

Chapter 10

Requirements relating to application to register as third party verifiers

10.7 Operational safeguards and internal processes to assess STS compliance

10.7.1 **D** The application referred to in ■ **SECN 10.2** must include a detailed summary of any policies, procedures and manuals on the controls and operational safeguards established to ensure the independence of the third party's assessment of STS compliance and the integrity of its assessment.

10.7.2 **D** The application referred to in ■ **SECN 10.2** must contain any information which demonstrates that the third party has established operational safeguards and internal processes to enable it to properly assess STS compliance, including the following:

- (1) the number of the applicant's employees, calculated on a full-time equivalent basis, disaggregated to types of positions within the applicant company;
- (2) details on the policies and procedures established by the third party regarding:
 - (a) the independence of individual staff members;
 - (b) the termination of employment contracts, including any measures to ensure the independence and integrity of the STS assessment process associated with the termination of the employment, such as policies and procedures relating to negotiating future employment contracts with other undertakings for staff directly involved in the STS assessment;
 - (c) the qualification requirements for staff directly involved in providing STS compliance activities, distinguished by position type;
 - (d) training and development policies for staff directly involved in the provision of STS compliance services; and
 - (e) the performance evaluation and compensation policies for staff directly involved in STS compliance services;
- (3) a description of any measures established by the third party to mitigate the risk of over-reliance on any individual staff members for providing STS compliance services;
- (4) the following information, where the third party relies, in any STS assessment, on outsourcing or external experts:

- (a) details on any policies and procedures with regard to the outsourcing of activities and the engagement of external experts;
 - (b) a description of any outsourcing arrangements entered into or envisaged by the third party, accompanied by a copy of the contracts governing those outsourcing arrangements;
 - (c) a description of the services to be provided by the external expert, including the scope of those services and the conditions under which those services should be rendered; and
 - (d) a detailed explanation of how the third party intends to identify, manage and monitor any risks posed by outsourcing and a description of the safeguards put in place to ensure independence of the STS assessment process;
- (5) a description of any measures to be used in the event of a breach of any of the policies or procedures referred to in (2) and (4)(a);
- (6) a description of any policies on the reporting to the *FCA* of any material breach of the policies or procedures referred to in (2) and (4)(a) or any other fact, event or circumstance which is likely to amount to a breach of the conditions of the authorisation of the third party; and
- (7) a description of any arrangements established to ensure that the relevant persons are aware of the policies and procedures referred to in (2) and (4)(a), and a description of any arrangements relating to the monitoring, review and updating of those policies and procedures.

10.7.3

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The application referred to in ■ **SECN 10.2** must contain the following for each *securitisation* type for which the third party intends to provide STS compliance services:

- (1) a description of the STS assessment methodology to be applied, including any procedures and methodology for the quality assurance of that assessment; and
- (2) a template of the STS verification report to be provided to the *originator*, the *sponsor* or the *SSPE*.