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Additional Information

Level 1 Regulation
Securitisation Regulation (EU) 2017/2402

Topic
Securitisation Disclosure Templates

Subject Matter
Annex 3: Underlying Exposures - Commercial Real Estate - Calculation methods for fields regarding financial statement information (e.g. revenue, operating expenses, capital expenditure, etc.)

Question
(a) Is it acceptable to complete field CREC36 (Date of Financials at Securitisation) with the date of the operating statements (rather than obligor financials as reported in the Prospectus / Offering Circular)?

(b) Revenue and certain operating expenses may be known in relation to each property forming part of the physical collateral. However, where more than one property is collateralising the underlying exposure, it may occur that certain costs/expenses will be overheads that are not allocated to individual properties. How should the Net Operating Income At Securitisation (CREC37) and Most Recent Operating Expenses (CREC41) fields be completed in such cases?

ESMA Answer

15-11-2019

Original language

[ESMA 33-128-563 Securitisation Q&A, Q&A 5.5.14]

(a) Yes, information provided for both fields CREC36 as well as CREC37 (Net Operating Income at Securitisation), must refer to the most recent information obtained by the originator as at the date of securitisation.

(b) In such situations, overheads and other similar expenses that are not allocated to individual properties, should be allocated proportionately to each property, according to its operational expenses.

For example, assume that a given commercial real estate underlying exposure is collateralised by two properties: property A and property B. Furthermore, assume that property A has 12 million in revenue, 8 million in operating expenses, and property B has 24 million in revenue, and 12 million in operating expenses. Lastly, assume that, in addition, there are 5 million of overhead costs not allocated to either of these individual properties. In this situation, field CREC36 is computed in the following way:

- For property A, field CREC36 = 2 (million), i.e. (12 million, less 8 million, less a further 2 million), where the further 2 million is obtained from the result of multiplying the 5 million of not allocated overhead costs by property A’s allocated operating expenses, relative to the

sum of property A and property B’s allocated operating expenses. I.e. 2 million = 5 * [8* / (8 + 12)].

- For property B, field CREC36 = 9 (million), i.e. (24 million, less 12 million, less a further 3 million), where the further 3 million is obtained from the result of multiplying the 5 million of not allocated overhead costs by property B’s allocated operating expenses, relative to the sum of property A and property B’s allocated operating expenses. I.e. 3 million = 5 * [12 * / (8 + 12)].

The same proportionate calculation would apply for field CREC41, i.e. not allocated overhead costs as at the most recent financial operating statement, would be assigned to properties A and B as per the calculation above.