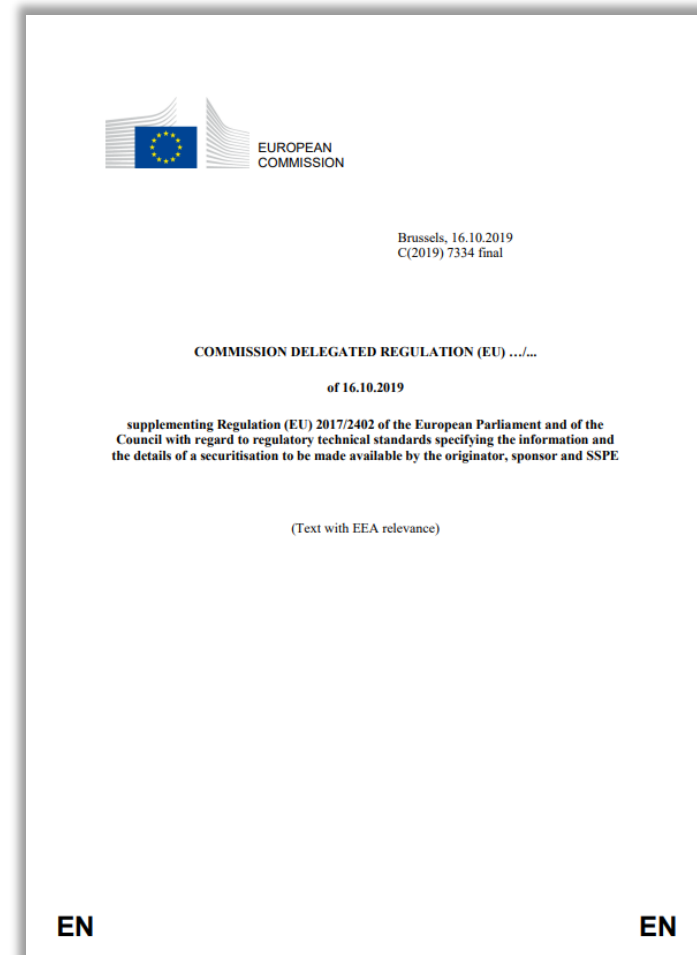# MADRID WORKSHOP

20 NOVEMBER 2019

AGENDA

- **WELCOME AND INTRODUCTION**
  - Ignacio Vicente, ICO
  - Dr. Christian Thun, European DataWarehouse

- **QUALITY DEVELOPMENT, REGULATORY NEWS AND ED SOLUTIONS**
  - European DataWarehouse

- **ENERGY EFFICIENCY SUPPORT FROM THE EIB**
  - Isidoro Tapia, European Investment Bank

- **THIRD PARTY STS VERIFICATION**
  - Michael Osswald, SVI

- **SECURITISATION REGULATION PANEL**
  - Pedro Ravina, Uría Menéndez (Moderator)
  - Isabel Plaza, Standards and Poors
  - Diego Martín, BBVA
  - Sergio Sierra, ICO
  - Miguel Ángel Sánchez, Haya Titulización

- **CLOSING REMARKS**

REGULATORY DEVELOPMENTS

EUROPEAN COMMISSION PUBLISHES RTS ON DISCLOSURE ON 16 OCTOBER

ESMA Templates	ESMA Templates # fields	European Commission Templates # fields	Changes: ND4 & ND5		Changes: Field name		Changes: Descriptions	
Annex 2 (RMBS)	107	107	3	2.8%	0	0.0%	3	2.8%
Annex 3 (Commercial)	241	241	0	0.0%	0	0.0%	6	2.5%
Annex 4 (SME)	121	121	0	0.0%	0	0.0%	1	0.8%
Annex 5 (AUTO)	84	84	1	1.2%	0	0.0%	1	1.2%
Annex 6 (Consumer)	69	69	0	0.0%	1	1.4%	2	2.9%
Annex 7 (Credit Card)	47	47	0	0.0%	0	0.0%	1	2.1%
Annex 8 (Leasing)	84	84	0	0.0%	0	0.0%	1	1.2%
Annex 9 (Esoteric)	86	86	0	0.0%	0	0.0%	1	1.2%
Annex 10 (NPL)	75	75	0	0.0%	2	2.7%	3	4.0%
Annex 11 (ABCP)	49	49	0	0.0%	0	0.0%	2	4.1%
Annex 12 (IR Non-ABCP)	60	60	0	0.0%	0	0.0%	2	3.3%
Annex 13 (IR ABCP)	24	24	0	0.0%	0	0.0%	5	21.8%
Annex 14 (II or SE Non-ABCP)	204	204	0	0.0%	0	0.0%	3	1.5%
Annex 15 (II or SE ABCP)	99	99	0	0.0%	0	0.0%	3	3.0%
Total	1350	1350	4	0.3%	3	0.2%	34	2.5%

EUROPEAN
COMMISSION

Brussels, 16.10.2019
C(2019) 7334 final

COMMISSION DELEGATED REGULATION (EU) …/…

of 16.10.2019

supplementing Regulation (EU) 2017/2402 of the European Parliament and of the
Council with regard to regulatory technical standards specifying the information and
the details of a securitisation to be made available by the originator, sponsor and SSPE

(Text with EEA relevance)

EN   EN

GAP ANALYSIS
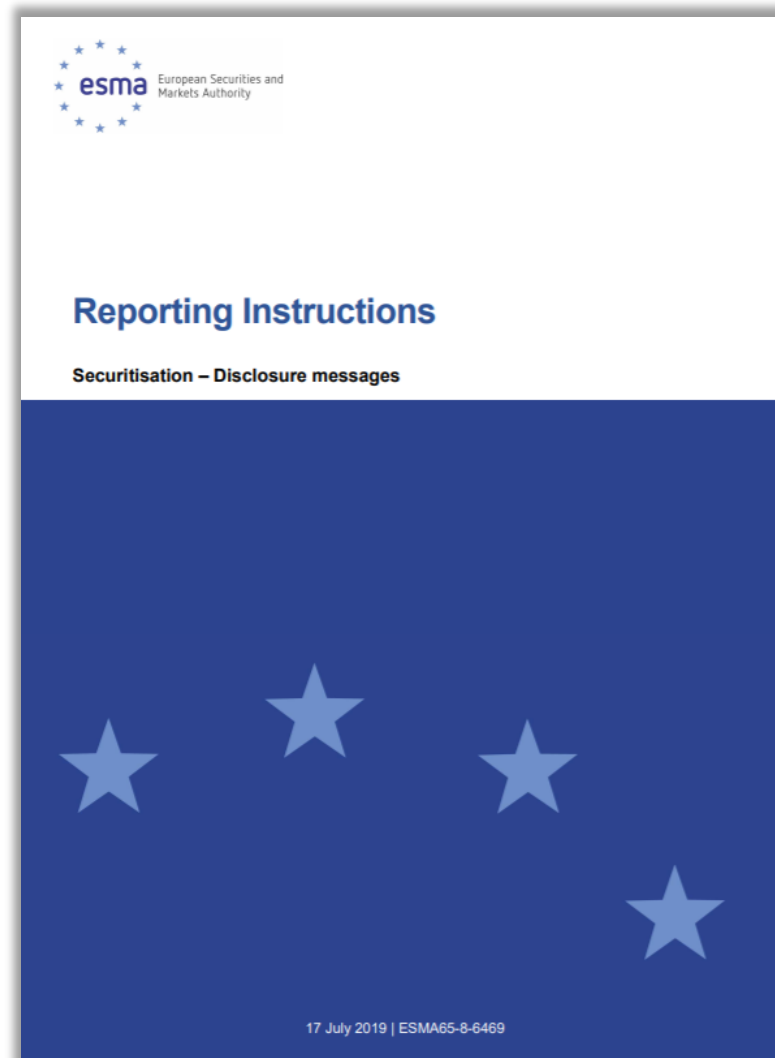
EUROPEAN
DATAWAREHOUSE

GAP ANALYSIS

A comprehensive comparison between the
ECB ABS loan-level data templates and the
draft templates proposed by ESMA on 31
January 2019

VERSION 3.0 | MARCH 2019

ESMA PROVIDES UPDATED XML SCHEMA AND VALIDATION RULES FOR SECURITISATION REPORTING

On 17th July 2019, ESMA published additional resources to assist market participants in the implementation of the disclosure requirements for the Securitisation Regulation

- a set of reporting instructions and XML schema for the templates. As set out in Article 4 of ESMA's draft disclosure implementing technical standard, reporting of data (i.e. information covered under the templates) for all securitisations must be done using XML. These are an important input for the reporting entities as well as for a prospective securitisation repository.

- in addition, to accompany the XML schema, ESMA has also published a set of validation rules, which prohibit the submission of certain combinations of information that are logically incoherent.

esma European Securities and Markets Authority

Reporting Instructions

Securitisation – Disclosure messages

17 July 2019 | ESMA65-8-6469

Source: https://www.esma.europa.eu/press-news/esma-news/esma-provides-updated-qas-xml-schema-and-validation-rules-securitisation
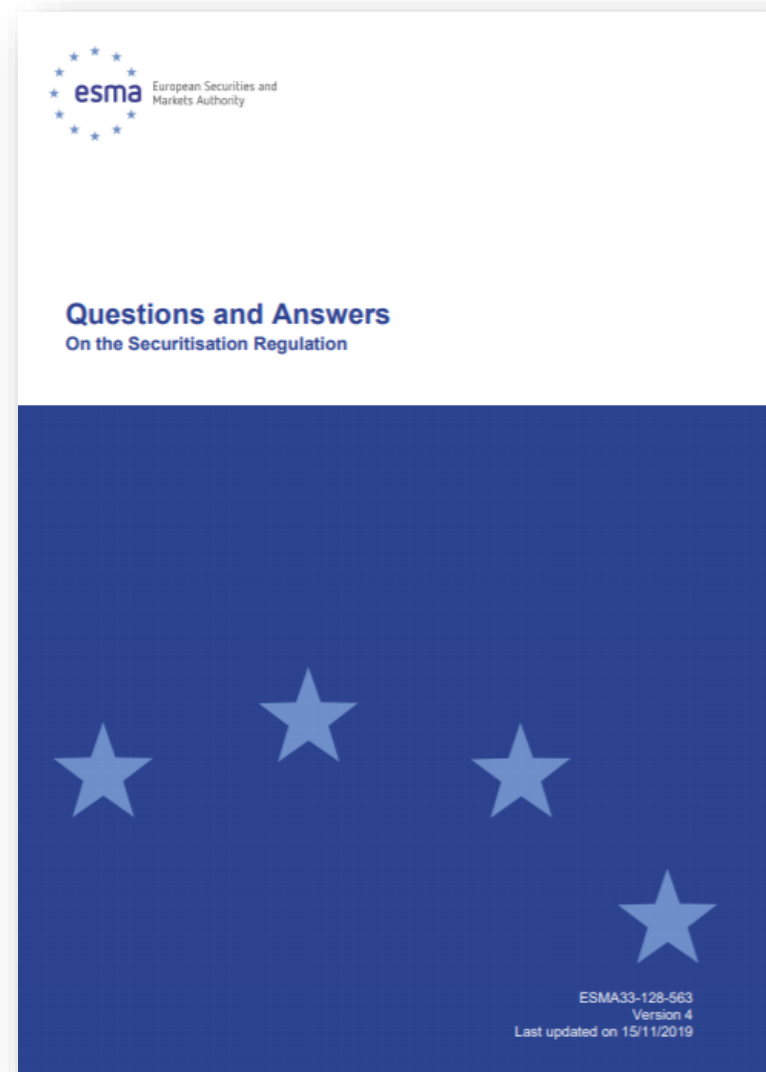
ESMA PUBLISHED THE UPDATED Q&As

ESMA published an updated set of Q&A which is based on the stakeholders feedback and questions on the disclosure technical standards.

The Q&A cover technical issues on how to report certain information and provide further clarification on template fields to market participants on how to comply with the RTS/ITS

ESMA intends to continue to update this document on a regular basis. Examples of new/ updated Q&As:

- Cashflow information section: Further information has been added, including an example of how a waterfall should be reported (Annex 12/13).

- Principal grace period: when and underlying exposure contemplates this option but is not in effect, ND5 should be entered.

- Risk Weight Approach: When different approaches are used for different underlying exposures, the risk weight approach associated with the highest share of the underlying exposures in terms of value should be reported.

- Insights in the reporting of fields such as Interest Rate Floor, Credit impaired Obligor or Charge-off.
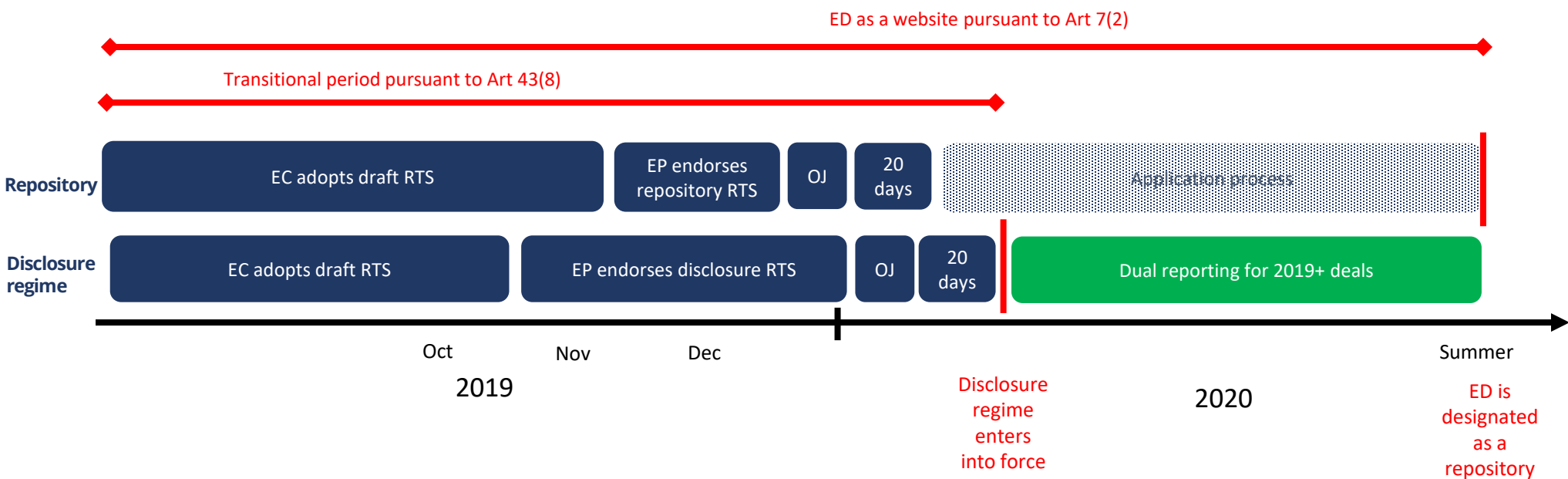

esma European Securities and Markets Authority

Questions and Answers
On the Securitisation Regulation

ESMA33-128-563
Version 4
Last updated on 15/11/2019

Source: https://www.esma.europa.eu/sites/default/files/library/esma33-128-563_questions_and_answers_on_securitisation.pdf

REGULATORY TIMELINE IN 2019 / 2020
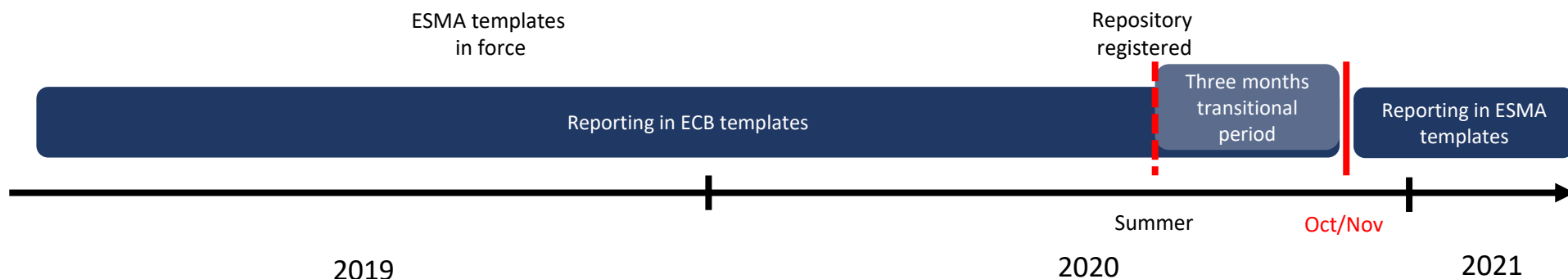## Last updated to reflect regulatory developments as of 15 November 2019

Repository & disclosure regime

ED as a website pursuant to Art 7(2)

Transitional period pursuant to Art 43(8)

Repository	EC adopts draft RTS	EP endorses repository RTS	OJ	20 days	Application process
Disclosure regime	EC adopts draft RTS	EP endorses disclosure RTS	OJ	20 days	Dual reporting for 2019+ deals

Oct   Nov   Dec

2019

Summer

Disclosure regime enters into force
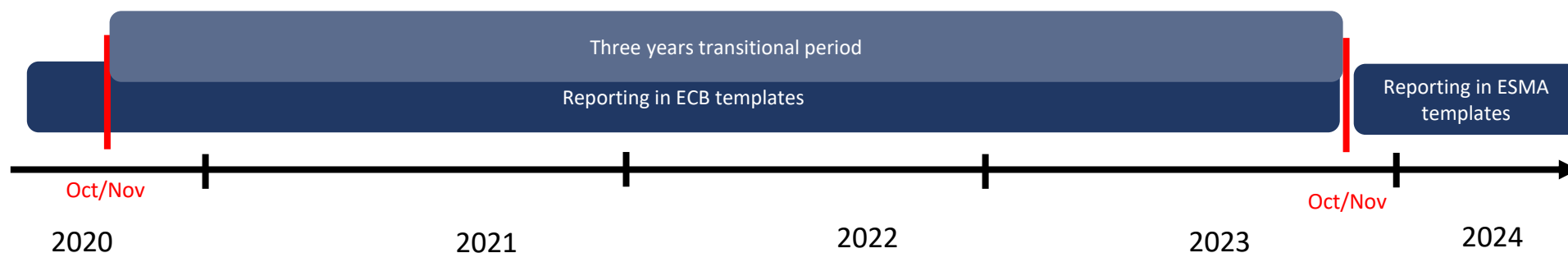
2020

ED is designated as a repository

EC: European Commission
EP: European Parliament
ESMA: European Securities and Markets Authority
OJ: Official Journal of the European Union – potential publication of the Level 2 of the RTS following the translation into the national languages of the European Union
RTS: Regulatory Technical Standards

TIMELINE – EUROSYSTEM TRANSPARENCY REGIME

FOR 2019+ DEALS

ESMA templates
in force

Repository
registered

Reporting in ECB templates

Three months
transitional
period

Reporting in ESMA
templates

Summer   Oct/Nov

2019   2020   2021

FOR < 2019 DEALS

Three years transitional period

Reporting in ECB templates

Reporting in ESMA
templates

Oct/Nov   Oct/Nov

2020   2021   2022   2023   2024

PROXY DATA TO COMPLY WITH ARTICLE 22(1) FOR THE STS TRANSACTIONS

European DataWarehouse can help your organisation comply with relevant performance requirements

- With over 1300 transactions, ED offers solutions for the issuers/originators/SSPEs to comply with the STS Requirements relating to transparency

- ED can perform on-demand SQL queries to extract historical performance data from its database across asset classes for a period of at least five years. The performance data includes historical arrears, defaults for exposures similar to those being securitised.

L 347/62	EN	Official Journal of the European Union	28.12.2017

Article 22

Requirements relating to transparency

1.   The originator and the sponsor shall make available data on static and dynamic historical default and loss performance, such as delinquency and default data, for substantially similar exposures to those being securitised, and the sources of those data and the basis for claiming similarity, to potential investors before pricing. Those data shall cover a period of at least five years.
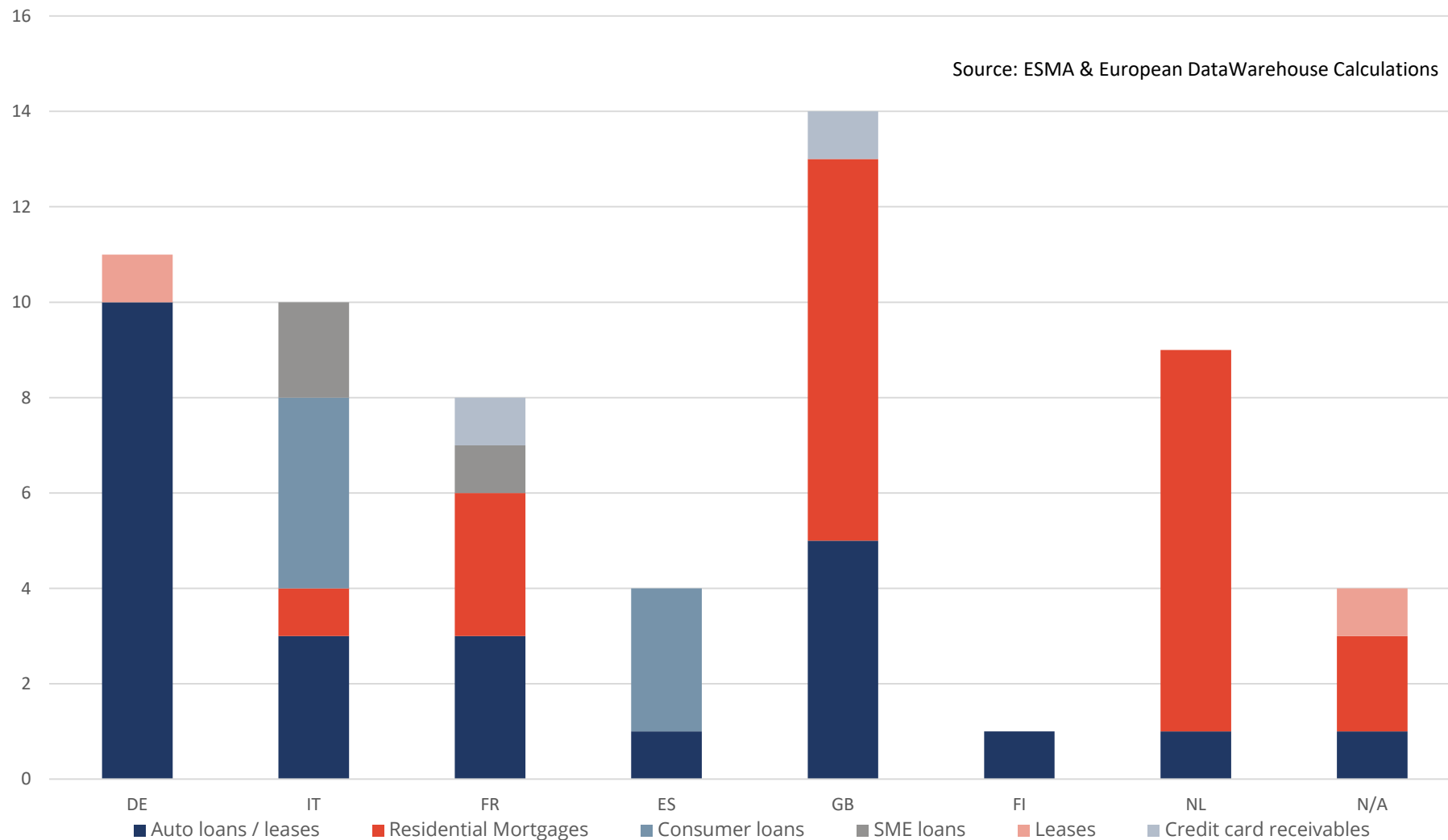
PERFORMANCE TABLES

5 Years of Historical Arrears of a Sample of Substantially Similar Mortgage Receivables (Source: European DataWarehouse)
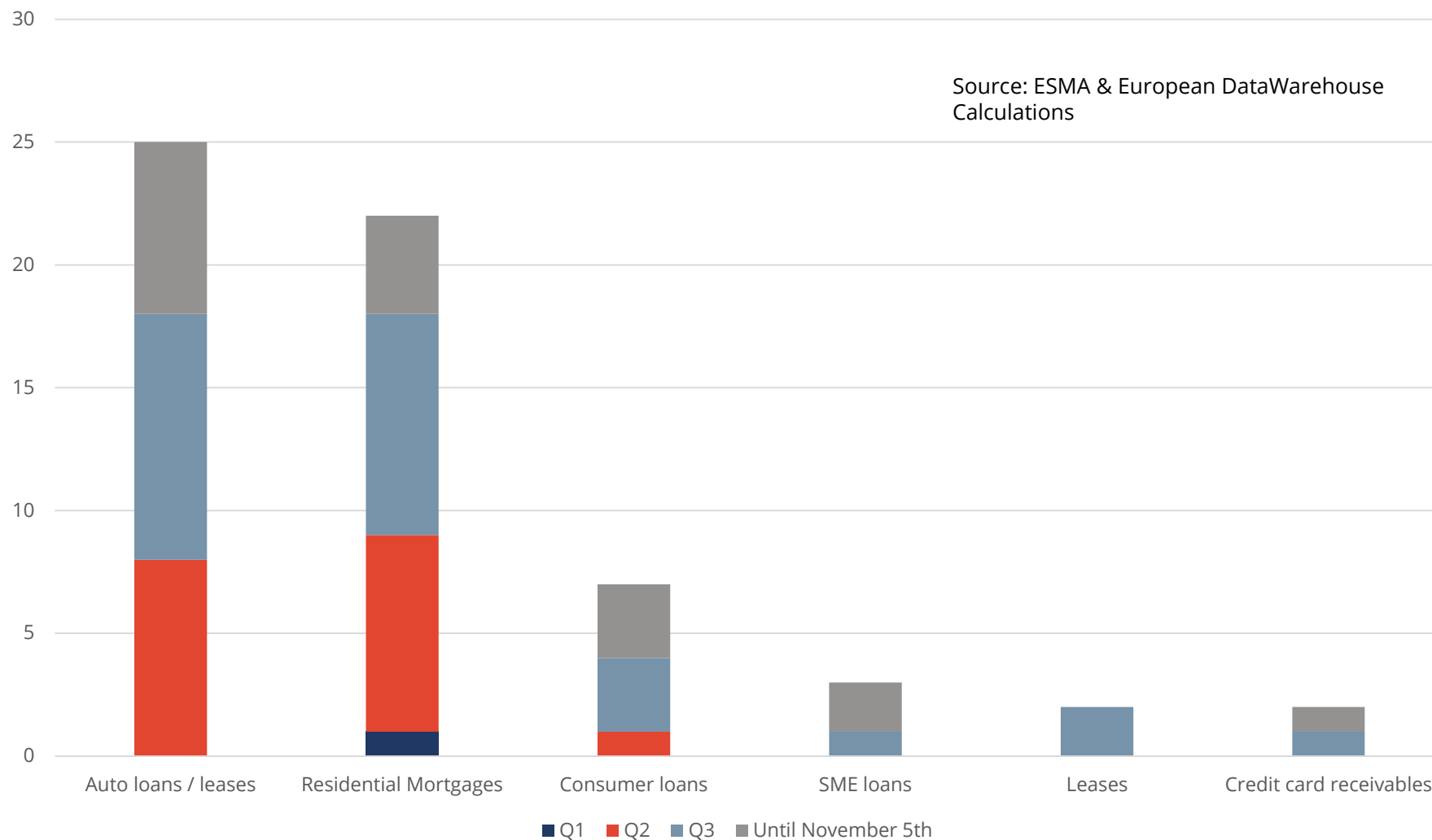
Date	Outstanding Balance	0-30 days	30-60 days	60-90 days	90-120 days	120-150 days	150-180 days	180+ days
31 March 2014	886,240,154	0.59%	0.12%	0.05%	0.02%	0.03%	0.02%	0.23%
30 June 2014	872,109,172	0.74%	0.27%	0.12%	0.14%	0.02%	0.02%	0.18%
30 September 2014	860,784,118	0.25%	0.10%	0.03%	0.00%	0.02%	0.00%	0.00%
31 December 2014	843,694,237	2.92%	0.23%	0.12%	0.06%	0.04%	0.02%	0.13%
31 March 2015	810,849,986	2.09%	0.21%	0.14%	0.01%	0.07%	0.03%	0.13%
30 June 2015	818,402,751	2.90%	0.28%	0.06%	0.03%	0.15%	0.04%	0.11%

STS ISSUANCES

NON-ABCP STS NOTIFICATIONS PER COUNTRY

Source: ESMA & European DataWarehouse Calculations

Legend: Auto loans / leases · Residential Mortgages · Consumer loans · SME loans · Leases · Credit card receivables

NON–ABCP STS NOTIFICATIONS PER ASSET CLASS

Source: ESMA & European DataWarehouse Calculations

Legend: ■ Q1 ■ Q2 ■ Q3 ■ Until November 5th

DATA QUALITY UPDATE & EDITOR NEW RELEASE

EMAIL NOTIFICATION

EUROPEAN DATAWAREHOUSE

IMPORTANT UPDATE

Dear all,

As you may already be aware, European DataWarehouse (ED) has significantly improved the data quality of the files uploaded to our platform in the past several years. This evolution was possible because of valuable input from customers such as yourself, as well as our introduction of 'Data Quality Scores'. This progress has earned our team significant praise from Rating Agencies, National Central Banks, Competent Authorities, investors and other market participants.

After numerous customer conversations and in light of the new regulation with the corresponding ESMA templates, European DataWarehouse has decided to review its data quality process along with its extensive set of data quality checks. As a result, European DataWarehouse has:

- revised existing rules
- removed obsolete rules
- created new rule checks
- introduced a dynamic immateriality threshold
- considered if the related fields are likely to be relevant in the upcoming ESMA templates

Starting 1 August 2019, all deal analysis conducted by our team and consequent Data Quality Scores will be based on this updated and comprehensive rule set. ED has performed an extensive impact analysis with regards to score migration and potential new tickets. While we expect limited impact overall, please email enquiries@eurodw.eu with any questions, or join our webinar on 22 August for further explanation.

REGISTER NOW

WHY DID EUROPEAN DATAWAREHOUSE UPDATE THE RULESET?

1. To factor in industry feedback on different data quality (DQ) issues during the last five years

2. To factor in the impact expected by the introduction of the new ESMA templates

3. To focus on material DQ issues only, excluding those deemed inconsequential

4. To balance the treatment of DQ issues among all asset classes

5. To simplify descriptions of DQ issues for better understanding

WHAT IS THE IMPACT ON ISSUERS? (1/2)

1. You may notice that some existing tickets have been dropped for reasons such as:

    1. Immateriality. This finding is now considered to be immaterial for the LLD

    2. Change in CheckID. This finding is now tracked through a different rule

    3. Rule has been dropped. The rule doesn't exist anymore

2. You may notice that some new tickets have been opened:

    1. Referring to a completely new finding

    2. Referring to an existing finding that has changed its CheckID

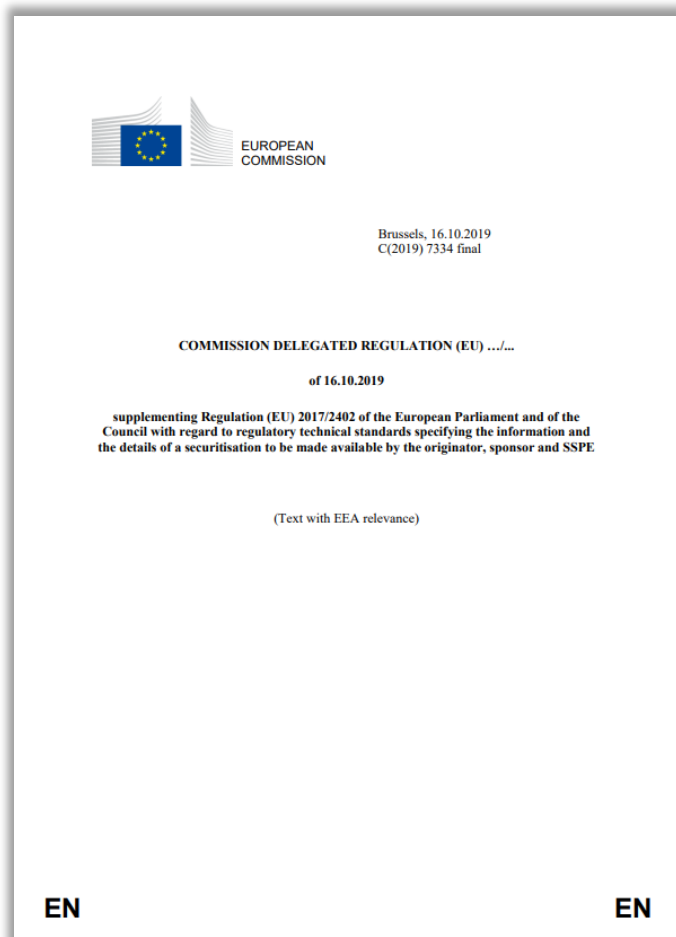# WHAT IS THE IMPACT ON ISSUERS? (2/2)

3. The DQ Score may exhibit slight changes. Limited impact is expected

New DQS1 Score

Old DQS1 Score	A	B	C	D	E	F	Grand Total
A	**164**	23	8	1			196
B	16	**156**	6	1			179
C	8	4	**120**	2			134
D	1	2	4	**52**	8		67
E			1	1	**27**		29
F					4	**1**	5
Total	189	185	139	57	39	1	610

4. No impact on the day-to-day activity of issuers

EUROPEAN DATAWAREHOUSE RELEASES UPDATED VERSION OF EDITOR AS EC PUBLISHES RTS ON DISCLOSURE

16 October 2019

EUROPEAN COMMISSION

Brussels, 16.10.2019
C(2019) 7334 final

COMMISSION DELEGATED REGULATION (EU) …/…

of 16.10.2019

supplementing Regulation (EU) 2017/2402 of the European Parliament and of the
Council with regard to regulatory technical standards specifying the information and
the details of a securitisation to be made available by the originator, sponsor and SSPE

(Text with EEA relevance)

EN   **EN**

EUROPEAN DATAWAREHOUSE

IMPORTANT UPDATE

Dear all,

Yesterday the European Commiss
Requirements, a key building block

Once the European Parliament an
of the European Union (EU). In the
ESMA's new reporting templates,
uploading data in the new XML for

European DataWarehouse has aim
now in our sandbox environment.
week. EDITOR covers all reporting
including the ability to submit repo

For more information, please see
webinar, which will provide more d
release. **The webinar is schedule**

REGISTER NOW

As always, please do not hesitate

Kind Regards,

Diane Wathen
Marketing and Communications M

European DataWarehouse GmbH
Walther-von-Cronberg-Platz 2
60594 Frankfurt am Main
Germany

If you would like to unsubscribe from

EUROPEAN DATAWAREHOUSE

PRESS RELEASE

**European DataWarehouse Releases Updated Version of EDITOR as
European Commission Publishes RTS on Disclosure**

FRANKFURT, GERMANY – 16 October 2019 – The European Commission today
published the Regulatory Technical Standards (RTS) on Disclosure Requirements,
a key building block of the EU Securitisation Regulation (EU) 2017/2402.

Once the European Parliament and the Council endorse the RTS, it will be
published in the Official Journal of the European Union (EU). In the absence of
objections, the new disclosure requirements, including ESMA's new reporting
templates, will come into force in Q1 2020.

European DataWarehouse (ED) has been preparing for the implementation of
the new disclosure regime since the Securitisation Regulation entered into force
on 17 January 2018, and already offers a number of related services for
originators, sponsors and SSPEs. Notably, ED launched a new version of its web-
based reporting solution, EDITOR, earlier this week. EDITOR covers all reporting
requirements for both public and private ABS and ABCP transactions, including
the ability to submit reporting templates in ESMA's prescribed XML format.

Dr. Christian Thun, CEO of European DataWarehouse noted, "A smooth
transition to the new disclosure regime is essential for market participants, and
we intend to continue supporting our clients and partners as they prepare. We
have developed a suite of products and services addressing the new reporting
requirements and we have a dedicated team for each European jurisdiction".

ED has already taken a number of steps to support issuers as they prepare for
the Securitisation Regulation. This includes publishing a Gap Analysis between
the current ECB templates and taxonomies (CRA III compliant) and the
respective ESMA templates, as well as providing a regulatory sandbox for free to
those wishing to test ABS or ABCP deal creation, and documentation & loan-level
data submissions.

UNDERLYING EXPOSURES SUBMISSION EXAMPLE IN ESMA

Selected PCD ⓘ : 29-Nov-2018 ⌄   ⬆ Upload New ☁ Publish 🗑 Cancel Submission

Summary	Results		⬇ Download Summary	🖨 Print

Overview ⓘ

A1   NA

ESMA Score   DQS1 ⓘ

🟩 PERF - Performing

Quick Statistics ⓘ

Comprehensive Report —

Total Loans	5
Active Loans	5.00 (100.00%)
Inactive Loans	0.00 (0.00%)
Borrower ID (RREL4)	1
Sum of Original Balance (RREL29)	51.05
Sum of Current Balance (RREL30)	51.05
Total Collaterals (RREC3)	1
Total Cash-flow items (IVSF2)	1
Total Test Event Triggers (IVSR2)	1
Total NPE Loans (NPEL2)	5
Total NPE Collaterals (NPEC3)	1

Significant Event —

Total Tranches (SEST1)	1
Total Accounts (SESA2)	1
Total Counterparties (SESP4)	1
Total CLO Managers (SESL2)	0
Total Protection Instruments (SESV2)	0
Total Collateral Instruments (SESI3)	0

Submission Status ⓘ

⊗ **LLD+IR**
- ✓ Uploaded
- ✓ Signature Validation
- ✓ File Validation
- ✓ Data Extraction
- ⊗ PCD
- ⊗ Reporting Entity
- ✓ Quick Statistics Calculation
- ✓ ESMA Score Calculation
- ✓ Rule Validation

⊗ **Significant Event**
- ✓ Signature Validation
- ✓ File Validation
- ✓ Data Extraction
- ⊗ PCD
- ✓ ISIN
- ✓ Quick Statistics Calculation

- EDitor performs validation checks. If any validation fails, it will be listed under the "Submission Status" section with the icon ⊗

- In the above case, "Publish" will be deactivated, which indicates the affected fields must be corrected and resubmitted

- A single submission related to the below contents can be cancelled if user clicks "Cancel Submission"

 ☐ Underlying Exposure and Investor Report
 ☐ Significant Event
 ☐ Inside Information

- Data submission can be overwritten if re-uploaded with the same pool cut-off date.

STS & ECB REPORTING MADE EASY

- Create **one transaction for all reporting requirements** and manage both ECB Eligibility Reporting and Securitisation Regulation Compliance from one place.

- The **new "Create Deal" form** lets you create deals much more easily and keeps you informed on what templates you can upload and who can see your data.

- A **new and secure SFTP channel to upload ESMA data and documentation** to comply with the securitisation regulation.

- A shortcut to save time – Upload Loan Data Files with the new **"Upload and Publish" button**. When all your data is correct, the system will auto-publish your data without the need for you to manually intervene.

- **Upload documents** like investor reports and prospectus directly either **individually or in bulk**. Simply drag and drop individual documents or a zip file with multiple documents with ease.

TAKE CONTROL OF PRIVACY

- **Create private transactions** securely and **share** your transactions or individual documents by **inviting users** to view your data

- Flag data and documents as **provisional** and optionally **govern** your data with specific **Terms and Conditions**

ON-DEMAND DEAL ACCESS
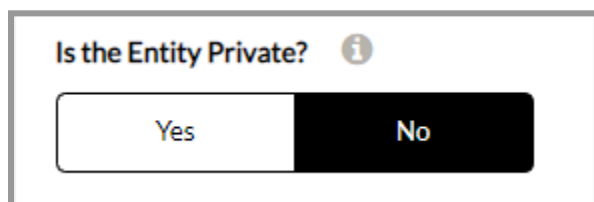
- For Potential Investors / Trustees / Arrangers: **Request access to individual public deals** directly from the issuers and gain access to specific transactions

- For Issuers: **Grant, revoke and manage access** to potential investors, trustees and arrangers for your transactions
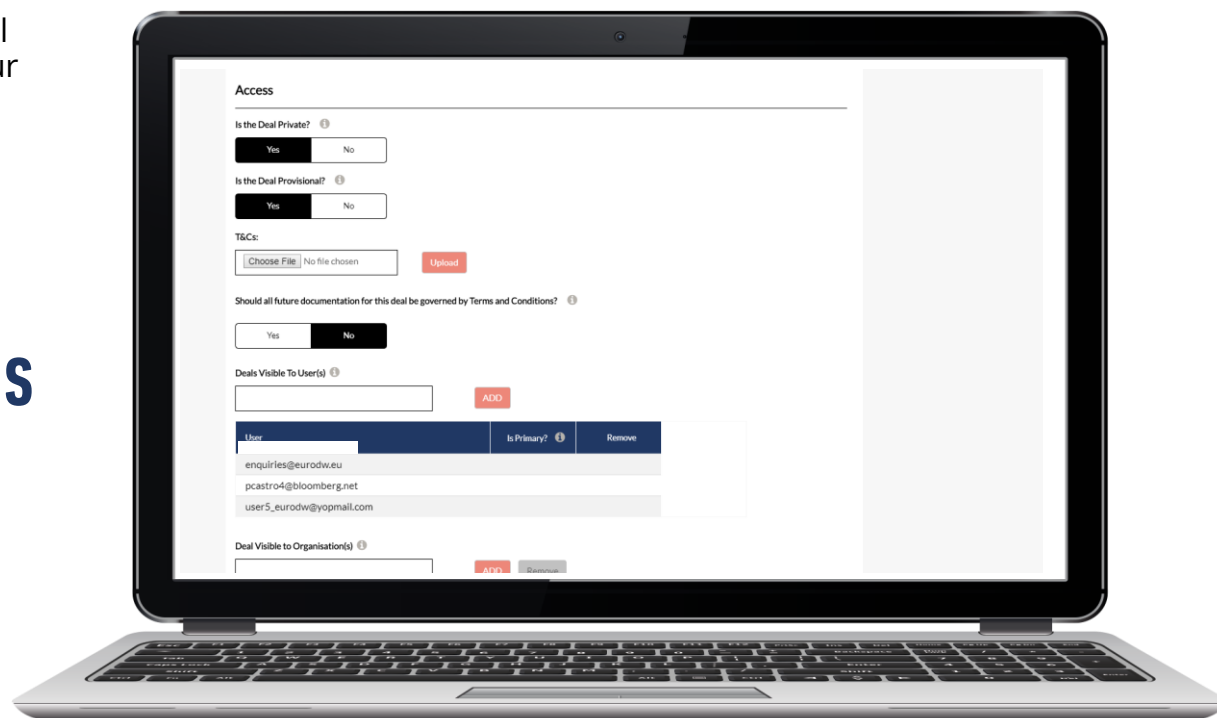
PRIVATE DEAL SOLUTIONS

EDITOR offers a dedicated website which allows private transactions to comply with the disclosure requirements under Article 7(1) of the Securitisation Regulation

- Includes features for the controlled transmission of the information to third parties

- Access to the relevant **data is fully managed by the Data Owner (DO)** (sponsor, originator or special securitisation purpose entity (SSPE)). DOs are responsible for authorising access to Data Users (DU).

- The same features in EDITOR that are used in the public area can also be used in the private area

Is the Entity Private? ⓘ

Yes | No

ACCESSIBILITY: EASY AND USER-FRIENDLY WEB-BASED ACCESS	**FLEXIBILITY: ABILITY TO ADJUST AUTHORISERS AND DEAL STATUS (PRIVATE TO PUBLIC), DEFINE ACCESS AT DOCUMENT LEVEL**
INTEGRITY: LEGAL FRAMEWORK FOR ACCESSING, UPLOADING AND DOWNLOADING INFORMATION	**RELIABILITY: ROBUST SOFTWARE WITH ONGOING SUPPORT**

EDITOR – ROADMAP

Upcoming Release Details

A December release (for ED to become an ESMA designated Securitization Repository) will:

- Introduce Integrated Score Computation & Data Quality checks (checks prescribed by ESMA + ED checks)

- Launch a built-in ED CSV to XML converter

- Provide utility to easily sign and encrypt files as per ESMA requirements

- Allow uploading ESMA data through Secure Machine to Machine File Transfer (SFTP)

- Incorporate new templates in Sandbox Environment
  - ESMA Draft XML template support for LEASING and CORPORATE asset classes

TECHNICAL ASPECTS OF THE NEW TEMPLATES

XML DATA FORMAT

Data for EMSA eligibility will need to be uploaded as an XML File

- The ESMA XML Templates follow the ISO 20022 standard

- 4 Item codes covered by XML templates (1, 2, 11 & 12)
  - Underlying Exposures
  - Investor Report
  - Inside information
  - Significant Event templates

- Submitting data in XML is mandatory as per the regulation

```
1   <?xml version="1.0" encoding="UTF-8"?>
2   <Document xmlns="urn:esma:xsd:DRAFT1auth.099.001.01" xmlns:xsi="http://www.w3.org/2001/XM
3     <ScrtstnNonAsstBckdComrclPprUndrlygXpsrRpt>
4       <NewCrrctn>
5         <RptUnqIdr>UNIQUEREPORTID</RptUnqIdr>
6         <ScrtstnRpt>
7           <ScrtstnIdr>549300OS6U8YWYOKJP92N202001</ScrtstnIdr>
8           <UndrlygXpsrRcrd>
9             <UndrlygXpsrId>
10              <NewUndrlygXpsrIdr>Max1000TestText</NewUndrlygXpsrIdr>
11              <OrgnlUndrlygXpsrIdr>Max1000TestText</OrgnlUndrlygXpsrIdr>
12              <NewOblgrIdr>Max1000TestText</NewOblgrIdr>
13              <OrgnlOblgrIdr>Max1000TestText</OrgnlOblgrIdr>
14              <CutOffDt>2020-12-31</CutOffDt>
15            </UndrlygXpsrId>
16            <UndrlygXpsrData>
17              <ResdtlRealEsttLn>
18                <PrfrmgLn>
19                  <UndrlygXpsrCmonData>
20                    <ActvtyDtDtls>
21                      <PoolAddtnDt>
22                        <Dt>2020-12-31</Dt>
23                      </PoolAddtnDt>
24                      <RpDt>
25                        <NoDataOptn>
26                          <NoData>ND4</NoData>
27                          <Dt>XXXX-XX</Dt>
28                        </NoDataOptn>
29                      </RpDt>
30                    </ActvtyDtDtls>
31                    <OblgrDtls>
```

- ED offers a CSV format and a CSV to XML converter, given that CSVs are easier to generate and they are 10-15x smaller in size compared to XML

- The XML data will be accepted by repositories only after they pass
  - Schema checks [Rejection of the whole file even if there is one schema error]
  - Content checks [Rejection of only those records that fail the content checks]

EDUCATION: UPCOMING SESSIONS

5 Part series before the Christmas holidays

I. **06 November:** Part 1: The ESMA Templates – How to avoid the pitfalls in data preparation *(replay available)*

II. **14 November:** Part 2: Preparing your data in XML *(replay available)*

III. **28 November:** Part 3: The intricacies of deal creation and data uploading

IV. **05 December:** Part 4: Action after the upload

V. **19 December:** Part 5: Issuer Roundtable and extensive Q&A

COMMON MISTAKES & LESSONS LEARNED

- ND Values :
    - Note the fields where NDs are allowed (especially ND1-4 and ND5)
    - Mind the Comma, and remove it! In ECB templates, ND option were formatted as "ND,1"

- Changing Loan IDs
    - There are now 2 id fields – the old and new, in order to keep track of changes to IDs

- Dates are important
    - All date fields now contain full dates YYYY-MM-DD
    - In ECB templates YYYY-MM would suffice

- If a loan has more than 1 collateral, all those collaterals should be reported together with that loan as "One underlying exposure record" . Naturally, collaterals backing more than one loan would appear multiple times under each loan

- List values in ECB (e.g. 1,2,3,4, for account status) are now replaced with codes (for example, PERF) in the ESMA templates

- Yes/No fields need to be represented as 1/0 or true/false.

FREE SANDBOX ENVIROMENT
Users can test their new CRA III or ESMA templates and processes in a dedicated testing facility

Key Features:

- Upload unlimited test files and create test deals

- Frequently updated to reflect regulatory developments

Testing Includes:

- Free Access to Editor for a limited period

- Data quality support, including access to Data quality rules and processes

- The testing began with Auto and RMBS, with further asset classes due when final XMLs are published by ESMA

Please send an email to enquiries@eurodw.eu for any requests
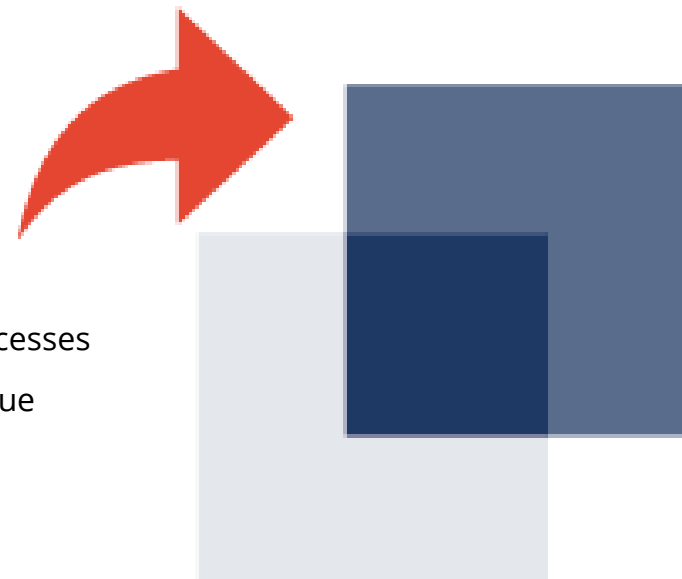
SANDBOX SYSTEM – NEW TEMPLATE SUPPORT

- **ESMA XML Template Support for**
    - RMB Underlying Exposure XML Template
    - AUT Underlying Exposure XML Template
    - Non-ABCP Investor Report XML Template
    - Non-ABCP Significant Event XML Template

    Reference Template Structure - https://www.esma.europa.eu/sites/default/files/library/esma65-8-6469_securitisation_disclosure_templates_xml_schema.zip

- **CSV to XML Converter – Temporary Workflow**

    If you already have data in ED's prescribed CSV Format to test the ESMA templates, please upload your CSV files like you do today in the Sandbox environment.

    If you need your CSV files converted to XML for schema validation, please send your ED CODE (after you upload the CSV file to EDITOR SANDBOX) to csvtoxmlconverter@eurodw.eu . We will convert your CSV file to XML and send you a download link for the converted XML file

    We also plan to release a beta version of a stand-alone converter at the end of 2019

EIB SUPPORT TO ENERGY EFFICIENCY
ISIDORO TAPIA, EUROPEAN INVESTMENT BANK

A few words about global warming
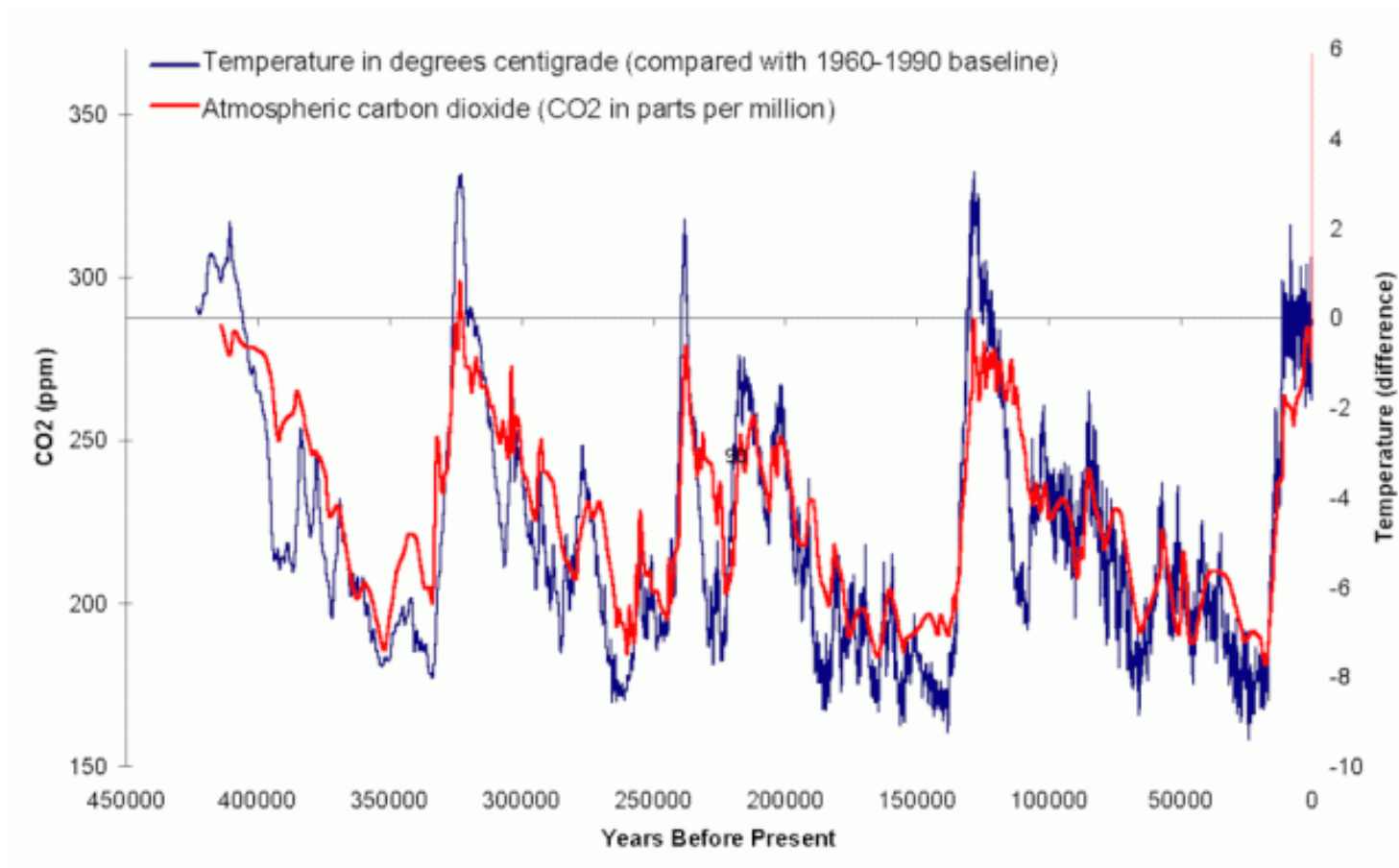
Heading into a new planet

Effect of current pledges and policies

Global greenhouse gas emissions
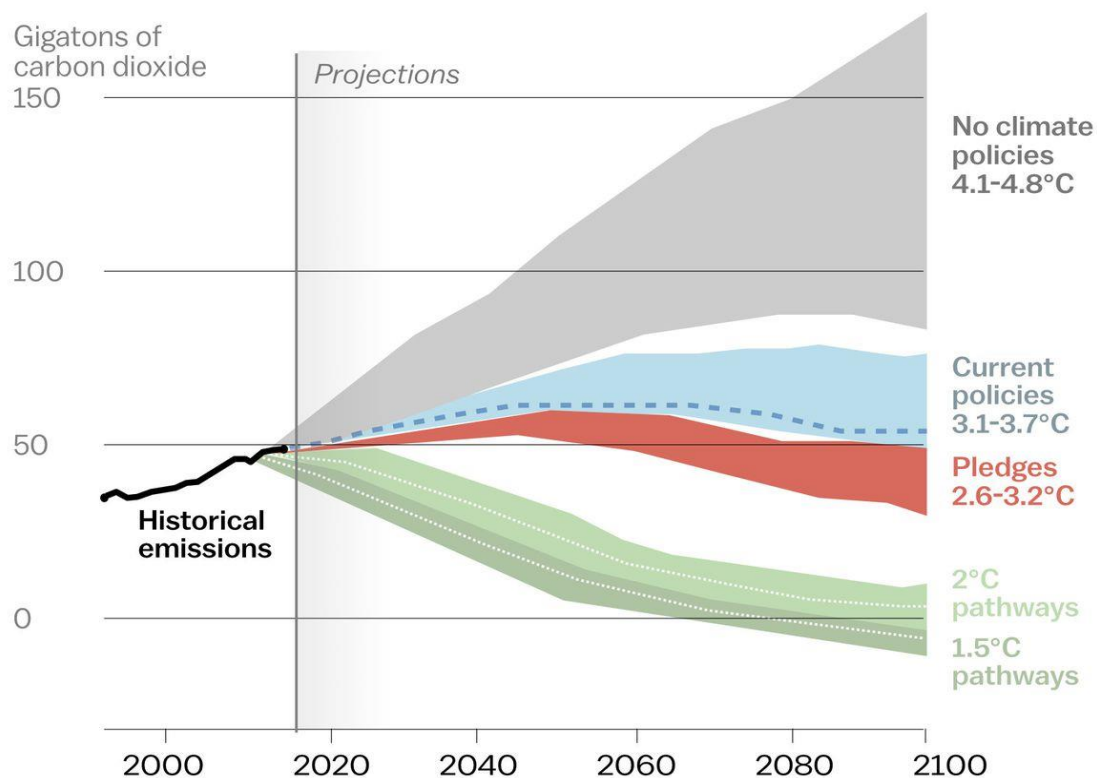
Not only flows, stock matters!
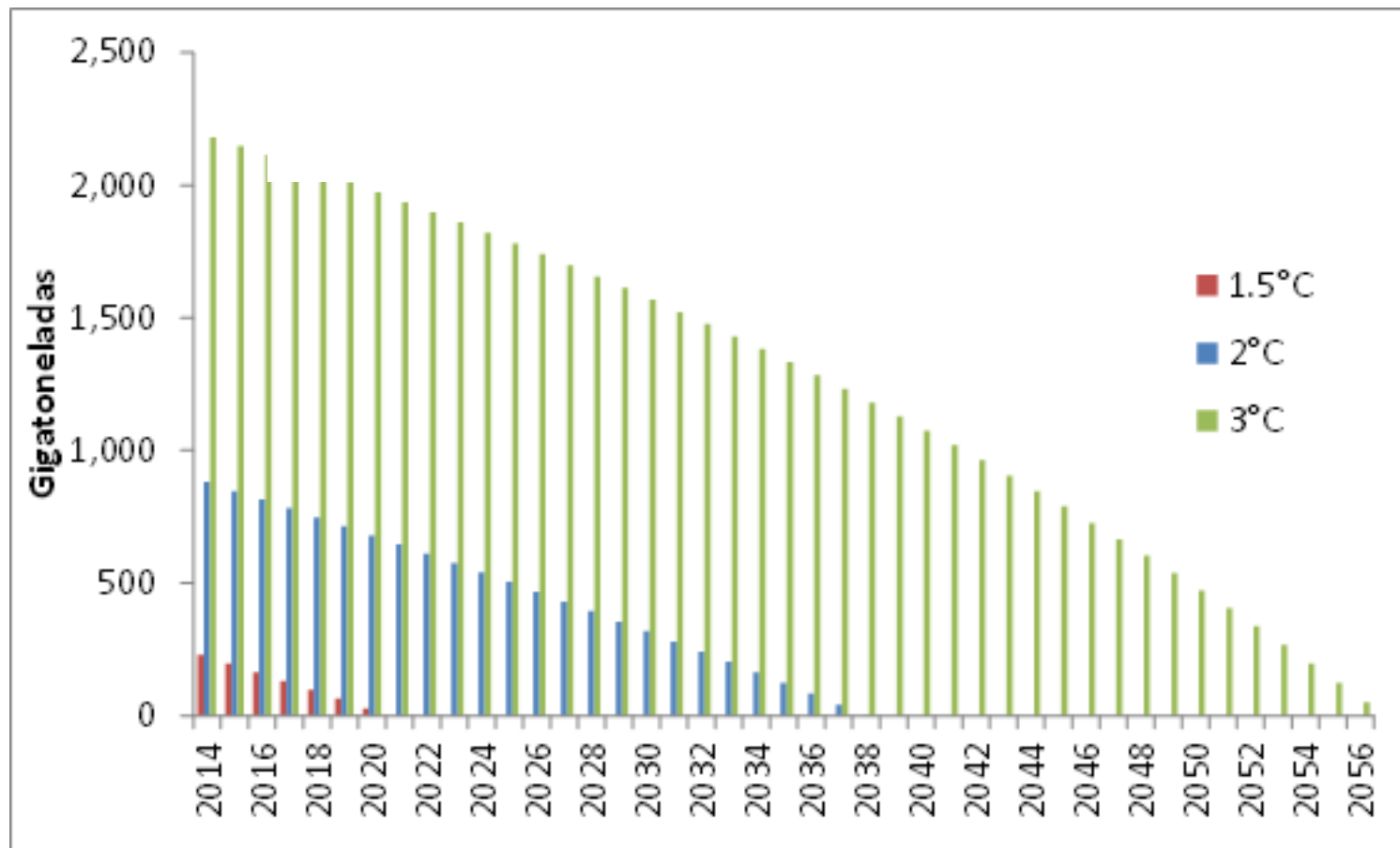
EIB. The EU Bank

Investing in Europe's growth

➢ *Lending*

➢ *Blending*

➢ *Advising*

- Natural financing partner for the EU institutions since 1958

- Largest unilateral financial institution

- Around 90% of lending is within the EU

- Serving a wide range of clients, for highly diversified project types

- Shareholders: 28 EU Member States

The EIB new Energy Lending Criteria

- The EIB will end financing for fossil fuel energy projects from the end of 2021

- Future financing will accelerate clean energy innovation, energy efficiency and renewables

- EIB Group financing will unlock EUR 1 trillion of climate action and environmental sustainable investment in the decade to 2030

Policy context: Buildings in the decarbonization scenarios

- Buildings responsible for 40% of consumption and 36% of CO2 emissions in the EU

- EU objective is to have a highly energy efficient and decarbonized building stock by 2050

Construction standards are changing
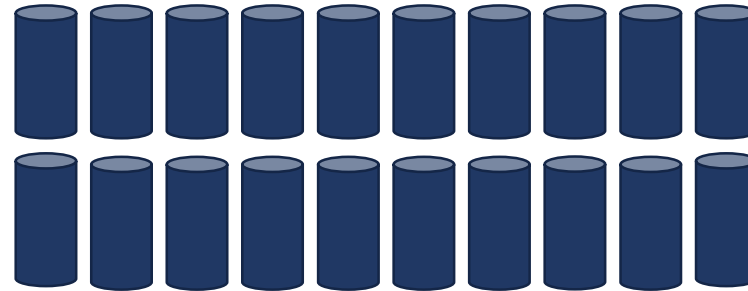
1970s — 20 barrels / year
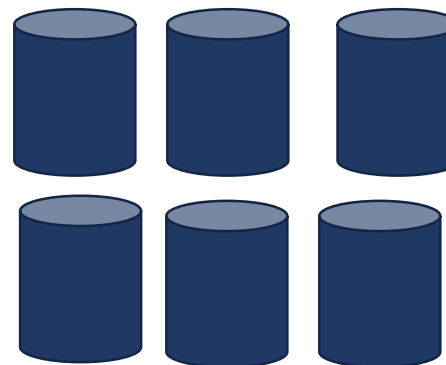
Current — 6 barrels / year

NZEB — 1.5 barrels / year

Construction standards are changing

Primary energy need semi-detached house – heating [kWh/m²a]
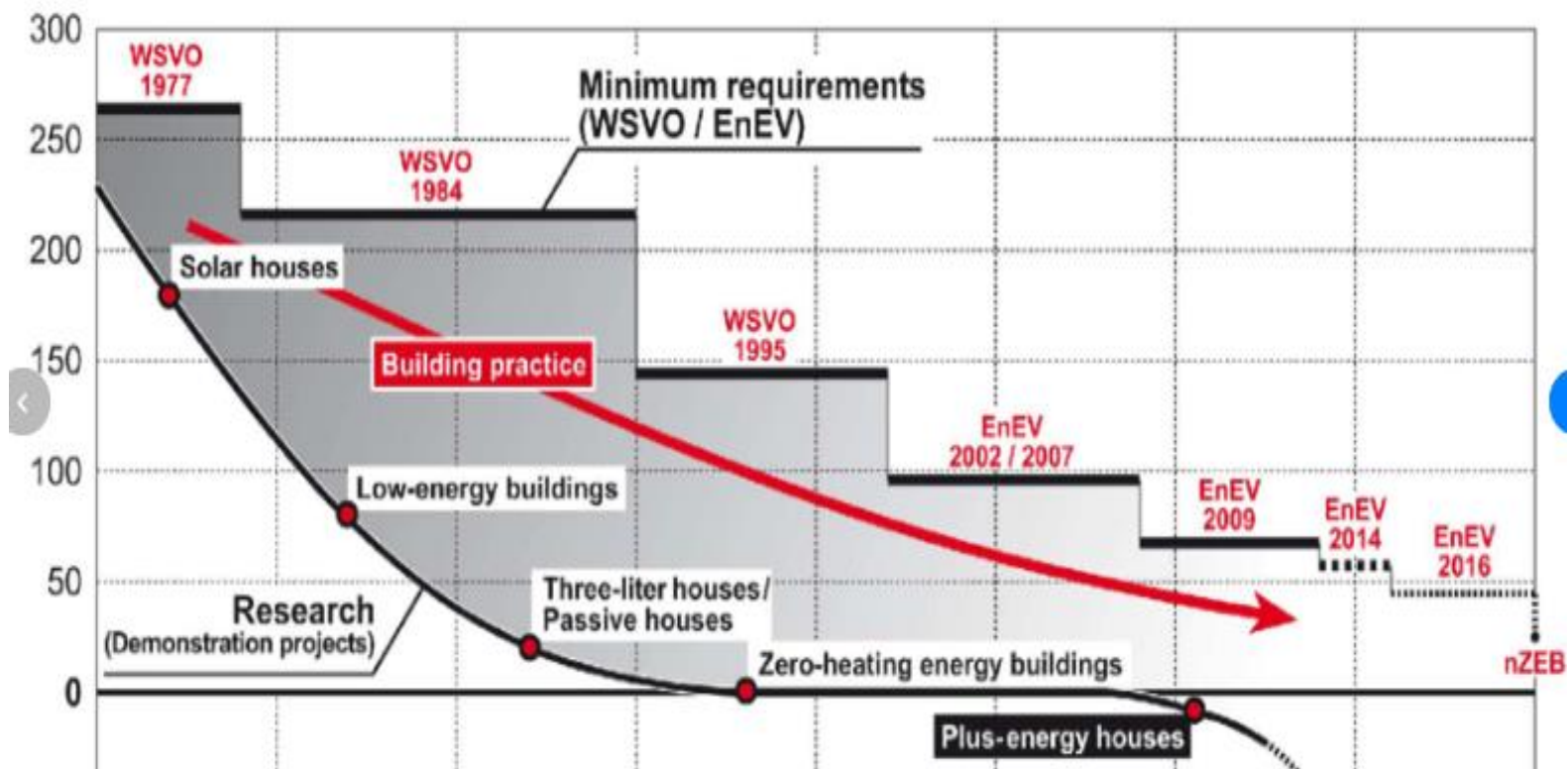
But the bulk is on rehabilitation

: Breakdown of residential building by age category (2014)

■ < 1945 ■ 1945-1969 ■ 1970-1979 ■ 1980-1989 ■ 1990-1999
■ 2000-2010 ■ > 2010
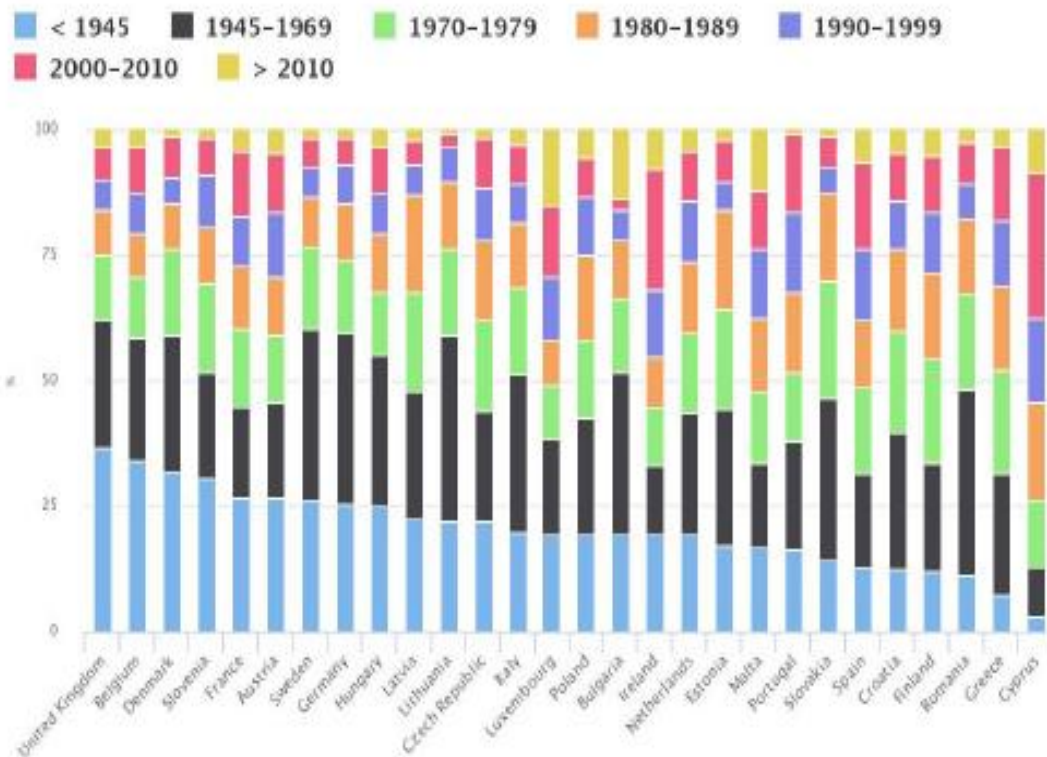
- Buildings built after today will represent 10-25% of the buildings stock in 2050

- Overall performance of the building stock will be determined by existing buildings today

The EIB clean energy lending

EIB Clean Energy Lending 2013-2018
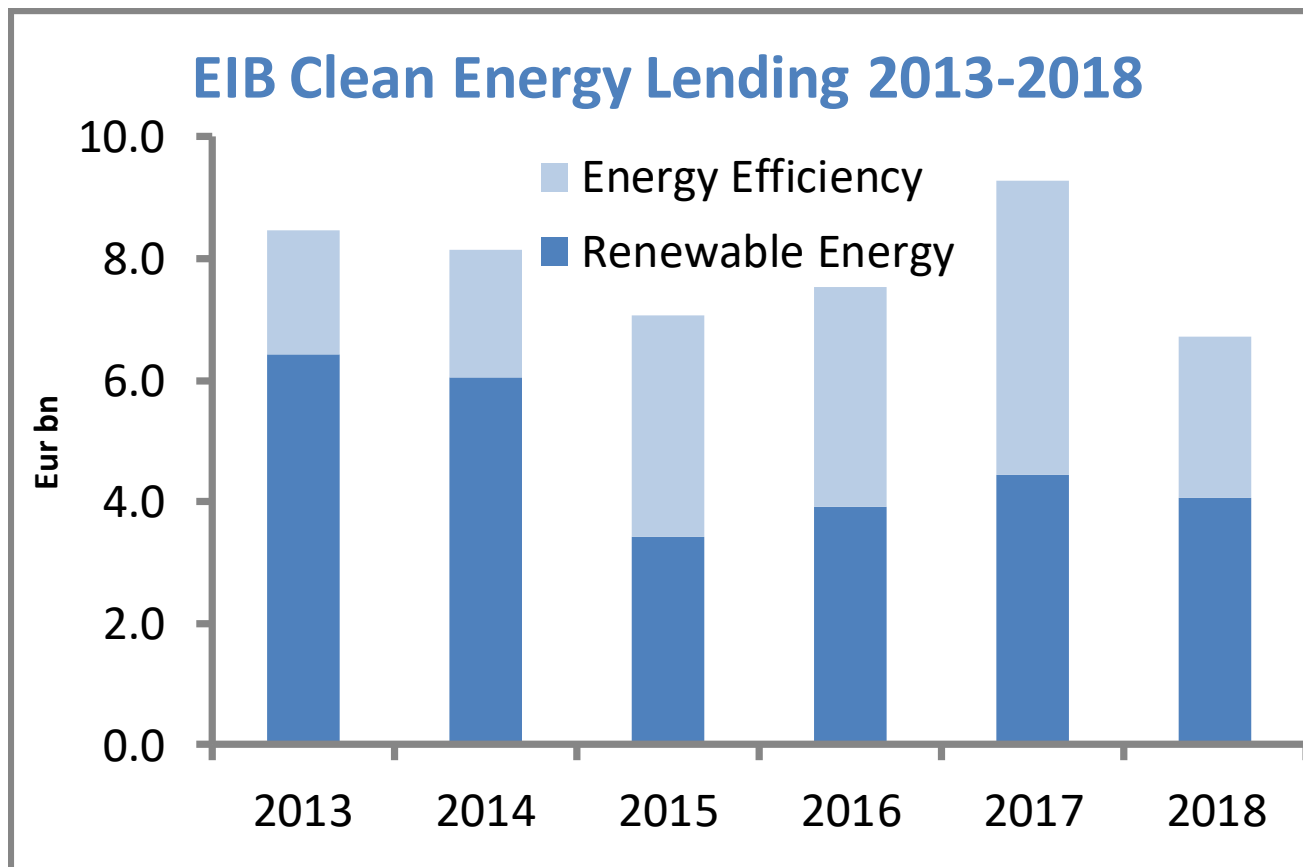
Energy Efficiency lending increased by a factor of 3x-4x

(4x more than in 2012)

The EIB lending to Energy Efficiency

Total EE Lending Breakdown 2012-2017

Legend:
- Buildings
- SME/Industry
- Public Lighting
- CHP

(Pie chart values: 69% Buildings, 20% SME/Industry, 2% Public Lighting, 9% CHP)
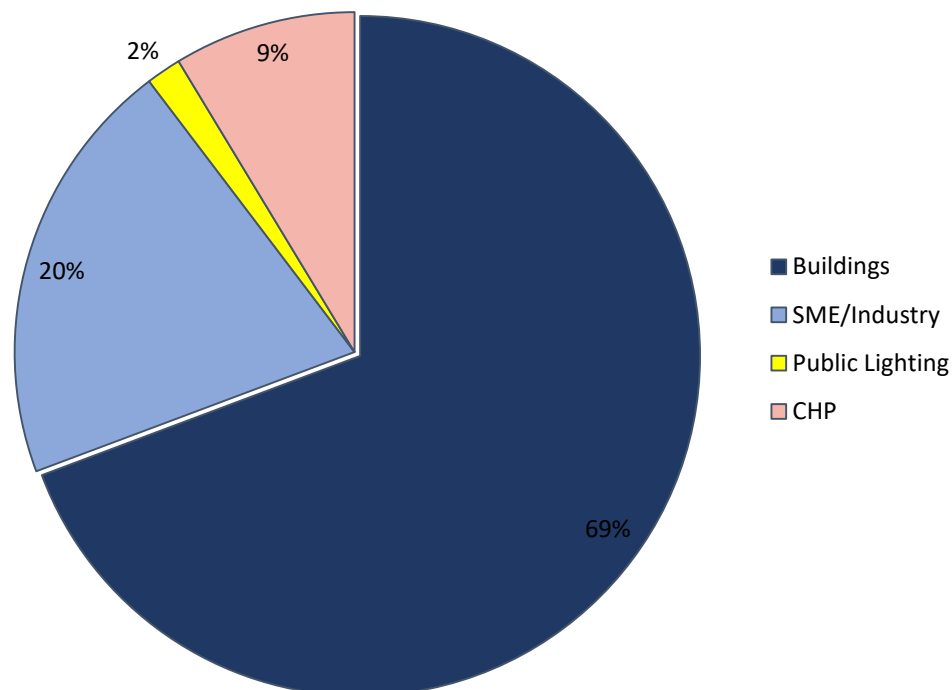
Around 70% of Energy Efficiency lending
dedicated to Buildings

EIB activity

TWO SOULS OF SECURITISATION ACTIVITY

REGULATORY CAPITAL RELIEF

- By providing unconditional, irrevocable synthetic guarantees on tranched portfolios, allowing the beneficiary to release regulatory capital
- EIB has access to **EFSI ("Juncker Plan")** funds which can take high risk (up to B/BB rating)

FUNDING

- By providing unconditional, irrevocable **debt-service guarantees** on ABS tranches purchased by **third-party investors**
- As **cash investor in the mezzanine and/or senior tranches**
- Cooperation with EIF as very often **EIF takes a mezzanine position** and EIB a senior

EIB funding activity

- **Investment loans** (direct) – barriers tackled plus possible blending

- **Framework loans** (intermediated) – to promote aggregation and crowding in of commercial lending

- **Investment funds** (equity) – to catalyse private investors

- **Advisory services**– typically upstream, with of without link to EIB loans

EeMAP

OVERVIEW OF THIRD PARTY VERIFICATION OF STS TRANSACTIONS

MICHAEL OSSWALD, SVI

THE STS VERIFICATION PROCESS – THE STRUCTURED PATH TO YOUR GOALS .

Overview of Third Party Verification of STS Transactions

Michael Osswald

STS Verification International GmbH ("SVI")

EDW Madrid Workshop, Instituto de Crédito Oficial (ICO), 20th November 2019

AGENDA

1. Regulatory Overview
2. Introduction to SVI and Corporate Governance
3. STS Verification Methodology and Process
4. STS Verification in Practice

THE NEW SECURITISATION REGULATION - LEGAL DOCUMENTS

Securitisation Regulation

level	manner	Document / Topic	date	Valid from
1	ordinance	Securitisation Regulation (EU) 2017/2402	28.12.2017	01.01.2019
2 (ESMA)	RTS / ITS	STS Notification, Final Report	16.07.2018	[Open]
2 (EBA)	RTS	Homogeneity, Final Report	28.05.2019	[Open]
2 (EBA)	RTS	Risk Retention, Final Draft	31.07.2018	[Open]
2 (ESMA)	RTS	STS Verification Services, Final Report	16.07.2018	18.06.2019
2 (ESMA)	RTS / ITS	Disclosure, Final Draft (Annex 5.3 of Opinion)	31.01.2019	[Open]
2 (ESMA)	RTS / ITS	Data Repository, Final Report	12.11.2018	[Open]
3 (EBA)	guidelines	Non-ABCP STS criteria	12.12.2018	15.05.2019
3 (EBA)	guidelines	ABCP STS Criteria	12.12.2018	15.05.2019

Capital market regulation with reference to securitisation regulation

level	manner	Document / Topic	date	Valid from
1	ordinance	CRR (EU) 2017/2401	12.12.2017	01.01.2019
1	ordinance	LCR (EU) 2018/1620	13.07.2018	30.04.2020
1	ordinance	SolvV II (EU) C(2018) 3302	01.06.2018	01.01.2019
1	ordinance	MMF Regulation (EU) 2017/1131	14.06.2017	20.07.2017/ 21.07.2018
1	ordinance	MMF Commission delegated Reg. (EU) 2018/990	10.04.2018	21.07.2018/ 01.01.2019

As of: 09.10.2019

SVI AS INDEPENDENT PART OF TSI*

Stable and efficient securitisation market in Germany and Europe

- STS as an opportunity for securitisation
- Establishment as a first-class capital market segment with strict and uniform regulation

TSI events	**German SPV**	**TSI certification**	**TSI partner**	**Independent Verification Agent** (TSI is 100% shareholder)
Promotion of ABS topics through trainings, workshops, conferences and the annual TSI Congress	service providers for German SPV and responsible supervision of TSI securitisation platform	GERMAN SECURITISATION STANDARD	Establishment and maintenance of an exchange network and opinion forming platform for Asset Based Finance	verified STS Verification International

Public relations work and further development of the legal framework

Representation of interests of the real and financial economy, support of dialogue with supervisors and policymakers

STS Third Party Verification

*True Sale International GmbH, www.true-sale-international.de

CORPORATE STRUCTURE AND CORPORATE GOVERNANCE OF SVI

verified STS Verification International

Statutes
Securitisation Regulation applicable

Management

Supervisory Board

- At least 1 Managing Director (MD)
- Rules of procedure for MD
- **Securitisation Regulation applicable**

- At least 4 members with voting rights
- At least 2 members with voting rights are independent
- **Securitisation Regulation applicable**
- 1-2 non-voting observes
- Appointment of Management
- Determination of the fee model
- Selection of the auditor

Advice to and Monitoring of Management

General Meeting

- Election of the members of the Supervisory Board
- Adoption of annual financial statements
- Resolution on the appropriation of profits
- Discharge of Management / Supervisory Board
- **Securitisation Regulation applicable**
- Competent authority may send attendent with right to speak

OVERVIEW OF SVI

- **Mission:** As part of TSI Group, the mission of SVI is to contribute to a well developed, high quality and sustainable securitisation market in Europe and is dedicated to provide neutral and objective verification of STS criteria for ABS transactions

- **Application:** SVI has been authorized by the competent authority pursuant to Art. 28 of the Securitisation Regulation (BaFin) to act as third party verification agent

- **Asset Classes:** SVI covers Term ABS and ABCP transactions involving all asset classes that are potentially eligible for STS

- **Geographies:** All countries of the EU

- **Know-how:** Legal and economic know-how and long standing expertise of SVI staff and its outsourcing partners assure an accurate, efficient and transparent verification process

- **Supervision:** SVI and its activities regarding third party verification (including terms, conditions and fee structure) are supervised by BaFin as competent national authority

STS VERIFICATION AS PART OF THE ABS PROCESS
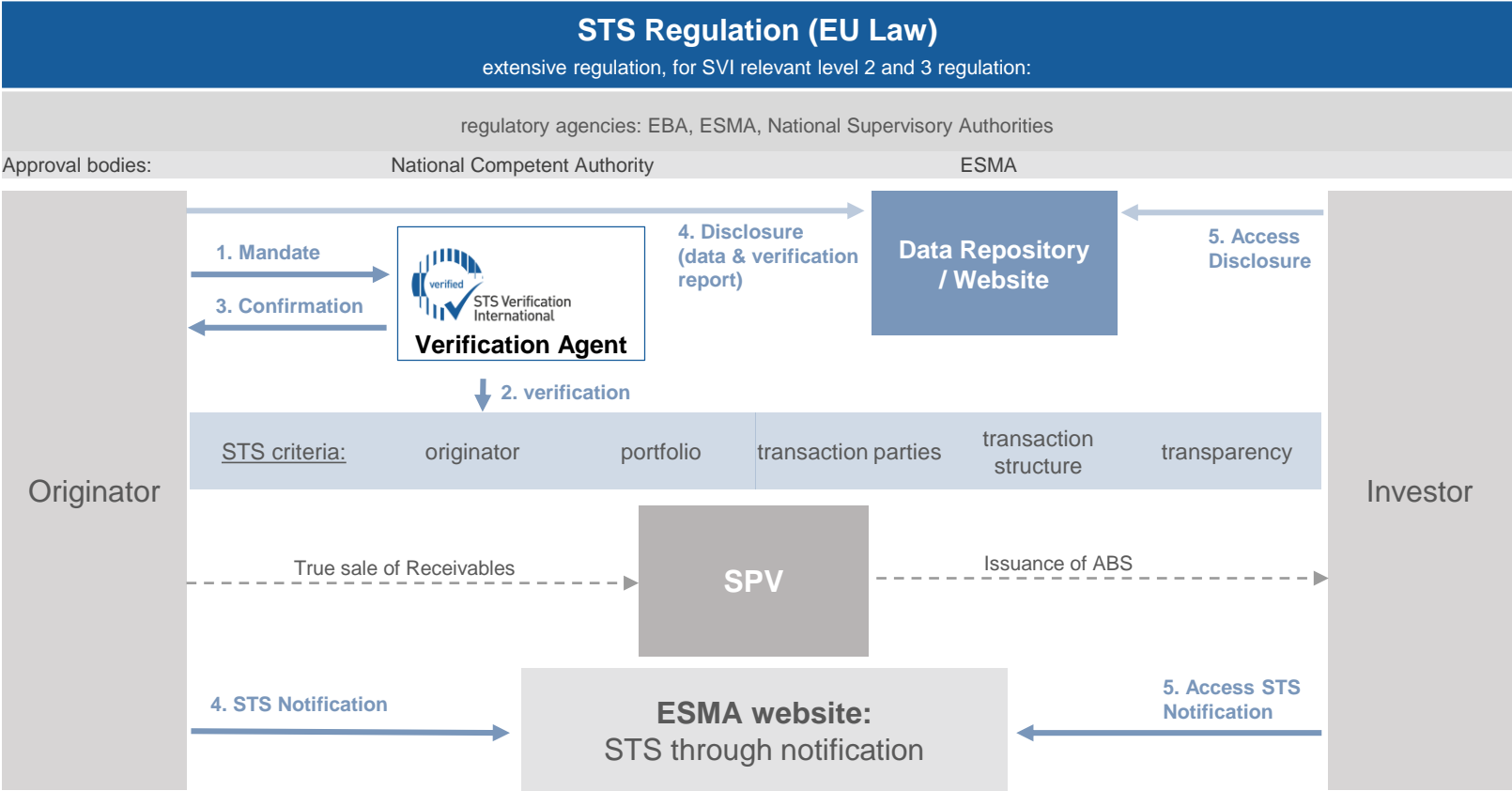
VERIFICATION METHODS AND THEIR APPLICATION FOR THE TRANSACTION

Verification methods: How are individual criteria checked?

a) **Regulatory**: Including referenced regulations with recognised supervisory mechanisms (in particular banking supervisory aspects)

b) **Legal**: Existence of contractual obligations according to transaction documentation

c) **Due Diligence**: Written evidence based on data and tables, internal manuals and work instructions, written documents of due diligence presentations or verbal explanation by management or responsible specialist departments in the context of due diligence presentations by the originator or expert interviews

d) **Data**: Verification on the basis of full data (e.g. performance history), verification on the basis of samples

Obligation

↓

Compliance with Obligation

Scope of verification for a specific transaction: Transaction Verification Catalogue

- Basis: Transaction information (term sheet) received from originator or arranger

- Experience from previous transactions from same originator or similar transactions (structure, jurisdiction, asset class) from other originators

- Complexity of proposed transaction

Application for Verification

↓

Transaction Verification Catalogue

FROM SECURITISATION REGULATION TO VERIFICATION REPORT

Securitisation Regulation (EU) 2017/2402

- STS criteria for non-ABCP (Articles 19-22) and ABCP (Articles 23-26)
- STS Notification according to Article 27
- Third party verification agent according to Article 28

Basis for →

SVI Verification Manual

- Documentation of the STS verification methodology used by SVI
- Provides SVI management with discretion as to how each individual STS criterion is verified in a specific transaction
- www.sts-verification-international.com/sts-verification

↑ **Compliance with**

Deal specific ↓

SVI Verification Report

- Confirms compliance of a specific transaction with the STS criteria and how SVI has come to such conclusion
- Available as Preliminary (at deal announcement) and Final Verification Report (at closing) for Originator and Investors
- www.sts-verification-international.com/transactions

← **Deal specific**

SVI Transaction Verification Catalogue

- When mandated by an originator, SVI management decides and documents the verification methodology and stipulates a transaction specific „Transaction Verification Catalogue"
- Based on transaction information received from originator or arranger and complexity of proposed transaction

OVERVIEW OF THE CONTENTS OF THE STS VERIFICATION PROCESS

originator	portfolio	transactional parties	transactional structure		transparency
Regulatory framework	Eligibility criteria	Clear definition of responsibilities	Sale only to professional investors	Appropriate hedging of interest rate and currency risk	Provision of data to potential investors
Experience	Exclusion criteria	Experience	5% Retention	Clear description of the waterfall	Provision of all data in a repository
	Exclusion of "Originate to Distribute"	Arrangements for replacement of parties	No Re-Securitisations	No withholding of funds in the event of insolvency	Examination of STS-Notification
	Homogeneity		True sale	Presence of appropriate triggers	Investor Report Structure
	Enforcement of sale of receivables in case of insolvency		No active portfolio management	Description of Servicing Standards	Provision of insider and other important events
	Legal validity of contracts		Timely transfer	Replacement Counterparties	Provision of cash flow model
	Assignability		No predominant dependence on portfolio sales	Clear conflict resolution regulations	Provision of environmental data

ADDED VALUE OF THE THIRD-PARTY VERIFICATION

Added Value for Originators:

- During the preparation phase, the third party verifier acts as first point of contact for questions and coordinated approach to the competent supervisory authorities

- Appropriate interpretation and consistent application of STS criteria (incl. RTS/ITS and guidelines) during the structuring phase

- These advantages also apply on an on-going basis during the life of the transactions (consistent implementation, contact with the competent supervisory authority, reduction of liability risks)

Added Value for Investors:

- Contribution to the uniform interpretation and application of the STS criteria throughout Europe

- Promoting confidence in the legally compliant application of the new Securitisation Regulation in general and the STS criteria in particular

- Facilitates risk analysis and portfolio management

Added Value for Regulators:

- Third party verification agents, as regulated independent bodies, can have interpretation discussions for the whole market on a basis of trust

- Risk of regulatory fragmentation undermining the European benchmark status of STS

- Due to their cross-border and cross-assetclass work and expertise, third party verification agents can identify inconsistencies before they become a threat to the system

OVERVIEW OF THE MARKET FOR STS TRANSACTIONS

Total Issuance Volume by Asset Class (2019ytd)

Auto
RMBS;
CLO;
CMBS;

Number of Transactions by Jurisdiction (2019ytd)

Jurisdiction	STS-Verified	STS-Eligible	Total
France	5	8	9
Germany	12	13	13
Italy	9	18	20
Netherlands	9	11	13
Spain	4	8	8
UK	12	33	54

■ STS-Verified   ■ STS-Eligible   ■ Total
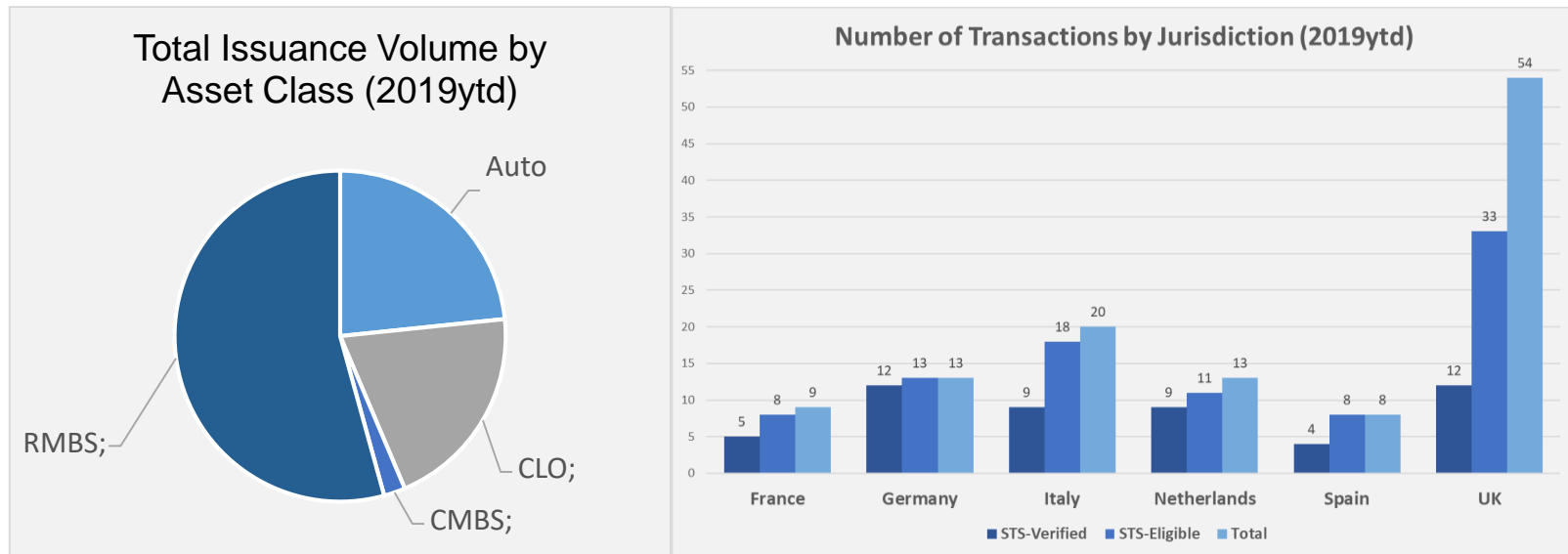
- Issuance volume is dominated by the (generally STS-compliant) asset classes RMBS and Auto ABS.

- Continuing issuance activity in the asset classes arbitrage CLOs and CMBS (which are generally not STS-compliant)

- Dominating position of the UK securitisation market, followed by equally active markets in Italy, Germany, the Netherlands, France and Spain

OVERVIEW OF THE MARKET FOR STS TRANSACTIONS (CONTINUED)

Number of STS-Eligible and STS-Verified Transactions by Asset Classes (2019ytd)
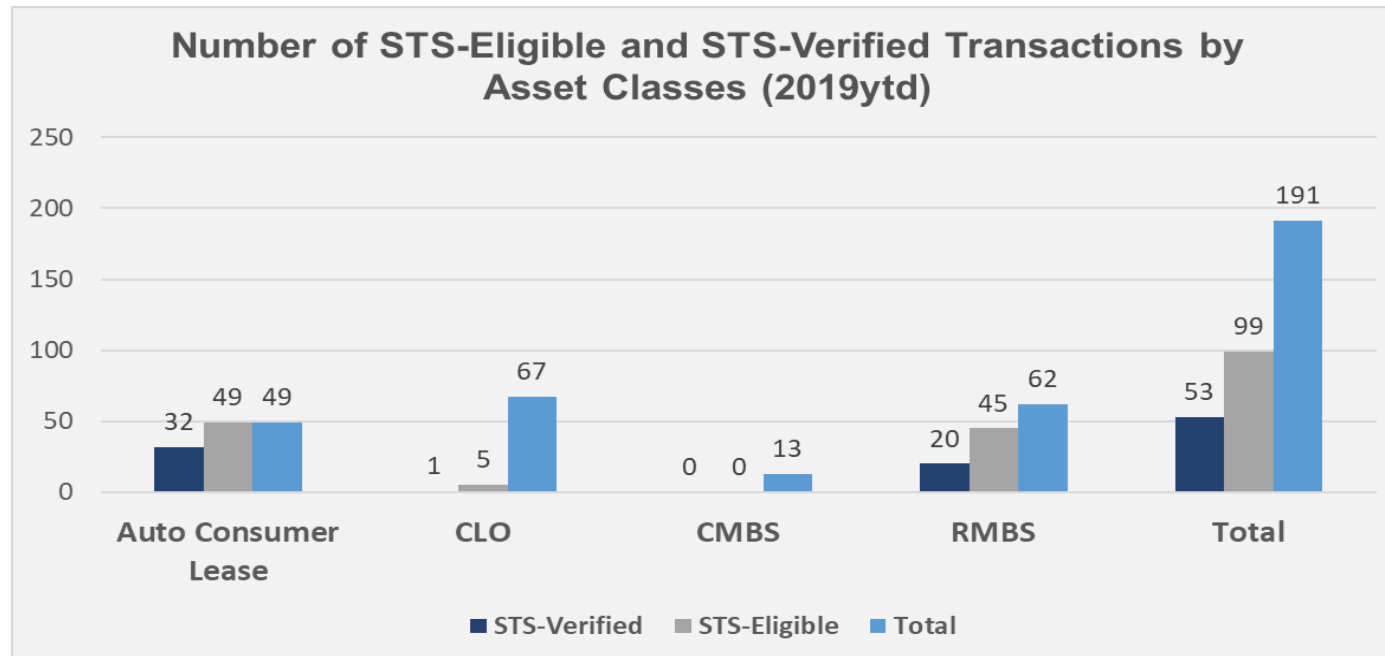
- Since March 2019 (approval of SVI and PCS as independent third-party verifiers), all publicly placed transactions in the established, liquid asset classes Auto/Consumer/Lease ABS and RMBS have been notified as STSs and most have also been STS-verified.

- The other STS-eligible transactions were issued before mid-March, retained by the issuer as ECB collateral or notified by the issuer itself (without usage of a third party verifier)

INDICATIVE TIMELINE OF AN STS VERIFICATION

- $t = 0$ Application from originator to SVI

- $t + 5$ Confirmation and mandate agreement to originator

- $t + 7$ Signing of mandate agreement by originator

- $t + 8$ Transaction verification catalogue to originator

- $t + 10$ Start verification work

- $t + 15$ Operations review at originator ('due diligence')

- $t + 30$ (= Announcement) Preliminary verification report provided by SVI

- $t + 50$ (= Closing) Final verification report provided by SVI

PRACTICAL RECOMMENDATIONS FOR THE TRANSACTION PROCESS

- Early mandating and involvement of the third party verification agent in the transaction process (6 – 8 weeks before transaction announcement)

- Planning of the due diligence (if applicable) by the third party verification agent simultaneously or in parallel with the rating agencies

- Coordination of the scope of work and timing of the AuP ("Agreed-upon Procedures") together with originator, auditor and third party verification agent

- Timely receipt of relevant transaction documents by the third party verification agent

- Access to the cash flow model (if applicable)

SECURITISATION REGULATION ROUND TABLE DISCUSSION:

- **Pedro Ravina**, *Uría Menéndez* (Moderator)
- **Isabel Plaza**, *Standard and Poors*
- **Diego Martín**, *BBVA*
- **Sergio Sierra**, *ICO*
- **Miguel Ángel Sánchez**, *Haya Titulización*

Q&A

EUROPEAN DATAWAREHOUSE ANNOUNCED CLIMATE INITIATIVES

ED will plant more than 2250 trees over the next three years

In light of the current discussion on climate change, European DataWarehouse has decided to support a 3-year-initiative to plant 750 trees per year, sequestering up to 50 metric tons of CO_2 annually.

This and other corporate climate initiatives will be announced in the coming week.

PLANT-MY-TREE®
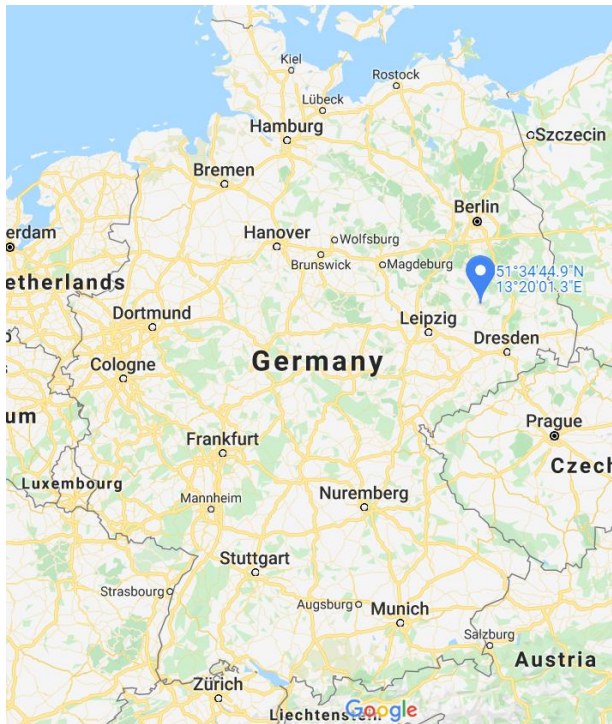
CLIMATE PROTECTION PARTNER

THANK YOU//CONTACT US

EUROPEAN DATAWAREHOUSE GMBH

Walther-von-Cronberg-Platz 2

60594 Frankfurt am Main

🌐 **www.eurodw.eu**

✉ **enquiries@eurodw.eu**

📞 **+49 (0) 69 50986 9017**