# NatWest Group LogoNatWest Group Security Review Summary

Information classification: Confidential & Legally Privileged



|  |  |
| --- | --- |
| Date | [date] |
| Relating to | [name of NWG customer/s] |
| Prepared for | [insert name of RM/Bank contact and name of NWG legal entities] |

|  |  |
| --- | --- |
| Date | [date] |
| Relating to | [name of NWG customer/s] |
| Prepared for | [insert name of RM/Bank contact and name of NWG legal entities] |

## 

### Summary of Key Issues/Points[[1]](#footnote-1)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Document** | **Concern** | **Recommended Next Steps** | **Lender** | **Page/Paragraph Reference in S.R.** |
|  | [Include a summary of the document / issue[[2]](#footnote-2)] | [Include a brief summary of the particular concern] | [Include a summary of the recommended next steps the Bank needs to take to address the concern(s)] | [NWG legal entity that issue relates to] |  |
|  | E.g. “Legal Charge [dated] over [detail asset]” [[3]](#footnote-3) |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

[If relevant, insert another ‘Summary of Key Issues / Points’ table for additional NWG legal entity][[4]](#footnote-4)

Ring-Fencing – Are ‘Minimum Standards’[[5]](#footnote-5) included in the facility/facilities?

|  |  |  |
| --- | --- | --- |
|  | **Facility details (identify)** | **Are any of the Minimum Standards Clauses (Illegality, Accession and/or Transferability) present? Y/N. If ‘yes’, please specify which one(s) together with clause reference.** |
|  |  |  |
|  |  |  |
|  |  |  |

### Effects of Insolvency

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Effects of Insolvency** | **Current Position** | **Potential Improvements** | **Page/Paragraph Reference in Security Review** |
| **1** | **Improvements in security[[6]](#footnote-6)** | [Include a summary of the current position and potential issues] | [Include a summary of the recommended next steps the Bank needs to take to improve its position] |  |
| **2** | **Floating charge position[[7]](#footnote-7)** | [Include a summary of the current position and potential issues]] | [Include a summary of the recommended next steps the Bank needs to take to improve its position] |  |
| **3** | **Event of default position[[8]](#footnote-8)** | [Include a summary of the current position and potential issues] | [Include a summary of the recommended next steps the Bank needs to take to improve its position] |  |
| **4** | **Third party issues[[9]](#footnote-9)** | [Include a summary of the current position and potential issues] | [Include a summary of the recommended next steps the Bank needs to take to improve its position] |  |

### Corporate/Security Structure Chart[[10]](#footnote-10)

**Company No. [insert]**

[Legal Name e.g. “TopCo”]

Security [e.g. “**Debenture**”]

Date [of security e.g. 12/2/15]

**Company No. [insert]**

[Legal Name e.g. “SubCo2”]

Security   
[e.g. “**Legal Charge**”]

Date [of security e.g. 12/2/15]

**Company No. [insert]**

[Legal Name e.g. “SubCo1”]

Security   
[e.g. “**Legal Charge**”]

Date [of security e.g. 12/2/15]

**Company No. [insert]**

[Legal Name e.g. “SubCo3”]

Security [e.g. “**Debenture**”]

Date [of security e.g. 12/2/15]

100%

100%

100%

**Security Key**

Red: Major concern over validity and/or enforceability.

Amber: There may be an issue with validity and/or enforceability but it is not fatal and/or may be resolved with further action or investigation.

Green: Valid and enforceable based on the information we have seen.

**Appendix**

Guidance for external Legal[[11]](#footnote-11)

Ring-Fencing Minimum Standards

*Background*

* Ring-fencing prohibits, amongst other things, a ring-fenced bank lending to a Relevant Financial Institution (“RFI”).
* To enable a ring-fenced bank to extricate itself from a lend in the event a borrower becomes an RFI and to prevent an RFI borrower acceding to a facility, the bank requires an appropriately worded Illegality clause, Transferability clause and Accession clause (the “Minimum Standards Clauses”) to be included in all facility agreements.
* Although it is desired that all three Minimum Standard Clauses are present, it is acknowledged that this may not always be the case.

*Purpose of table and Our ask*

* As part of your instruction, please confirm whether any of the Minimum Standard Clauses are included in the facilities subject to the security review and, if so, identify which ones.
* By confirming that a Minimum Standard Clause is present, you confirm that the relevant clause satisfies the following:
* Illegality: must allow the bank to prevent drawdown and require mandatory repayment should it become unlawful for the bank to perform its obligations under the agreement or continue to provide the facility. This is to ensure we can demand repayment in the event a customer becomes an RFI.
* Accession: if the facility allows accession of additional borrowers, this must be subject to the Bank’s unfettered consent. This is to ensure that a borrower who is an RFI cannot accede to the facility.
* Transferability: must allow the bank to transfer its rights and obligations to an entity within the NatWest Group without borrower consent. This should ensure that, in the event a borrower became an RFI, the ring-fenced bank would be able to transfer the facility to a non ring-fenced bank entity within the NatWest Group (e.g. NatWest Markets Plc) without the customer’s consent.

1. To include the key summary points of the Security Review, not just the “red-flags”. [↑](#footnote-ref-1)
2. This section should pick up on current live issues that there are from time to time such as: Ring-Fencing (see instruction letter); Brexit (any foreign held security); Government Schemes (e.g. CBILS security concerns) and so on. [↑](#footnote-ref-2)
3. The row should be coloured either RED or AMBER to indicate the seriousness of the issue at hand, with **RED** for major concerns over validity and / or enforceability and AMBER for where there may be an issue with validity and/or enforceability but it is not fatal and/or may be resolved with further action or investigation. [↑](#footnote-ref-3)
4. For particularly complex security reviews, that involve more than one NWG legal entity as lenders, it may be appropriate to include a separate ‘Summary of Key Issues / Points’ table for each NWG legal entity. [↑](#footnote-ref-4)
5. See Appendix below. [↑](#footnote-ref-5)
6. This category should not reiterate general improvements to security, as those will be covered in the security review itself. It is intended to capture issues relating to the effects of an insolvency on the security position; this should include potential risks as to downgrading of security (e.g. purported fixed charge security may be deemed to be floating charge) or risks that security is challenged by an IP. [↑](#footnote-ref-6)
7. This category should refer to, if relevant, any issues regarding the security as to Crown Preference position. This ties in with row 1 above. It is a recent change so we would like it flagged, for the time being. [↑](#footnote-ref-7)
8. This category should set out what insolvency events might trigger a default, e.g. a moratorium under CIGA; this is not a ‘list all EOD’s’ section. In other words, is the drafting in the existing facilities wide enough to capture all currently available restructuring procedures? If not, please flag. [↑](#footnote-ref-8)
9. This category could capture, for example, issues relating to priority arrangements with other lenders or third parties seeking to take enforcement action and how this might affect the relevant NWG entity or entities. If there are significant inter-company or senior to mezzanine issues, please just cross-refer to where this is set out in the S.R. [↑](#footnote-ref-9)
10. This should be a simple summary of the borrower/obligor group structure, to include names of legal entities, security and any guarantees.   
    Please use the template’s style. If necessary, an additional structure chart prepared in your firm’s house style may also be provided in the report. [↑](#footnote-ref-10)
11. Please delete this page before sending the completed summary document. [↑](#footnote-ref-11)