



RATING ACTION COMMENTARY

Fitch Places 20 UK RMBS Ratings on RWN on Counterparty Exposure

Wed 22 Apr, 2020 - 11:16 AM ET

Fitch Ratings - London - 22 Apr 2020: Fitch Ratings has placed 16 note tranches and four swap obligations of 10 UK RMBS transactions on Rating Watch Negative (RWN) due to counterparty exposure. Two further note tranches are maintained on RWN.

RATING ACTIONS

ENTITY/DEBT	RATING		
Paragon Mortgages (No. 13) Plc			
● Class C1a XS0272536284	LT	A+sf	Rating Watch On
● Class C1b XS0272536524	LT	A+sf	Rating Watch On

ENTITY/DEBT	RATING
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Paragon Mortgages (No. 10) Plc	
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[VIEW ADDITIONAL RATING DETAILS](#)

TRANSACTION SUMMARY

Brunel Residential Mortgages Securitisation No.1 plc is a prime UK securitisation originated pre-financial crisis by Bank of Ireland (BoI) via its BoI UK and Bristol and West brands. The portfolio comprises owner-occupied (31.4%) and buy-to-let (68.6%) residential mortgages.

The Paragon Mortgages issuances are buy-to-let (BTL) RMBS transactions backed by loans originated between 2005 and 2007 by Paragon Mortgage Limited and Mortgage Trust Limited, all subsidiaries of The Paragon Group.

RMAC Securities No.1 plc are securitisations of non-conforming residential mortgage loans originated by GMAC-RFC Limited and serviced by Paratus AMC Limited.

KEY RATING DRIVERS

Counterparty Exposure Caps Ratings

Fitch has placed the notes on RWN following similar rating actions on Barclays Bank plc and BNP Paribas Securities Services (see "Fitch Places Barclays' Ratings on Negative Watch on Coronavirus Outbreak" and "Fitch Rtgs: Coronavirus Leads to Rating Actions on 8 French Banking Groups" available at www.fitchratings.com).

The class D4 junior notes of Brunel Residential Mortgages Securitisation No.1 plc are capped at the rating of the account bank provider (BNP Paribas Securities Services; A+/RWN/F1). Credit enhancement (CE) available to the junior notes is only provided by a reserve fund, which can either be invested in authorised investments or be held in the cash account at BNP Paribas Securities Services.

The CE available to the junior notes of Paragon 10 to 14 is only provided by the first loss fund, which can either be invested in authorised investments or be held in the transaction account at Barclays Bank plc. In Fitch's opinion, these notes are

credit linked to Barclays Bank plc's 'A+' Long-Term Issuer Default Rating (IDR), hence the ratings of the junior notes in Paragon 10, 11, 12, 13 and 14 are capped at Barclays Bank plc's IDR.

Some of RMAC Securities No.1 Plc (Series 2006-NS1, NS3 and NS4 and 2007-NS1) junior and mezzanine notes' ratings are limited by Barclays Bank Plc's Long-Term IDR. Fitch considers the Series 2006-NS1 class B1c notes' dependence on the account bank excessive as CE provided to this class is in the form of reserve fund held by the counterparty. For the remaining RMAC Securities' notes included in the RWN, Fitch believes that the lack of a mandatory switch to a sequential amortisation of the notes in the late stages of the transactions could lead to the same kind of dependence in the future.

RATING SENSITIVITIES

Factors That Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

The class D4 notes of Brunel Residential Mortgages Securitisation No.1 plc are capped at BNP Paribas Securities Services' Long-Term IDR, which is currently on RWN, heightening an increased probability of a downgrade. BNP Paribas Securities Services' RWN will be reviewed within the next six months; a downgrade of BNP Paribas Securities Services' Long-Term IDR could lead to a downgrade of the class D4 notes.

Paragon Mortgages junior class C1a and C1b are capped at Barclays Bank plc' Long-Term IDR. Also the ratings of the junior and mezzanine notes of RMAC Securities No.1 Plc included in this rating action are currently limited by Barclays Bank plc's Long-Term IDR. Barclays Bank plc' rating watch will be reviewed within the next six months; a downgrade of Barclays Bank plc's Long-Term IDR could lead to a downgrade of these notes.

Factors That Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

The highest achievable 'A+sf' rating for the notes is equal to the Long-Term IDR of the relevant account bank. In Fitch's view, structural dependence on the respective counterparty is excessive as CE provided to these classes is in the form of a cash reserve held by the counterparty. An upgrade of the notes is conditional on an upgrade of the Long-Term IDR of the relevant counterparty.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Fitch has not conducted any checks on the consistency and plausibility of the information it has received about the performance of the asset pool and the transactions. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The principal sources of information used in the analysis are described in the Applicable Criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The rating of the class D4 notes of Brunel Residential Mortgages Securitisation No.1 plc is capped to the Long-Term IDR of BNP Paribas Securities Services, the account bank provider.

The ratings of the junior class C1a and C1b notes of Paragon Mortgages and junior and mezzanine notes of RMAC Securities No.1 Plc are capped at the Long-Term IDR of Barclays Bank plc, the account bank provider.

MODELS

None.

Additional information is available on www.fitchratings.com

APPLICABLE CRITERIA

[Global Structured Finance Rating Criteria \(pub. 02 May 2019\) \(including rating assumption sensitivity\)](#)

[UK RMBS Rating Criteria \(pub. 04 Oct 2019\) \(including rating assumption sensitivity\)](#)

[Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds \(Excel\) \(pub. 06 Dec 2019\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 06 Dec 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 29 Jan 2020\)](#)

ADDITIONAL DISCLOSURES

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Brunel Residential Mortgages Securitisation No.1 plc	-
Paragon Mortgages (No. 10) Plc	-
Paragon Mortgages (No. 11) Plc	-
Paragon Mortgages (No. 12) Plc	EU Issued
Paragon Mortgages (No. 13) Plc	-
Paragon Mortgages (No. 14) PLC	-
RMAC Securities No.1 Plc (Series 2006-NS1)	-
RMAC Securities No.1 Plc (Series 2006-NS3)	-
RMAC Securities No.1 Plc (Series 2006-NS4)	-
RMAC Securities No.1 Plc (Series 2007-NS1)	-

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Structured Finance Structured Finance: RMBS Europe United Kingdom

