

Chapter 5

Requirements on risk retention

5.7 Retention of randomly selected exposures equivalent to not less than 5% of the nominal value of the securitised exposures

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- (1) The pool of at least 100 potentially securitised exposures from which retained non-securitised and securitised exposures are to be randomly selected, as referred to in ■ SECN 5.2.8R(1)(c), shall be sufficiently diverse to avoid an excessive concentration of the retained interest.
- (2) When selecting the exposures, referred to in ■ SECN 5.7.1R(1), retainers shall take into account quantitative and qualitative factors that are appropriate for the type of securitised exposures to ensure that the distinction between retained non-securitised and securitised exposures is random. For that purpose, and where relevant, retainers shall take into consideration the following factors when selecting exposures:
 - (a) the time of the origination of the loan (vintage);
 - (b) the type of securitised exposures;
 - (c) the geographical location;
 - (d) the origination date;
 - (e) the maturity date;
 - (f) the loan to value ratio;
 - (g) the collateral type;
 - (h) the industry sector;
 - (i) the outstanding loan balance; and
 - (j) any other factor deemed relevant by the retainer.
- (3) Retainers shall not select different individual exposures at different points in time, except where that may be necessary to fulfil the retention requirement in relation to a *securitisation* in which the securitised exposures fluctuate over time, either due to new exposures being added to the *securitisation* or to changes in the level of the individual securitised exposures.
- (4) Where the retainer is the *securitisation's servicer*, the selection conducted in accordance with ■ SECN 5.7.1R must not lead to a deterioration in the servicing standards applied by the retainer on the transferred exposures relative to the retained exposures.