

# Chapter

## Article 8 Retention option (d): retention of the first loss tranche

(1) The retention of the first loss tranche in accordance with point (d) of the second subparagraph of Article 405(1) of Regulation (EU) No 575/2013 shall be fulfilled by either on-balance sheet or off-balance sheet positions and may also be fulfilled by any of the following:

(a) provision of a contingent form of retention as referred to in Article 1(1)(c) or of a liquidity facility in the context of an ABCP programme, which fulfils the following criteria:

(i) it covers at least 5 % of the nominal value of the securitised exposures;

(ii) it constitutes a first loss position in relation to the securitisation;

(iii) it covers the credit risk for the entire duration of the retention commitment;

(iv) it is provided by the originator, sponsor or original lender in the securitisation;

(v) the institution becoming exposed to such securitisation has been given access to appropriate information to enable it to verify that points (i), (ii), (iii) and (iv) are complied with;

(b) overcollateralisation, as a form of credit enhancement, if that overcollateralisation acts as a "first loss" retention of no less than 5 % of the nominal value of the tranches issued by the securitisation.

(2) Where the first loss tranche exceeds 5 % of the nominal value of the securitised exposures, it shall be possible for the retainer to only retain a portion of such first loss tranche, where this portion is equivalent to at least 5 % of the nominal value of the securitised exposures.

(3) For the fulfilment of the risk retention requirement at a securitisation scheme level institutions shall not take into account the existence of underlying transactions in which the originators or original lenders retain a first loss exposure at the transaction-specific level.