

EuroABS Limited submission in response to 14 October 2014 EBA Discussion Paper on simple standard and transparent securitisations

There are many examples of European Asset Backed Securities with complex structures e.g. Master Trusts. It is virtually impossible to model such transactions with 100% certainty without the cooperation of the issuer to secure confirmation of intention. These structures are necessarily complex, but also can be observed to have performed well and, it could be argued, have provided benefits to the European Economy.

EuroABS agrees with the EBA's Discussion Paper on Simple, Standard and Transparent Securitizations and we submit that requiring issuers wishing to comply with the standards set to provide liabilities waterfall cash flow models (as set out in Criterion 18) is an important device to ensure that these issues:

- Are **Simple** enough to model with certainty and
- Have liabilities waterfalls that are **Transparent**

Given that **'Complexity'** is one of the 4 problems cited as being responsible for poor performance during the financial crisis 2007-2009, we consider that requiring issuer supplied liabilities waterfall cash flow models is an excellent way of retarding ambition to over complicate structure whilst also allowing for necessary complexity - required to achieve the aims and economic benefits of the transaction - on condition that such complexity can be modelled with certainty. Alternative options could be regulating in or out specific structural rules which could introduce arbitrary 'cliff effects' which we know from having attended the Open Hearing on this issue, the EBA are anxious to avoid.

Bank of England Eligibility Case Study

EuroABS consider that it may be useful in this discussion to observe that the Bank of England have a similar set of requirements for the ABS Sterling Monetary Framework Eligibility criteria. These rules, including *inter alia* liabilities waterfall cash flow models, have been in force for more than 3 years and have yielded 74 compliant issues and no legal disputes to date as per the following list:

UK Asset Backed Security Issues Applying for Bank of England Sterling Monetary Framework Eligibility¹

January 2015

| Issuer/Asset Originator | Issue Name | Asset Class | BoE Compliance Web Site Link |
|----------------------------------|--|-------------|---|
| Aldermore | Oak No.1 | RMBS | http://www.investors.aldermore.co.uk/bond-investors/securitisation |
| Allied Irish Banks | Tenterden | RMBS | https://www.structuredfn.com/Portal/User/Login.aspx?ReturnUrl=%2fPortal%2f |
| Bank of Ireland | Bowbell No 1 plc (PX12) | RMBS | https://boeportal.co.uk/globalportal |
| Bank of Ireland | Bowbell No 1 plc (PX13) | RMBS | https://boeportal.co.uk/globalportal |
| Barclays | Gracechurch Mortgage Fin Note Programme (2006) | RMBS | http://www.barclays.com/prospectuses-and-documentation/secured-funding-documentation/securitisation/gmfinancing.html |
| Charter Court Financial Services | Precise 2014-2 | RMBS | https://www.euroabs.com/IH.aspx?s=166 |
| Charter Court Financial Services | Precise 2014-1 | RMBS | https://www.euroabs.com/IH.aspx?s=166 |
| Charter Court Financial Services | Precise No. 1 plc | RMBS | https://www.euroabs.com/IH.aspx?s=166 |
| Clydesdale Bank | Lanark Master | RMBS | http://www.cbonline.co.uk/debtinvestors/ |
| Clydesdale Bank | Lannraig Master | RMBS | http://www.cbonline.co.uk/debtinvestors/ |
| Co operative Bank | Cambric Finance No.1 Plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/cambricfinanceprogramme |
| Co operative Bank | Leek Finance No. 17 Plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/leekprogrammes |
| Co operative Bank | Leek Finance No. 18 plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/leekprogrammes |
| Co operative Bank | Leek Finance No. 19 plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/leekprogrammes |
| Co operative Bank | Leek Finance No. 20 plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/leekprogrammes |
| Co operative Bank | Leek Finance No. 21 plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/leekprogrammes |
| Co operative Bank | Leek Finance No. 22 plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/leekprogrammes |

¹ <http://www.bankofengland.co.uk/markets/Pages/money/eligiblecollateral.aspx>

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|--------------------------------|---|-------------|---|
| Co operative Bank | Silk Road Finance No. 1 Plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/silkroadprogramme |
| Co operative Bank | Silk Road Finance No. 2 Plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/silkroadprogramme |
| Co operative Bank | Silk Road Finance No. 3 Plc | RMBS | http://www.co-operativebank.co.uk/investorrelations/debtinvestors/silkroadprogramme |
| Consilium Airton Limited | Slate No.1 | RMBS | https://www.euroabs.com/IH.aspx?s=173 |
| Consilium Airton Limited | Slate No.2 | RMBS | https://www.euroabs.com/IH.aspx?s=173 |
| Coventry Building Society | Leofric No 1 Plc | RMBS | http://www.coventrybuildingsociety.co.uk/your-society/treasury/Securitisation-Agree.aspx |
| Coventry Building Society | Mercia No. 1 Plc | RMBS | http://www.coventrybuildingsociety.co.uk/your-society/treasury/Mercia-No1-RMBS-Agree.aspx |
| First Rand Bank | Turbo Finance 4 | AUTO | https://boeportal.co.uk/GlobalPortal/DealDetails.aspx?TabIndex=4&DealId=610&ABSNetDealId=1001610 |
| First Rand Bank | Turbo Finance 5 | AUTO | https://boeportal.co.uk/GlobalPortal/DealDetails.aspx?TabIndex=4&DealId=632&ABSNetDealId=1002152 |
| GMAC | E-Carat 3 | AUTO | https://boeportal.co.uk/GlobalPortal/DealDetails.aspx?TabIndex=4&DealId=613&ABSNetDealId=1001873 |
| GMAC | E-Carat 4 | AUTO | https://boeportal.co.uk/GlobalPortal/DealDetails.aspx?TabIndex=4&DealId=631&ABSNetDealId=1002163 |
| Investec UK | Gemgarto 2012-1 plc | RMBS | https://www.euroabs.com/IH.aspx?s=152 |
| Investec UK | Temese Funding 1 plc | LEASE | https://www.euroabs.com/IH.aspx?s=152 |
| Investec UK | Temese Funding 2 plc | LEASE | https://www.euroabs.com/IH.aspx?s=152 |
| Kensington Mortgages | Residential Mortgage Securities No 26 plc | RMBS | https://www.euroabs.com/IH.aspx?s=152 |
| Kensington Mortgages | Residential Mortgage Securities No 27 plc | RMBS | https://www.euroabs.com/IH.aspx?s=152 |
| Kent Reliance Building Society | Rochester Financing No. 1 | RMBS | https://boeportal.co.uk/GlobalPortal/DealDetails.aspx?TabIndex=4&DealId=608&ABSNetDealId=1001729 |
| Leeds Building Society | Albion No 1 Plc | RMBS | http://www.leedsbuildingsociety.co.uk/treasury/wholesale-funding/securitisation/albion-no-1/ |
| Leeds Building Society | Albion No 2 Plc | RMBS | http://www.leedsbuildingsociety.co.uk/treasury/wholesale-funding/securitisation/albion-no-2/ |

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|-------------------------------|-------------------------------|-------------|---|
| Lloyds Banking Group | Arkle Master | RMBS | http://www.lloydsbankinggroup.com/Investors/debt-investors/securitisation/# |
| Lloyds Banking Group | Candide | RMBS | http://www.lloydsbankinggroup.com/Investors/debt-investors/securitisation/# |
| Lloyds Banking Group | Headingley RMBS 2011-1 plc | RMBS | http://www.lloydsbankinggroup.com/Investors/debt-investors/securitisation/# |
| Lloyds Banking Group | Permanent Master Issuer PLC | RMBS | http://www.lloydsbankinggroup.com/Investors/debt-investors/securitisation/# |
| Lloyds TSB Bank Plc | Sandown SME (2012-2) | RMBS | http://www.lloydsbankinggroup.com/Investors/debt-investors/securitisation/# |
| Nationwide Building Society | Silverstone | RMBS | http://www.nationwide.co.uk/about/investor-relations/funding-programmes |
| Paragon | Paragon Mortgages (No 16) plc | RMBS | http://www6.paragon-group.co.uk/pgroup.nsf/securitisationMainFS |
| Paragon | Paragon Mortgages (No 17) plc | RMBS | http://www6.paragon-group.co.uk/pgroup.nsf/securitisationMainFS |
| Paragon | Paragon Mortgages (No 18) plc | RMBS | http://www6.paragon-group.co.uk/pgroup.nsf/securitisationMainFS |
| Paragon | Paragon Mortgages (No 19) plc | RMBS | http://www6.paragon-group.co.uk/pgroup.nsf/securitisationMainFS |
| Paragon | Paragon Mortgages (No 20) plc | RMBS | http://www6.paragon-group.co.uk/pgroup.nsf/securitisationMainFS |
| Paragon | Paragon Mortgages (No 21) plc | RMBS | http://www6.paragon-group.co.uk/pgroup.nsf/securitisationMainFS |
| Principality Building Society | Friary No 1 plc | RMBS | https://www.euroabs.com/IH.aspx?s=160 |
| Principality Building Society | Friary No 2 plc | RMBS | https://www.euroabs.com/IH.aspx?s=160 |

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|------------------------------|--|-------------|---|
| Royal Bank of Scotland (RBS) | Arran Residential Mortgages Funding 2010-1 plc | RMBS | https://www.structuredfn.com/dealaccess/rbs/index.html |
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| Royal Bank of Scotland (RBS) | Arran Residential Mortgages Funding 2011-2 plc | RMBS | https://www.structuredfn.com/dealaccess/rbs/index.html |
| Royal Bank of Scotland (RBS) | Greenock Funding No. 5 | RMBS | https://www.structuredfn.com/dealaccess/rbs/index.html |
| Santander | Fosse Master Trust | RMBS | http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust |
| Santander | Holmes Master Trust | RMBS | http://www.santander.co.uk/uk/about-santander-uk/investor-relations/holmes-master-trust |
| Santander Consumer | Motor 14-1 | AUTO | https://www.euroabs.com/IH.aspx?s=168 |
| Skipton Building Society | Darrowby 1 RMBS | RMBS | https://www.skipton.co.uk/investorrelations/unsecuredisclaimer/securitisation |
| Skipton Building Society | Darrowby 2 RMBS | RMBS | https://www.skipton.co.uk/investorrelations/unsecuredisclaimer/securitisation |
| Skipton Building Society | Darrowby 3 RMBS | RMBS | https://www.skipton.co.uk/investorrelations/unsecuredisclaimer/securitisation |
| Virgin Money | Gosforth Funding Plc 2010-1 | RMBS | http://uk.virginmoney.com/virgin/investor-relations/securitisation/mortgages.jsp |
| Virgin Money | Gosforth Funding Plc 2011-1 | RMBS | http://uk.virginmoney.com/virgin/investor-relations/securitisation/mortgages.jsp |
| Virgin Money | Gosforth Funding Plc 2012-1 | RMBS | http://uk.virginmoney.com/virgin/investor-relations/securitisation/mortgages.jsp |
| Virgin Money | Gosforth Funding Plc 2012-2 | RMBS | http://uk.virginmoney.com/virgin/investor-relations/securitisation/mortgages.jsp |
| Virgin Money | Gosforth Funding Plc 2014-1 | RMBS | http://uk.virginmoney.com/virgin/investor-relations/securitisation/mortgages.jsp |
| Volkswagen | Driver UK 2 | AUTO | http://www.vwfsag.com/en/home/investor_relations/refinanzierung/asset_backed_securities.html |
| Volkswagen | Driver UK Master | AUTO | http://www.vwfsag.com/en/home/investor_relations/refinanzierung/asset_backed_securities.html |

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|--------------------------------|----------------------|-------------|---|
| West Bromwich Building Society | Hawthorn Finance Ltd | RMBS | https://www.euroabs.com/IH.aspx?s=114 |
| West Bromwich Building Society | Kenrick No.1 plc | RMBS | https://www.euroabs.com/IH.aspx?s=114 |
| West Bromwich Building Society | Kenrick No.2 plc | RMBS | https://www.euroabs.com/IH.aspx?s=114 |
| Yorkshire Building Society | Brass RMBS No 1 plc | RMBS | http://www.ybs.co.uk/your-society/treasury/wholesale_funding/securitisation/index.html |
| Yorkshire Building Society | Brass RMBS No 2 plc | RMBS | http://www.ybs.co.uk/your-society/treasury/wholesale_funding/securitisation/index.html |
| Yorkshire Building Society | Brass RMBS No 3 plc | RMBS | http://www.ybs.co.uk/your-society/treasury/wholesale_funding/securitisation/index.html |
| Yorkshire Building Society | Brass RMBS No 4 plc | RMBS | http://www.ybs.co.uk/your-society/treasury/wholesale_funding/securitisation/index.html |
| Yorkshire Building Society | Tombac No. 1 plc | RMBS | http://www.ybs.co.uk/your-society/treasury/wholesale_funding/securitisation/index.html |

Sincerely,

Ben Bates

EuroABS Limited