

## Chapter 5

# Requirements on risk retention

5.11.1

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**5.11 Measurement of the level of retention**

- (1) When measuring the level of retention of the net economic interest, the following criteria shall be applied:
  - (a) the origination shall be considered as the time at which the exposures were first securitised;
  - (b) where the calculation of the level of retention is based on nominal values, it shall not take into account the acquisition price of assets;
  - (c) finance charge collections and other fee income in respect of the securitised exposures net of costs ('excess spread') shall not be taken into account when measuring the retainer's net economic interest; and
  - (d) the retention option and methodology used to calculate the net economic interest shall not be changed during the life of a *securitisation* transaction, unless exceptional circumstances require a change and that change is not used as a means to reduce the amount of the retained interest.
- (2) The retainer shall not be required to replenish or readjust its retained interest to at least 5% as losses are realised on its retained exposures or allocated to its retained positions.