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Additional Information

Level 1 Regulation

Securitisation Regulation (EU) 2017/2402

Topic

Securitisation Disclosure Templates

Subject Matter

Fields relating to Interest Rate Indices

Question

- (a) Where the lender's own rate (LDOR) is used, but that own rate is linked directly to another value in the field (such as the European Central Bank or Bank of England base rate or another index), should the lender's own rate be entered or should the underlying source index be entered?
- (b) In Spain, one benchmark that is used is the Euribor BOE, which is a twelve-month

average consisting of observations of the one-year Euribor. How should this be reflected in these fields?

(c) Do the Current Interest Rate, Current Interest Rate Index, Current Interest Rate Index Tenor, and Current Interest Rate Margin fields refer to the interest rate on the underlying exposure, or to an interest rate on any asset securing the underlying exposure?

ESMA Answer

17-07-2019

Original language

[ESMA 33-128-563 Securitisation Q&A, Q&A 5.2.13]

(a) In this situation, the lender's own rate (LDOR) should be entered if there is a material difference between this rate and the underlying rate (e.g. central bank base rate) that it is linked to. The material difference can be reflected in terms of mark-ups, for example, or other arrangements such as reset formula (e.g. the lender's rate is an average of central bank base rates over a certain time period). If the lender's own rate moves *identically* to the base rate, or is *merely an update of the base rate with a time lag* (e.g. a reset frequency of every 3 months), then the base rate should be entered. If the terms and conditions of the underlying exposure are such that, under certain market conditions (e.g. market stress), the lender's own rate does not move identically to the base rate, then the lender's own rate (LDOR) should be entered in this field.

(b) In this situation, the actual interest rate on the underlying exposure is not exactly reflecting the one-year Euribor (see also point (a) in this Q&A). Instead, the actual interest rate is reflecting an average of the one-year Euribor taken over a twelve-month period. Therefore, the appropriate entry for these fields is 'OTHR' (representing Other).

(c) These fields refer to the interest rate on the underlying exposure.