



EUROPEAN
DATAWAREHOUSE

EXPLORING GLOBAL ABCP MARKETS

22 MAY 2023



TODAY'S SPEAKERS



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AGENDA

WELCOME AND INTRODUCTION

- Dr. Christian Thun, European Datawarehouse

OVERVIEW OF EUROPEAN MARKET AND REGULATORY LANDSCAPE

- Dr. Christian Thun, European Datawarehouse

HIGHLIGHTS OF THE EUROPEAN BENCHMARKING STUDY

- Jan-Peter Hülbert, True Sale International (TSI)

NORTH AMERICAN MARKET DYNAMICS

- Jim Metaxas, TAO Solutions

NEW CHALLENGES & CONSIDERATIONS FOR ISSUERS- LEVERAGING DATA & TECH SOLUTIONS TO SUPPORT MARKET GROWTH

- Panel: Alexandre Linden (BNP Paribas), Jan-Peter Hülbert (TSI), Jim Metaxas (TAO), Dr. Christian Thun (EDW)

CLOSING REMARKS

WELCOME AND INTRODUCTION

DR. CHRISTIAN THUN, EDW

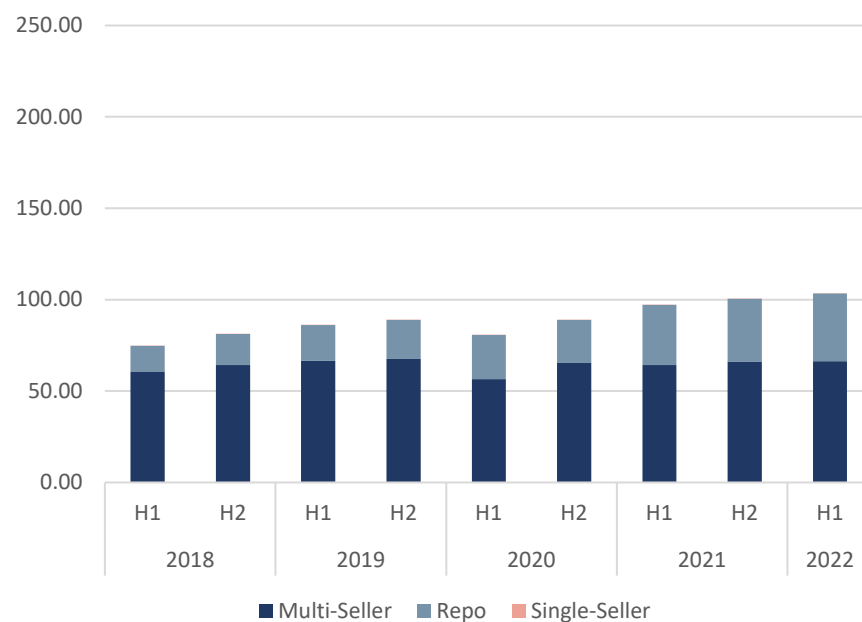
OVERVIEW OF EUROPEAN MARKET AND REGULATORY LANDSCAPE

DR. CHRISTIAN THUN, EDW

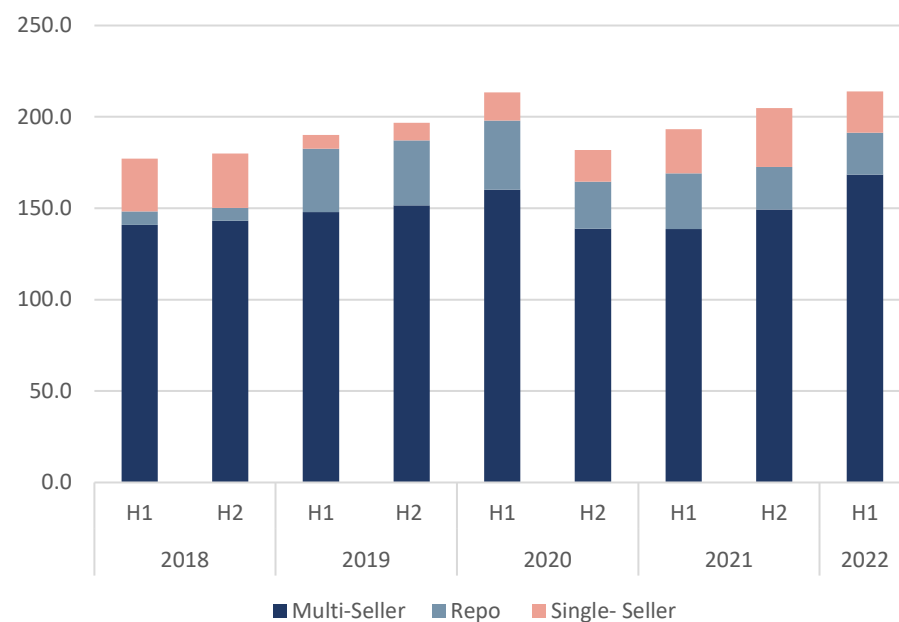
ABCP MARKET EU VS. US

Based on the outstandings, the US ABCP market is approx. twice as big as the EU ABCP market

European ABCP Outstandings by Programme Type



US ABCP Outstandings by Programme Type



SECURITISATION REGULATION EU (2017/2402)

Securitisation Regulation (EU) 2017/2402 was published on 28 December 2017 in the European Union Official Journal. It entered into force in January 2018 and is applicable as of 1 January 2019.

Subject Matter

The regulation consists of **two parts**:

- A **general framework for securitisation** with a common set of rules that apply to all securitisations. It establishes due-diligence, risk-retention, transparency requirements for parties involved in securitisations, criteria for credit granting, requirements for selling securitisations to retail clients, a ban on re-securitisation, requirements for SSPEs as well as conditions and procedures for securitisation repositories.
- A **specific framework for simple, transparent and standardised ('STS') securitisation**. It defines the criteria that qualify for STS securitisation regulatory treatment.

Scope

This regulation applies to institutional investors and to originators, sponsors, original lenders, and securitisation special purpose entities (SSPEs).

Source: EU website at <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2402&from=EN>

DISCLOSURE REQUIREMENTS – DOCUMENTS TO REPORT

Everything you need to know about the Reporting Requirements of the EU Securitisation Regulation

Disclosure Requirements - Documents to Report



Before Pricing

Documentation



Item Code	Document
[3]	Final offering document; prospectus; closing transaction documents, excluding legal opinions
[4]	Asset sale agreement; assignment; novation or transfer agreement; any relevant declaration of trust
[5]	Derivatives and guarantees agreements; any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the originator
[6]	Servicing; back-up servicing; administration and cash management agreements
[7]	Trust deed; security deed; agency agreement; account bank agreement; guaranteed investment contract; incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value
[8]	Inter-creditor agreements; derivatives documentation; subordinated loan agreements; start-up loan agreements and liquidity facility agreements
[9]	Any other underlying documentation that is essential for the understanding of the transaction
[10]	STS Notification



Quarterly (Non-ABCP); Monthly (ABCP)

XML Data Templates



[1]	Underlying exposures or underlying receivables or credit claims XML	
[2] [11] or [12]	Investor report Inside Information or Significant Event	Common XML file to report [2] and [11]/[12] in a single XML file XML

DISCLOSURE REQUIREMENTS

Differences between public and private securitisations in EDITOR – EDW's Securitisation Repository solution

ESMA Reporting Templates	Public	Private
Underlying exposures	✓	✓
Investor Report	✓	✓
Inside information/ Significant Event	✓	–

Disclosure requirements based on the RTS/ITS on operational standards for SR	Public Securitisation Repositories (SR)	Private (exempted from reporting to SR)
XML format	✓	✓
XML Schema checks	✓	–
ESMA Scoring	✓	–
Content checks (validation rules)	✓	–
ND Thresholds	✓	–

- On 10 October 2022, the European Commission published its long-awaited report on the functioning of the Securitisation Regulation. The report covers the mandate to the Commission under Article 46 of the regulation to deliver a general report.
- The report concludes that it would be premature to suggest a re-opening of the STS legislative framework in light of its short application and the number of exogenous factors, e.g., Covid-19 and the favourable liquidity environment, that make it challenging to assess its impact on the market. Instead, the EC proposes a number of level 2 adjustments that could address some shortcomings in the framework, such as the transparency regime, while offering legal interpretation on provisions on the jurisdictional scope of the regime.

Important for disclosure framework:

- The Commission has asked ESMA to review the templates in the disclosure RTS with a view to addressing possible technical difficulties, removing unnecessary fields, and aligning them more closely with investors' needs. It has also asked ESMA to look at whether information on a loan-by-loan basis is useful and proportionate to investors' needs for all types of securitisations.
- The Commission has asked ESMA to draft a dedicated disclosure template for private securitisations that is tailored to supervisors' need for an overview of the market and of the main features of those transactions.
- While new templates could replace the existing templates for all private securitisations, the EC falls short from recommending reporting via a securitisation repository, suggesting this could be a longer-term policy action should the EC decide to reopen the STS Regulation in the future.

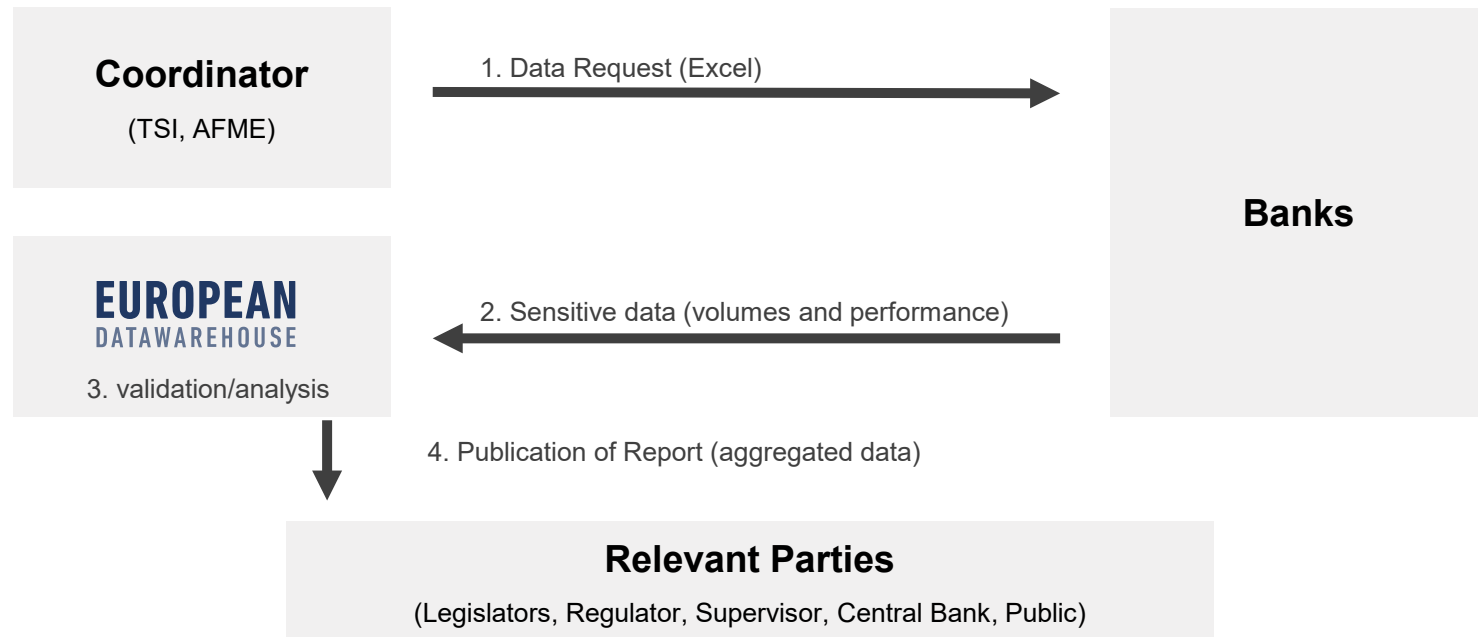
HIGHLIGHTS OF THE EUROPEAN BENCHMARKING STUDY

JAN-PETER HÜLBERT, TSI

Overview European Securitisation Markets

Market segment	Public ABS	Capital relief	ABCP / Private
Description	Public market; Broad investor base (incl. ECB)	Private market Non-bank investors	Private market Financing through banks
Structure	True Sale	Synthetic / True Sale	True Sale
Volume	€ 220-250 bn New issue p.a.	€ 100-120 bn New issue p.a.	€ 180-200 bn Financing volume
Asset Classes	45% Real estate loans 30% Corporate loans 25% Sales/leasing	55% Corporate loans 20% SME loans 5% Trade receivables 20% Other	45% Sales/leasing 45% Trade receivables 10% Other
Rating // Listing	Yes: public // Yes	No // No	Yes: IAA, SEC-SA, public // No
Goals	Funding, Partial capital relief	Capital relief	Funding, Partial balance sheet relief
Transparency: Market // Investor	high // high	medium // high	medium // high
STS possible?	<u>YES</u>	<u>YES</u>	<u>YES</u>
Data sources	Bloomberg, ConceptABS, rating agencies, other	EBA / IACPM (EBA report May 2020)	<u>EBE European Benchmark Exercise</u> by AFME/EDW/TSI (Link)

European Benchmark Exercise (EBE) – Increasing market transparency for ABCP and private ABS



- Market led initiative covering client securitisation transactions (ABCP and private ABS)
- Bi-annual reporting of 39 data fields for every single securitisation transaction (basis: ABCP template)
- Results cited in reports from EU Commission and ESAs

EBE - Data Delivery from Participating Banks

(3rd EBE report, published in April 2023)

(Participating banks: BayernLB, BNP Paribas, Commerzbank, Credit Agricole, DZ Bank, Helaba, HSBC, ING, LBBW, Natixis, RBI und UniCredit)

		2022-06	2021-12	2021-06	Δ-1Y
Number of Participants	#	12	12	12	0,0%
Number of Commitments	#	525	527	504	4,2%
Committed Amount	Million EUR	67.241	65.064	62.814	7,0%
Funded Amount	Million EUR	56.400	53.009	50.205	12,3%
Utilisation		84%	81%	80%	4,8%
Estimated Asset Amount	Million EUR	183.326	173.016	177.329	3,4%

Funding Type	Committed Amount 2022-06	Committed Amount 2021-12	Committed Amount 2021-06	Δ-1Y
ABCP	59.412	57.491	55.524	7,0%
BS	7.829	7.573	7.291	7,4%
Total	67.241	65.064	62.814	7,0%

Asset Type	Committed Amount 2022-06	Committed Amount 2021-12	Committed Amount 2021-06	Δ-1Y
Trade Receivables	40.682	38.966	35.689	14%
Auto Loan or Leasing	10.162	11.187	13.985	-27%
Consumer Loans	4.704	3.760	3.197	47%
Equipment Leasing	4.327	4.183	3.417	27%
Other Types	7.366	6.968	6.527	13%
Total	67.241	65.064	62.815	7%

Source: AFME/EDW/TSI
(as of 30 June 2022)

EBE - Estimated Market Volume & Regions

(3rd EBE report, published in April 2023)

Asset Type	Asset Amount 2022-06	Asset Amount 2021-12	Asset Amount 2021-06	Δ-6M
Trade Receivables	92.053	88.097	n.a.	4%
Auto Loan or Leasing	44.477	46.711	n.a.	-5%
Consumer Loans	9.233	8.321	n.a.	11%
Equipment Leasing	6.743	6.359	n.a.	6%
Diverse	30.820	12.152	n.a.	153%
Total	183.326	173.016	188.600	6,0%

Seller Region	Asset Amount 2022-06	Asset Amount 2021-12	Asset Amount 2021-06	Δ-6M
Germany	45.132	41.355	n.a.	9%
France	21.709	21.926	n.a.	-1%
Italy	16.879	15.019	n.a.	12%
Great Britain	28.230	31.165	n.a.	-9%
else-EU27	16.382	14.855	n.a.	10%
else-non EU27	36.352	33.327	n.a.	9%
ND	18.642	15.369	n.a.	21%
Total	183.326	173.016	188.600	6,0%

Source: AFME/EDW/TSI
(as of 30 June 2022)

EBE – Transaction & Seller Ratings

(3rd EBE report, published in April 2023)

Transaction Rating Share	Committed Amount 2022-06	Committed Amount 2021-12	Committed Amount 2021-06	Δ-1Y
AAA	22,6%	22,4%	20,2%	12%
AA	39,8%	38,8%	34,3%	16%
A	21,9%	23,9%	21,0%	4%
BBB	11,1%	10,0%	9,6%	15%
BB and lower	0,5%	0,4%	0,5%	5%
NR	3,9%	4,1%	13,1%	-70%
ND	0,1%	0,5%	1,3%	-88%
Total	100,0%	100,0%	100,0%	0%

Seller Rating Share	Committed Amount 2022-06	Committed Amount 2021-12	Committed Amount 2021-06	Δ-1Y
AAA	1,3%	1,3%	2,7%	-51%
AA	0,0%	0,0%	1,3%	-98%
A	7,4%	6,5%	16,3%	-55%
BBB	41,2%	40,6%	43,0%	-4%
BB and lower	20,7%	20,4%	22,8%	-9%
NR	11,0%	10,6%	8,3%	33%
ND	18,3%	20,5%	5,6%	228%
Total	100,0%	100,0%	100,0%	0,0%

Source: AFME/EDW/TSI
(as of 30 June 2022)

NORTH AMERICAN MARKET DYNAMICS

JIM METAXAS, TAO SOLUTIONS



JOINT EDW / TAO Solutions Webinar - Presentation

22 May 2023

Agenda

- + TAO Solutions at a Glance
- + ABCP Basics
- + ABCP Issuance
- + ABCP Pricing
- + Representative List of ABCP Conduit Sponsors
- + What Makes ABCP Conduits Unique
- + Evolution of ABCP Conduit Administration
- + Technology Creates a Level Playing Field
- + Summary

TAO Solutions at a Glance

Automated, cutting-edge technology to support ABCP Conduit Administration, Structured Finance and Covered Bonds activities

Established in 2009
and a global leader
in structured
finance software

Solution provider to
10% of the top
global banks and
industry participants



More than \$1 Trillion in
assets administered on
TAO's software
platforms globally

Proven technology
and subject matter
expertise for the
various use cases

International presence
with offices in Toronto,
San Diego, Sydney (UK /
Europe to open shortly)

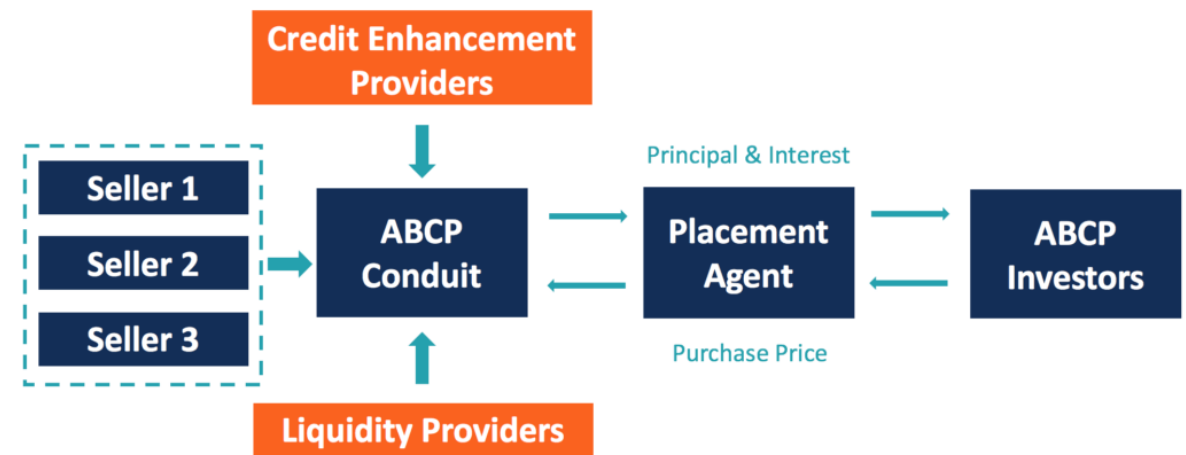
85+ professionals
dedicated to
servicing the global
market

SOC 2 Type 2
and ISO 27001
Accredited

Gold
Microsoft Partner


ABCP Basics

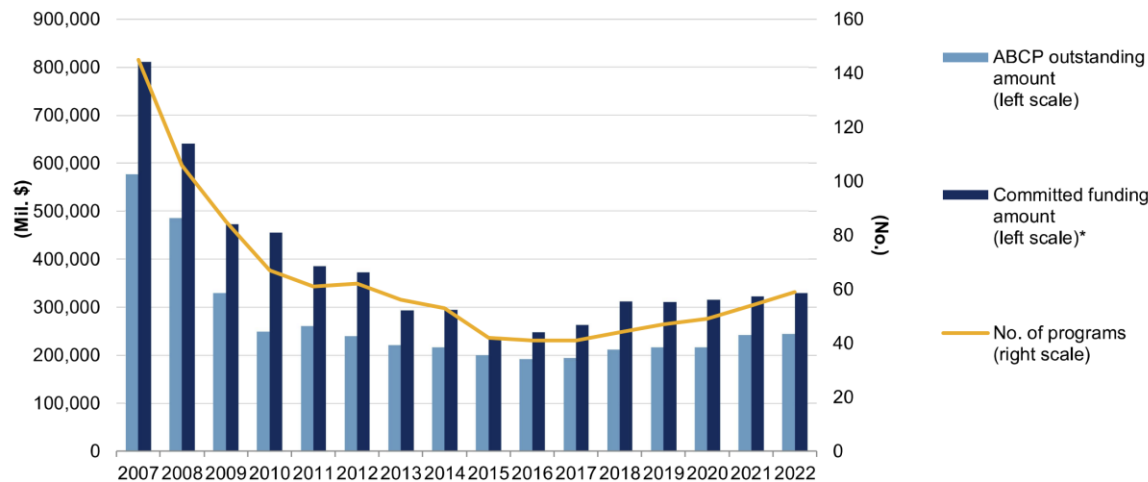
- + An Asset-Backed Commercial Paper (“ABCP”) conduit is a special-purpose vehicle (SPV) structured to be bankruptcy remote and legally separate from its sponsor.
- + ABCP conduits are often established and administered by major commercial banks and finance companies.
- + ABCP is commercial paper (“CP”) collateralized by financial assets and issued by the conduit, whereby the CP is a short-term monetary-market debt instrument with a maturity of no more than 270 days and has evolved to allow for callable/puttable varieties.
- + CP notes are placed via a dealer syndicate and are issued against transactions that have been accumulated over time. During normal-course revolving operations, an ABCP conduit typically acquires and retires transactions at the same time as it issues and retires CP. Conduits generally use the proceeds thereof to pay maturing CP in a process called rolling the CP.
- + An ABCP program usually contains a credit enhancement provider and a liquidity provider to mitigate credit and liquidity risks.
- + The issuance of ABCP can be either a single-seller program or a multi-seller program. A single-seller program includes only one asset seller. A multi-seller program comprises a pool of sellers, which lowers risk through diversification.



ABCP Issuance

- + ABCP programs started during the mid-1980's.
- + At its peak (June 2007), the industry reached \$1.5 trillion in outstandings. Of this total, the US comprised of \$1.2 trillion and Europe reached \$280 billion.
- + Since then, ABCP outstandings declined dramatically until it plateaued in 2015/16. This funding was largely replaced with balance sheet warehousing.
- + However, recently Global ABCP activities have steadily grown to reach a 10-year high at the end of 2022 (average \$400 billion in Q4 2022).

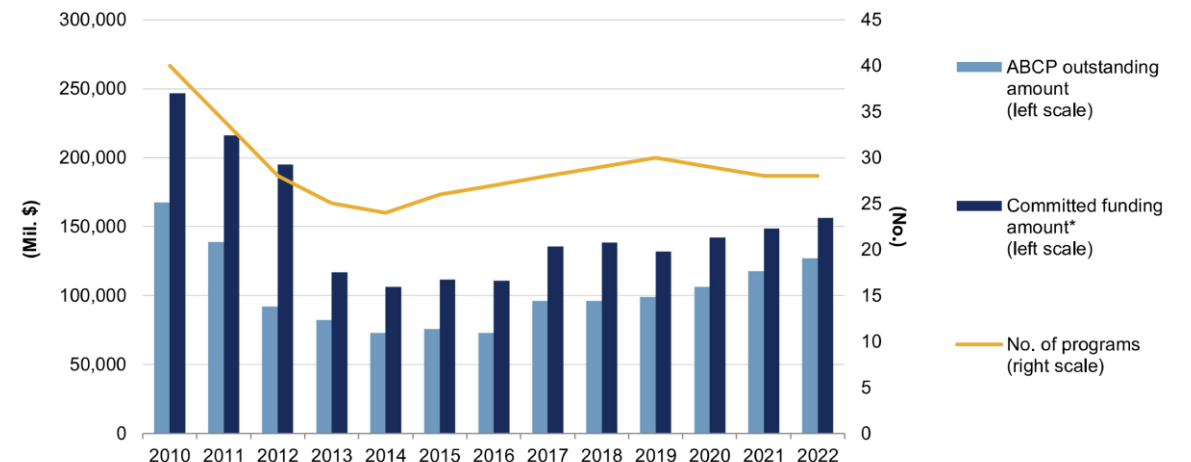
U.S.: Historical ABCP market trends



Note: The data presents values as of December for each year. *Represents total funding commitments. ABCP--Asset-backed commercial paper.

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EMEA: Historical ABCP market trends

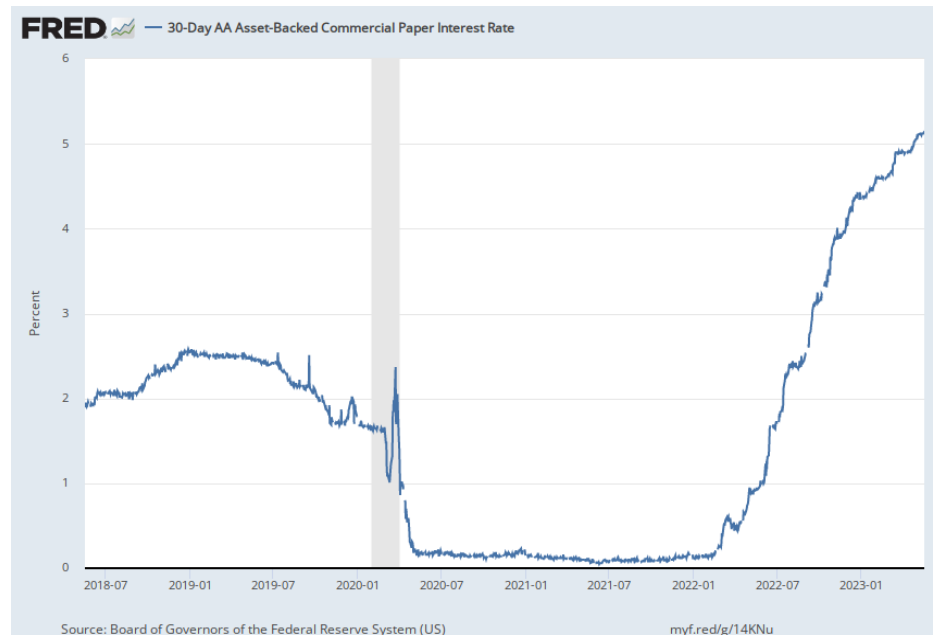


Note: The data presents values as of December for each year. Our internal rates were applied for currency conversion, unless performance reports stipulate specific rates. *Represents total funding commitments. ABCP--Asset backed commercial paper.

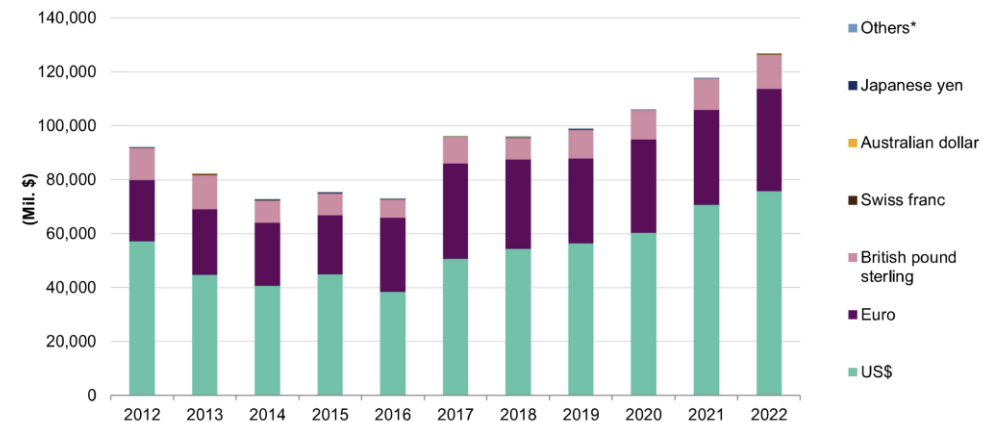
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ABCP Pricing

- + U.S. dollars remains the dominant currency for both U.S. and EMEA markets.
- + ABCP pricing continues to track the US cash rate whereby 30/90-day paper as at 17 May 2023 is 5.12% and 5.11% respectively.
- + Increased pricing has not impacted volumes. Sponsors have found increased demand from sellers to support current funding requirements.
- + Other European ABCP major currencies include Euro and GBP (chart left).



EMEA: Historical ABCP outstanding by currency



Note: The data presents values as of December for each year converted to US dollars. *Other currencies include Swedish krona, Canadian dollars, Norwegian kroner, Singapore dollars, Polish zloty, and Hong Kong dollars.

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Representative List of ABCP Conduit Sponsors

+ North America (USD / CAD)

- JP Morgan Chase
- Royal Bank of Canada
- Citibank
- Toronto-Dominion Bank
- Nearwater Liquid Markets
- Bank of Nova Scotia
- Bank of Montreal
- Metlife
- CIBC
- Guggenheim Treasury Services

+ Europe (EUR / USD / GBP, etc.)

- Crédit Agricole
- Northcross Capital
- BNP Paribas
- Société Générale
- BSN Holdings
- Barclays Bank, PLC
- Natixis
- Intesa Sanpaolo Spa
- Lloyds Bank, PLC
- DZ Bank AG
- Landesbank Baden-Württemberg (LBBW)

In respect of the S&P-rated Sponsors as at end of December 2022:

- + The U.S. Top 10 Sponsors, Administrators and Managers accounted for 82% of the total ABCP outstandings; and
- + In EMEA, the Top 10 Sponsors accounted for 93% of the total ABCP outstandings.

What Makes ABCP Conduits Unique?

- + Effectively a “bank within a bank” – encompasses origination, credit, legal, treasury, capital markets, etc. functions.
- + Highly specialized form of secured lending that directly uses capital market funding instruments to determine cost-of-funds (COF).
- + Must track daily trades of Commercial Paper and allocate them on a pooled and/or matched basis to client (seller) programs.
- + Often involves co-lending/purchase arrangements with multiple participating institutions.
- + Increasing regulatory and reporting burden across multiple jurisdictions requiring seller and collateral data.
- + Complex operational requirements for calculating conduit revenues and funding expenses:
 - Pool weighted-average or seller utilization pro-rata methods that requires daily accruals
 - Diverse range of seller program-specific fee structures
 - May require fee and interest estimations periods with automated true-ups of actuals in following periods
 - Must be able to accrue all forms of revenue in advance of invoicing
 - Track limits and monitor transactional activities and portfolio triggers
- + Collateral/asset portfolio data challenges:
 - Seller assets within a conduit are diverse and feature overlapping and disparate data points
 - Portfolio data is often provided in unstructured and varied formats in Excel or PDF files
 - Lack of vendor technology solutions to address the challenge has resulted in highly manual, “kludge” solutions at most sponsors
 - Reliance on accurate, repetitive processes to capture and manage the data has become increasingly important with recent changes to jurisdictional regulatory reporting requirements

Evolution of ABCP Conduit Administration

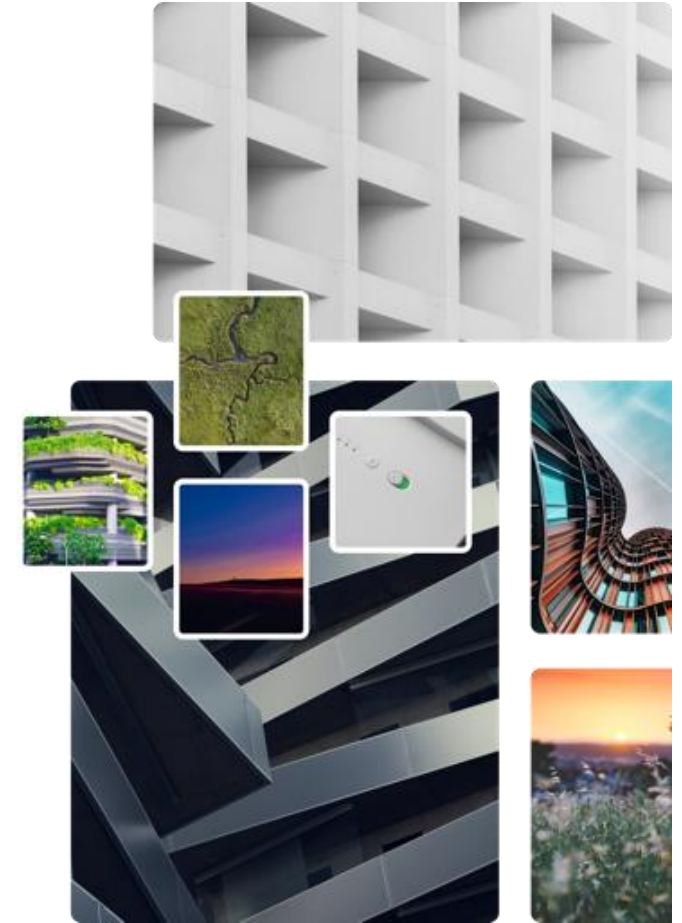
+ Advancements in technology has enabled:

- Comprehensive funding and liability management including automated calculation of daily CP roll and cash movements within the conduit
- Automated daily ingestion and allocation of all multi-currency, multi-trust CP trade tickets, including support for callable/puttable notes
- Robust configuration options for each seller funding program including matched-funding, pooled funding, LOCs, commitment fees (used/ unused), etc.
- Transaction recording for each seller program to detail advances and pay-downs
- Automatic generation of periodic seller invoicing
- Calculations for all configured fees with automatic adjustments that consider stepped fee arrangements and advance/pay-down transactions
- Capability to perform complex invoicing including billing period estimates with automatic true-ups to align to client expectations
- End-to-end, automated SPV multi-basis accrual accounting
- Interactive workflows for conduit administrators to perform required actions on seller programs throughout the monthly process



Technology Creates a Level Playing Field

- + ABCP Conduits are generally associated with high operational costs and extensive manual processing relying on the use of Excel spreadsheets to support conduit activities.
- + The above hinderances are now being addressed by automation and technological advancements.
- + For the first time, ABCP Conduit administration is provided as an out-of-the-box, Software as a Service (SaaS) solution that works for all market participants.
- + SaaS solutions enable conduit sponsors to realize accretive benefits:
 - Manage conduit operations in-house on a cost-effective basis and enable expansion to additional on-balance sheet structured financing such as warehousing
 - Introduce and reinforce industry best practices involving, operational processes, risk management, funding and liquidity management, and reporting and analytics (internal and external)
 - Industry standardization across audit, compliance and controls and react quickly to changes in regulatory landscape
 - Economies of scale and greater flexibility, thereby enabling sponsors to increase the number of sellers, variety of asset classes, and unique client billing arrangement without increasing headcount



Summary

- + Technology enables greater usage of ABCP Conduits as a cost-effective form of funding
- + Lenders will be able to interchange funding between the capital markets and balance sheet, thereby providing customers with superior COF during the credit cycle
- + Investors, rating agencies and regulators are providing with improved information flows that can be automated via API connectivity

Thank You

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PANEL SESSION:

**NEW CHALLENGES AND CONSIDERATIONS FOR
ISSUERS – LEVERAGING DATA AND TECH
SOLUTIONS TO SUPPORT MARKET GROWTH**

CLOSING REMARKS



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01.

JUN
2023
WEBINAR

2023 Data Quality Initiatives from EDW @ 16:00 CEST

06.

JUN
2023
WEBINAR

Q2 Research Webinar @ 16:00 CEST

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