**NatWest Group Security Review Summary – Frequently Asked Questions**

To assist panel firms with completing the Security Review Summary Document (**SRSD**), we have listed some of the most frequently asked questions in respect of the various sections of the SRSD. This document will be updated as and when necessary.

**General**

*Why are we being asked to complete the SRSD?*

In reviewing the security reviews received by the Bank, it became clear that there was a disparity in the presentation, information, structure and quality provided to the business in relation to security reviews. Accordingly, it was determined that a summary document should precede every security review the bank receives so that there is a level of familiarity, consistency and focus provided.

The SRSD is designed to be a short, succinct and consistent summary of the most serious issues in a security review, a tool to allow quick cross-referencing to the security review. Every panel firm instructed by Restructuring is to complete this summary document and append it to the front of their completed security review. It is anticipated that as the requirement for security reviews will increase, such a document will become invaluable and will ultimately save time and costs for both the Bank and the lawyers instructed.

Further, the SRSD is a tool that we anticipate can be finessed, adapted and improved as it is used in practice, responding to ever-changing market conditions. Accordingly, instructed firms are encouraged to make recommendations as to the same. The idea is that the SRSD retains a level of flexibility.

*Is an SRSD required for every security review?*

Yes.

*Where can we find the SRSD?*

The template SRSD is available on the Transaction Support Website (“TSW”) to which all panel law firms have access. If not accessible for whatever reason, a member of the Restructuring Legal team will be able to provide the most recent working version.

*Should we include any additional information in the SRSD that is not in the security review itself?*

It is hoped that the SRSD summarises the key facets of the security review. The SRSD should highlight the most serious issues that have been identified in the security review, not introduce new ones. The ring-fencing minimum standards clauses table is a discrete request for the SRSD. Whether the ring-fencing minimum standards clauses table is built into the security review or is only addressed in the SRSD is a decision for each law firm completing their security review.

*How detailed do panel firms’ responses need to be in the SRSD?*

The SRSD is designed to be a summary document highlighting the most serious issues identified in the security review. We do not expect (nor do we require) a full explanation/repetition of a particular issue or problem in the SRSD. Rather, a pithy summary of the issue and, more importantly, a cross-reference to the relevant analysis in the security review is required. We would expect that one line will be enough to sufficiently identify a particular issue. A two or three-word heading/title may also be sufficient. For other issues that are more complex, referencing back to the security review may be required and is encouraged. It is a judgment call. What we do not expect to see is a regurgitation of the security review in the SRSD. Rest assured, relationship managers will be reading the security review and will not just rely on the SRSD. Another way to look at the SRSD is as a contents page of the most significant issues faced by the bank that have been set out/considered in the security review.

*Can panel firms use the defined terms in the security review in the SRSD?*

We would prefer that the SRSD remains a very concise summary of the issues, with a reference to the detail (defined terms) contained in the security review.

**Summary of Key Issues / Points (page 2 SRSD)**

*Where the security review is assessing the security position of more than one NatWest Group legal entity, how would you like panel firms to reflect that in the SRSD?*

It may be that for straightforward security reviews, panel firms can simply indicate in the ‘Lender’ column what issues relate to the relevant NWG legal entity. However, for more complex security reviews, panel firms should consider whether an additional and separate ‘Summary of Key Issues / Points’ table should be produced for each NWG legal entity. It depends on the circumstances of the particular security review and is ultimately a judgment call for panel firms to decide what is most appropriate, while bearing in mind that one of the key drivers behind this initiative is that the most serious issues are presented clearly and succinctly.

*Do you only want issues related to validity and enforceability flagged in the ‘Summary of Key Issues / Points’ table?*

No. We would also expect panel firms to highlight where the bank might like to take additional security to improve the security position. For example, where it holds no security in respect of a facility.

**Ring-Fencing Minimum Standards (page 2 SRSD)**

*Why are panel firms being asked to confirm whether or not minimum standards clauses are in the reviewed facilities?*

While we appreciate that this may appear to be, at first, outside the bounds of a traditional security review, the bank has specifically requested that this risk be covered by firms preparing the security review and that this be set out in the SRSD. The ask of the law firm is to simply confirm whether or not each facility reviewed has minimum standards clauses. Minimal extra work from the panel firms is anticipated, especially once up-and-running. This extra task will certainly assist the bank. If required, we will provide panel firms with copies of our most frequently used facility agreements and highlight where you would normally find clauses relating to illegality, accession and transferability. The Appendix in the SRSD outlines what we expect from panel firms regarding ring-fencing minimum standards clauses.

**Effects of Insolvency Table (page 3 SRSD)**

*Do you want panel firms to highlight all general improvements that could be made to the security in numbered row 1, ‘Improvements in security’?*

No. As outlined in footnote 6 of the SRSD, that row is intended to capture issues relating to the effects of an insolvency on the security position, not all general improvements that could be made to the security. The latter should be picked up in the security review itself.

*What is intended to be captured in numbered row 2, ‘Floating charge position’?*

This row should refer to any issues regarding the security as to Crown Preference position. It is linked with row 1, ‘Improvements in security’. As the reintroduction of Crown Preference is a recent change, we want to ensure that it is brought to the attention of relationship managers, for the time being.

*Do you want panel firms to provide a full summary of events of default in numbered row 3, ‘Event of default position’?*

No. As outlined in footnote 8 of the SRSD, the intention is that this row confirms whether the existing drafting in the facility agreement(s), relating to events of default, is broad enough to capture all restructuring procedures. We are mindful of the recent effects of the Corporate Insolvency and Governance Act 2020 on the general security position.

We also expect panel firms to highlight where the insolvency of a guarantor or third party chargor could trigger a default under the facility agreement(s) of the principal debtor(s).

*What is intended to be captured in numbered row 4, ‘Third party issues’?*

This row 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 security review.

**Corporate / Security Structure Chart (page 4 SRSD)**

*Can we use a different template to the one provided in the SRSD? For example, when the corporate structure is particularly complex?*

Ideally, no. While we appreciate that some corporate/security structures will be more complicated than others and cannot be reduced to the level outlined in the template, this should be the exception and not the norm. Where possible, we want a simple one-page structure chart that includes, as per the rest of the summary, the key elements of the corporate/security structure including the legal name of the borrower(s) and where the security sits in that structure, including any guarantees. Again, we want to avoid a regurgitation of the security review’s structure chart; what we require are the key elements in understanding the security structure.