



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

Overview of Third Party Verification of STS Transactions

STS Verification International GmbH ("SVI")

September 2020



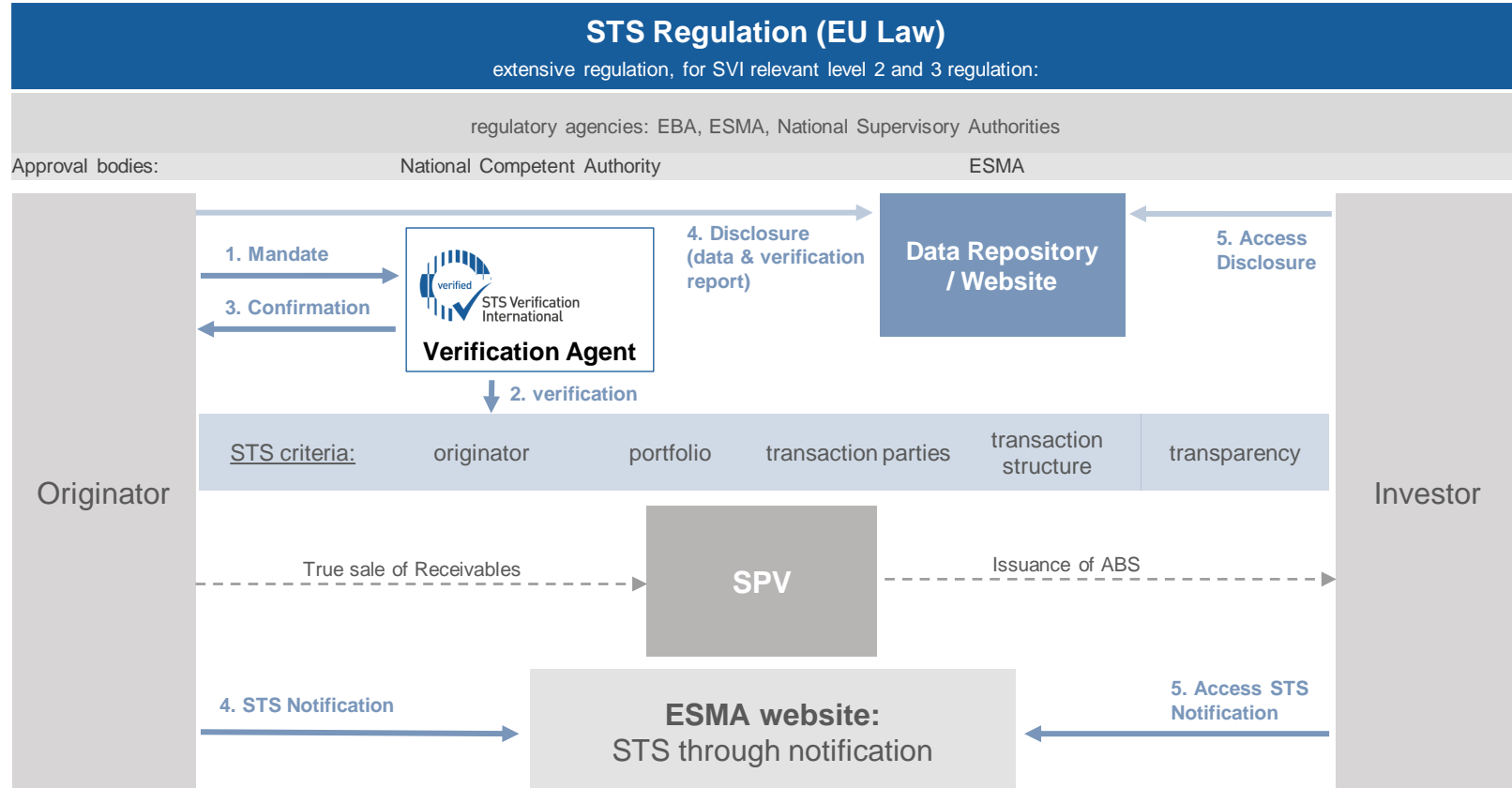
OVERVIEW OF SVI

- **Mission:** As part of TSI Group, the mission of SVI is to contribute to a well developed, high quality and sustainable securitisation market in Europe and is dedicated to provide neutral and objective verification of STS criteria for ABS transactions
- **Application:** SVI has been authorized by the competent authority pursuant to Art. 28 of the Securitisation Regulation (BaFin) to act as third party verification agent
- **Asset Classes:** SVI covers the transaction types non-ABCP (=Term ABS) and ABCP securitisations involving all asset classes that are potentially eligible for STS
- **Geographies:** All countries of the EU
- **Know-how:** Legal and economic know-how and long standing expertise of SVI staff and its outsourcing partners assure an accurate, efficient and transparent verification process
- **Supervision:** SVI and its activities regarding third party verification (including terms, conditions and fee structure) are supervised by BaFin as competent national authority

3. STS Verification Methodology and Process



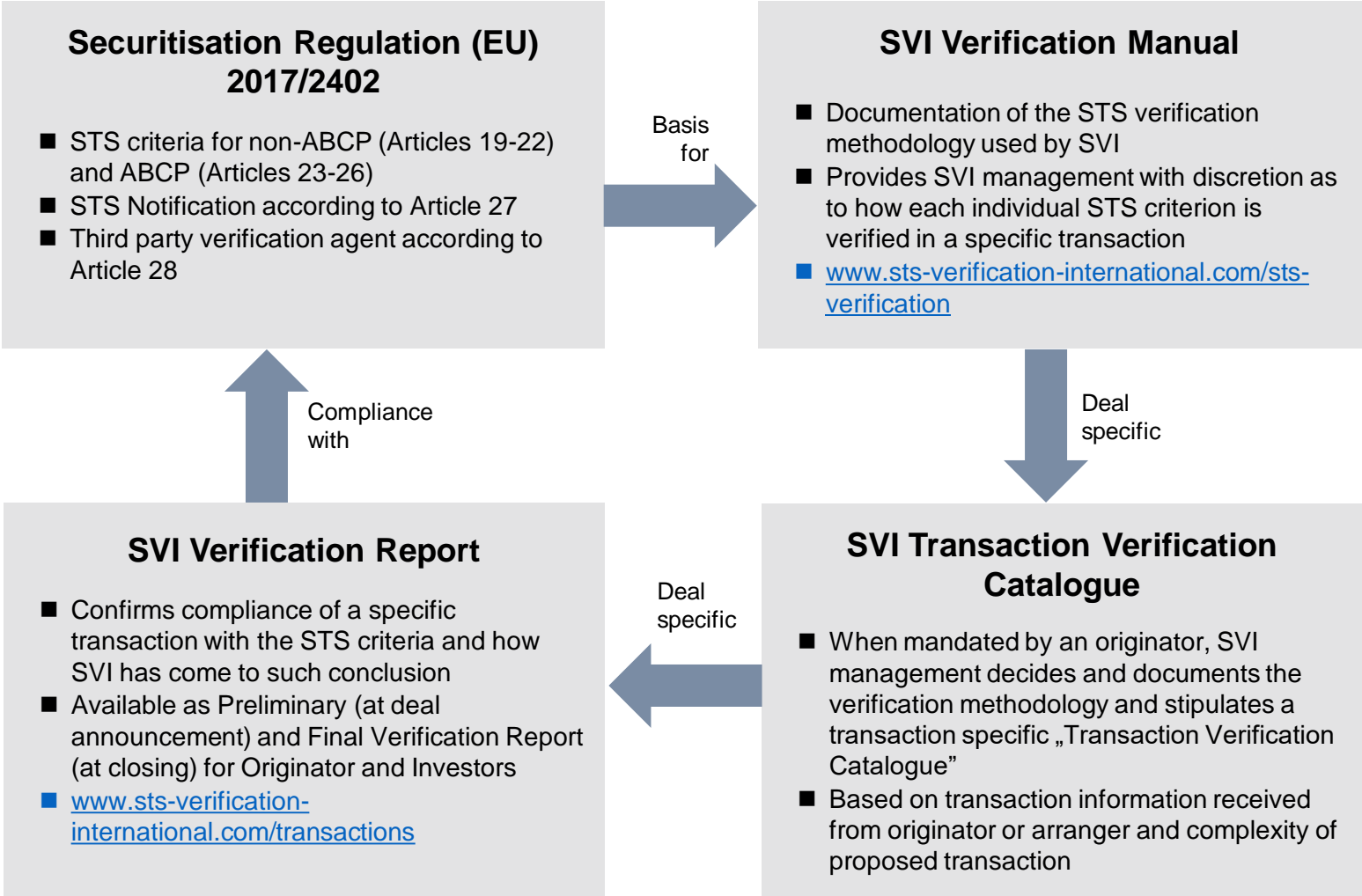
STS VERIFICATION AS PART OF THE ABS PROCESS



3. STS Verification Methodology and Process



FROM SECURITISATION REGULATION TO VERIFICATION REPORT



3. STS Verification Methodology and Process



OVERVIEW OF THE CONTENTS OF THE STS VERIFICATION PROCESS

originator	portfolio	transactional parties	transactional structure		transparency
Regulatory framework	Eligibility criteria	Clear definition of responsibilities	Sale only to professional investors	Appropriate hedging of interest rate and currency risk	Provision of data to potential investors
Experience	Exclusion criteria	Experience	5% Retention	Clear description of the waterfall	Provision of all data in a repository
	Exclusion of "Originate to Distribute"	Arrangements for replacement of parties	No Re-Securitisations	No withholding of funds in the event of insolvency	Examination of STS-Notification
	Homogeneity		True sale	Presence of appropriate triggers	Investor Report Structure
	Enforcement of sale of receivables in case of insolvency		No active portfolio management	Description of Servicing Standards	Provision of insider and other important events
	Legal validity of contracts		Timely transfer	Replacement Counterparties	Provision of cash flow model
	Assignability		No predominant dependence on portfolio sales	Clear conflict resolution regulations	Provision of environmental data

➔ For details of the STS Criteria for non-ABCP and ABCP securitisations and the verification steps & methods applied by SVI, please refer to the SVI Verification Manual posted on SVI's website: www.sts-verification-international.com/sts-verification

ADDED VALUE OF THE THIRD-PARTY VERIFICATION

Added Value for **Originators**:

- During the preparation phase, the third party verifier acts as first point of contact for questions and coordinated approach to the competent supervisory authorities
- Appropriate interpretation and consistent application of STS criteria (incl. RTS/ITS and guidelines) during the structuring phase
- These advantages also apply on an on-going basis during the life of the transactions (consistent implementation, contact with the competent supervisory authority, reduction of liability risks)

Added Value for **Investors**:

- Contribution to the uniform interpretation and application of the STS criteria throughout Europe
- Promoting confidence in the legally compliant application of the new Securitisation Regulation in general and the STS criteria in particular
- Facilitates risk analysis and portfolio management

Added Value for **Regulators**:

- Third party verification agents, as regulated independent bodies, can have interpretation discussions for the whole market on a basis of trust
- Risk of regulatory fragmentation undermining the European benchmark status of STS
- Due to their cross-border and cross-asset class work and expertise, third party verification agents can identify inconsistencies before they become a threat to the system

INDICATIVE TIMELINE OF AN STS VERIFICATION

- t = 0 Discussion of the transaction to be verified with the originator and arranging bank (as applicable) und receipt of initial transaction information by SVI
- t + 5 Preparation and forwarding of mandate agreement from SVI to the originator
- t + 7 Countersigning of mandate agreement by originator
- t + 8 Circulation of Transaction verification catalogue by SVI to the originator
- t + 10 Receipt of draft transaction documentation and performance data by SVI
- t + 12 Start of verification analysis by SVI
- t + 15 Operations review at originator ('due diligence') or alternatively video/audio call with participants
- t + 25 Circulation of (advanced) draft verification report by SVI to the key transaction parties
- t + 30 (= Announcement) Preliminary verification report provided by SVI
- t + 50 (= Closing) Final verification report provided by SVI

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