ANNEX C

Requirements for a Clean Sale for Capital Adequacy Purposes

1. Subject to compliance with the disclosure and separation requirements in this Notice, securitised assets may be removed from the balance sheet of the seller for capital adequacy purposes provided the following conditions are met:

   (a) the beneficial interest of the assets has been transferred;

   (b) the risks and rewards on the assets have been fully transferred to the SPV acquiring the assets. A seller may, however, incur risks and rewards associated with the assets as a result of investment or the provision of facilities, subject to conditions stipulated in sections 7.2, 8 and 9 of this Notice;

   (c) the transfer of assets does not contravene the terms and conditions of any underlying agreement governing the assets and all the necessary consents have been obtained;

   (d) the seller receives a fixed amount of consideration for the securitised assets no later than at the time of the transfer of the assets;

   (e) the seller shall have no obligation to repurchase an asset (or any part of it), at any time, except where that obligation arises from the exercise of a representation or warranty given by the seller[3];

   (f) the documented terms of the transfer specify that, if cash flows relating to an asset that is transferred are rescheduled or renegotiated, the SPV, and not the seller, would be subject to the rescheduled or renegotiated terms; and

   (g) the seller shall not be obligated to make a market in securities issued by the SPV[4].

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[3] The seller may give representation or warranty solely in respect of the nature or existing state of facts of the asset, that is capable of being verified, at the time of its transfer. In addition, the seller must undertake appropriate due diligence prior to giving any such representation or warranty.

[4] This ability to deal is limited to investment grade securities issued by the SPV.