

EDUCATION PART 1: THE ESMA TEMPLATES - HOW TO AVOID THE PITFALLS OF DATA PREPARATION

6 NOVEMBER 2019



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WELCOME & INTRODUCTION

DR. CHRISTIAN THUN

A UNIQUE ORGANISATION

ED was created in 2012 as part of the implementation of the European Central Bank ABS Loan Level Initiative. ED became fully operational in January and is funded and owned by a mix of market participants. ED operates as a utility to respond to the need for improved transparency to investors and other market participants in ABS.

SUPERVISORY BOARD: Consists of currently 13 representatives and is responsible for the strategy and monitoring ED's operations as a market initiative.

PRICING COMMITTEE: Consists of currently 8 members from the ABS industry and is responsible for setting the fee structure for ED clients. The fees are set in line with ED's utility approach



17 SHAREHOLDERS

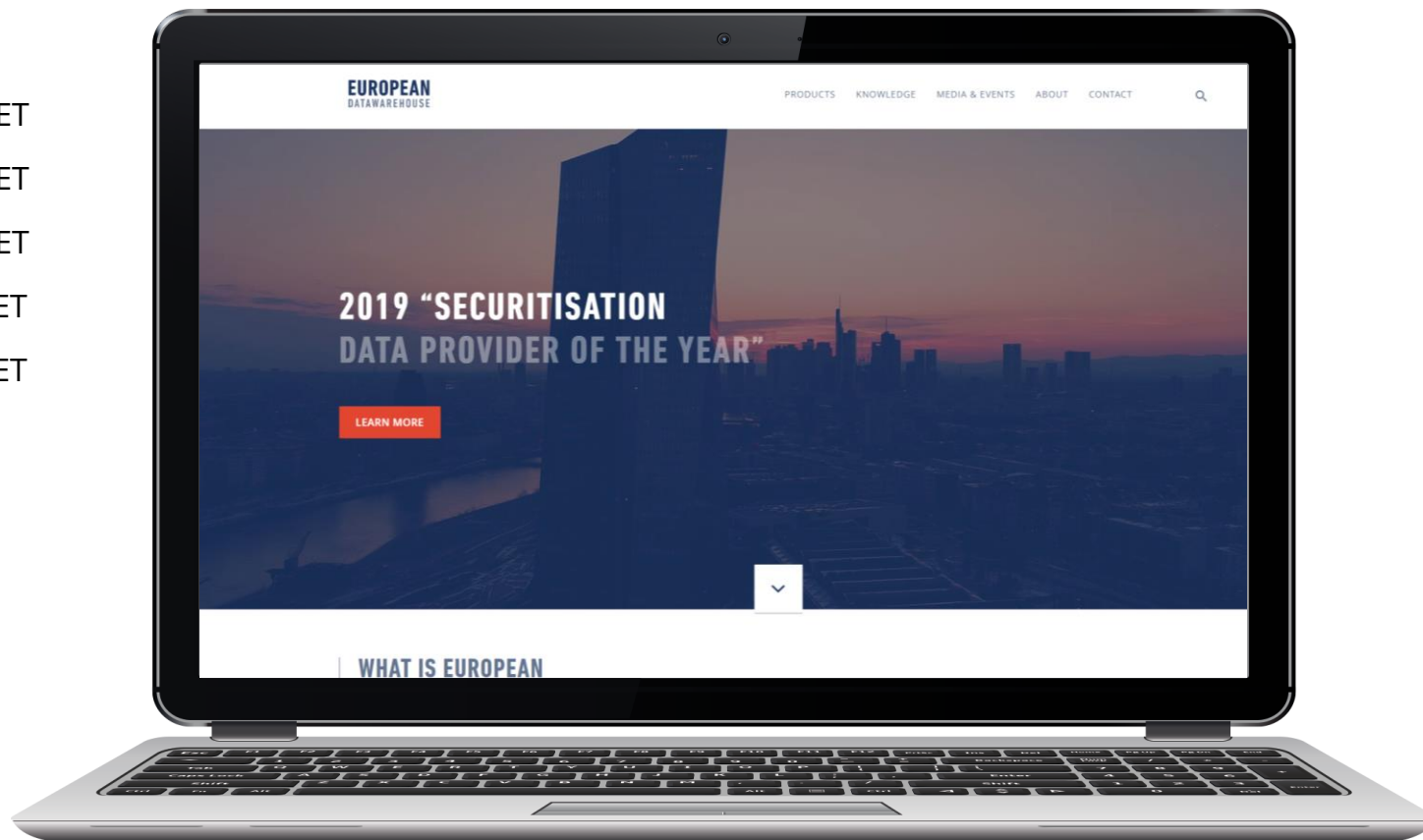


EDUCATION SERIES

5 Part webinar series to inform and prepare your organisation

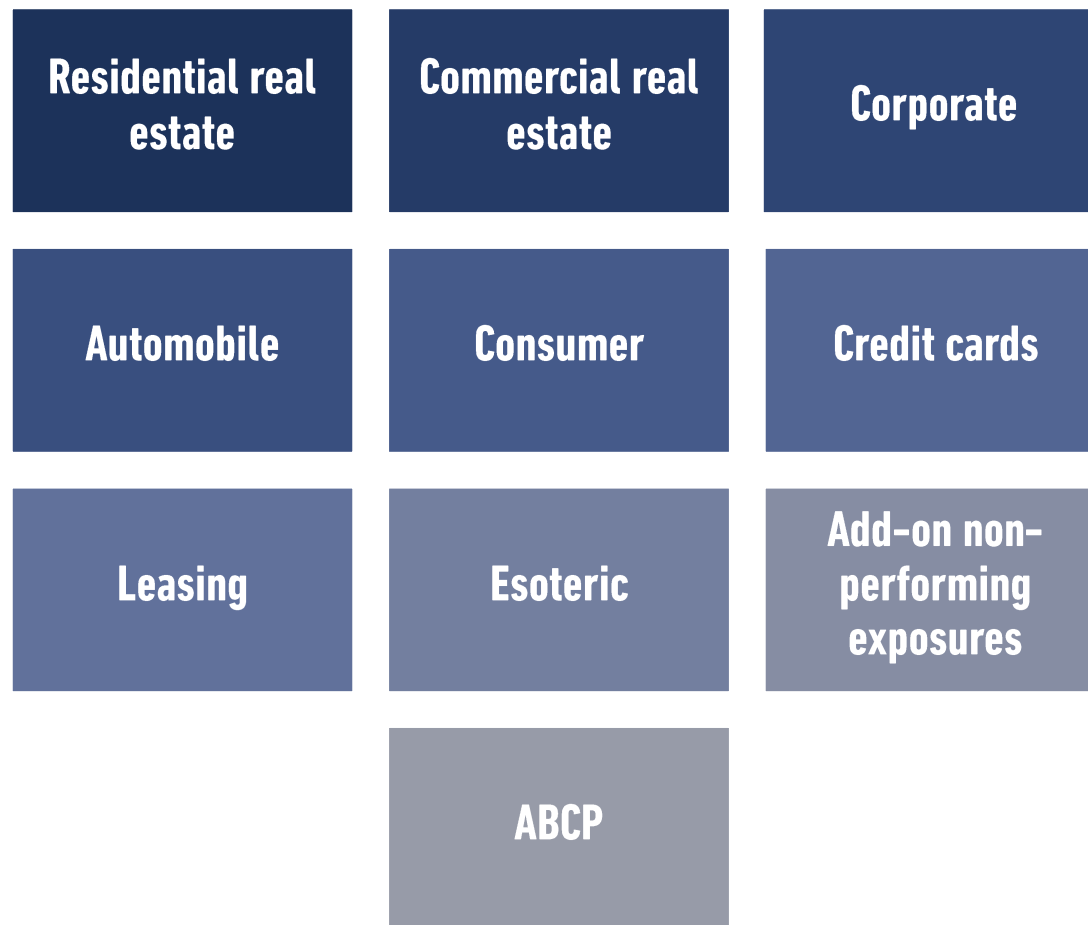
Dates:

- 06 November @ 16:00 CET
- 14 November @ 16:00 CET
- 28 November @ 16:00 CET
- 05 December @ 16:00 CET
- 19 December @ 16:00 CET



THE NEW ESMA TEMPLATES

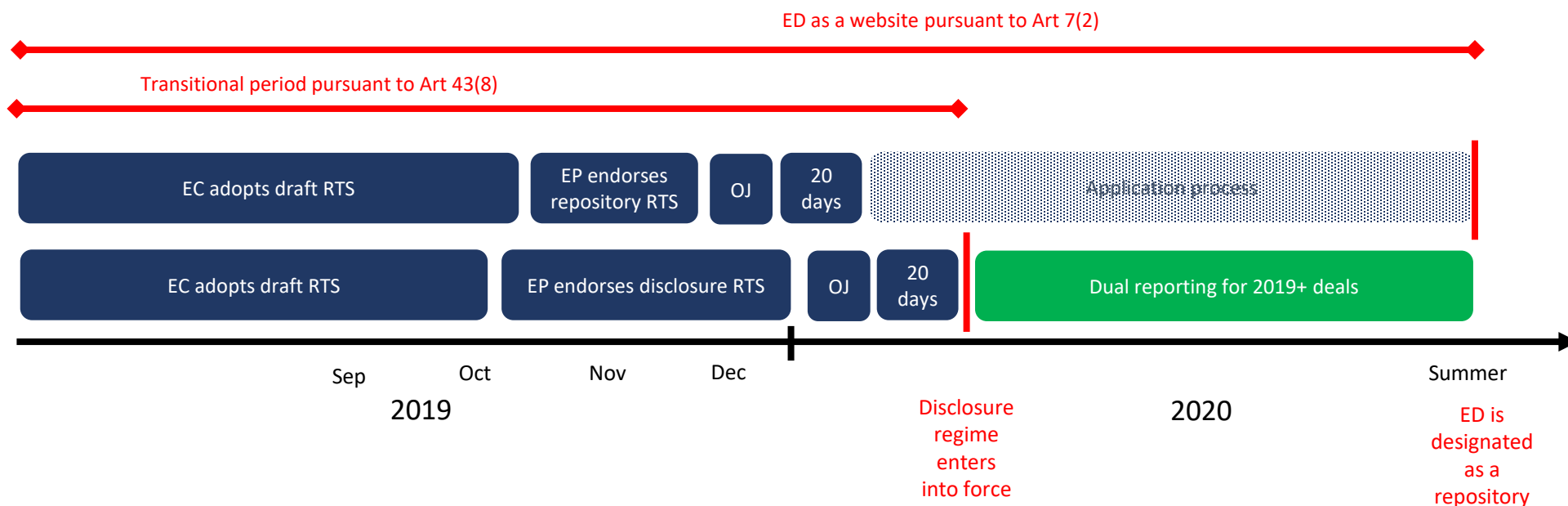
ASSET CLASSES COVERED



REGULATORY TIMELINE IN 2019 / 2020

Last updated to reflect regulatory developments as of 16 October 2019

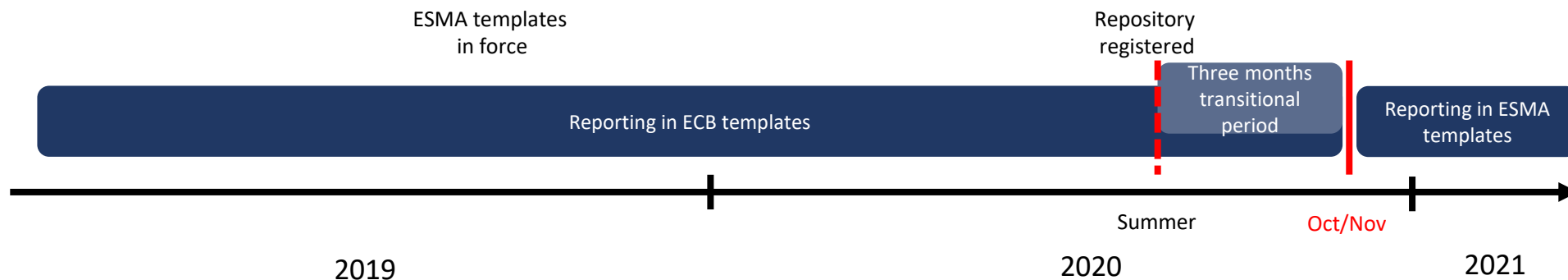
Repository & disclosure regime



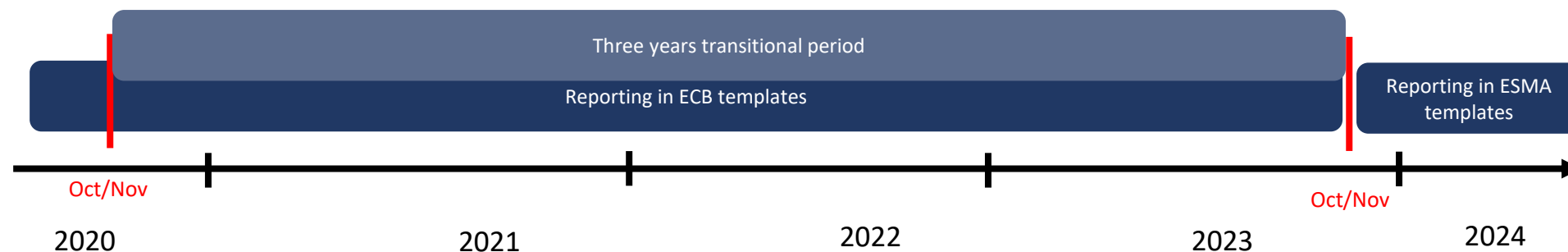
EC: European Commission
 EP: European Parliament
 ESMA: European Securities and Markets Authority
 OJ: Official Journal of the European Union – potential publication of the Level 2 of the RTS following the translation into the national languages of the European Union
 RTS: Regulatory Technical Standards

TIMELINE - EUROSYSTEM TRANSPARENCY REGIME

FOR 2019+ DEALS



FOR < 2019 DEALS

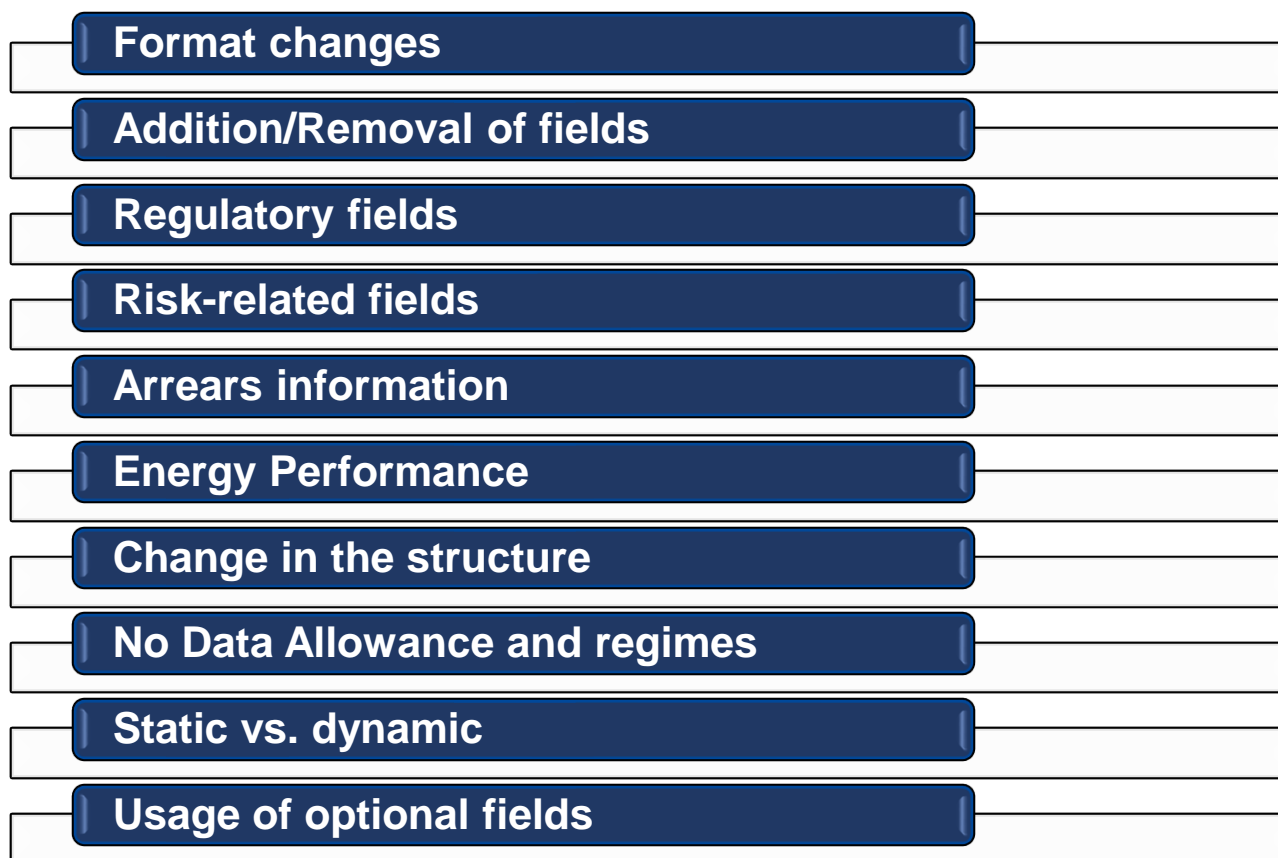


WHAT'S CHANGING FROM THE ECB TEMPLATES?

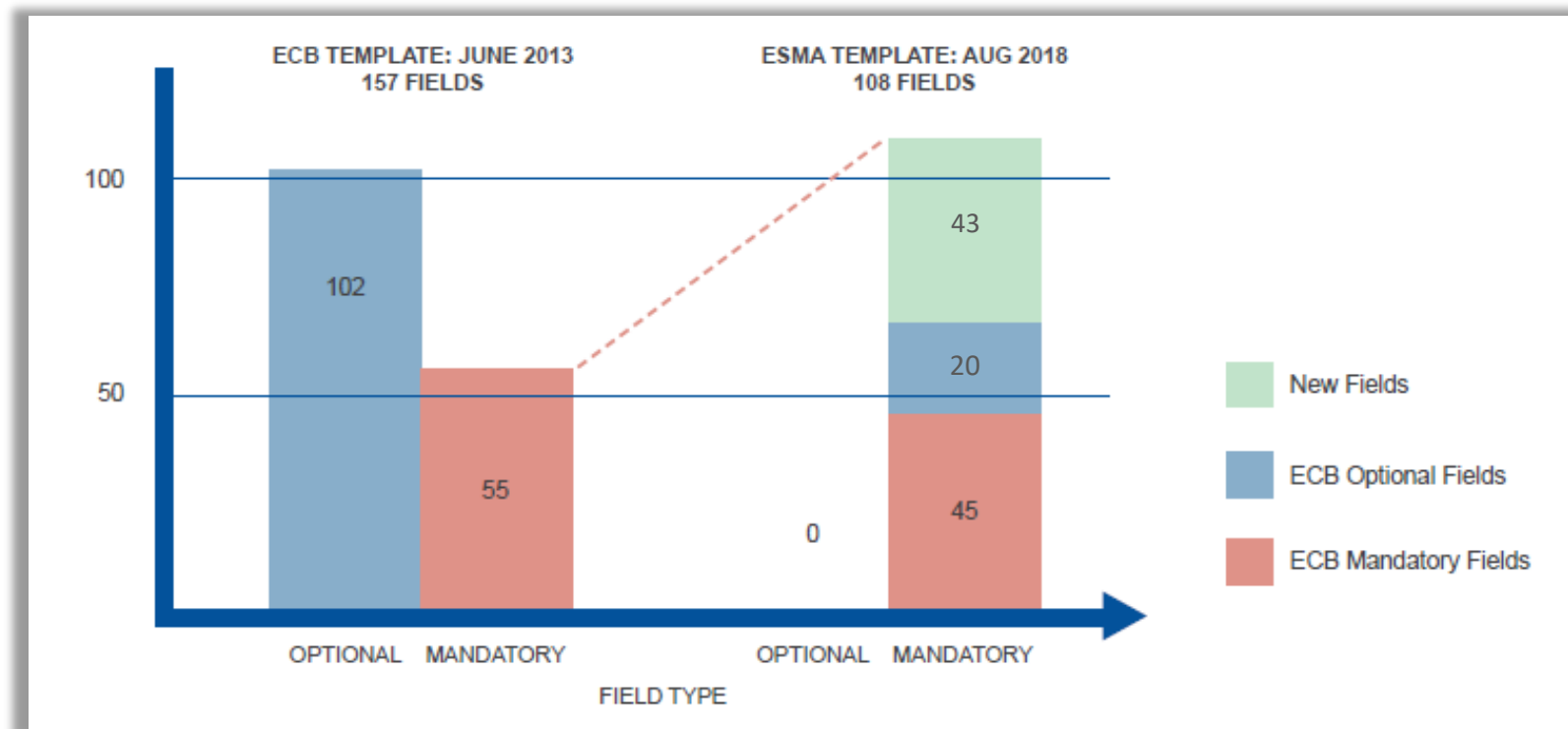
WHAT IS CHANGING – THE KEY DIFFERENCES

According to the ESMA Final Report on Disclosure Requirements under the Securitisation Regulation *, the ESMA proposed underlying exposures templates are built on the existing ECB ABS loan-level data templates.

The key differences are highlighted below:



TRANSITION FROM THE ECB RMBS TO THE FINAL ESMA TEMPLATE FOR RESIDENTIAL UNDERLYING EXPOSURES



Source: ED Calculations

ED INTERNAL GAP ANALYSIS AND METHODOLOGY

Key points highlighted in the ED Gap Analysis v. 3.0 between the ECB ABS loan-level data templates and the proposed ESMA templates as of 31 January 2019

- Dropped fields
- New fields
- Changes to existing fields
 - **Changes in definition**
 - **No changes**
 - **Format changes**
 - **Changes in definition but same input**

FIELD TYPE	ECB RMB template	ESMA RMB UE template	ECB CORP template	ESMA CORP UE template	ECB AUT template	ESMA AUT UE template	ECB CMR template	ESMA CMR UE template	ECB LES template	ESMA LES UE template	ECB CRE template	ESMA CRE UE template
Mandatory	55	108	65	123	54	84	46	69	76	84	32	47
Optional	102	-	84	-	12	-	6	-	51	-	19	-
ECB mandatory fields that exist also in ESMA template	45	45	41	41	46	46	33	33	49	49	21	21
ECB optional fields that have changed to mandatory in ESMA template	20	20	21	21	6	6	3	3	7	7	3	3
Dropped fields	92	-	87	-	14	-	16	-	71	-	27	-
New fields	-	43	-	61	-	32	-	33	-	28	-	23
TOTAL	157	108	149	123	66	84	52	69	127	84	51	47

Source: ED Calculations

*The calculations exclude the bond section of the ECB ABS templates and the Amortisation Profile section of the ECB SME ABS template.

TECHNICAL ASPECTS OF THE NEW TEMPLATES

GOPALA SANKARAN

SUMMARY OF KEY TECHNICAL ADJUSTMENTS BETWEEN THE TEMPLATES

	ECB 2013/2014	ESMA August 2018
ND Options	ND,1-ND,7	ND1-ND5
File format	XML	XML similar ISO 20022
Field Format	Numeric fields of varying lengths	Consistent (standardised monetary and percentage)
Loan Identifiers	Single field (original, new)	Separate fields for original and new IDs
Static/Dynamic Distinction	Yes	No
Data Sections	Loan, Collateral, Bond	Loan, Collateral, Investor Report, Inside Information, Significant Events, Non-Performing Exposures

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
- 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]

```
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/XMLSchema-instance">
3   <SctstnNonAsstBekdComc1PprUndrlygXpsrRpt>
4     <NewCrrctn>
5       <RptUnqIdr>UNIQEREPORTID</RptUnqIdr>
6       <SctstnRpt>
7         <SctstnIdr>549300056U8YWOKJP92N202001</SctstnIdr>
8         <UndrlygXpsrRcnd>
9           <UndrlygXpsrId>
10            <NewUndrlygXpsrIdr>Max1000TestText</NewUndrlygXpsrIdr>
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14            <CutoffDt>2020-12-31</CutoffDt>
15          </UndrlygXpsrId>
16          <UndrlygXpsrData>
17            <ResdtlRealEsttLn>
18              <PrfrmglLn>
19                <UndrlygXpsrCmonData>
20                  <ActvtyDtDtls>
21                    <PoolAddtnDt>
22                      <Dt>2020-12-31</Dt>
23                    </PoolAddtnDt>
24                  <RpdDt>
25                    <NoDataOptn>
26                      <NoData>ND4</NoData>
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28                    </NoDataOptn>
29                  </RpdDt>
30                </ActvtyDtDtls>
31              </RpdDt>
32            </ResdtlRealEsttLn>
33          </UndrlygXpsrData>
34        </UndrlygXpsrRcnd>
35      </SctstnRpt>
36    </NewCrrctn>
37  </SctstnNonAsstBekdComc1PprUndrlygXpsrRpt>
38 </Document>
```


PREPARING YOUR XML FILE – THINGS TO KNOW

- Each XML has to adhere to a schema
- Reports vs Records & Unique Identifiers
- Each data field has a unique XML Tag and XML Path
- Some fields are grouped under a common XML Tag
- Loan and Collateral details are grouped under a master “Underlying Exposure Record”
- There are specific XML representations for
 - Monetary fields with currency
 - ND values
 - Performing vs Non-Performing Loan
 - New submissions & corrections

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<PmryOblgrIncm>  
<Val>  
  <Amt>  
    <Amt Ccy="EUR">100000000</Amt>  
    <Sgn>-</Sgn>  
  </Amt>  
</Val>  
<Tp>  
  <Cd>DSPL</Cd>  
</Tp>  
<Vrfctn>  
  <Cd>SCRG</Cd>  
</Vrfctn>  
</PmryOblgrIncm>
```

EUR, -10000000, DSPL,SCRG

XML TEMPLATES – DEEP DIVE / DEMO

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 ESMA templates and processes in a dedicated testing facility

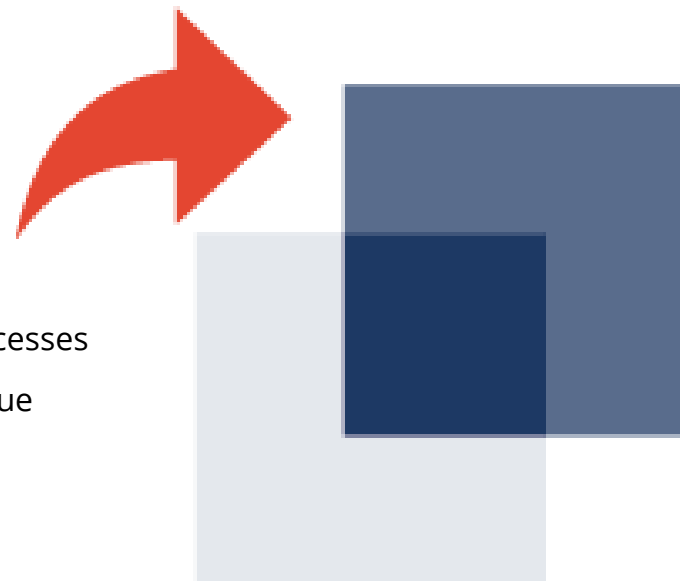
Key Features:

- 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



KNOWN UNKNOWNNS

- ✓ XML is subject to minor changes, e.g.
 - Ability to submit huge files in parts
 - Placement of the pool cut off date field
- ✓ Output formats
 - Current XML is structured as NewOrCrrctn & Cxl from a data upload perspective. It is unclear how repositories should make the final file available
- ✓ Loan removal & modification procedures - when to recalculate data completeness scores, etc.
- ✓ Content validation rules – final list?
- ✓ Repositories must obtain written confirmation from issuers on completeness of information. Format is unknown.



Q&A

EDUCATION OUTLOOK

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](#)
- II. 14 November: [Part 2: Preparing your data in XML](#)
- 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](#)

THANK YOU//CONTACT US

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