



Istituto Italiano di Valutazione Immobiliare

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The Committee of European Securities Regulator
11-13 Friedland
75008 Paris
France

Submitted on line by CESR's website

Dear Sir,

please find below some considerations in connection with the public consultation regarding the "*Transparency of corporate bond, structured finance product and credit derivatives markets*" provided by the Istituto Italiano di Valutazione Immobiliare – IsIVI full member of The European Valuers' Associations – TEGoVA and principal member of the International Real Estate Federation - FIABCI.

Whereas, regarding structured finance products and credit derivatives, the key question, that CESR seeks to consider, is to which extent post-trade information plays a role to support price formation, reinforce valuation practices and provide supplementary information about the scale of credit risk transfers.

This document is focusing exclusively on the Asset Backed structured finance products and, in particular, on the assessment either of the *Mortgage Lending Value* or of the *Property and Market Rating* ("PaM") as both defined and construed by the European Valuation Standards (EVS) and, in particular, by the Guidance Note 14 of the EVS.

Up today, there has been almost a totally lack of transparency during the pre and post trade activities regarding the real estate collateral features, value and quality.

The reason was quite simply: anybody could imagine to be in the position to enforce the

securities package.

IsIVI deems extremely useful the present consultation in order to underline the importance in the structure finance market of a correct assessment and disclosure of the value and, even more, of the rating of the underlined mortgages.

Property and Market Rating: concept

Together with a correct valuation of the mortgage lending value (S6.04 EVS) for each property, the Property and Market Rating ("PaM") (GN 14.04 EVS) covers a set of detailed criteria allowing the determination of the risk profile of the underlying properties assets enabling to accurately reflect the long term quality grade of a property and/or a portfolio for securitisation purposes.

In particular, PaM investigates and provides for a synthetic judgment regarding the following macro risk classes, *inter alia*:

- the real estate market (including national and international aspects);
- the location (including connection, catchment areas etc);
- the characteristic and features of the buildings (including equipments, energetic impact etc);
- the eventual joint venture or partnerships (including risk related to public and private developing partnership);
- the fiscal and legal relevant elements (including fiscal risk related to special structures utilized such as the IBLOR or Luxco ones);
- the financial structure of the property acquisition (including the sustainability of the rent level vis-a-vis the tenant's middle-long term activity return).

Subject: asset monitor

The valuers and/or the valuation company, as asset monitor, shall be periodically called to review the Property and Market Rating as well as the Mortgage Lending Value and the Sustainable Net Asset Value (GN 14.08 EVS) in cooperation with the other subjects involved the securitisation process including the rating agency and the originator.

Please note that the hereby asset monitor shall be distinguished by the role carried out by the auditing company in the covered bond transaction. The hereby asset monitor shall focusing exclusively on the real estate aspects of the mortgage and shall be specifically entitled to do so in cooperation with the auditing company called to verify, in certain circumstances, the internal banking ratios. This two roles shall be fully distinguished and independently carried out.

Consequences: pricing and buy-back

The today ABS documents and pre-post trading information lack of the aforementioned minimum informations necessary and useful to correctly pricing and to tack the asset back securities (including CDOs).

As a result of this, (i) the price of MSB securities is not materially influenced by the value and the quality of the mortgages, but their price is mainly based on issuer/debtors solidity and (ii)

in particular in case of CMBS, hedge fund and/or original borrowers are not encouraged to bid due to also the difficulties to track the securities to its mortgages.

Moreover, this distortion may have further effects also with respect to the eventual State intervention in this sector. The real estate properties' information regarding the mortgages transparently reported are fundamental for a prudent public money expenditure and market sustainability.

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Best Regards,

Dott. Ing. Enrico Campagnoli



President

Istituto Italiano di Valutazione Immobiliare - Is.I.V.I.
(Italian Institute of Real Estate Valuers)