

## Chapter 5

# Requirements on risk retention

**5.3 Retainers of material net economic interest**

- 5.3.1** **R** The requirement that the retained material net economic interest shall not be split among different types of retainers under **SECN 5.2.4R** shall be fulfilled by any of the following:
- (1) the *originator* or *originators*;
  - (2) the *sponsor* or *sponsors*; or
  - (3) the *original lender* or *original lenders*.
- 5.3.2** **R** Where more than one *originator* is eligible to fulfil the retention requirement each *originator* shall fulfil that requirement on a pro rata basis by reference to the securitised exposures for which it is the *originator*.
- 5.3.3** **R** Where more than one *original lender* is eligible to fulfil the retention requirement, each *original lender* shall fulfil that requirement on a pro rata basis by reference to the securitised exposures for which it is the *original lender*.
- 5.3.4** **R** By way of derogation from **SECN 5.3.2R** and **SECN 5.3.3R**, the retention requirement may be fulfilled in full by a single *originator* or *original lender* provided that either of the following conditions is met:
- (1) the *originator* or *original lender* has established and is managing the *ABCP programme* or other *securitisation*; or
  - (2) the *originator* or *original lender* has established the *ABCP programme* or other *securitisation* and has contributed over 50% of the total securitised exposures measured by nominal value at origination.
- 5.3.5** **R** Where more than one *sponsor* is eligible to fulfil the retention requirement, the retention requirement shall be fulfilled by either:
- (1) the *sponsor* whose economic interest is most appropriately aligned with *investors* as agreed by the multiple sponsors on the basis of objective criteria including, but not limited to, the transaction's fee structure, the *sponsor's* involvement in the establishment and

management of the *ABCP programme* or other *securitisation* and exposure to credit risk of the *securitisations*; or

(2) by each *sponsor* in proportion to the total number of *sponsors*.

### 5.3.6

**R** The following must be taken into account when assessing whether an entity has been established or operates for the sole purpose of securitising exposures as referred to in ■ **SECN 5.2.5R**:

the entity has a business strategy and the capacity to meet payment obligations consistent with a broader business model and involving material support from capital, assets, fees or other income available to the entity, relying neither on the exposures being securitised, nor on any interests retained or proposed to be retained in accordance with ■ **SECN 5**, as well as any corresponding income from such exposures and interests; and

(2) the members of the management body have the necessary experience to enable the entity to pursue the established business strategy, and the entity has adequate corporate governance arrangements.