



## **Announcement: Moody's updates on EMEA RMBS transactions where Barclays Bank PLC acts as swap counterparty**

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Global Credit Research - 20 Aug 2012

London, 20 August 2012 -- Moody's Investors Service stated today that the execution of deeds of undertaking (the "Deeds") by Barclays Bank PLC (the "Swap Counterparty") relating to swap agreements entered into between each of the issuers listed below (each an "Issuer" and all together, the "Issuers") and the Swap Counterparty will not, in and of itself and at this time, result in a downgrade or withdrawal of the current ratings of the notes issued by each of the Issuers (all together, the "Notes"). Moody's opinion addresses only the credit impact of the Deeds, and Moody's is not expressing any opinion as to whether the Deeds have, or could have, other non-credit related effects that may have a detrimental impact on the interests of noteholders and/or counterparties.

On 21 June 2012, Moody's downgraded the long term senior unsecured rating of the Swap Counterparty to A2 from Aa3. This resulted in a "ratings event" under the swap agreements. The swap agreements contemplate several alternative remedial actions which the Swap Counterparty may take following a ratings event. The remedial actions are - by way of paraphrase - (a) transferring the swap agreement to a third party, (b) obtaining a guarantee, (c) posting collateral and (d) taking some other appropriate action.

On 26 July 2012, 30 July 2012 and 6 August 2012, as applicable, the Swap Counterparty executed the Deeds. Pursuant to the Deeds, the Swap Counterparty undertakes that if either its short-term rating is downgraded below P-1 or its long-term rating is downgraded below A2 then, within 30 business days of the occurrence of any such event, it will post collateral in favour of each of the Issuers or take some other remedial action. Moody's has determined that the execution of the Deeds will not, in and of itself and at this time, result in a downgrade or withdrawal of the current ratings of the Notes, even if it constitutes a remedial action under (d) above.

Moody's has assessed the probability and impact of a default of the Swap Counterparty on the ability of each of the Issuers to meet their obligations under the transactions, including the impact of the loss of any benefit from the swap and any obligation of each of the Issuers may have to make a termination payment.

List of affected Issuers:

Newgate Funding PLC: Series 2006-1

Newgate Funding PLC: Series 2006-2

Newgate Funding PLC: Series 2006-3

Preferred Residential Securities 05-2 PLC

Preferred Residential Securities 06-1 PLC

Preferred Residential Securities 8 PLC

Residential Mortgage Securities 20 Plc (RMS 20)

Residential Mortgage Securities 22 Plc (RMS 22)

Southern Pacific Securities 05-2 plc

Southern Pacific Securities 05-3 plc

Eurosail 2006-1

Eurosail 2006-3NC PLC

Eurosail 2006-2BL PLC

Eurosail 2006-4NP PLC

MBS Bancaja 2, FTA

Lansdowne Mortgage Securities No.1 plc

The principal methodology used in these ratings was Moody's Approach to Rating RMBS in Europe, Middle East, and Africa published in June 2012. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.com) for a copy of this methodology.

Factors identified in the Rating Implementation Guideline, Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Cashflow Transactions published in October 2010 were also taken into account in the rating analysis.

Moody's notes that on 2 July 2012 it released a Request for Comment in which the rating agency requested market feedback on potential changes to its rating implementation guidance for the hedge counterparty risk in structured finance transactions. If the revised rating implementation guidance is implemented as proposed, the rating of the Notes should not be negatively affected. Please refer to Moody's Request for Comment, entitled "Approach to Assessing Linkage to Swap Counterparties in Structured Finance Cashflow Transactions" for further details regarding the implications of the proposed methodology changes on Moody's ratings.

As the euro area crisis continues, the rating of structured finance notes remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could negatively impact the ratings of the notes. Furthermore, as discussed in Moody's special report "Rating Euro Area Governments Through Extraordinary Times -- An Updated Summary," published in October 2011, Moody's is considering reintroducing individual country ceilings for some or all euro area members, which could affect further the maximum structured finance rating achievable in those countries.

Moody's will continue to monitor the ratings of the transaction. Any change in the ratings will be publicly disseminated by Moody's through appropriate media.

Please see ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the last rating action and the rating history.

In addition to the information provided below please find on the ratings tab of the issuer page at [www.moody's.com](http://www.moody's.com), for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued each of the ratings.

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