

## FULL UK SECURITISATION RULES KICK IN SOON: ARE YOU READY?

On 31 March 2022, the Temporary Transitional Power (TTP) will cease to provide transitional relief for UK firms by permitting them to comply with the old EU versions of some obligations under the UK Securitisation Regulation. Firms need to be ready to comply by then.

### THE CURRENT SITUATION

The TTP is one of the powers given to both the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in the context of Brexit to smooth the transition away from the UK's membership of the EU. While a number of changes were made to the Securitisation Regulation as part of the UK's onshoring process, the exercise of the TTP by the PRA and FCA has permitted UK firms in many cases to continue their existing compliance practices. It has done this by deeming the firms compliant even if they complied with their old EU-style obligation, rather than the modified UK one. For example, a UK originator can fulfil its Article 7 disclosure obligations by completing the EU templates rather than the modified UK ones, and UK investors are permitted to accept these for purposes of their Article 5 due diligence obligations.

### THE UPCOMING CHANGE

This transitional relief is due to come to an end in just over 6 weeks – on 31 March 2022. Consequently, by 1 April firms will need to have completed any work necessary to comply with the onshored UK version of their Securitisation Regulation obligations. Among other things, this means UK originators, sponsors and issuers (SSPEs) will need to complete UK disclosure templates and UK investors will need UK disclosure templates from UK sell-side entities (while it is noted they can continue to accept disclosure that is "substantially the same" on non-UK deals). UK rules will also only recognise risk retention on a consolidated basis where there is a UK parent entity, and UK market participants will need to adjust their compliance practices accordingly.

UK entities will, however, continue to be able to recognise EU STS status for deals notified to ESMA before the end of 2022.

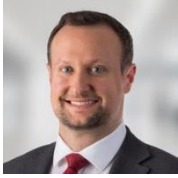
In order to help with transition, particularly on the reporting side, the FCA have published Excel versions of the UK disclosure templates, a new version of the XML disclosure schema and validation rules.

For assistance, please get in touch with your usual Clifford Chance contact.

#### Key issues

- UK firms have so far benefited from transitional relief under the TTP, allowing them to continue complying with EU versions of many of their Securitisation Regulation obligations.
- The TTP is due to come to an end on 31 March 2022, after which firms will need to comply with onshored UK versions of their obligations.
- This will affect disclosure, risk retention and due diligence obligations under the UK Securitisation Regulation.
- The FCA has recently published new materials to help firms to comply with the onshored version of the disclosure obligations.

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