

The Securitisation Regulation

Guidance on the PRA's transitional direction

Introduction

- This document provides guidance on the PRA's transitional direction in relation to firms' obligations in the context of the Securitisation (Amendment) (EU Exit) Regulations 2019.
- Firms should have regard to this guidance while the transitional relief granted under the direction is in effect. Firms should note that this guidance is non-binding in nature, that it may be amended from time-to-time and that the direction should be followed in the case of any inconsistency with this guidance.
- The transitional direction will come into effect on exit day and will apply until 30 June 2020 unless the PRA decides to make any changes to this timing in the future.
- Any reference to an EU regulation, including to a Binding Technical Standard, is a reference to the UK version of that regulation, unless otherwise stated.
- The PRA's transitional direction relates to obligations the supervision of which is a PRA responsibility. Where a PRA-authorized firm is also subject to obligations the supervision of which is the FCA's responsibility (in particular, the framework which applies to issuers of Simple, Transparent and Standardised ('STS') securitisation) firms are referred to the FCA's transitional direction and associated guidance.
- For further details on the PRA's general approach to the exercise of the transitional direction, firms should consult:
 - a. the Bank of England's Policy Statement on the amendments to financial services legislation under the European Union (Withdrawal) Act 2018; and
 - b. general guidance provided with the PRA's transitional direction.

1. Definitions

- a. The amendments made to the definition of 'sponsor' in the Securitisation Regulation EU Exit SI will continue to apply. Therefore credit institutions and investments firms located both in the UK and outside the UK may qualify as sponsors. Firms may also continue to qualify as a sponsor where they delegate the day-to-day active portfolio management to a third party provided that entity is authorised to manage assets belonging to another person in accordance with the law of the country in which the entity is established.

2. Due Diligence Requirements (Article 5 Securitisation Regulation)

- a. As a consequence of the application of the direction, when verifying the points listed in Article 5(1) prior to holding a securitisation position, firms should distinguish as appropriate between investments in securitisations where the parties are located in the UK and EU, on the one hand, and investments in securitisations where the parties are located in other jurisdictions, on the other.

- b. Modifications to the obligation to carry out a due diligence assessment of the compliance of a securitisation notified as STS with the STS requirements are exempted from the exercise of the transitional direction power. Therefore, with regard to a securitisation notified as STS, firms should comply with the obligation to carry out the relevant due-diligence assessment as that obligation is modified by Regulation 7(3) of the Securitisation Regulation EU Exit SI.

3. Risk retention requirements (Article 6 Securitisation Regulation)

- As a consequence of the application of the direction:
 - a. in the circumstances specified in Article 6(4) of the Securitisation Regulation, the risk retention requirements outlined in Article 6(1) of the Securitisation Regulation may be satisfied on the basis of the consolidated situation of the related EU parent credit institution, EU financial holding company or EU mixed financial holding company; and
 - b. the risk retention requirements outlined in Article 6(1) of the Securitisation Regulation do not apply where the securitised exposures are exposures to, or fully, unconditionally and irrevocably guaranteed by, regional governments, local authorities and public sector entities of Member States.

4. Disclosure requirements (Article 7 Securitisation Regulation)

- a. Requirements relating to securitisation repositories are exempted from the scope of the exercise of the transitional power. Therefore, the requirement to make information for a securitisation transaction available via a securitisation repository (where a securitisation repository exists) should be read to refer only to securitisation repositories registered with the FCA.

5. Transitional provisions

- a. As a consequence of the application of the direction, where the transitional measures listed and Article 43 of the Securitisation Regulation apply, firms may continue to recognise preferential treatments afforded to EU assets and exposures which existed in the relevant legislation as applicable at 31 December 2018. This includes:
 - i. In the circumstances specified in Article 405(2), the risk retention requirements outlined in Part V Article 405(1) CRR may be satisfied on the basis of the consolidated situation of the related EU parent credit institution, EU financial holding company or EU mixed financial holding company.
 - ii. The risk retention requirements outlined in Part V Article 405(1) CRR do not apply where the securitised exposures are exposures on or fully, unconditionally and irrevocably guaranteed by regional governments, local authorities and public sector entities of Member States.