



SASF

Market Practice Guidelines for Post-Issuance Reporting of Securitisations in South Africa

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1. Introduction

1.1. South African Securitisation Forum

The objectives of the South African Securitisation Forum (“SASF”) are:

- ⇒ To promote the development of securitisation in South Africa through education of government, regulatory and other authorities, the public, investors, originators and others with an interest or potential interest, both in South Africa and overseas, in the benefits of securitisation to South Africa and aspects of the South African securitisation industry.
- ⇒ Co-ordinate with other forums. It is expected that the SASF would co-ordinate, where appropriate, with the European Securitisation Forum, the Australian Securitisation Forum and other industry advocacy groups in order to act as a constructive force in the world securitisation markets.

1.2. SASF Market Practice Guidelines

The purpose of this document is the identification and promotion of recommended “best practices” for the presentation and description of post-issuance reporting of securitisation transactions in South Africa, aimed at improving the quality, uniformity and availability of these reports. As the securitisation industry in South Africa matures and the number of transactions increases, it has become increasingly important to standardise post-issuance reporting to allow for effective monitoring of existing exposures and to bring the South African securitisation industry in line with international standards.

This set of Market Practice Guidelines will act as a set of recommendations which the SASF would recommend as “best practices” for SA securitisation industry participants.

The Market Practice Guidelines is a living document with the specific purpose of gathering input from all industry participants in order to create a set of best practice guidelines for standardised post-issuance reporting, specific to the South African environment and market. The SASF will also ensure regular updates and expansions to the recommendations to deal with market developments and additional identified market practices.

The Guidelines will provide for generic post-issuance requirements across all asset types, such as frequency and location of post-issuance reports, but also specific requirements per asset class where necessary.

1.3. International Comparability

Due to an increase in international placements of South African securitisation paper, it is the aim of the SASF to align the South African Market Practice Guidelines to international standards. The formulation of the South African Market Practice Guidelines therefore lends from international experience and examples, and sources of information include several publications by the American-, European- and Australian Securitisation Forums on Market Standards in Post-Issuance Reporting.

2. Characteristics and Deficiencies in the Current Post Issuance Reporting Process

- 2.1. **Market Acceptance and Recognition:** Role and importance of transaction reporting is not universally recognised by market participants. Emphasis on the need to provide continuous, post-issuance stream of transaction reporting data.
- 2.2. **Adequacy of Reporting:** Scope of reporting is often inadequate to meet the basic needs of market participants. Eg, level of detail necessary or required by market participants.
- 2.3. **Availability of Reported Data:** Transaction reporting data is not readily available throughout the marketplace. To the extent that transaction reports are generated for particular securitisation transaction, the distribution is often limited to current holders of the securities. Other parties may desire to obtain those reports which could potentially stimulate secondary market trade and enhance liquidity.
- 2.4. **Lack of Standardisation:** No specific standards exist with respect to the types or fields of data that are reported for securitisation transactions, at either the collateral or security level. Some originators or arrangers have developed “in-house” standards, these vary across the different originators and arrangers and the definition and calculations of reported items may vary across transactions. This lack of standardisation renders securities analysis, trade processing, clearance, settlement and related functions difficult, since no two transaction reports are comparable.
- 2.5. **Timelines:** Transaction reporting data is often not made available to market participants within timeframes that reasonably allow for securities analysis or processing. There is a common thread of inconsistency in the receipt of these reports. Some transactions have not produced a post-issuance report since inception.
- 2.6. **Lack of Automation:** Transaction reports are disseminated in a non-automated format. This lack of automated processing requires analysts, investors and other end users of data to assemble and format large amounts of information, resulting in data entry errors, delays and increased processing costs.

3. Reason for Importance of Post-Issuance Monitoring

In order to promote transparency in securitisation instruments and the on-going evaluation of asset performance backing the investment, it is vital that investors and potential investors are able to make informed judgements at all stages during the life of a securitisation transaction (and not only at the outset).

Internationally, securitisation forums in countries such as the United States, Europe and Australia have gradually developed standards for post-issuance reporting of transactions to aid in transparency, growth and expansion of these markets.

4. Minimum Recommended Post-Issuance Standards for SA Securitisation Transactions

The following suggested standards are minimum reporting elements, consisting a basic set of core reporting fields and definitions that should be collected and reported in all securitisation transactions.

A: GENERIC REQUIREMENTS		
SASF FIELD NUMBER	SASF FIELD NAME	DEFINITION
1	Responsibility	Issuer shall provide relevant information on South African securitisation transactions necessary for investors and market participants to understand and evaluate their investments through these post-issuance reports. Issuer shall allocate specific responsibilities among the servicer, paying agent and other transaction participants for collecting and assembling relevant reporting data.
2	Regularity	Regular, ongoing post-issuance reporting should be a standard feature for all South African securitisation transactions. Quarterly information should be available within 15 days from quarter end.
3	Distribution	Electronic distribution via e-mail Web-based reporting Recommended best practice: central location through independent or third party vendor services.
4	Format	Excel or availability to export data to excel (specifically collateral and performance data).
5	Availability	Post-issuance reporting should be made generally available to the marketplace, and not limited to current security holders. Issuers should make reports available through readily accessible communication channels such as web sites, third party vendor services and other electronic media (as indicated above). Historical information should be available.

B: REPORT CONTACT INFORMATION		
SASF FIELD NUMBER	SASF FIELD NAME	DEFINITION
6	Information Source	Name of entity acting as the provider of transaction reporting information to security holders.
7	Contact Name	Name of principal contact person of the information source.
8	Contact Information	Mailing address, telephone number, e-mail address and/or other contact information pertaining to the information source.

C: TRANSACTION SUMMARY DATA¹		
9	Security/ISIN Code	Security identification code assigned to each class of security established by the Bond Exchange of South Africa.
10	Transaction Name	Common name by which the ABS, RMBS or CMBS is known.
11	Security Class Name	Designation (typically a letter or number) given to a tranche of securities that exhibit the same rights, priorities and characteristics for example class A1, A2, B
12	Transaction Parties	Trustee, Security Trustee, Approved Seller, Servicer, Arranger/Underwriters/Lead Manager/Co-lead manager etc.
13	Payment Details	Currency, Original balance at issue, Coupon payment details and frequency, Principal payment details and frequency.
14	Issue Date & Maturity Date	Date upon which each class of security was issued and ultimate/legal maturity of the securities (for each class of security).
15	Call Dates	Call dates for each class of security (if applicable).
16	Step-up Dates	Step-up dates for each class of security and applicable margin.
17	Listing	Exchange on which the instrument is listed (eg BESA).

D: CASH FLOW/ DISTRIBUTION DATA²		
18	Report Date	Date for which the calculations have been performed
19	Interest Payment	Amount of interest paid per security for the reporting period
20	Principal Payment	Amount of principal paid per security for the reporting period
21	Coupon Rate	Including relevant benchmark and margin for the reporting period
22	Subordination Level	For any senior class of securities, the stated amount expressed as a percentage of the outstanding principal balance of the outstanding securities
23	Redraws	Amount of principal advances during the preceding period which remain in the loan pool as collateral for the securities
24	Further Advances	Amount of further advances during the reporting period
25	Original Weighted Average Life	As of the date of issuance, the average amount of time until a security is repaid in full, based on the total original balance and total ending balance subsequent to a distribution and assumptions specified at issuance concerning payments, defaults and other relevant variables.

¹ Constant throughout the life of the transaction.

² Information relating to payment details of the transaction which is updated at each reporting period.

26	Current Weighted Average Life	As of the current determination date, the average amount of time until a security is repaid in full, based on the total original balance and total ending balance subsequent to a distribution and assumptions specified at issuance concerning payments, defaults and other relevant variables.
27	Coupon Shortfalls	The excess of interest accrued on each security over interest actually paid for the current coupon period.
28	Cumulative Coupon Shortfalls	The cumulative amount of interest shortfalls on each security for the current and all previous coupon periods.
29	Current Principal Charge-offs/ Shortfalls	Amount of principal losses during the current reporting period and how they will be funded.
30	Credit Enhancement/Reserves/ Liquidity	Amounts available from: Credit enhancements (eg, excess spread, subordinated tranches), liquidity facility support etc and amounts drawn and/or topped up in respect of reserves, credit enhancements and support facilities as at the current reporting period (eg. Liquidity facility balance/draws outstanding).

E: COLLATERAL DATA³ - ABS (Store Card Receivables, Vehicle Receivables, Credit Card Receivables), RMBS, CMBS

31	Original Weighted Average Yield	Weighted Average rate of interest (coupon or contract rate) on the assets underlying a security at the time of issuance.
32	Current Weighted Average Yield	Weighted Average rate of interest (coupon or contract rate) on the assets underlying a security as of the current determination date.
33	Stated Maturity	Distribution date immediately following the final scheduled payment date on the assets in the pool having the latest maturity.
34	Original Weighted Averages Maturity	Average term to maturity of the assets underlying a security, weighted for the rand amount of the assets, as of the time of issuance.
35	Current Weighted Average Maturity	Average term to maturity of the assets underlying a security, weighted for the rand amount of the assets, as of the current determination date.
36	Original Weighted Average Seasoning	Average seasoning of the assets (from origination) underlying the securities, weighted for the rand amount of the assets, at the time of issuance, expressed as a number in months.
37	Current Weighted Average Seasoning	Average seasoning of the assets (from origination) underlying the securities, weighted for the rand amount of the assets, at the current reporting period, expressed as a number in months.
38	Pool Balance & Number of Loans	Total current pool balance including maximum individual loan balance and average individual loan balance. Number of loans corresponding to pool balance
39	Percentage Loan Size Distribution	Percentage of loans sizes within predetermined rand bands (by rand amount and number of loans).

³ Relating to the assets underlying the securities in issue.

40	Balance Split by Interest Rate Type	Split by rand amount and number of loans, the percentage of loans with fixed interest rates, variable interest rates.
41	Payment Rate	Total collections in respect of the reporting period, divided by the opening receivables balance for such reporting period, multiplied by 30 and divided by the actual number of days in that reporting period.
E: COLLATERAL DATA - RMBS, CMBS ONLY		
43	Prepayment Assumptions	Rate of prepayment on the receivables in the pool assumed at issuance.
44	Constant Prepayment Rate	Annualised rate of prepayment on the receivables supporting the related class of securities as of the current determination date calculated as: $CPR = 100 \left\{ 1 - \left\{ \left\{ \frac{\text{Current Loan Principal Balance}}{\text{Scheduled Loan Principal Balance}} \right\}^{\frac{12}{\text{months since issue}}} \right\} \right\}$
45	Weighted Average LTV	Initial and current weighted LTV.
46	LTV Ratio Distribution	Current percentage of loans with LTV in certain bands (by rand amount and number of loans).
47	Occupancy of Mortgage Property	Percentage investment vs owner occupied properties (by rand amount and number of loans).
48	Geographic Representation	Geographic distribution as a percentage split by rand amount and number of loans by province.
49	Property Types	Percentage split by principal amount the type of property which constitutes the underlying security.

F: ASSET PERFORMANCE⁴		
50	Delinquencies	Number and principal amount of receivables that are between x and y days (specify groupings per programme memorandum) delinquent as of the current determination date. Graphic representation.
51	Original Credit Rating	Rating assigned to the class of securities at issuance by the designated rating agency.
52	Current Credit Rating	Rating assigned to the class of securities at the current determination date by the designated rating agency.
53	Trigger Measurement/Ratios, Defaults, Losses and Claims	Status of various delinquency, dilution, default, loss and similar asset performance measurement ratios in relation to their early amortisation or other trigger level event levels, as of the current determination date.
54	Support Ratings	Current credit ratings of all parties supporting the transaction e.g. swap provider, liquidity provider and bank account provider.

⁴ Reporting on arrears, losses, trigger levels etc.

G: SERVICER INFORMATION⁵		
55	Servicer Rating	Current corporate credit rating of the servicer by rating agency.
56	Servicer Experience	List of assets /transactions for which the servicer acts.
57	Back-up Servicer	Details of back-up servicer, whether “hot”, or “cold” back-up servicing arrangement and current credit rating of back-up servicer by rating agency.

5. Updates & Review

Updates and review of Market Practice Guidelines will be continuously performed to allow for changes in a developing South African market.

6. Compliance

The Market Practice Guidelines are a set of recommendations for “best practice” and the adherence to the Guidelines are voluntary.

⁵ Details on servicer and performance of servicer