



Securitisation Market Practice Guidelines

JUNE 2004



Introduction

About the European Securitisation Forum

The European Securitisation Forum (“ESF” or “Forum”) is an organisation which brings together securitisation market participants throughout Europe in order to promote the efficient growth and continued development of securitisation. The Forum advocates the positions, and represents the interests, of its members and the securitisation markets in which they function. To achieve this goal, the Forum attempts, among other things, to identify, recommend and implement market standardisation policies, best practices, guidelines and related documentation to promote liquidity, transparency and efficiency in the primary and secondary European securitisation markets. Membership of the ESF comprises over 115 firms from across Europe, including Germany and Austria, France, Italy, England, Scotland, Spain, Ireland, Holland, Belgium, Switzerland, Luxemburg, Sweden, Norway and Portugal. Participants include securities firms, banks, issuers and arrangers, investors and asset managers, trustees, servicers, legal and accounting firms, rating agencies, financial guarantors, stock exchanges, industry utilities and other participants in the European securitisation markets.

About the ESF Securitisation Market Practice Guidelines

The ESF Securitisation Market Practice Guidelines (“Guidelines”) represent best practices for securitisation market participants aimed at improving the quality, uniformity and availability of pre- and post-issuance reporting for European securitisation transactions, as well as, promoting consistent trading practices for securitisation through a standardisation process of formulas and assumptions which ultimately results in increased liquidity. In 1998, the Forum issued a first series of post-issuance reporting recommendations which are now assembled under the ESF Securitisation Market Practice Guidelines (“Guidelines”). The Guidelines are a set of recommendations that the Forum holds out as best practices for securitisation industry participants. The Forum has been regularly updating and expanding these recommendations. More recently, the Forum fully reorganised and updated the entire structure of these recommendations in order to make them more easily accessible and user friendly. The Guidelines are also intended to provide a common ground of terms and requirements for publishing, confirming and comparing information regarding European asset- and mortgage-backed securities.

The Guidelines are a living document and the Forum expects to update the recommendations regularly to deal with market developments and additional identified market practices. The Forum intends to issue releases updating the Guidelines periodically to bring greater efficiency and standardisation to the European securitisation markets.

Compliance with the ESF Securitisation Market Practice Guidelines

The Forum hopes that you find the Guidelines both helpful and informative. Although the Forum strongly encourages following these best practice recommendations, compliance with the Guidelines is strictly voluntary.

The ESF would like to thank its members for their active participation in updating and revising the recommendations. For additional information concerning the Forum, or other initiatives, please consult the Internet web site at www.europansecuritisation.com.

European Securitisation Forum
Market Standards and Practices Subcommittee
June 2004



ESF Securitisation Market Practice Guidelines

Table of Contents

- A. Responsibility and Timeliness of Pre- and Post-Issuance Reports**
 - B. Regularity of Post-Issuance Reporting**
 - C. Standardisation of Reporting Terms and Requirements**
 - D. Availability and Dissemination of Pre- and Post-Issuance Reports**
 - E. Disclosure Practices for Prospectuses and other Offering Documents**
 - F. [Standardisation of Reporting Terms and Requirements for European Commercial Mortgage Securities. To be published in Autumn 2004.]**
- ANNEX 1 – Recommendation C: Terms and Requirements in alphabetical order**

**ESF Securitisation Market Practice Guidelines****A. Responsibility and Timeliness of Pre- and Post-Issuance Reports**

1. The issuer shall provide relevant information on European securitisation transactions necessary for investors and market participants to understand and evaluate their investments in the pre- and post-issuance reports.
2. The issuer shall allocate (and disclose) specific responsibilities between and among the servicer, trustee, paying agent and other transaction participants for collecting and assembling relevant reporting data.
3. The issuer shall provide the frequency and the responsibilities for producing and disseminating such information.

B. Regularity of Post-Issuance Reporting

1. Regular, ongoing post-issuance reporting should be a standard feature for all European securitisation transactions.

C. Standardisation of Reporting Terms and Requirements

1. To the extent possible, transaction reporting terms and requirements should be standardised, especially for securitisations supported by the same type of underlying collateral. This standardisation process should encompass fields at security level-data; collateral level-data and transaction report contact information.
2. The Forum recommends the publication in the prospectuses or other offering documents for asset- and mortgage-backed securitisation of the following broad and general post-issuance terms and requirements. Terms and requirements at security-level data are as follows:
 - 2.1. *Date Format* -- The date format in the post-issuance documents should be indicated as dd/mmm/yyyy, i.e. 12/Jan/2003.
 - 2.2. *Report Date* -- The date on which the transaction report was issued.
 - 2.3. *Accrual Start Date* -- The start date of the Accrual Period for calculating interest earned.
 - 2.4. *Accrual End Date* -- The end date of the Accrual Period for calculating interest earned.
 - 2.5. *Accrual Period* -- Number of days in the Accrual Period inclusive of the Accrual Start Date and the Accrual End Date.
 - 2.6. *International Securities Identification Number (ISIN) or Stock Exchange Daily Official List (SEDOL)* -- The security identification code assigned to each class of securities pursuant to standards established by the International Standards Organisation (ISIN) or the London Stock Exchange and the Irish Stock Exchange (SEDOL).
 - 2.7. *Stock Exchange Listing/s* -- The identified stock exchange/s that list the securities or specific tranches.



- 2.8. *Issuer* -- Name of issuer and issue series, if applicable.
- 2.9. *Tranche Class Name* -- The designation (typically a letter and/or number) given to a tranche of securities which exhibit the same rights, priorities and characteristics as defined in the prospectus.
- 2.10. *Original Rating(s)* -- The original rating assigned by the rating agency or agencies for each tranche of securities issued as defined in the prospectus.
- 2.11. *Interest Payment Date* -- The periodic date on which a payment of interest to holders of a specific tranche of securities is scheduled to occur.
- 2.12. *Principal Payment Date* -- The periodic date on which a payment of principal to holders of a specific tranche of securities is scheduled to occur.
- 2.13. *Previous Factor* -- A decimal value created by dividing the remaining principal balance of a specific tranche of securities as at the previous Principal Payment Date by the Original Principle Balance of the tranche.
- 2.14. *Current Factor* -- A decimal value created by dividing the remaining principal balance of a specific tranche of securities as at the current Principal Payment Date by the Original Principal Balance of the tranche.
- 2.15. *Record Date* -- The date on which registered holders of securities are determined for the purpose of making payments to such registered holders on the next succeeding payment date.
- 2.16. *Determination Date* -- The date on which payments to registered holders of securities are calculated.
- 2.17. *Currency* -- The monetary denomination/s in which security-level balance/s and payments are reported.
- 2.18. *Original Principal Balance* -- The Original Principal Balance of a specific tranche of securities at issuance.
- 2.19. *Total Beginning Balance Prior to Payment* -- The par, or notional, balance of a specific tranche of securities after the immediately preceding payment.
- 2.20. *Total Ending Balance Subsequent to Payment* -- The par, or notional, balance of a specific tranche of securities after the current principal payment.
- 2.21. *Total Principal Payments* -- The total amount of principal paid on a specific tranche of securities for the current Principal Payment Date.
- 2.22. *Total Interest Payments* -- The total amount of interest paid on a specific tranche of securities for the current Interest Payment Date.



- 2.23. *Total Scheduled Principal* -- The total amount of principal scheduled to be paid on a specific tranche of securities on the Principal Payment Date, as specified in the prospectus, if applicable.
- 2.24. *Reference Rate* -- The base reference interest rate as defined in the offering document (e.g. 3 month EURIBOR) applicable to a specific tranche of securities.
- 2.25. *Relevant Margin* -- Margin over/under the Reference Rate for a current Accrual Period for a specific tranche of securities (only relevant for floating rate notes).
- 2.26. *Coupon Rate* -- Reference Rate plus Relevant Margin or the annual percentage interest rate applied to a specific tranche of securities for the Accrual Period ending on dd/mmm/yyyy, i.e. 12/Jan/2003.
- 2.27. *Current Interest Shortfall (if applicable)* -- The difference between the amount of interest due and the amount of the interest paid or accrued for the current Accrual Period on a specific tranche of securities.
- 2.28. *Cumulative Interest Shortfall (if applicable)* -- The cumulative difference between the amount of interest due and the amount of interest paid or accrued for the current Accrual Period and all previous Accrual Periods on a specific tranche of securities.
- 2.29. *Beginning Reserve Account Balance* -- The balance of funds on deposit in the reserve account at the Accrual Start Date.
- 2.30. *Ending Reserve Account Balance* -- The balance of funds on deposit in the reserve account at the Accrual End Date.
- 2.31. *Change in the Reserve Account Balance* -- The difference between the Ending Reserve Account Balance and the Beginning Reserve Account Balance such that a positive amount represents a net deposit to the account and a negative quantity represents a net withdrawal from the account.
- 2.32. *Target Reserve Account Balance* -- The amount of funds that would be on deposit in the reserve account when it is fully funded pursuant to the transaction documentation.
- 2.33. *Principal Shortfall* -- The positive difference between the amount of Total Scheduled Principal distribution over the amount of principal collected during the current Accrual Period.
- 2.34. *Cumulative Principal Shortfalls* -- The cumulative amount of Principal Shortfall as at the end of the current Accrual Period.
- 2.35. *Principal Excess* -- The excess of principal collected over the Total Scheduled Principal distribution for the current Accrual Period.



- 2.36. *Expected Maturity* -- Current expected maturity for a specific tranche of securities.
- 2.37. *Legal Maturity* -- The date before which a specific tranche of securities must be repaid in order not to be in default.
- 2.38. *Original Weighted Average Life* -- As at the date of issuance, the weighted average amount of time until a specific tranche of securities is repaid in full, based on its total original balance and assumptions specified at issuance concerning prepayments, defaults and other relevant variables.
- 2.39. *Current Coupon* -- The interest rate on the security, which is used to calculate interest due for the interest period.

The Forum recommends the following minimum post-issuance terms and requirements at the collateral-level for European securitisation transactions:

- 2.40. *Timing of the Collateral Report* -- The Collateral Report should indicate the beginning and the end date of the reporting period (e.g. dd/mmm/yyyy covering period from dd/mmm/yyyy to dd/mmm/yyyy, i.e. 12/Jan/2003).
- 2.41. *Currency* -- The monetary denomination/s in which collateral-level data is reported.
- 2.42. *Total Number of Assets* -- Number of securitised assets or receivables in the collateral pool at the Report Date.
- 2.43. *Total Value of Assets* -- Value of securitised assets or receivables in the collateral pool at the Report Date.
- 2.44. *Original Weighted Average Yield or Coupon* -- The original weighted average rate of interest (coupon or contract rate) and/or other income on the receivables collateralising the security, weighted by the Original Principal Balance of the receivables.
- 2.45. *Current Weighted Average Yield or Coupon* -- The current weighted average rate of interest (coupon or contract rate) and/or other income on the receivables collateralising the security, weighted by the current principal balance of the receivables.
- 2.46. *Original Weighted Average Maturity* -- The original weighted average maturity date of the receivables weighted by the Original Principal Balance of the receivables collateralising the security.
- 2.47. *Current Weighted Average Maturity* -- The current weighted average maturity date of the receivables weighted by the current principal balance of the receivables collateralising the security.



- 2.48. *Delinquencies* -- The issuer is to provide a definition as to when it considers a receivable to be delinquent when it is collateralising the security. For all delinquent assets/receivables, it shall report the number and the outstanding principal balance that is delinquent, for a minimum of four periods, for example 0-30 days, 31-60 days, 61-90 days, 91-120 days, etc.
- 2.49. *Current Defaults* -- The issuer is to provide a definition as to when it considers a receivable which is collateralising the security to be defaulted. The issuer shall report the number and total principal amount of the receivables that have defaulted during the current reporting period.
- 2.50. *Cumulative Defaults* -- The issuer is to provide a definition as to when it considers a receivable which is collateralising the security to be defaulted. The issuer shall report the cumulative number and total principal amount of receivables that have defaulted since issue of the security.
- 2.51. *Current Loss* -- The report shall include the total amount of losses (in currency terms) realised by the issuer in the current reporting period. A Current Loss number should always be reported each period even if the Current Loss number equals zero.
- 2.52. *Cumulative Loss* -- The report shall include the total aggregate amount of losses (in currency terms) realised by the issuer from closing through to and including the current reporting period. A Cumulative Loss number should always be reported each period even if the Cumulative Loss number equals zero.
- 2.53. *Drawings under Liquidity Facility* -- A statement as to whether or not there has been a drawing under the liquidity facility in the period ending on the last interest payment date. If yes, the issuer is to add a note including the total balance drawn under the terms of the liquidity facility at the interest payment date.
- 2.54. *Excess Spread* -- The amount of funds remaining after the period's collections have been fully applied to cover the issuer's obligations pursuant to the priority of payments given in the transaction documentation.
- 2.55. *Trigger Measurements/Ratios (if applicable)* -- The status of various delinquency, dilution, default, loss and similar collateral measurements and ratios in relation to their early amortisation or other trigger event levels, as at the current determination date.
Has any trigger event occurred?
Yes. No.
If yes, please explain in a note.



- 2.56. *Current Receivable Principal Balance* -- The actual total principal balance of the underlying pool of receivables at the end of the period.
- 2.57. *Scheduled Receivable Principal Balance* -- The total principal balance of the underlying pool of receivables at the end of the period assuming only contractual repayments have been made when due (i.e. excluding any prepayments that may have been made).
- 2.58. *Constant or Conditional Prepayment Rate (CPR) Period with Calculation* -- In amortising securities the CPR of the underlying receivables should be reported. CPR is the amount expressed as an annualised percentage of principal prepaid in excess of scheduled repayments. At a minimum, the report should include the "Average ("Avg")" CPR speed. The "Avg" CPR speed is calculated by first dividing the Current Receivable Principal Balance (i.e. the actual balance) by the Scheduled Receivable Principal Balance assuming no prepayments have been made (i.e. only scheduled repayments have been made). This quotient is then raised to a power whereby the exponent is the quantity twelve divided by the number of months since issue. Subtract this result from one then multiply it by one hundred (100) to determine the "Avg" CPR speed. This calculation is expressed

$$\text{CPR}_{\text{Avg}} = 100 \left[1 - \left(\frac{\text{Current Receivable Principal Balance}}{\text{Scheduled Receivable Principal Balance}} \right)^{\frac{12}{\text{months since issue}}} \right]$$

The Forum recommends the following minimum post-issuance terms and requirements for transaction report contact information for European securitisation transactions:

- 2.59. *Information Source* -- The name of the entity acting as the provider of transaction reporting information to security holders.
- 2.60. *Contact Name* -- Name of principal contact person of the information source.
- 2.61. *Contact Information* -- Mailing address, telephone number, e-mail address and/or other contact information pertaining to the information source.
- 2.62. *Report Distribution Channels* -- The distribution channels where investors and other market participants can obtain a copy of the report.



D. Availability and Dissemination of Pre- and Post-Issuance Reports

1. Pre- and post-issuance reports should be made generally available to the marketplace, and not limited to current security-holders. Issuers should consider making reports available through readily accessible communications channels, such as Internet web sites, third-party vendor services and other electronic media.



E. Disclosure Practices for Prospectuses and other Offering Documents

1. Prospectuses and other offering documents for European securitisation transactions should contain separate, clearly designated disclosures that summarise the content, timing, format and means of disseminating post-issuance reporting data.
2. Prospectuses and other offering documents should be clearly identified under a separate heading or subheading.
3. Prospectuses and other offering documents should specify the timing (e.g., monthly, quarterly or other periodic schedule) that will be observed in the production and dissemination of post-issuance reports.
4. Prospectuses and other offering documents should identify and provide contact information for the transaction participant/s (e.g., trustee, administrative agent) that will have principal responsibility for preparing and disseminating post-issuance reports.
5. Prospectuses and other offering documents should identify specific underlying transaction documents (e.g., indenture, pooling and servicing agreement) that contain more detailed information concerning the content of post-issuance reports, including details concerning how those documents may be accessed or obtained.
6. Prospectuses and other offering documents should set forth the specific format that will be used in assembling and transmitting reporting data (e.g., text, spreadsheet or other database format).



ANNEX 1

Recommendation C: Terms and Requirements in alphabetical order

Accrual End Date	C. 2.4.
Accrual Period	C. 2.5.
Accrual Start Date	C. 2.3.
Beginning Reserve Account Balance	C.2.29.
Change in the Reserve Account Balance	C.2.31.
Constant or Conditional Prepayment Rate (CPR) Period with Calculation	C.2.58.
Contact Information.....	C.2.61.
Contact Name.....	C.2.60.
Coupon Rate.....	C.2.26.
Cumulative Defaults	C.2.50.
Cumulative Interest Shortfall	C.2.28.
Cumulative Loss.....	C.2.52.
Cumulative Principal Shortfalls.....	C.2.34.
Currency (at security level-data).....	C.2.17.
Currency (at collateral level-data)	C.2.41.
Current Coupon	C.2.39.
Current Defaults	C.2.49.
Current Factor	C.2.14.
Current Interest Shortfall	C.2.27.
Current Loss.....	C.2.51.
Current Receivable Principle Balance.....	C.2.56.
Current Weighted Average Maturity	C.2.47.
Current Weighted Average Yield or Coupon	C.2.45.
Date Format	C. 2.1.
Delinquencies.....	C.2.48.
Determination Date.....	C.2.16.
Drawings under Liquidity Facility.....	C.2.53.
Ending Reserve Account Balance.....	C.2.30.
Excess Spread	C.2.54.
Expected Maturity	C.2.36.
Information Source	C.2.59.
Interest Payment Date.....	C.2.11.
International Securities Identification Number (ISIN) or Stock Exchange Daily Official List (SEDOL).....	C. 2.6.
Issuer	C. 2.8.
Legal Maturity.....	C.2.37.
Original Principal Balance	C.2.18.
Original Rating(s).....	C.2.10.
Original Weighted Average Life	C.2.38.
Original Weighted Average Maturity	C.2.46.
Original Weighted Average Yield or Coupon	C.2.44.
Previous Factor.....	C.2.13.
Principal Excess	C.2.35.
Principal Payment Date.....	C.2.12.
Principal Shortfall.....	C.2.33.
Record Date	C.2.15.



Reference Rate C.2.24.
Relevant Margin..... C.2.25.
Report Date C. 2.2.
Report Distribution Channels C.2.62.
Scheduled Receivable Principle Balance.....C.2.57.
Stock Exchange Listing/s..... C. 2.7.
Target Reserve Account Balance..... C.2.32.
Timing of the Collateral Report..... C.2.40.
Total Beginning Balance Prior to Payment C.2.19.
Total Ending Balance Subsequent to Payment C.2.20.
Total Interest Payments.....C.2.22.
Total Number of Assets C.2.42.
Total Principal Payments C.2.21.
Total Scheduled Principal C.2.23.
Total Value of Assets.....C.2.43.
Tranche Class Name C. 2.9.
Trigger Measurements/Ratios C.2.55.



European Securitisation Forum

St. Michael's House
1 George Yard
London EC3V 9DH
Great Britain/Großbritannien
Tel +44.20.77 43 93 00
Fax +44.20.77 43 93 01
www.europeansecuritisation.com

© 2004 European Securitisation Forum.
All reproduction and other rights reserved.