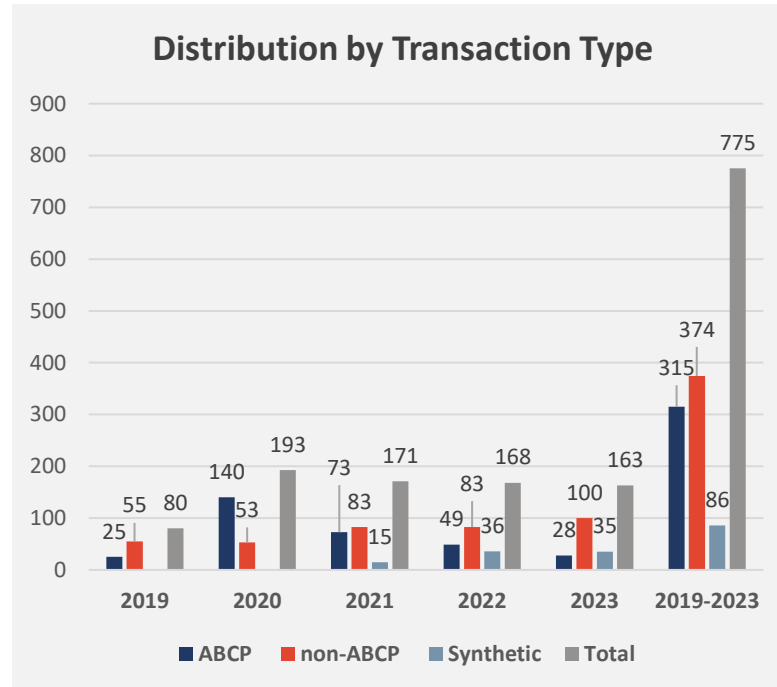
Verification Methods: How are individual criteria checked?

- a) **Regulatory:** Certain STS criteria relate to supervisory mechanisms and regulatory aspects
- b) **Legal:** Reference to contractual obligations and structural features as laid down in the transaction documentation and legal opinion(s)
- c) **Due Diligence:** Written and verbal evidence based on due diligence presentations, credit & collection policies, Q&A with senior management and other relevant specific information
- d) **Data:** Verification on the basis of full data (e.g. performance history), verification on the basis of samples (e.g. AuP report), Cashflow model

SVI Verification Report

- Confirms compliance of a specific transaction with the STS criteria and how SVI has come to such conclusion
- Available as Preliminary (at deal announcement) and Final Verification Report (at closing) for Originator and Investors
- For examples see: www.sts-verification-international.com/transactions

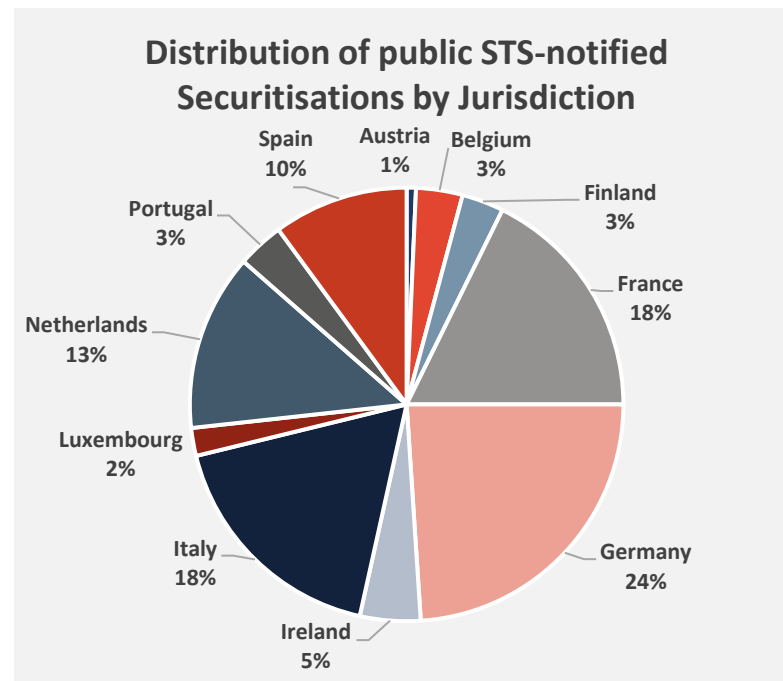
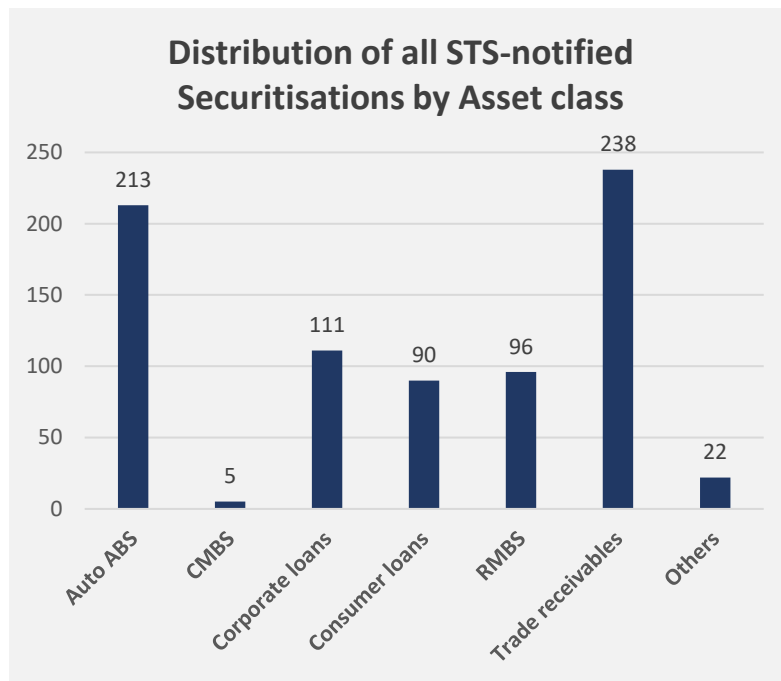
DEVELOPMENT OF THE MARKET FOR STS TRANSACTIONS (2019 - 2023)



*Period 1.1.2019 – 31.12.2023; Source: ESMA Website 12.01.2024, SVI

- Currently 775 securitisations have been notified as STS-compliant (374 non-ABCP vs. 315 ABCP vs. 86 Synthetic, 292 public vs. 483 private transactions)
- STS-compliant transactions can be notified to ESMA as either “public” or “private” transactions, with resulting vastly different level of disclosure

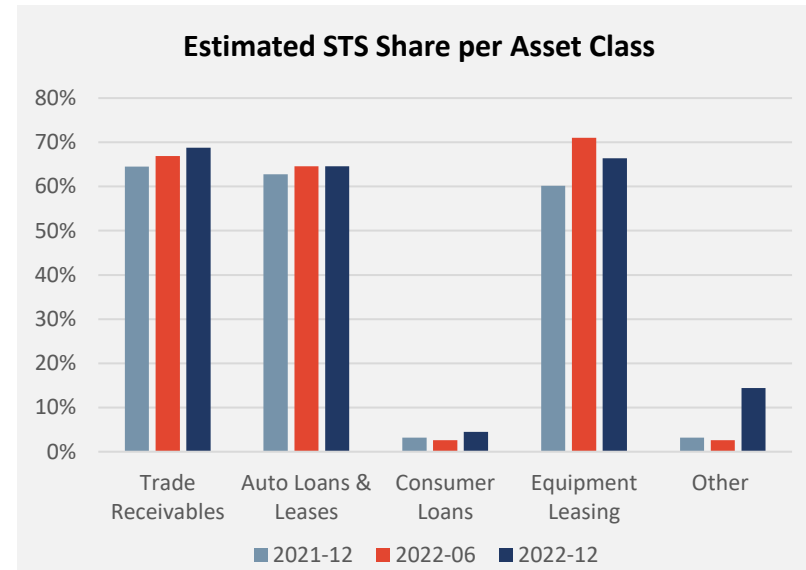
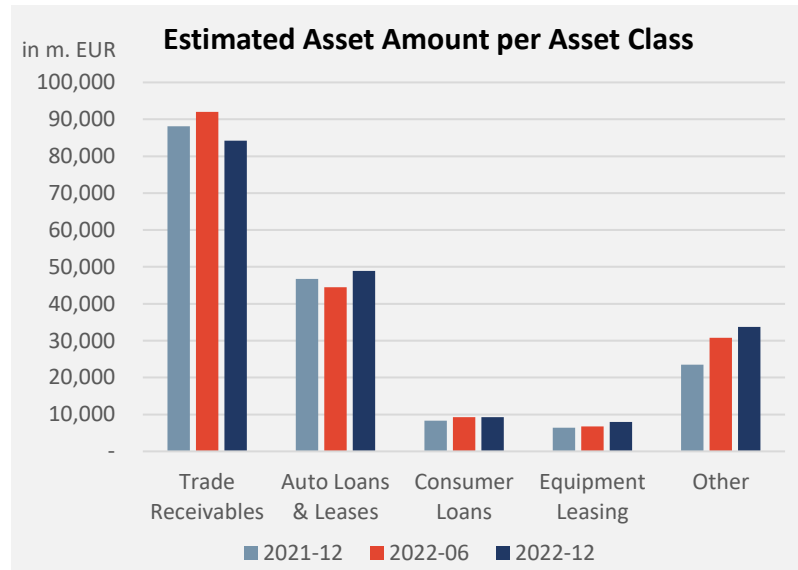
DEVELOPMENT OF THE MARKET FOR STS TRANSACTIONS (2019 - 2023) (CONTINUED)



Period 1.1.2019 – 31.12.2023; Source: ESMA Website 12.01.2023, SVI

- The categorisation according to asset classes reflects the various asset types as proposed by the STS notification template provided by ESMA for traditional and synthetic securitisations
- The breakdown by jurisdictions reflects the larger and smaller countries within the EU, where the underlying exposures for the public securitisations are located

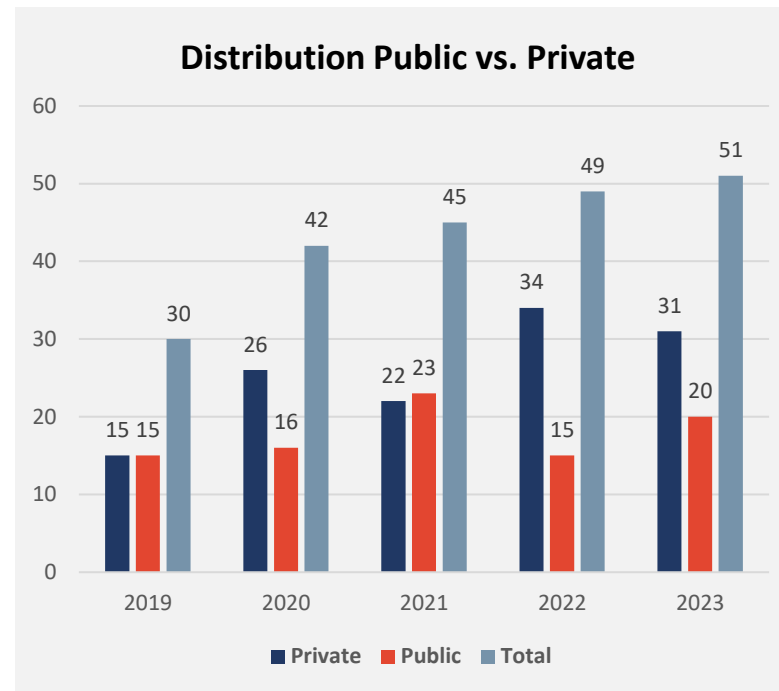
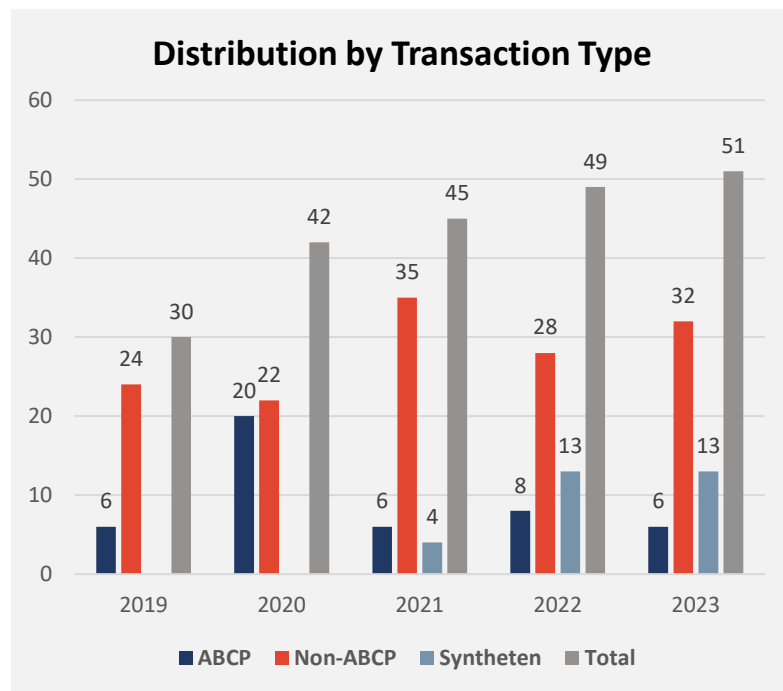
UPDATE ON THE ABCP/PRIVATE NON-ABCP MARKET - EXCERPT FROM THE EUROPEAN BENCHMARK EXERCISE



Source: **Fourth report of the European Benchmark Exercise from September 2023**

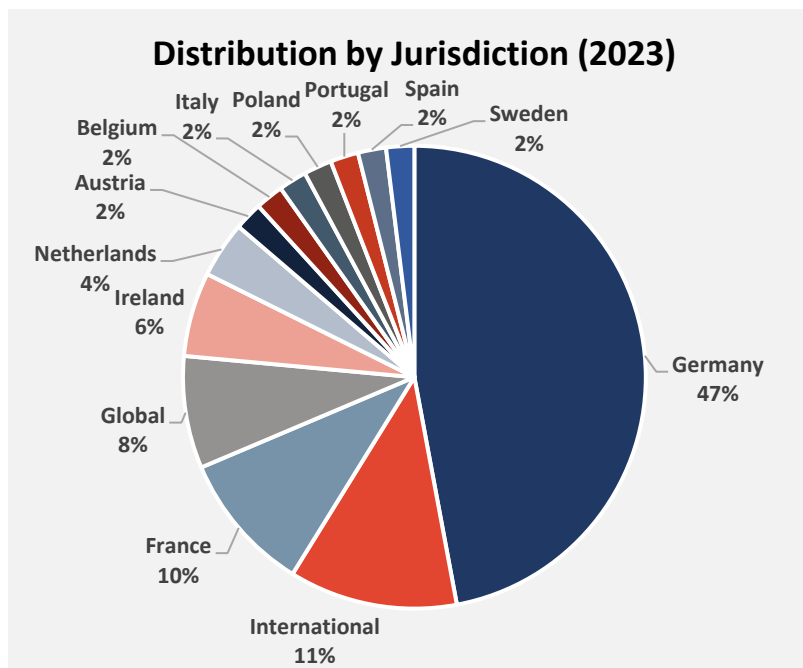
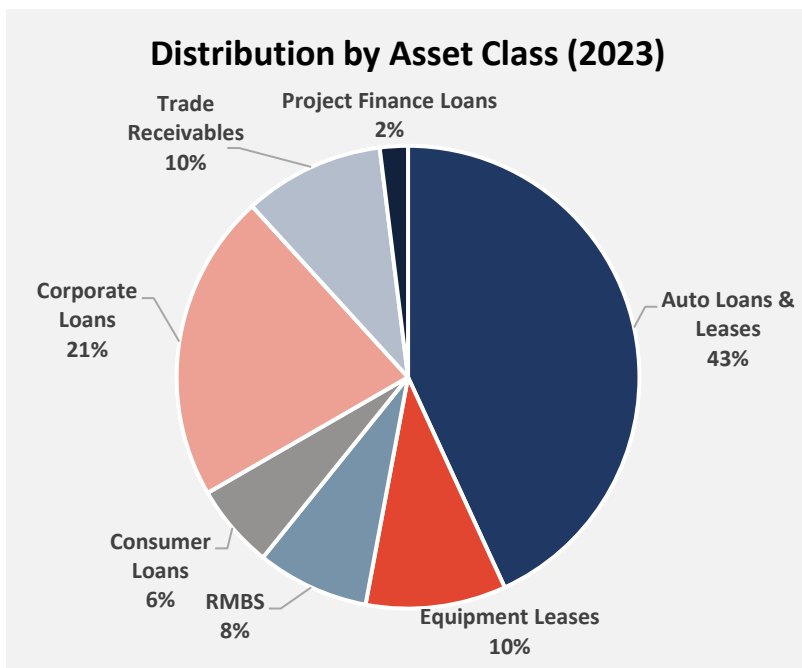
- The European Benchmark Exercise is a market-based initiative launched in 2021 by AFME, EDW and TSI. The objective is to significantly increase the market transparency of ABCP and other private true sale securitisations in the EU and the UK.
- The estimated asset amount increased from EUR 173 bln at year-end 2021 to EUR 184 bln at year-end 2022. The estimated average share in volumes is 89% for ABCP and 11% for balance-sheet transactions.
- The overall estimated STS-share in this segment has increased from 55 % at year-end 2021 to 56,6% at year-end 2022. This is mainly driven by the increase in Trade Receivables.

UPDATE ON THE TRANSACTIONS VERIFIED BY SVI



- In 2022 strong growth in private transactions due to market volatility on public ABS markets and growth of the Synthetic STS market segment. In 2023, this effect was less pronounced but there were still more transactions in the private segment.
- SVI covers all STS transaction types (ABCP, Non-ABCP, Synthetic) and other services (CRR and LCR assessments)

UPDATE ON THE TRANSACTIONS VERIFIED BY SVI (CONTINUED)



- SVI is active across the full range of STS-eligible asset classes, with Auto ABS continuing to be one of its focus areas. The share of Corporate Loans transactions is on the rise due to the increase in STS-verifications of on-balance-sheet transactions.
- In addition to its continued strong foothold in Germany, SVI has vastly increased its coverage of other EU jurisdictions and international/global transactions over the last years

STATUS QUO OF THE REGULATORY FRAMEWORK FOR STS SECURITISATIONS

Outstanding pieces of level 2 and level 3 legislation that apply directly or indirectly to STS securitisations:

- **RTS on performance-related triggers**

- Final draft dated 19 Sept 2022

- **RTS on exposure value of synthetic excess spread**

- Final draft dated 24 April 2023

- **EBA Guidelines on synthetic on-balance securitisations**

- Consultation paper dated 21 April 2023, followed by extensive consultation between ESAs and market participants during summer 2023 (finalised guidelines expected for Q2 2024)

- **RTS on disclosure templates**

- ESMA has been asked to improve the functioning of the transparency requirements
- Consultation paper dated 21 Dec 2023, with consultation open until 15 March 2024

- **RTS on STS securitisations-related sustainability disclosures**

- Consultation period expired on 2 July 2022
- Only relevant for Auto ABS and RMBS



STATE OF PLAY FOR SUSTAINABLE SECURITISATIONS

■ Initial Securitisation Regulation (as of 12 Dec 2017):

- Article 22 (4) SECR: Requirement for the originator to publish „**environmental performance data** of the assets financed by residential mortgage loans and auto loans & leases as part of the transparency requirements for non-ABCP, provided that such information is available to the originator and captured in its IT systems
- Reporting of energy performance certificate values for vehicles and buildings, respectively
- Expanded also to synthetic securitisations, see Article 26d (4) SECR

■ Amended Securitisation Regulation (as of 31 March 2021):

- Article 22 (4) and 26d (4) SECR: Option for the originator to „**publish the available information related to the principal adverse impacts of the assets financed by underlying exposures on sustainability factors.**“
- Main benefit: alignment with the sustainability-related disclosures in financial services under the Sustainable Finance Disclosure Regulation („SFDR“)
- Publishing of certain climate and other environmental indicators:
 - RMBS: Share of underlying exposures secured by energy-inefficient real estate assets, greenhouse gas emissions generated by real estate assets, share of real estate assets not having waste sorting and waste recycling facilities etc.
 - Auto ABS: Share of underlying exposures secured by vehicles that exceed a certain CO2 emission level, are non-compliant with Euro 6 emission limits, have a low recyclability percentage or have a low battery recycling rate
- Publishing of one or more social, human rights, anti-corruption and anti-bribery indicators



STATE OF PLAY FOR SUSTAINABLE SECURITISATIONS

(CONTINUED)

■ European Green Bond Standard (EuGB) (as of 20 Dec 2023, applicable from Dec 2024):

- Securitisation bonds are eligible for the EuGB, provided that a prospectus has been published
- Use of proceeds approach at the level of the originator rather than SSPE to avoid that the securitised portfolio needs to be 100% green and enable the originator to use the proceeds to finance green EU taxonomy-compliant investments
- Additional disclosures of the environmental performance of the underlying assets to provide investors an insight on the green vs. brown composition of the securitised portfolio in terms of share of (i) exposures that finance Taxonomy-eligible economic activities, (ii) Taxonomy-aligned exposures, and (iii) exposures that fail to meet the ‘Do no significant harm’ objectives
- Publishing, pre-issuance, of (i) a CapEx plan and a EuGB Factsheet, and post-issuance, of (iii) EuGB Allocation reports and (iv) a EuGB Impact report
- Mandatory use of external verifier to check compliance with pre- and post-issuance requirements



	Non-ABCP	Synthetics	ABCP
Environmental performance data	RMBS (STS) Auto ABS (STS)	RMBS (STS) Auto ABS (STS)	Not applicable
Principal adverse impacts on sustainability factors	RMBS (STS) Auto ABS (STS)	RMBS (STS) Auto ABS (STS)	Not applicable
European Green Bond Standard	All asset classes (STS & non-STS) if a prospectus is in place	Not applicable	Not applicable

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