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Additional Information

Level 1 Regulation

Securitisation Regulation (EU) 2017/2402

Topic

Securitisation Disclosure Templates

Subject Matter

Active vs. inactive Underlying Exposures

Question

How should the underlying exposures templates be completed for underlying exposures that are either active or inactive (i.e. have defaulted with no further recoveries expected or that have been redeemed, prepaid, cancelled, repurchased or substituted)? What information should be reported for inactive underlying exposures, including for those that became inactive on the same day as the data cut-off date? How should the collateral information

section and tenant information sections be completed for inactive underlying exposures that had collateral and/or tenants, where applicable?

ESMA Answer

15-11-2019

Original language

[ESMA 33-128-563 Securitisation Q&A, Q&A 5.1.15]

As set out in Article 2(5) of the RTS on disclosure, “*Regarding the information referred to in sub-paragraphs 1 to 4, the reporting entity shall make available information on:*

- *(a) Active underlying exposures as at the data cut-off date;*
- *(b) Inactive underlying exposures that were active underlying exposures at the immediately-preceding data cut-off date.”*

For example, consider two data submissions for a securitisation, the first with a data cut-off date of 30 June 2018, and the second data submission with a data cut-off date of 30 September 2018. In this scenario, the second data submission should include complete information (subject to the use of the ‘No Data’ options) on:

- (a) Underlying exposures that were deemed to be *active* underlying exposures as at 30 September 2018 (i.e. that were expected, on 30 September 2018, to generate cash inflows or outflows in the future); AND
- (b) Underlying exposures that were deemed *active* underlying exposures at 30 June 2018 but that were then deemed to be *inactive* underlying exposures at 30 September 2018 (i.e. that transitioned from *active* to *inactive* at some point in the time period after 30 June 2018 and up to and including 30 September 2018). Any data submissions after this date (e.g. with a cut-off date of 30 December 2018) no longer need to include these *inactive* underlying exposures (but would have to include loans that became *inactive* in the period after 30 September 2018 and up to and including 30 December 2018).

In addition, where these exist in the underlying exposure template, the ‘collateral information section’ and ‘tenant information section’ of the underlying exposure templates should be completed in the same manner for both *active* and *inactive* underlying exposures. Using the above example, this means that the second data submission (cut-off date of 30 September 2018) should include information on collateral and tenants for both underlying exposures that were *active* as at 30 September 2018 and for underlying exposures that became *inactive* at some point in the time period after 30 June 2018 and up to and including 30 September 2018.

Where an underlying exposure became *inactive* on the same day as the data cut-off date, it is expected that information on this underlying exposure would also be reported in the data submission referencing this data cut-off date. For example, if an underlying exposure became *inactive* on 30 September 2018, then information on that underlying exposure should be included in the data submission having a data cut-off date of 30 September 2018. If an underlying exposure became *inactive* on 1 October 2018, then information on that underlying exposure should be included in the subsequent data submission (e.g. the one having a data cut-off date of 30 December 2018). As set out in Article 10 ‘Information timeliness’ of the RTS on disclosure, reporting entities have up to two months after the data cut-off date to prepare their data submissions reference that data cut-off date.

The same reasoning as the above holds for ABCP disclosure requirements, with the exception that reporting for underlying exposures is performed on a monthly basis rather than a quarterly basis.

This is all summarised in the following table, assuming a non-ABCP securitisation with data cut-off dates falling on the 30th day of each quarter-end.

| Data cut-off date | Underlying exposures (including collateral, tenant, and all other underlying exposures information) to report |
|-------------------|---|
| 30 June 2018 | <ul style="list-style-type: none"> • Underlying exposures that were <i>active</i> as at 30 June 2018 • Underlying exposures that were <i>active</i> as at 30 March 2018 and became <i>inactive</i> in the period after 30 March 2018 and up to and including 30 June 2018 |

| | |
|------------------------------|---|
| 30 September 2018 | <ul style="list-style-type: none"> • Underlying exposures that were <i>active</i> as at 30 September 2018 • Underlying exposures that were <i>active</i> as at 30 June 2018 and became <i>inactive</i> in the period after 30 June 2018 and up to and including 30 September 2018 |
| 30 December 2018 | <ul style="list-style-type: none"> • Underlying exposures that were <i>active</i> as at 30 December 2018 • Underlying exposures that were <i>active</i> as at 30 September 2018 and became <i>inactive</i> in the period after 30 September 2018 and up to and including 30 December 2018 |
| 30 March 2019 | Etc... |

Where an underlying exposure is inactive and is being reported for the final time (as described in the paragraphs above), for example it became inactive between 30 September 2018 and 30 December 2018 and is being reported in a data submission with a data cut-off date of 30 December 2018, then fields should be reported according to the following principles:

- Identifier fields and data cut-off date fields must always be populated
- Account status fields must reflect the underlying exposure's situation *as at the data cut-off date* (i.e. as at 30 December 2018)
- Monetary/numerical fields relating to 'current information', such as the 'current principal balance' and 'current interest rate' must be reported as 0
- For information relating to the underlying exposure redemption date (e.g. RREL9) please see Q5.3.3 below.
- All other fields where option 'ND5' is available should be entered with 'ND5'.
- Finally, for all other fields where option 'ND5' is not available, the remaining fields should be left unchanged as per the previous data submission for this underlying exposure (i.e. as per the submission with a data cut-off date of 30 September 2018)