EUROPEAN
DATAWAREHOUSE

SPRING WORKSHOP SERIES

GERMANY – 27 APRIL 2022

ON TODAY'S CALL

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AGENDA

WELCOME AND INTRODUCTION

- Dr Christian Thun, EDW

GENERAL REGULATORY UPDATE

- Dr Christian Thun, EDW

OVERVIEW OF DATA QUALITY IN ESMA TEMPLATES & UPDATE ON EDW'S REPORTING PLATFORM

- Gisela Herkner, EDW

UPDATE ON EDW DATA SOLUTIONS AND CAPABILITIES

- Martin Kuhn, EDW

CASH FLOW MODELLING OF ABS TRANSACTIONS

- Markus Schaber, EDW Ltd

LATEST DEVELOPMENTS ON STS VERIFICATIONS

- Michael Osswald, SVI

Q&A, CLOSING REMARKS

WELCOME AND INTRODUCTION

DR. CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

REGULATORY UPDATE

DR. CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

STS NOTIFICATION

Source: ESMA website

NEW SECURITISATION NOTIFICATION TEMPLATE FROM 1 APRIL 2022

Reporting frequency: Please provide the information as per the date of **origination***. No regular reporting or updates on changes are requested, except for any significant event following Article 7 (1) g) of SECR, affecting or likely to affect the features of transactions, particularly in relation to compliance with Articles 6 to 8 SECR. If so, please notify the ECB via CASPER, submitting also the updated template reflecting the significant events.

Required data points: Depending on the type and specificities of the transaction, not all data fields are required to be reported. For example, in case of a self-retained securitisation, there is no need to report further data points in the risk retention section. Upon selecting "Yes" for *Fully self-retained transaction*, the remainder of the Risk Retention section will be formatted in grey to indicate that the other cells do not need to be filled.

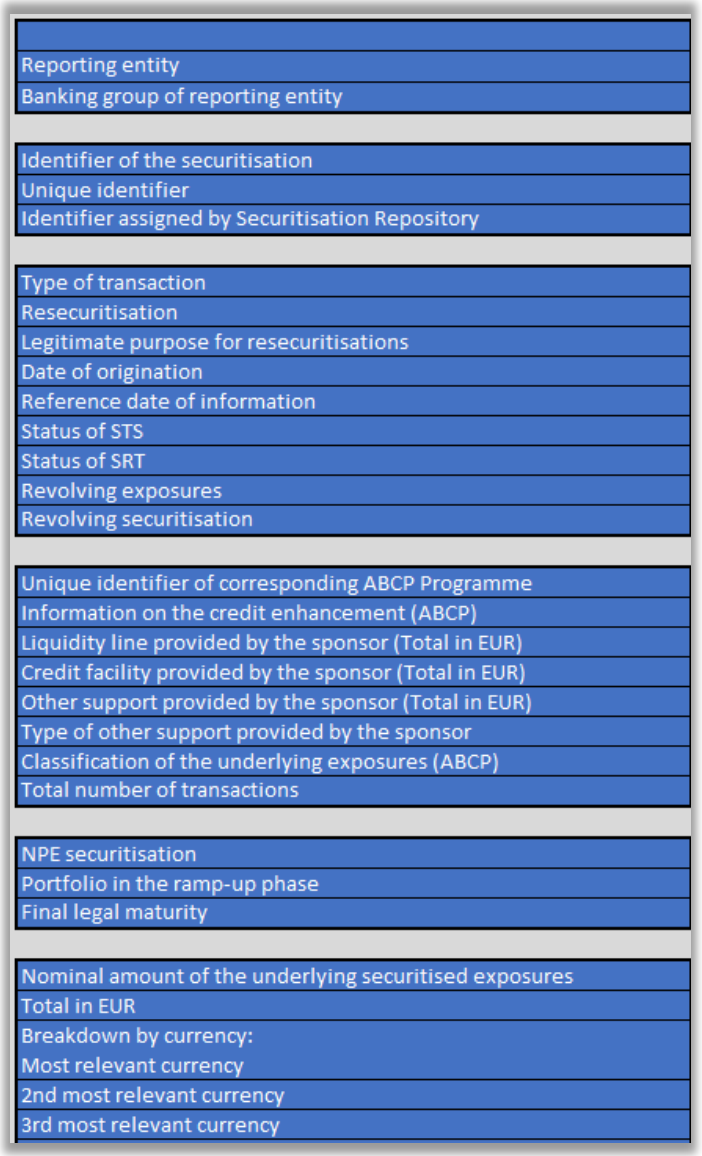
Multi-seller pools: In relation to shared pools/multi-seller pools, each originator should notify the pro-rata participation in the pool and all the required data fields. In case of transactions with original lender and potentially several interim originators and one final originator (i.e. exposures sold subsequently from one originator to the other), notification is expected from the final originator who securitises the exposures.

Upload of attachments: Please note that one file can be uploaded as an attachment in CASPER up to the maximum size permitted (currently 10MB). Thus, please either provide the written confirmation that the securitisation complies with Art. 6-8 and the assessment of its internal policies, processes and procedures in one document or include all documents in one zip file.

Update of the template: The notification template and these instructions may be subject to change from time to time as required. Please make sure to use the latest version of the template as available in CASPER when submitting a notification in CASPER.

* The date on which the exposures were first securitised, which may be one of the following: the date of the first issuance of securities (traditional securitisations), the date of the credit protection agreement (synthetic securitisations), or the date on which the initial securitisation positions were created (ABCP transactions) or on which the asset-backed commercial paper was first issued (ABCP programmes). This is in line with Article 43(9) SECR.

Source: ECB website



GUIDE ON THE NOTIFICATION OF SECURITISATION TRANSACTIONS

Timeliness of the notification

It is recommended that new transactions be notified to the ECB **no later than one month from the date of origination**.[10]

The ECB foresees a phase-in implementation until [1 October 2022] for those SIs unable to properly notify the ECB from [1 April 2022]. During the phase-in period, SIs are expected to finalise set-ups and systems to be able to submit notifications in line with the expectations of the Guide.

6-month 'phase-in' period
1 April – 1 October 2022

Information to be provided at origination

Originators or sponsors are expected to provide the ECB with the information relating to each new transaction at origination as listed in the Annex, which is divided into the following four sections:

- Section A (key transaction information);
- Section B (information on securitised exposures);
- Section C (information on securitisation positions);
- Section D (compliance with Articles 6 to 8 SECR).

Information to be provided during the life of the transaction

The requirements of Articles 6 to 8 SECR have to be fulfilled on a continuous basis. Originators or sponsors are recommended to notify the ECB without undue delay of any significant event affecting or likely to affect the features of transactions during the life of the transaction, particularly in relation to compliance with Articles 6 to 8 SECR.

Source: ECB website

ENERGY EFFICIENCY DATA AVAILABILITY

DR. CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

ENERGY PERFORMANCE CERTIFICATES REQUIRED UNDER ESMA REGIME

ESMA Templates for loan-level data contain relevant fields for Energy Performance if available

Fields RREC10 and RREC11 for underlying loans in RMBS:

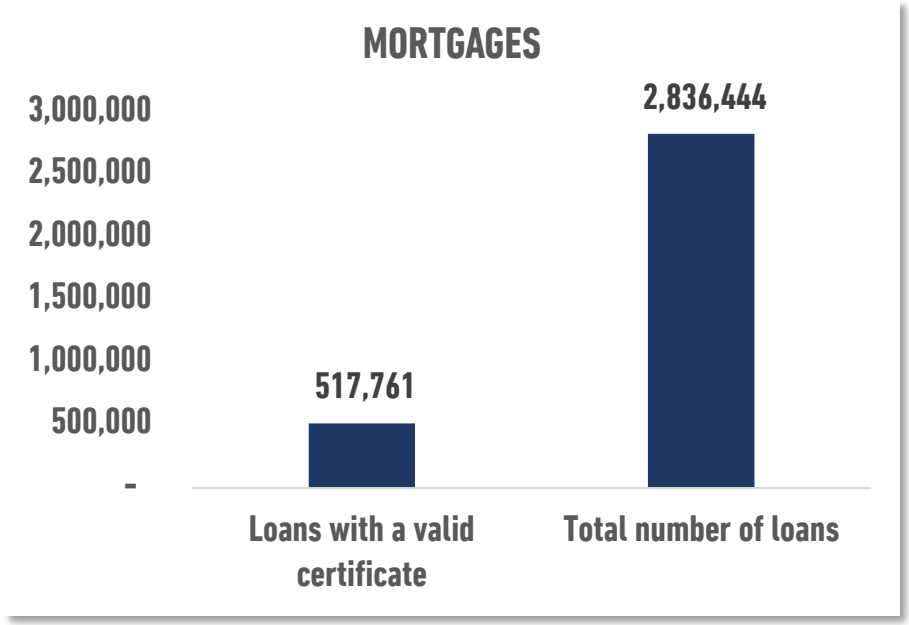
RREC10	Energy Performance Certificate Value	The energy performance certificate value of the collateral at the time of origination: A (EPCA) B (EPCB) C (EPCC) D (EPCD) E (EPCE) F (EPCF) G (EPCG) Other (OTHR)
RREC11	Energy Performance Certificate Provider Name	Enter the full legal name of the energy performance certificate provider. The name entered must match the name associated with the LEI in the Global Legal Entity Foundation (GLEIF) database.

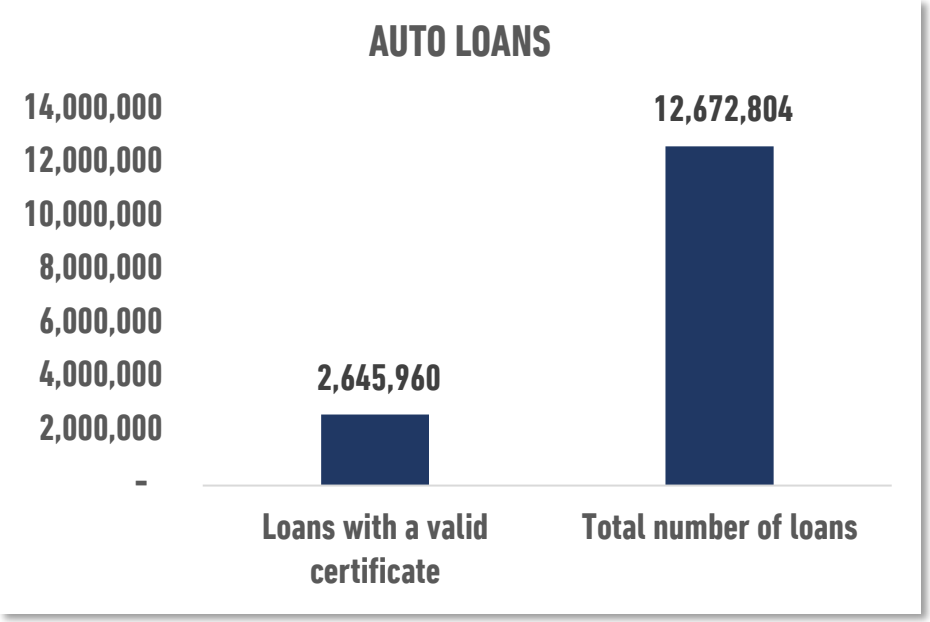
Fields AUTL57 and AUTL58 for underlying loans in AUTO ABS:

		Other (OTHR)
AUTL57	Energy Performance Certificate Value	The energy performance certificate value of the collateral at the time of origination: A (EPCA) B (EPCB) C (EPCC) D (EPCD) E (EPCE) F (EPCF) G (EPCG) Other (OTHR)
AUTL58	Energy Performance Certificate Provider Name	Enter the full legal name of the energy performance certificate provider. The name entered must match the name associated with the LEI in the Global Legal Entity Foundation (GLEIF) database.

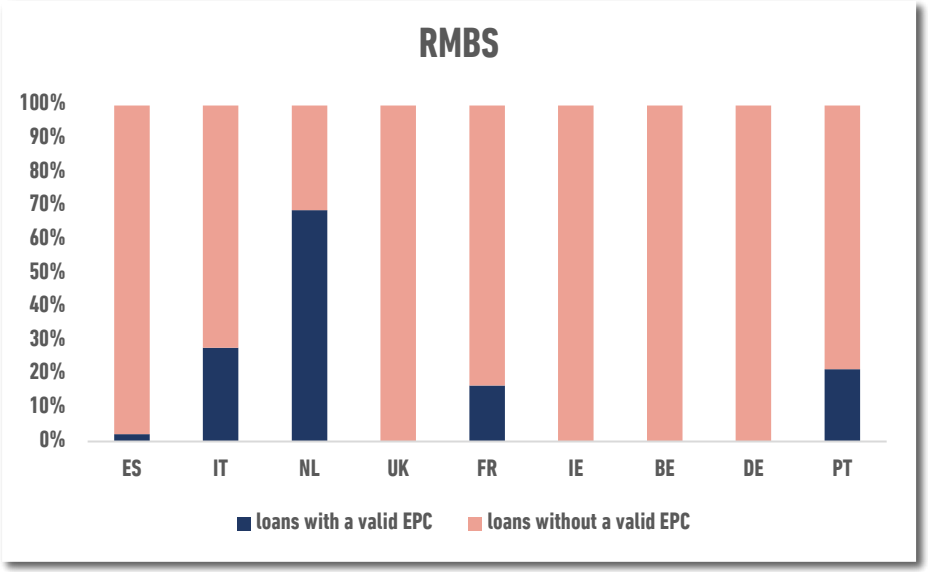
ENERGY PERFORMANCE CERTIFICATES – HOW MUCH DATA IS AVAILABLE?

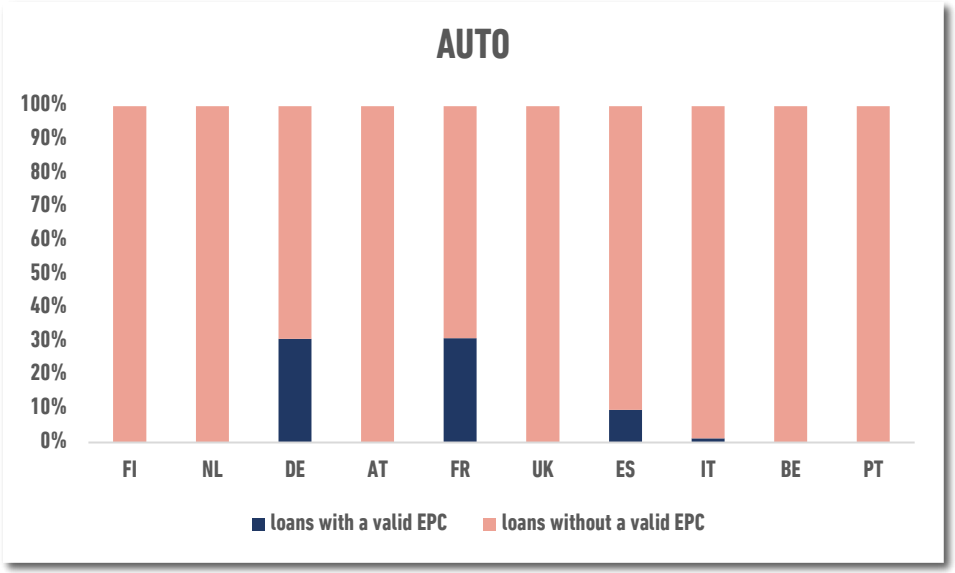
Still early days and most originators are finding it challenging to provide this data





ENERGY PERFORMANCE CERTIFICATES





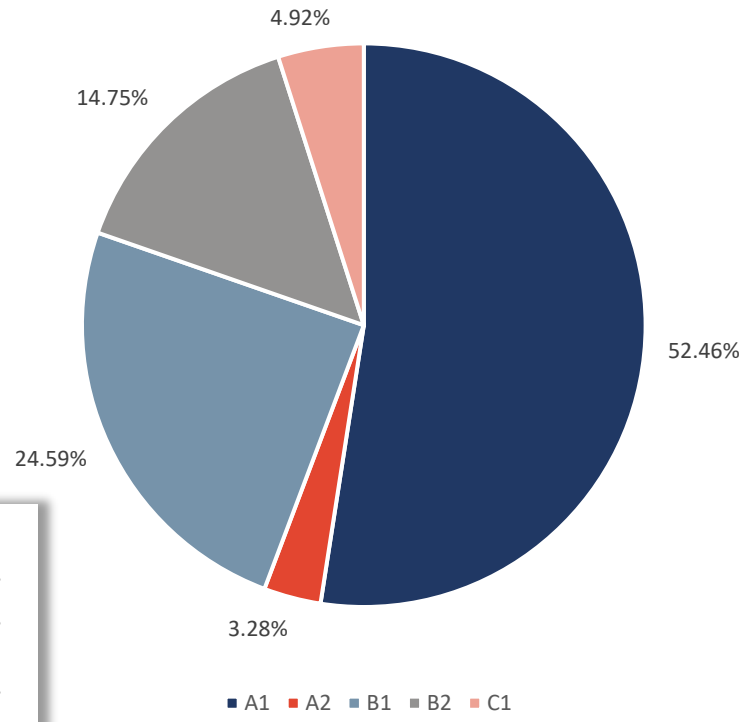
ESMA REPORTING AND DATA QUALITY UPDATE

GISELA HERKNER, EUROPEAN DATAWAREHOUSE

ESMA COMPLETENESS SCORE

The majority of the German transactions have an ESMA score of A1

Although the ESMA completeness score is not a criteria for ECB eligibility (*as per the Guideline (EU) 2020/1690 of the ECB of 25 September 2020, amending the Guideline (EU) 2015/510, Annex VIII (II.2)*), the majority of the German transactions have an ESMA score of A1. The lowest score of a German transaction is C1.



Source: EDW calculations

Data completeness scoring matrix

		Input 1: Percentage of fields entered as 'ND1'			
		Input 1 = 0 %	0 % < Input 1 ≤ 10 %	10 % < Input 1 ≤ 30 %	Input 1 > 30 %
Input 2: Percentage of fields entered as 'ND2', 'ND3', or 'ND4-YYYY-MM-DD'	Input 2 = 0 %	A1	B1	C1	D1
	0 % < Input 2 ≤ 20 %	A2	B2	C2	D2
	20 % < Input 2 ≤ 40 %	A3	B3	C3	D3
	Input 2 > 40 %	A4	B4	C4	D4

Source: ESMA

OVERVIEW OF EDW'S DATA QUALITY IMPROVEMENT PROCESSES

1 ESMA checks	Schema checks	• Verification of file structure and the format of the data submitted
	Validation rules	• Rules that lead to a submission rejection
	ESMA additional rules	• Additional rules that need to be executed by the securitisation repository
2 Optional EDW checks	Data Quality Plus	• Rules developed by European DataWarehouse
	Data Quality Score	• A subset of Data Quality Plus rules used to calculate the DQS score

IDENTIFYING THE ADDITIONAL CHECKS DEVELOPED BY EDW

EDITOR's 'Download feedback' function allows issuers to view the failing checkIDs for the submitted ESMA templates

RuleId	RuleDesc	TemplateType	Status	Records
RREL63/UD/A/01	Prepayment Date (RREL63) later than Data Cut-Off Date (RREL6).	RMB	RJCT	5
RREL4/IS/A/01	[WARN] Original Obligor Identifier (RREL4) reports a different value than in the previous submission.	RMB	WARN	6
RREL37/IS/A/01	[WARN] Scheduled Principal Payment Frequency (RREL37) reports a different value than in the previous submission.	RMB	WARN	1
RREL48/CZ/A/01	[DQS] Interest Rate Cap (RREL48) equal to zero; for active loans.	RMB	WARN	5467
RREL49/IIC/A/01	[Data Quality Plus] Interest Rate Floor (RREL49) higher than Current Interest Rate (RREL43).	RMB	WARN	3320
RREL68/UHV/A/01	[Data Quality Plus] Number Of Days In Arrears (RREL68) greater than 180 when Account Status is not 'Defaulted' or 'Other' (RREL69 not in ('DFLT';'NDFT';'DTCR';'DADB';'OTHR')).	RMB	WARN	12
RREL69/OTH/A/01	[Data Quality Plus] Account Status equal to 'Other' (RREL69 = 'OTHR').	RMB	WARN	22
RREL73/ND5/A/01	[DQS] Allocated Losses (RREL73) reports ND5 when Sale Price (RREC21) or Date Of Sale (RREC20) are populated; for active loans.	RMB	WARN	6150
RREL8/IIC/A/01	[Data Quality Plus] Date Of Repurchase (RREL8) is populated when Account Status is not 'Repurchased' or 'OTHR' (RREL69 not in ('REBR'; 'REDF'; 'RERE'; 'RESS'; 'REOT'; 'OTHR')).	RMB	WARN	7421
RREL8/UD/A/02	[DQS] Date Of Repurchase (RREL8) earlier than 1980-01.	RMB	WARN	7443

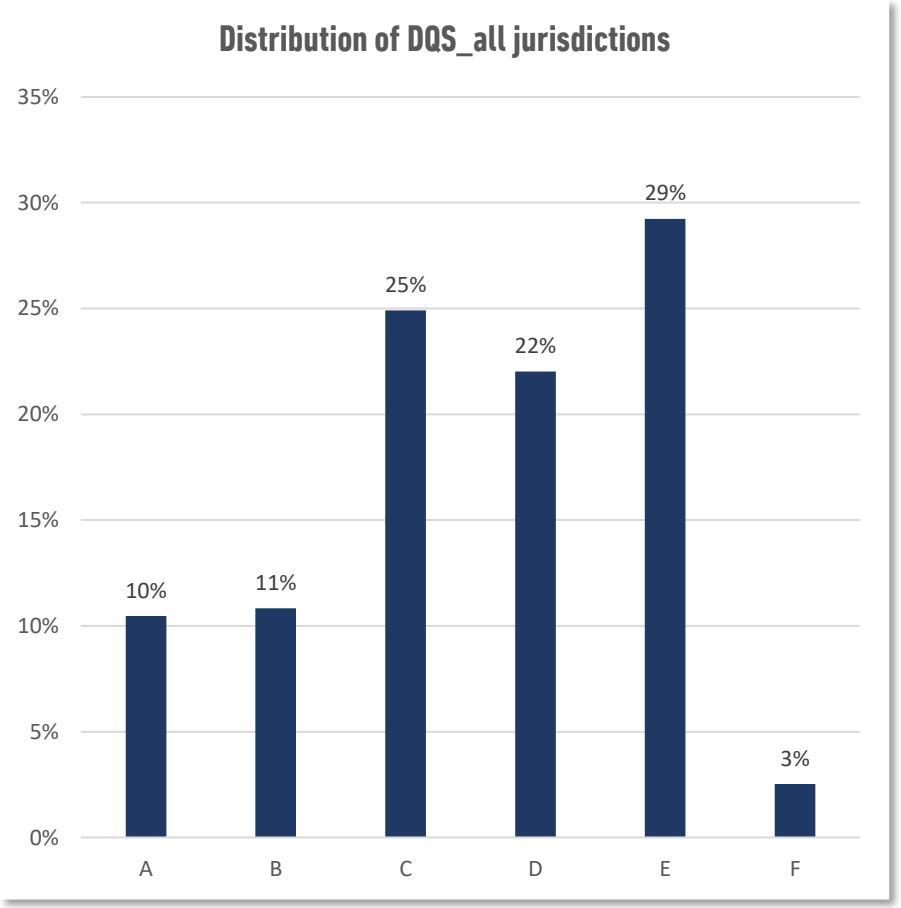
- **RJCT** → Validation rules
- **[WARN]** → Additional ESMA rules
- **[DATA QUALITY PLUS]** → Rules developed by EDW to improve the quality of ESMA submissions
- **[DQS]** → A subset of Data Quality Plus rules used to calculate the DQS score

DQS SCORE DISTRIBUTION FOR ESMA TEMPLATES

Methodology

- Automated score based on DQS failed rules – subset of all EDW Data Quality Plus rules
- Objective and common approach for all deals, jurisdictions, and asset classes
- Based on the following formula: $\frac{\sum(F_f)}{n \times MF}$ where:
  - F_f represents a field that failed a rule;
  - n is the total number of loans for each mandatory field;
  - MF represents the number of unique fields per each asset class with at least one DQS check implemented.

DQS1 Score	Min. Fail Ratio	Max. Fail Ratio	Ratio
A	0.0000%	0.0001%	Up until 1 in a million
B	0.0001%	0.005%	Up until 5 in 100k
C	0.005%	0.1%	Up until 1 in a thousand
D	0.1%	1%	Up until 1 in a hundred
E	1%	4%	Up until 4 in a hundred
F	4%	100%	> 4 in a hundred



Note: data based on ESMA template submissions as of 10 March 2022 / Source: EDW calculations

MAIN DRIVERS FOR ESMA DQS

	Field
1	Credit Impaired Obligor
2	Purchase Price
3	Current Principal Balance
4	Origination Channel
5	Date Of Restructuring
6	Redemption Date
7	Maturity Date
8	Original Term
9	Number Of Days In Arrears
10	Original Term

CLARIFICATION ON REPORTING ENTITY ROLE

MARTIN KUHN, EUROPEAN DATAWAREHOUSE

REPORTING ENTITY

Reporting Entity is derived from Securitisation Identifier

Create Deal

Ensure all details below are correct before confirming new deal.

Data Owner	European DataWarehouse GmbH
Data Provider	European DataWarehouse GmbH
Reporting Entity LEI	529900IUR3CZBV87LI37
Reporting Entity Name	European DataWarehouse GmbH
Securitization Identifier	529900IUR3CZBV87LI37N202245

Edit Deal Cancel Confirm

EDW MONITORING REPORT

MARTIN KUHN, EUROPEAN DATAWAREHOUSE

COMPLY WITH ARTICLE 5 OF THE SECURITISATION REGULATION

Get key transaction information in a standardised format with EDW Monitoring Report Solution

- Supports institutional investors in carrying out their due diligence assessment to comply with ongoing monitoring requirements under Article 5 of the Securitisation Regulation
- Contains a transaction summary with the most important information for a selected deal, such as principal balance, average LTV ratio, risk retention method, and ISIN-level data
- Allows in-depth insights on the pool of underlying assets, retrieved directly from EDW's database
- Currently available for RMBS and Auto asset classes - others soon to come

3. Prior to holding a securitisation position, an institutional investor, other than the originator, sponsor or original lender, shall carry out a due-diligence assessment which enables it to assess the risks involved. That assessment shall consider at least all of the following:

(a) the risk characteristics of the individual securitisation position and of the underlying exposures;

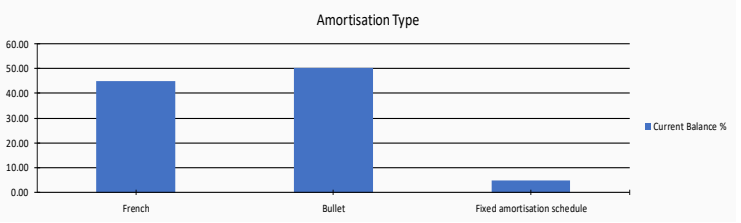
(b) all the structural features of the securitisation that can materially impact the performance of the securitisation position, including the contractual priorities of payment and priority of payment-related triggers, credit enhancements, liquidity enhancements, market value triggers, and transaction-specific definitions of default;

MONITORING REPORT SOLUTION FOR INVESTOR DUE DILIGENCE

Comprehensive overview. Easy to read. Quick to download.

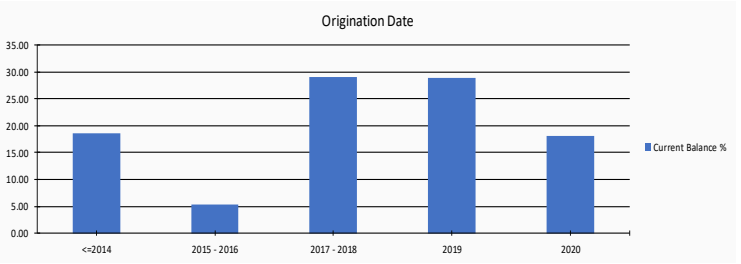
Amortisation Type

	Current Balance	Current Balance %	Number of Loans
French	200,963,505.00	44.87	2,612
Bullet	225,812,671.00	50.42	2,541
Fixed amortisation schedule	21,131,294.00	4.72	240



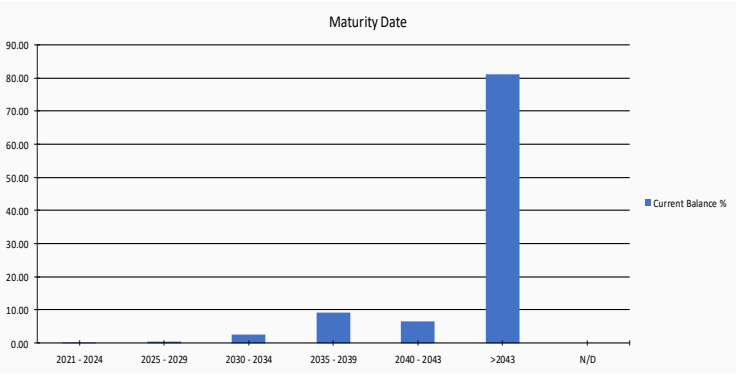
Origination Date

	Current Balance	Current Balance %	Number of Loans
<=2014	96,450,188.11	18.62	1,125
2015 - 2016	27,485,982.82	5.31	328
2017 - 2018	150,714,382.72	29.10	1,348
2019	149,883,468.21	28.94	1,341
2020	93,415,313.96	18.04	832



Maturity Date

	Current Balance	Current Balance %	Number of Loans
2021 - 2024	64,727.22	0.01	8
2025 - 2029	2,274,397.25	0.45	59
2030 - 2034	13,146,238.84	2.58	194
2035 - 2039	46,352,073.62	9.11	538
2040 - 2043	33,746,284.18	6.63	366
>2043	413,477,314.83	81.22	3,649
N/D	0	0	223



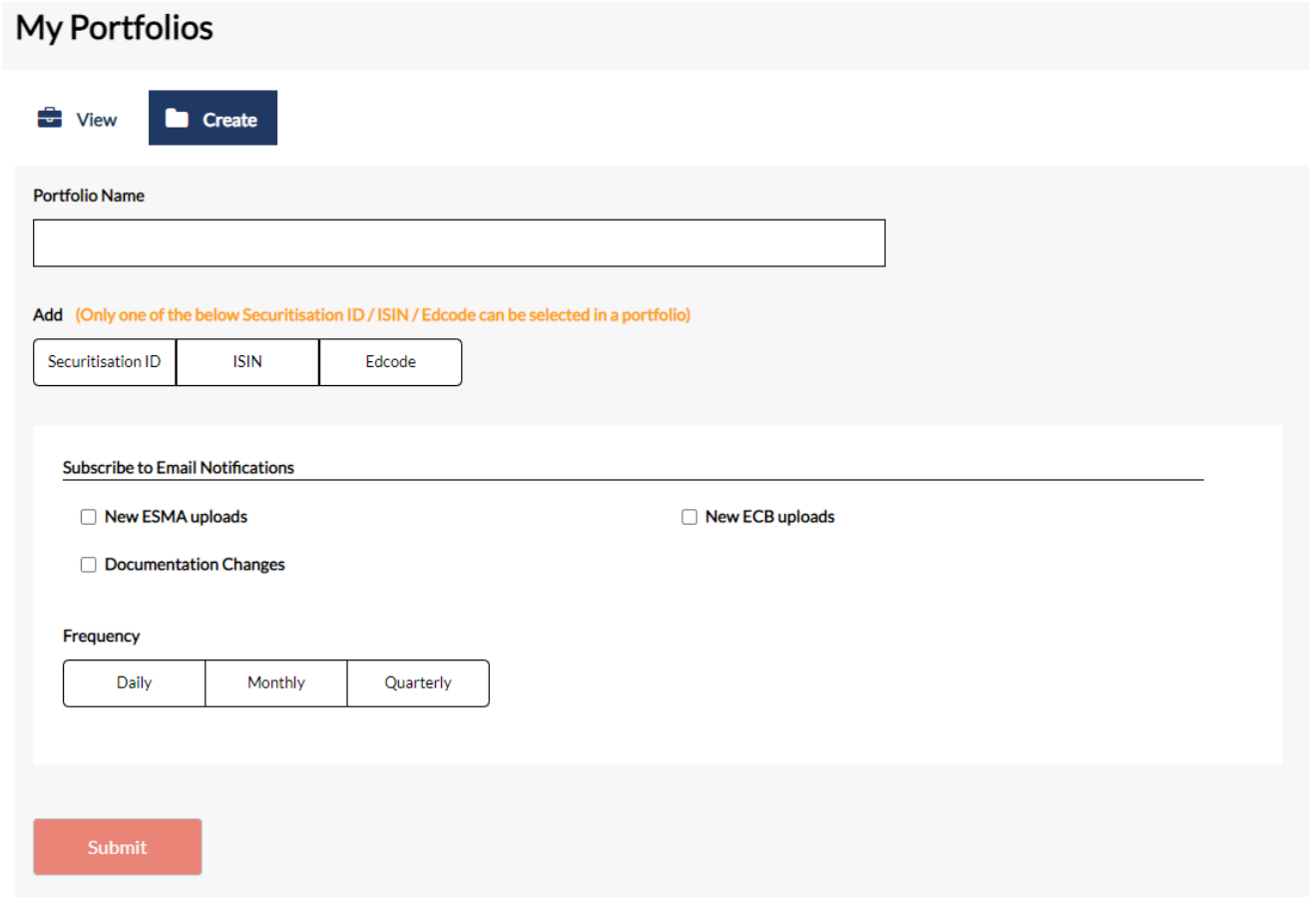
‘MY PORTFOLIO’ FEATURE IN EDITOR

MARTIN KUHN, EUROPEAN DATAWAREHOUSE

ADD AND VISUALISE PREFERRED DEALS

Stay up to date with recent submissions and new document uploads using the MyPortfolio tool in EDITOR

- Via the EDITOR "Home" tab, create a personal portfolio and add specific deals based on the Securitisation ID, ISIN, or EDCode.
- Select the type of notification you want to receive:
  - ✓ New ESMA uploads
  - ✓ New ECB uploads
  - ✓ Documentation Changes
- Select the frequency of the notifications: Daily, Monthly, or Quarterly.



CASH FLOW MODELLING

MARKUS SCHABER, EUROPEAN DATAWAREHOUSE LTD

LATEST DEVELOPMENTS ON STS VERIFICATION

MICHAEL OSSWALD, SVI

Latest Developments on STS

Michael Osswald

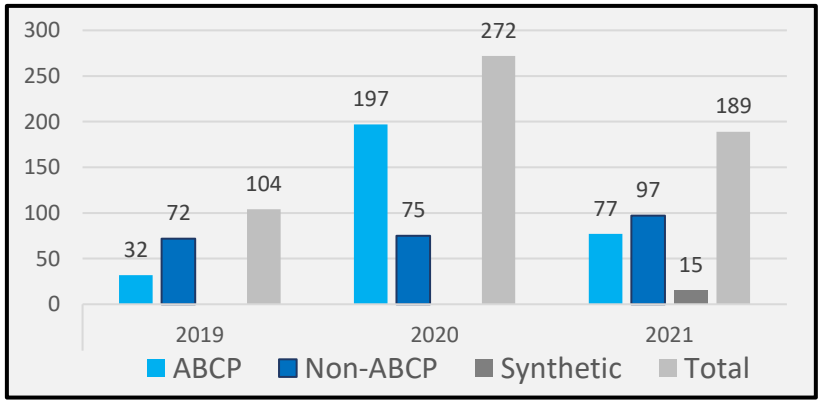
STS Verification International GmbH ("SVI")

European Data Warehouse German Virtual Workshop, 27 April 2022

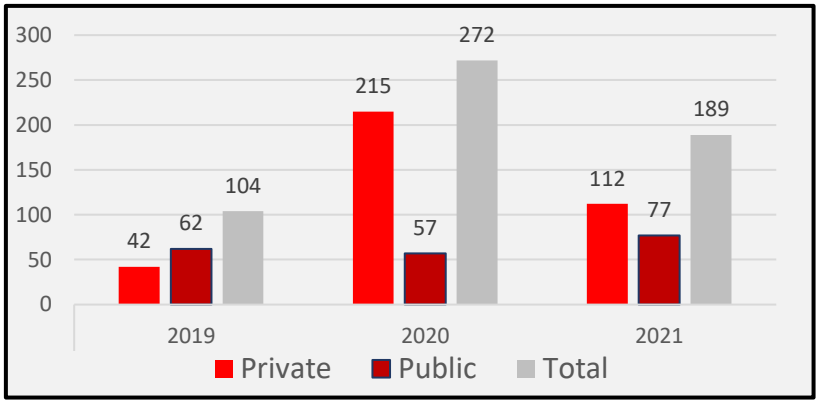
verified STS Verification International

DEVELOPMENT OF THE MARKET FOR STS TRANSACTIONS (EU-27 COUNTRIES)

Distribution of <u>all</u> STS-notified Securitisations by Transaction Type*)



Distribution of <u>all</u> STS-notified Securitisations by public vs private*)

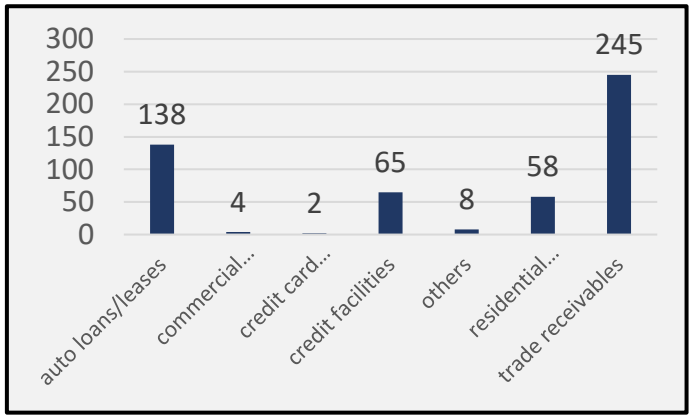


***) Period 1.1.2019 – 31.12.2021; Source: ESMA Website, SVI**

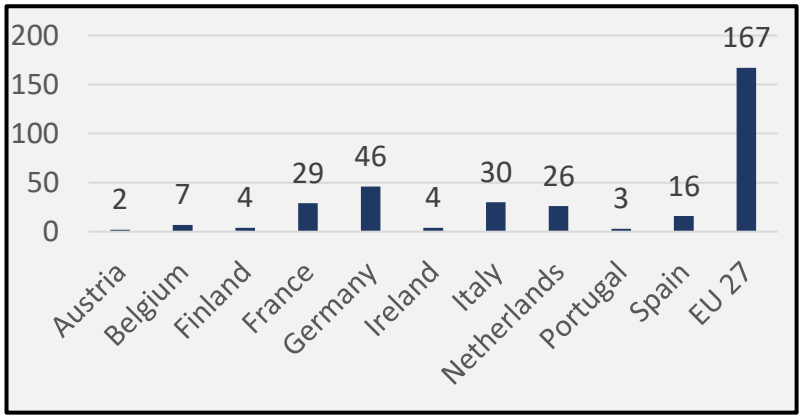
- Since the introduction of the STS-segment, 565 securitisations have been notified as STS-compliant (244 non-ABCP vs. 306 ABCP vs. 15 Synthetic, 196 public vs. 369 private transactions)
- STS-compliant transactions can be notified to ESMA as either “public” or “private” transactions, with resulting vastly different level of disclosure

DEVELOPMENT OF THE MARKET FOR STS TRANSACTIONS (EU-27 COUNTRIES) (CONTINUED)

Distribution of <u>all</u> STS-notified Securitisations by Asset Class*)



Distribution of <u>public</u> STS-notified Securitisations by Jurisdiction*)

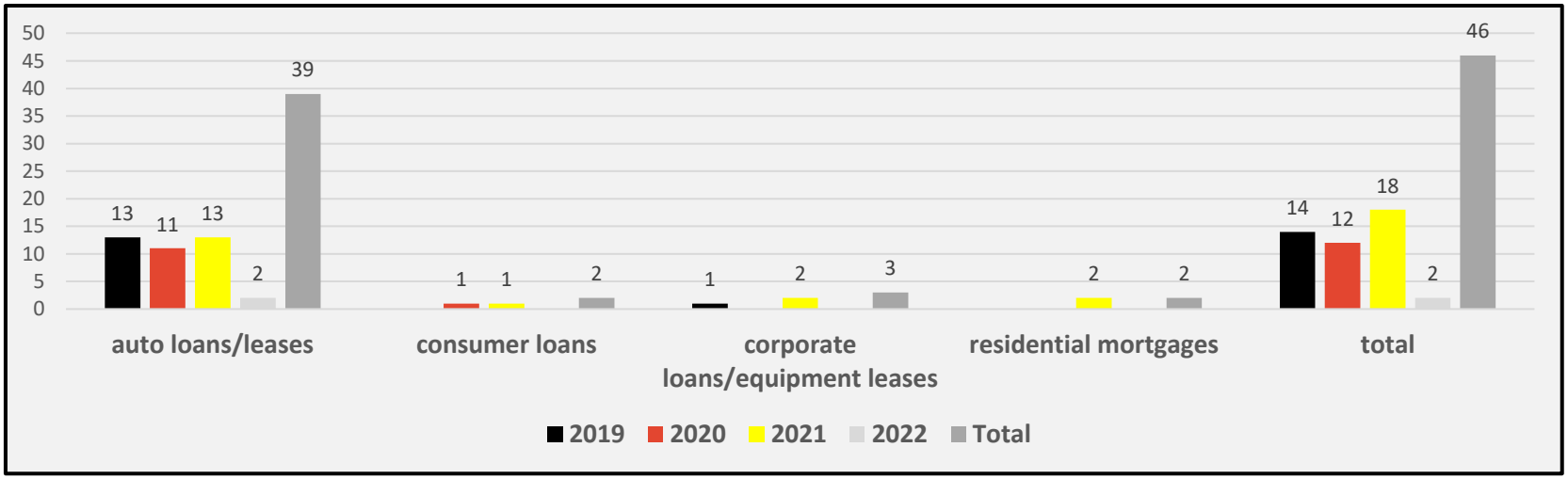


*) Period 1.1.2019 – 31.03.2022; without Synthetic securitisations; Source: ESMA Website (, SVI

- The categorisation according to asset classes reflects the various asset types as proposed by the STS notification template provided by ESMA for traditional securitisations, respectively
- With effect from 3 February 2022, ESMA has introduced a new STS notification register, which includes (virtually) all previously STS-notified transactions and all newly STS-notified transactions

DEVELOPMENT OF THE MARKET FOR STS TRANSACTIONS (GERMANY)

Distribution of German public STS-notified Securitisations by Asset Class*)



*) Period 1.1.2019 – 31.03.2022; Source: ESMA Website, SVI

- German public STS-notified securitisations are dominated by auto loan/lease ABS, with some selective consumer loan, corporate loan/equipment lease and RMBS transactions.
- Our database indicates that during the same period another 8 German non-ABCP securitisations have not been STS-notified. The main reasons for this are that they either consist of asset classes that are typically not eligible for STS (such as most CMBS) or are retained transactions that are used by the originator to obtain funding from ECB where STS is currently not a requirement.

SUSTAINABLE SECURITISATION

- **Initial Securitisation Regulation (as of 12 Dec 2017)**:
  - Since the inception of the STS-segment, the transparency criteria for non-ABCP securitisations have included the requirement to publish environmental performance data of the assets financed by residential mortgage loans and auto loans & leases
  - Proviso that such information is available to the originator and captured in its IT systems
- **Amended Securitisation Regulation (as of 31 March 2021)**:
  - Art. 22 (4) and Art. 26d (4): Originators may alternatively decide to publish „the available information related to the principal adverse impacts of the assets financed by the underlying exposures on sustainability factors“. At the same time, the European Supervisory Authorities shall develop an RTS on the content, methodologies and presentation of the above mentioned information, in respect of the sustainability indicators in relation to adverse impacts on the climate and other ESG-related adverse impacts (currently work-in-progress).
  - Art. 45a: The ESAs shall, by 1 November 2021, publish a report on the development of a sustainable securitisation framework. The EU Commission shall submit such report together with the report on the functioning of the Securitisation Regulation as per Article 46 to the European Parliament and to the Council, in order to prepare a „specific sustainable securitisation framework“ (see next slide).

SUSTAINABLE SECURITIZATION (CONTINUED)

- **State of Play regarding the Sustainable Securitisation framework (as per EBA report):**
  - **Interaction with STS**: serve different purposes, but synergies are clearly recognisable
  - **Proposed European Green Bond Standard as „platform“ also for green securitisations**: Aims to create a common standard for all fixed income products, but amendments necessary to capture the specifics of securitisations:
    - ✓ use of proceeds approach at the level of the originator rather than SPV to avoid that the securitised portfolio needs to be 100% green and enable the originator to use the proceeds to finance green EU taxonomy-aligned investments
    - ✓ Additional disclosures of the environmental performance of the underlying assets to provide investors an insight on the green vs. brown composition of the securitised portfolio
  - **Specific „green securitisation“ label:** possibly at a later stage for true sale securitisations; additional thoughts required for synthetic securitisations
- **The concept of the External Reviewer as crucial element of the proposed European Green Bond Standard:**
  - **Authorisation & supervision:** by ESMA, open to both EU and third-country domiciled entities
  - **Main tasks:**
    - ✓ Pre-issuance review of the European green factsheet detailing (taxonomy-aligned) use of proceeds, environmental strategy of the issuer and other aspects of the bond issuance
    - ✓ Post-issuance review of the (use of proceeds) allocation reports (until bond maturity)

Q&A

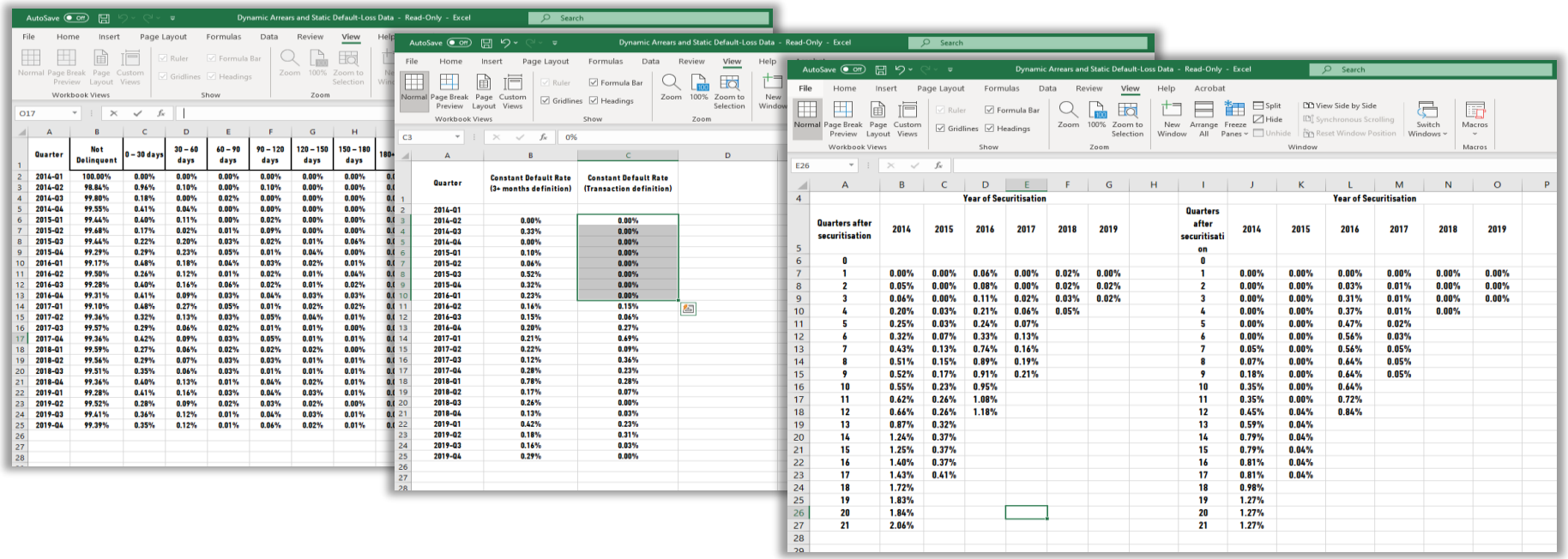
EDW PROXY DATA SOLUTIONS

CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

PROXY DATA GENERATION PROCESS

5-stage process designed for data set optimisation

1. **Identify characteristics of desired loan pool**
2. **Deal selection based on data completeness and quality**
3. **Historical performance data of underlying loans**
4. **Data is adjusted and scrutinised further for quality**
5. **Final dataset is produced incl. static default/ loss & dynamic arrears info**



EXTENDED TEMPLATES

CHRISTIAN THUN, EUROPEAN DATAWAREHOUSE

SEVERAL KEY BENEFITS USING EDW'S EXTENDED TEMPLATES

Easy-to-use format

The data can be submitted in CSV-format

Free of charge

The templates are available free of charge to EDITOR users

Time- and resource-saving

No need to prepare a second loan tape for credit rating agencies

Restricted access only

Templates provided via SFTP with access for selected parties only

A SEAMLESS UPLOAD PROCESS

1

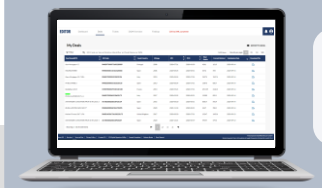
Upload EDW Extended Templates in CSV-format to the CSV2XML Converter

2

The ESMA fields are automatically converted into an XML file

3

The XML files can be published in EDITOR for ESMA-regulatory compliance



esma European Securities and Markets Authority

4

The EDW Extended Templates are automatically stored in CSV-format for credit rating agencies

SFTP
Restricted access

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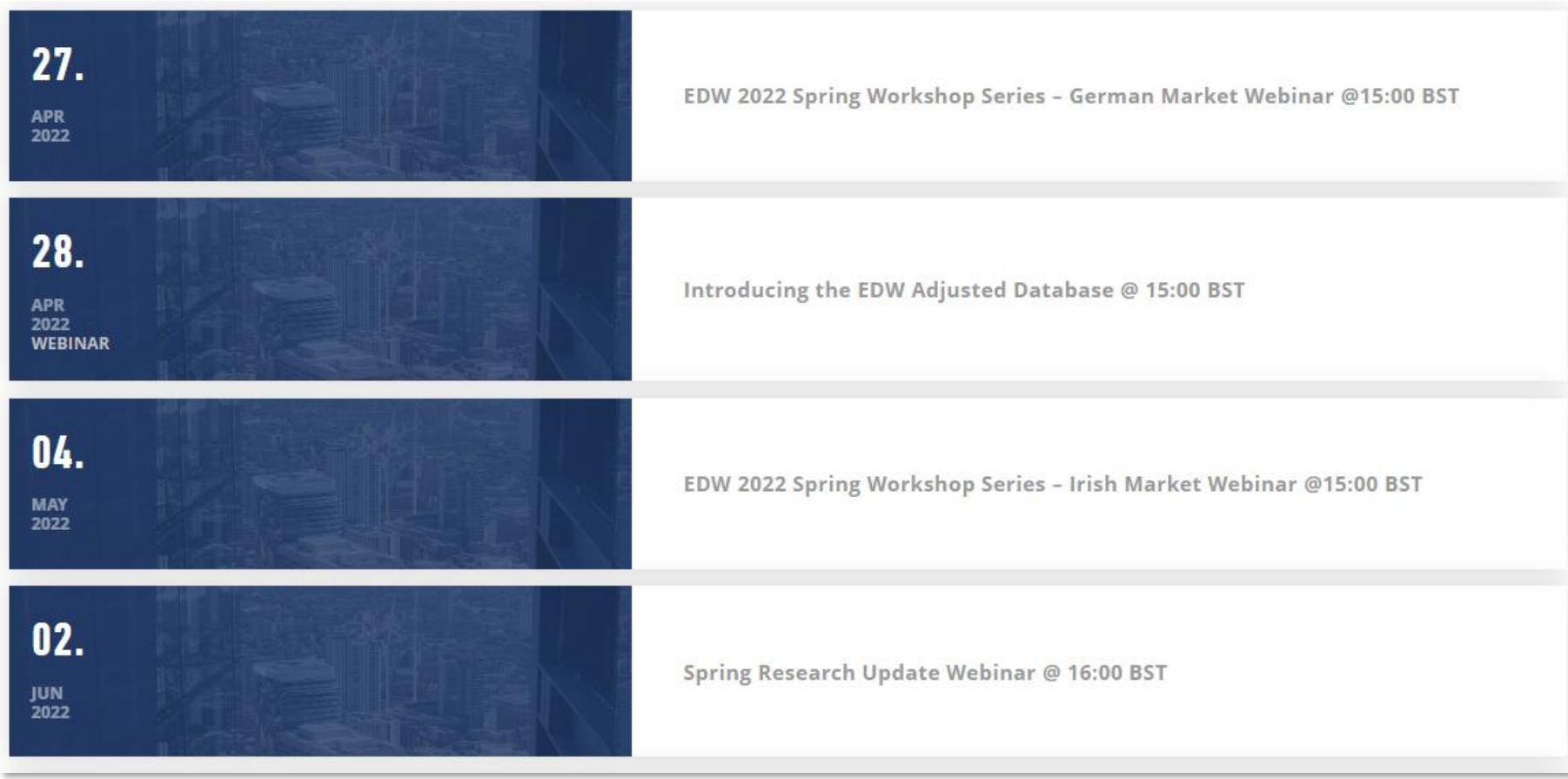

THANK YOU // CONTACT US

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