

THE RBA'S RESPONSE TO CONSULTATION ON ITS PROPOSED RMBS REPORTING TEMPLATES

In October 2012 the Reserve Bank of Australia (RBA) released for comment the reporting templates that issuers (or their information providers) of residential mortgage backed securities (RMBS) will need to complete and make publicly available for their securities to be eligible for repurchase agreement (repo) with the Bank.

Over the consultation period, the Bank received 17 submissions. Most of the comments related to two matters:

- implementation arrangements, including when the reporting requirements would apply; and
- the need for more detail on the meaning of 'making the information publically available', particularly in view of privacy legislation and the possible increased risks of fraud and liability.

Submissions were also made relating to specific data fields, mainly related to seeking guidance on definitions or requesting additions, deletions or relocation of certain data.

This document sets out the Bank's responses to these submissions. Section 1 provides guidance on implementation arrangements for the reporting requirements. Section 2 addresses issues raised in relation to privacy, liability and the availability of the data. Section 3 summarises the Bank's response to data-specific comments within the individual reporting templates.

Section 1. Implementation Arrangements

a. Implementation Date

Submissions noted that a reasonable period of time would be required to collect the relevant data and build, establish and test reporting systems. Reflecting this feedback, an implementation date of **31 December 2014** will apply. By this time, reporting templates must be lodged with the Bank, validated and made publicly available. The data will be quality tested by the Bank and reporting templates that do not meet the validation standards will be returned to information providers to be corrected. Information providers may test their reporting templates for lodgement with the Bank from **30 June 2014**. Participation in the six month testing phase is not compulsory but is strongly recommended.

The Bank will publish detailed guidance on its validation standards and how the reporting templates must be lodged, in the period up to 30 June 2014.

b. Reporting Frequency

Templates for each RMBS must be lodged no later than seven calendar days after the RMBS Trust issuer's specified coupon payment dates. The data submitted must cover the most recent collection period – i.e. from the latest determination date to the previous determination date.

For RMBS with replenishable pools, the RBA will reserve the right to request out-of-cycle reporting templates.

c. Grandfathering of Certain RMBS

The Bank will exempt from the loan-level reporting requirement those legacy RMBS transactions where, at the implementation date, the aggregate size of outstanding AAA-rated tranches in the transaction is less than \$100 million. Transaction and security level reporting templates will still be required for such RMBS. Since these RMBS are exempt from loan-level reporting, they will attract a higher margin ratio when used for repo with the Bank.

RMBS issued after 31 December 2014, regardless of their face value amount at issuance, must comply with all reporting requirements to be eligible for repo with the Bank. Exceptions to this rule will only be made for self-securitisations where the authorised deposit-taking institution (ADI) is subject to APRA's minimum liquid holdings (MLH) framework. For those assets, the requirement to complete loan-level reporting templates will be waived where the aggregate size of outstanding AAA-rated tranches in the transaction is less than \$100 million. Although such assets may be granted 'eligibility' status with the Bank, only in extraordinary circumstances would the Bank consider purchasing them.

Section 2. Privacy, Liability and Data Availability

a. Who Provides the Information?

Some concern was expressed that a requirement on 'issuers' to report meant that in all cases, irrespective of the securitisation structure, the issuer of relevant securities would itself need to do the reporting. The reporting can be done by whichever entity in the relevant securitisation structure is best placed to do the reporting (referred to in this document as the 'information provider'). It is recognised that this may be an originator or servicer, and not the issuer.

b. Protecting Privacy

A number of submissions raised the concern that, without the appropriate level of anonymity and/or access restrictions, the requirement to make loan-level data publicly available risks breaching privacy laws. Concerns were expressed that, while loan level data would not include names and addresses, there could be a risk that matching the data with other publically available data in the market, could allow a property or borrower to be identified. Unfettered access to these data may also increase the risk of fraud.

To address these concerns, the following arrangements will apply:

- information providers will need to replace actual loan and borrower identification numbers used in internal systems of mortgage originators or servicers with dummy identifiers;
- information providers should restrict access to the loan-level data to those users who require it to evaluate the RMBS for current or potential investment, for ongoing evaluation of the performance of the security or professional or academic research purposes; and
- it is recommended that information providers require parties with access to enter into binding agreements with the information provider that limit the purpose for which the data may be used to an appropriate purpose and require users not to match or attempt to match the data against other information (for example real estate sales information) in order to identify an individual).

Appropriate users might include: banks and other recognised financial institutions; any person or institution that has invested in RMBS; organisations or individuals compiling research to be distributed to financial institutions and other wholesale investors; market data or cash flow model providers to the investor community; Governmental bodies, regulatory authorities and central banks; recognised credit rating agencies; any other party which would normally be considered to be a market professional and is a potential investor in RMBS; professional advisers representing any of the above; and academics.

c. Liability

Issuers noted that despite reasonable endeavours to provide accurate information, loan-level data may contain some minor errors that are not made with the intention to mislead investors. Reflecting this, information providers may include appropriate disclaimers regarding data accuracy and requirements on users to acknowledge any terms and conditions attached to use of the data. The disclaimers, where used, should not be couched in a way that limits substantially the value of the information being provided and should not reduce, or purport to reduce, the representations and warranties that investors are entitled to rely on under the relevant transaction documents or the ability of investors to rely (to the extent contemplated in the transaction documents) on the same or similar information delivered under the relevant transaction documents.

d. Data Availability Infrastructure

To meet the Bank's data availability requirement, the data must be made available either on a secure website managed by or on behalf of the information provider, or through a data warehouse with secure access and expertise in handling the new reporting requirements. The data should be available in a usable format (for example, csv, xlsx or xlsx) and be available free of charge. Only the most recent reports provided to the Bank need to be made available. Information providers will need to provide the Bank with details of where the information is being made available.

Private placements and self-securitisations will not be exempt from the data availability requirement. This reflects the fact that if the Bank counterparty defaults on the repurchase of such a security, the Bank may need to sell (or obtain a valuation on) such securities in the market.

The Bank does not intend to require, co-ordinate or fund the establishment of a central data repository for the reported data.

Section 3. Data-specific Comments and Responses

Along with the final reporting templates, the Bank has provided marked-up reporting templates detailing respondents' comments to particular data fields and the Bank's responses to these comments. The changes should be read in conjunction with comments in the more detailed marked-up reporting templates and are summarised in Table 1 below.

a. Deleted Data Fields

The Bank has deleted the pool-level template. Submissions commented that data fields RP021-122 (Stratification – pool-level template) were unnecessary as investors already received stratified pool-

level data via investor presentations and information memorandums. In light of these comments, the Bank has deleted these data fields. The small number of remaining pool-level data fields have been relocated to the transaction level template. A number of other data fields have been deleted.

b. Changed or Amended Data Fields

The Bank received requests for changes or amendments to existing data fields and has implemented a number of these suggestions.

c. New and Relocated Data Fields

A number of respondents requested that the Bank include additional data fields. The Bank has agreed to this where it is felt that the inclusion of the data will enhance the Bank's risk analysis of RMBS.

Where appropriate, the Bank relocated data fields to other reporting templates. For example, the cash flow waterfall data have been removed from the transaction level template (see Table 1 RT063-186) and will be replaced by a separate cash flow waterfall template in Visual Basic for Applications (VBA) language. The new template maps information from the Information Memorandum to a more user-friendly format which should assist investors pricing securities. The draft requirements are outlined in [Consultation on New Reporting Templates for Repo-Eligible Residential Mortgage Backed Securities](#). Comments on the new template should be made by 15 May 2013 and directed to the Head of Domestic Markets Department at dmsubmissions@rba.gov.au.

d. Other Issues Raised

The loan-level data fields relating to primary and secondary income received considerable attention with some respondents arguing that:

- borrower income at the time of loan underwriting may not an accurate predictor of future loan performance;
- the cost of retrieving this data is high, as it often exists only in hard copy format;
- It is difficult to compare income data across originators owing to differences in underwriting criteria (for example, the treatment of investment income and bonuses) across respondents;
- changes to respondents' underwriting criteria and treatment of income over time make the data difficult to compare from one period to the next; and
- potential privacy concerns around disclosing borrower income.

On the other hand, other respondents noted that income data is a critical input to measures of loan serviceability used in credit and risk analysis.

The Bank considers borrower income to be an important input to the loan underwriting process for determining borrowing capacity and, ultimately, loan serviceability. The Bank intends to use the data as an input to its risk analysis of RMBS. However, the Bank acknowledges the significant costs associated with collecting historical income data. The Bank will therefore only require borrower income data (i.e. data fields RL090 and RL092 in the final version of the loan-level template) for loans originated after 1 January 2010.

Other data issues generally related to disclosures of self-securitisations and private placements which may be commercially sensitive (such as RT202-205, Fees and Expenses and RS043-046, Coupon Payments). The Bank respects the need for information providers to preserve commercial sensitivity. Therefore, where applicable, information providers will only be required to report certain data fields to the Reserve Bank. The fields subject to these arrangements are identified in the guidance notes in each template (for example, RS049-057 in the final version of the templates).

TABLE 1: Data-specific Comments and Responses		
Data fields¹	Change	Comment
RL074 (Months in Business); RL009 (Type of Guarantee Provider)	Deleted	The data are not collected in the loan origination process and are not critical to the Bank's credit risk analysis of RBMS.
RS053 (Excess Spread)	Deleted	There are commercial sensitivities surrounding the public availability of the data.
RT278-280 (Affiliations and Related Transactions)	Deleted	It would be difficult for information providers to comprehensively and accurately track the data
RL070 (Significant Borrower Flag); RL061-62 (Property Statistical Area & Property State or Territory); RL035 (Cumulative Pre-Payments)	Deleted	Data are captured elsewhere in the template or can be readily calculated using other data fields.
RP021-122 (Stratification data)	Deleted	Data can be calculated by aggregating data contained in another template.
RL066/67 (Property Purpose/Type), RL073 (Employment Type), RL048 (Days in Arrears), RL012 (Loan Origination Channel)	Changed/ refined	The Bank has aligned a number these data fields to the way they are categorised during the origination process. In some cases the Bank has streamlined the reporting categories.
RL063 (Property Value), RL065 (Property Valuation Date),	Changed/ refined	The Bank has clarified a number of data field descriptions or guidance notes.
RT053 (Revolving Period), RL043 (Account Status)	Changed/ refined	The Bank has provided definitions and, where appropriate, examples for terms which respondents have sought clarity.
RL001 (Report Date), RL018 (Account Status)	Changed/ refined	The Bank has made changes to data formats, field, category names and reporting frequencies where necessary.
All data fields	Changed/ refined	The Bank has changed the Reporting Frequencies for all data fields to 'Dynamic and 'Static' from 'Ongoing' and 'Upfront'. Static data fields are expected to be reported every period, using data as at origination. However, to the extent that updated data are available for these fields, this data must be reported in the template.
In the new template – RL020- 21 (Conforming Mortgage, LMI Underwriting); RL081-84 (Credit Score, Credit Score Provider, Debt Serviceability Metric, Debt Serviceability Metric Score)	New	The Bank has added new data fields to enhance risk analysis of RMBS.
RT215/16 (Offer Amount/Type)	Relocated	The Bank has relocated data fields that it determined would be better placed in another template.
RL054-59 (Defaults, Losses and Claims)	Relocated	The Bank has relocated data fields where it was deemed that it would be difficult to provide the data at the requested level of disaggregation.
T063-186 (Cash Flow Waterfall)	Relocated	The Bank has relocated data fields when it was determined that the data would be better provided in another template format.
RP003-020	Relocated	In deleting the pool level template, the Bank has relocated a number of critical data fields from the pool level template to the transaction level template.

¹ RL = Loan-level template; RS = Security-Level template and RT = Transaction- level template