

Securitized Products

Standardized Information Reporting Package
(SIRP)

Guidebook

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Japan Securities Dealers Association
Working Group on Securitized Products

Introduction: Purposes of this Guidebook

Securitization is an effective financial technology to access financing or to transfer risk for the originators who are the owners of the collateral assets. Meanwhile, securitized products can offer attractive investment opportunities for investors subject to appropriate assessment of their risks and returns.

The Japan Securities Dealers Association (JSDA) has organized information useful for analysis of the risks and returns of securitized products and published this information in the form of the **Standardized Information Reporting Package (SIRP)**.

This Guidebook has been prepared to assist investors in using the SIRP and further to contribute to the development of the securitization market.

It has been prepared in particular as a document to be read by investors who have not yet had opportunities to become familiar with the SIRP, either because they have not yet invested in securitized products or have suspended such investment for some time. For this reason, the guidebook tries to focus on the items considered important for understanding the outline of the SIRP, keeping them as concise as possible.

1. Background on Establishing the SIRP

Although the Japanese securitization market has never experienced serious cases where complicated structural arrangements increased uncertainty in identifying risks in securitized products, as occurred with the subprime loans in the United States, common recognition grew to take forethought steps to prevent potential issues in response to the global financial crisis.

It was argued that measures were required for investors' access to appropriate information to capture the characteristics of securitized products in an easier and more accurate approach and to avoid overreliance on credit ratings when investing in securitized products.

The Financial Services Agency added supervisory checkpoints to ensure **traceability** of securitized products to the Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc. in April 2008. The term “traceability” is used to refer to the ability to ascertain the risks and returns of securitized products by obtaining information on the details and risks of the underlying assets and structures of securities.

In light of these developments, in March 2009 the JSDA established the **Rules Concerning Distributions, etc. of Securitized Products** as self-regulation rules, requiring JSDA members, when selling securitized products, to make arrangements to communicate information to investors on details including their underlying assets and structures and on their risks. At the same time, the JSDA established the SIRP to bring together items of information that may be referred to when considering the information that should be communicated to investors. Both of these were enforced in June 2009.

Later, the SIRP was revised in March 2012 by reclassifying and reordering the disclosure items on the primary issuance to harmonize with that stated in the *Cabinet Office Ordinance on Disclosure of Information, etc. on Regulated Securities*. Subsequently, additional items and footnotes were added to suit the practice identified after the first release of SIRP in connection with the commercial mortgage-backed securities (CMBS) business. These revisions took effect in April 2012. Further revisions were enacted and took effect in June 2015, adding new items and footnotes on the ongoing retention of risks by originators and other related parties.

2. Principles of the SIRP

The SIRP extracts the beneficial items to correctly capture the risk and return profile from the pool of information on securitized products and the underlying assets. As noted below, it is categorized in accordance with the four typical product types.

Distributors of securitized products must contemplate and decide what information satisfies investors to best understand the features of the securitized products. They may refer to the information items covered in the SIRP if necessary.

- They may also refer to the SIRP with regard to the distribution of products for which no SIRP has been prepared, if applying such approach is appropriate in light of the characteristics of the relevant products.

Investors need to analyze the risks and returns of the securitized products when considering investment in securitized products. They must also continue to monitor the performance over the holding period of securitized products in which they have invested.

In particular, investors who have never invested in a securitized product may suffer from developing a time-consuming process to identify which information items are required on their risk-return analysis and performance monitoring, as they have never experienced one.

The standardized beneficial information classified in four typical transaction types will benefit the investors in fulfilling their credit analysis. The analysis is subject to the investors' judgment on the necessary items that may vary in connection with the different characteristics of each product type.

Consequently, use of the SIRP can not only facilitate the exchange of information, but also to expedite the standardization of information by broadly deploying the practice.

- While the securities dealers play a key role in providing the product information upon the issuance, servicers and trust banks are seen to be the sender of the information during the term of the transactions.

In addition, the SIRP has also been referenced in regulations applying to key parties related to securitized products, such as banks and ratings agencies. (Examples include the Basel capital accords, the regulation of ratings agencies, and the risk-retention rules.)

The Basel capital accords require the establishment of management structure to monitor information such as securitization risk exposure as one of the standards on the use of external credit ratings in securitizations. On this point, the Questions and Answers on Basel II note that it is desirable to at least refer to the *Rules Concerning Distributions, etc. of Securitized Products* and to the SIRP.

Regulations on credit rating agencies require the rating agencies to compile and publish items of information deemed important to the assessment by third parties of the appropriateness of credit ratings. On this point, the FSA's interpretation of the regulations in relation to a public comment published at the time of adoption was that the SIRP could be referred to in connection with the rating agencies' regulation. From a look at documents published by ratings agencies since adoption of the regulations on credit rating agencies, it appears that in fact they are referring to the SIRP.

Risk-retention regulations require Financial Instruments Business Operators and Registered Financial Institutions to collect information on ongoing retention of risks by originators and analyze it to enable appropriate explanation of securitized products prior to the distribution. They also expect investors to verify whether the originator will retain part of the risk of securitized products on an ongoing basis and, if it will not, to conduct more in-depth analysis concerning the originator's state of participation in and the quality of the underlying assets. The SIRP's information on matters such as ongoing retention of risks by originators and others may be used in such judgment.

It is expected that the SIRP will be effectively used in these ways by parties involved in

securitized products.

3. Structure of the SIRP

(1) Products Covered by the SIRP

The SIRP has been prepared to cover the following four types of securitized products. For each type of securitized product, the SIRP organizes items of information concerning the securitized products and their underlying assets considered useful for understanding the risks and returns of the securitized products.

- RMBS (Residential Mortgage Backed Securities)
 - Securitized Products Backed by Japanese Housing Loans
- Narrowly defined ABS (Asset Backed Securities)
 - Securitized Products Backed by Japanese Lease and Credit Receivables, etc.
- CLO (Collateralized Loan Obligations)
 - Securitized Products Backed by Japanese Corporate Loans, etc.
- CMBS (Commercial Mortgage Backed Securities)
 - Securitized Products Backed by Japanese Commercial Real Estate Loans

(2) Types of Information

The information items provided in the SIRP can be grouped into the following general types.

First of all, they can be grouped into the following two categories by the time at which information was obtained. Some information may belong to both categories.

- Information obtained at the point of issue (Information disclosed at the point of issue)
- Information obtained after issuance (Information in interim reports)

Next, they can be grouped into the following three categories by subject matters.

- Information on the securitized products themselves
- Information on the underlying assets of the securitized products
- Information on related parties

(3) Categories of Information in the SIRP

The SIRP groups the above information items into the categories named below based on

the above combinations of types of information.

Time obtained	Subject	Name of information category			
		RMBS	Narrowly defined ABS	CLO	CMBS
At the point of issue	Product	Product information			
	Underlying assets	Asset management information			
	Related parties	Information on issuer and other legal entities involved			
After issuance	Product	Surveillance following issuance			Grouped into 10 categories
	Underlying assets	Payments on underlying assets			

(i) Categories of Information Disclosed at the Point of Issue

Information disclosed at the point of issue refers to items of information considered useful to obtain when considering investment in securitized products. It is grouped into the following three categories.

- Product information
- Asset management information
- Information on issuer and other legal entities involved

Product information refers to information on the securitized products themselves. Asset management information refers to information on the underlying assets of the securitized products. Information on issuer and other legal entities involved refers to information on related parties, including issuers, originators, and servicers.

However, for CMBS the items of asset management information are covered together with the information in interim reports after issuance, as noted below.

(ii) Categories of Information in Interim reports

Items of information in interim reports are those considered useful for following changes in the performance of securitized products invested in. The SIRPs for RMBS, narrowly defined ABS, and CLO employ different categories than those of the SIRP for CMBS.

The SIRPs for RMBS, narrowly defined ABS, and CLO employ the following two categories.

- Surveillance following issuance
- Payments on underlying assets

Surveillance following issuance refers to information concerning the state of the securitized products themselves after issue. In general, this corresponds to product information in the items of information disclosed at the point of issue. Payments on underlying assets refer to information concerning the state of the underlying assets after issue of the securitized products. In general, this corresponds to asset management information in the items of information disclosed at the point of issue.

For CMBS, 10 categories are established in greater detail. These will be described below, together with the content of the SIRP for CMBS.

(iii) Levels of Information Items, etc.

From left to right in the table, the SIRP includes the following columns for items of information organized in accordance with the categories above.

Item number, Item, Level, Explanation, Comments, Notes

Of these, level is a guide of relative priority in the case of an anticipated standard transaction. It is divided into the following three levels.

- Level 1: Items considered almost essential in most cases.
- Level 2: Useful items that should be considered for reporting in most cases.
- Level 3: Useful information, but with lower priority than Level 2.

In addition, at the end of each SIRP table, foot notes are provided to supplement the items included in the table.

4. RMBS, Narrowly Defined ABS, and CLO SIRP Content

The three SIRPs for RMBS, narrowly defined ABS, and CLO largely employ a shared structure. Each anticipates securitized products backed by assets distributed in small amounts as typical products. These are described below, mainly using the RMBS SIRP as an example.

In structuring of securitized products, often multiple products (tranches) are structured in accordance with priority in distribution of cash flows from the underlying assets. The

description below is based on the case of investment in a high-priority tranche. Here, a high-priority tranche is referred to as a senior tranche and a lower-priority tranche as a junior tranche.

I. Product Information

One category of information disclosed at the point of issue is “I. Product Information,” which includes the following items. Ascertaining these items of information makes it possible to understand the basic content of securitized products.

<ul style="list-style-type: none"> • Product name • Basic structure • Main applicable laws • Product type • Credit and liquidity enhancement • Major structure-related risks • Ratings • Issuance total, issue amount of each tranche • Issue tprice 	<ul style="list-style-type: none"> • Interest rate and planned dividend rate • Interest payment date • Final legal maturity date • Repayment method • Planned repayment date or schedule, etc. • Forecast repayment schedule, etc. • Issue date • Arrangers, underwriters, and distributors • Structure of trigger
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Of these, credit and liquidity enhancement is one key item of information for ascertaining the risks and returns of securitized products. The system of credit and liquidity enhancement is set up in preparation for cases such as damage to the underlying assets (loans and receivables) of securitized products or when actual cash flow differs from initial projections.

Means of credit enhancement include the senior-subordination structure and surplus income (excess spread). Even if part of the underlying assets were damaged, if the effect of such damage extends only to an inability to repay the junior tranche, then repayment of the senior tranche would not be impeded. Also, it is possible to prepare for the risk of decreased cash flow from underlying assets by retaining part of the cash flow of those underlying assets in a reserve account.

A typical example of liquidity enhancement is a reserve account. If, for example, the servicer collecting underlying asset receivables were to go bankrupt, then there is a risk that collection could not be conducted temporarily until servicing is resumed by a backup servicer or another party. A reserve account may be set up as a means of liquidity enhancement in preparation for such liquidity risk.

Examples of major structure-related risks include risk of damage to underlying assets,

risk of payments not collected as scheduled, servicer risk, legal risk (e.g., risks related to bankruptcy remoteness or genuine transferability), tax risk, and asset pool concentration risk on underlying assets.

A trigger structure also increases the reliability of interest payment and repayment of a senior tranche. Various indicators may be used as trigger indicators in preparation for risks such as those of deterioration of the underlying assets or servicer bankruptcy. One example is accelerated repayment of the senior tranche and suspended repayment of the junior tranche in response to the volume of nonperforming underlying asset loans rising above a certain level or to the bankruptcy of a servicer.

II. Asset Management Information

Items under the next category, “II. Asset Management Information,” are listed below. Risks and returns of securitized products depend mainly on the state of their underlying assets. For this reason, information on the underlying assets is needed in order to analyze their risks and returns.

<ul style="list-style-type: none"> • Outline of underlying assets • Outline of origin of underlying assets • Grouping of underlying asset pools • Weighted average coupon (WAC) • Weighted average maturity (WAM) • Eligibility requirements • Backup Servicing • Underlying asset cash flow (planned) 	<ul style="list-style-type: none"> • Waterfall • Group distribution of loans or debtors for underlying assets • Delinquency rate • Default rate • Prepayment • Collection rate or loss rate • Grouping of comparison pools
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Of these, underlying asset cash flow (planned) is information that concerns the planned collection of underlying asset receivables. The basic collection schedule is one in which both the conditional prepayment rate (CPR) and the conditional default rate (CDR) are zero. In general, a weighted average life (WAL) is also indicated, with certain CPR and CDR values.

Waterfall refers to the flow of funds collected from the underlying assets. For example, a structure may be indicated in which funds collected from the underlying assets are divided into a principal account and a dividend account, with principal repaid from the principal account according to priority and payment of taxes and dues, trustee fees, other fees, preferred dividends, and non-preferred dividends made from the dividend account.

Information on the group distribution of loans or debtors for underlying assets is useful in assessing risks of underlying assets and projecting their cash flows. Information such as

the balance of principal and number of receivables for underlying asset receivables is indicated, for example, by product type, loan interest conditions, loan period, region, or debtor attributes.

III. Information on Issuer and Other Legal Entities Involved

The last category of information disclosed at point of issue, “III. Information on Issuer and Other Legal Entities Involved,” includes the following items. Various entities are involved in different activities, such as collection of the underlying asset receivables and payment of principal and interest to accommodate securitized products. For this reason, it is important to ascertain risks from the perspectives of the roles played by individual entities involved and continuity of their activities.

- Issuer
- Originator
- Servicer
- Other major parties involved
- Ongoing retention of risks by originator, etc.

Of these, examples of other major parties involved include trustees, backup servicers (if originally set up), bond administrators, and counterparties of derivative transactions. A rational decision should be made about the level of information needed for each of these, taking into consideration the role of each party and its impact on product risk.

Ongoing retention of risks by originator is information needed to ascertain whether the credit risks of securitized products are retained on an ongoing basis by the originator and parties other than the originator that are deeply involved in the arrangement of the securitized products (e.g., arrangers, sponsors).

IV. Surveillance Following Issuance

The performance of securitized products needs to be ascertained on an ongoing basis after investing in them. The SIRP groups information used for this purpose into the two categories of “IV. Surveillance Following Issuance” and “V. Payments on Underlying Assets.”

“IV. Surveillance Following Issuance,” a category of information included in interim reports, includes the following items.

<ul style="list-style-type: none"> • Outstanding issue amount • Interest rate (dividend rate) • Ratings • Current status of credit and liquidity enhancements • Trigger indicators 	<ul style="list-style-type: none"> • Occurrence or non-occurrence of events • Status for allocation of collection • Remaining balance of subordinated portion • Ongoing retention of risks by originator, etc.
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Of these, outstanding issue amount includes information on not just senior tranches invested in but all balances not yet repaid, including junior tranches. It is needed for purposes such as verification of the subordination ratio.

Current status of credit and liquidity enhancements refers to information on the subordination ratio, balances of reserve accounts, etc. within the senior-subordination structure. As repayment of securitized products advances, the subordination ratio will change. It is important to investors in a senior tranche to verify, on an ongoing basis, whether the junior tranche covers the risk of damage to the underlying assets. The same applies for liquidity enhancement measure as well.

Trigger indicators and occurrence or non-occurrence of events are information needed to ascertain the possibility of changes to methods of repayment of securities. These include levels of trigger indicators used as reasons for accelerated redemption or other purposes, whether or not the trigger threshold is crossed, and existence of any events that would trigger accelerated redemption, cancellation of servicer, etc.

Ongoing retention of risks by originator, etc. is the same as that described under 4. III above.

V. Payments on Underlying Assets

The final category, “V. Payments on Underlying Assets,” also a category of information included in interim reports, includes the following items.

<ul style="list-style-type: none"> • Balance of loans involved with underlying assets • WAC • WAM • Other pool groupings • Group distribution of loans or debtors for underlying assets 	<ul style="list-style-type: none"> • Delinquency amount and rate • Default amount and rate • Cumulative default or incurred loss amount and rate • Prepayment rate • Collection rate or loss rate • Buyback rate
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Information on whether the underlying asset receivables generate cash flows as expected is needed in considering the risks and returns of securitized products.

In particular, information on the delinquency amount and rate, default amount and rate, and cumulative default or incurred loss amount and rate of the underlying asset receivables indicates their credit risk.

Also, the prepayment rate indicates the status of early repayment of the underlying asset receivables. As an example, when market interest rates have decreased there will be a strong tendency toward early repayment of fixed-rate home mortgages through refinancing them at lower interest rates. If as a result, repayment of securitized products backed by home mortgages proceeds more quickly than projected, then the investment will become less efficient as the investment period shortens. It is important to ascertain the risk of such early repayment as well.

5. Content of the CMBS SIRP

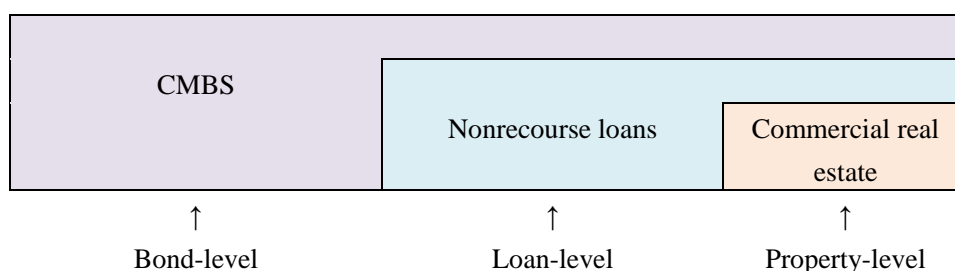
Many CMBS products employ a two-stage structure in which nonrecourse loans are issued backed by commercial real estate and then the securitized product is issued backed by those nonrecourse loans. Generally, the number of underlying loans and properties is kept small enough that the law of large numbers does not apply.

For these reasons, the content and structure of the CMBS SIRP differ slightly from those of the RMBS SIRP and other SIRPs.

In particular, it includes numerous individual items of information on the nonrecourse loans and properties, as information on the underlying assets. Because of this large number of information items, they are grouped into the two categories of information disclosed at point of issue and information disclosed in interim reports.

It also must be noted that real-estate securitized products for which the underlying assets are real estate or real-estate trust beneficiary rights, rather than nonrecourse loans, differ structurally from the type of products for which this SIRP has been prepared, and as a result the organization of information items will differ as well.

In the case of CMBS, information on the securitized products themselves is referred to as bond-level information, information on the nonrecourse loans that are the underlying assets of the securitized products is referred to as loan-level information, and information on the commercial real estate that makes up the underlying assets of these nonrecourse loans is referred to as property-level information.



The information categories of the CMBS SIRP can be organized by the timing of obtaining information (i.e., whether disclosed at point of issue or in interim reports) and subjects of information, as shown below.

Name of information category		Point of issue disclosure / Interim reports	Subjects of information
A – 1	Product Information	Point of issue disclosure	Bond-level
A – 2	Asset Management Information	Point of issue disclosure	Loan-level
A – 3	Information on Issuer and Other Legal Entities Involved	Point of issue disclosure	Parties concerned
A – 4	Bond Level Information	Interim reports	Bond-level
B – 1	Basic Information on Underlying Loans	Point of issue disclosure and interim reports	Loan-level
B – 2	Performance of Underlying Loans	Point of issue disclosure and interim reports	Loan-level
B – 3 (1)	Special Items Report	Interim reports	Loan-level
B – 3 (2)	Watch List	Interim reports	Loan-level
B – 4	Original balance of underlying loan	Interim reports	Loan-level
B – 5	Information on Reserves	Point of issue disclosure and interim reports	Loan-level
B – 6	Report on Servicer Advances	Interim reports	Loan-level
C – 1	Performance Report on Collateralized Properties	Point of issue disclosure and interim reports	Property-level
C – 2	Report on Property Sales (This is an additional report for sale-type CMBSs)	Interim reports	Property-level

The content of the CMBS SIRP is discussed below for each major category. Since many of these items are in common with other SIRPs such as the RMBS SIRP, the descriptions below focus on items exclusive to the CMBS SIRP.

A-1. Product Information

The first category “A-1. Product Information,” disclosed at the point of issue, includes the following items concerning the basic details of the securitized products.

<ul style="list-style-type: none"> • Product name • Basic structure • Main applicable laws • Product type • Credit and liquidity enhancement • Ratings • Issuance total, issue amount of each tranche • Issue price 	<ul style="list-style-type: none"> • Interest rate and planned dividend rate • Interest payment date • Final legal maturity date • Repayment method • Planned maturity date • Weighted Average Life (WAL) • Issue date • Arrangers, underwriters, and distributors
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A-2. Asset Management Information

The next category of information items disclosed at point of issue is “A-2. Asset Management Information.” The practical information items included in this category that concern underlying assets are covered with information disclosed in interim reports, under the categories “B-1. Basic Information on Underlying Loans,” “B-2. Performance of Underlying Loans,” “B-5. Information on Reserves,” and “C-1. Performance Report on Collateralized Properties.”

A-3. Information on Issuer and Other Legal Entities Involved

The category “A-3. Information on Issuer and Other Legal Entities Involved,” disclosed at the point of issue, includes the following items.

<ul style="list-style-type: none"> • Originator • Servicer • Issuer • Other major parties involved • Ongoing retention of risks by originator, etc.
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Of these, the items of other major parties involved and ongoing retention of risks by originator, etc. are the same as those described under 4. III above.

A-4. Bond Level Information

The category “A-4. Bond Level Information” of items of information disclosed in interim reports includes the following items. For the most part these correspond to the items of information disclosed at point of issue in category “A-1. Product Information.”

<ul style="list-style-type: none">• Contract ID number• Reporting date• Distribution date• Calculation period• Actual no. of days in calculation period• Collection Report• Payment Report• Original face value	<ul style="list-style-type: none">• Beginning principal balance• Number of bond units• Bond interest payment• Bond principal redemption• Reserves• Trigger check• Ongoing retention of risks by originator, etc.
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Information on bond interest payment and bond principal redemption is provided for each tranche. They include calculation basis and other related information such as day count convention and types of interest rate.

A trigger check is used to check for the existence of any trigger events at the bond level.

Ongoing retention of risks by originator, etc. is the same as that described under 4. III above.

B-1. Basic Information on Underlying Loans

The category “B-1. Basic Information on Underlying Loans,” includes the following information items. This is basic information concerning the underlying asset nonrecourse loans. These are items disclosed at point of issue and ones disclosed in interim reports. In addition to this category, the following categories are used for items of information on underlying loans reported in interim reports: “B-2. Performance of Underlying Loans,” “B-3(1) Special Items Report,” “B-3(2) Watch List,” “B-4. Original balance of underlying loan,” “B-5. Information on Reserves,” and “B-6. Report on Servicer Advances.”

<ul style="list-style-type: none"> • Loan ID number • Borrower • Issue date • Planned maturity date (planned redemption date) • Final maturity date (final redemption date) • Cutoff date • Previous payment date • Loan balance • Interest • Principal amortization and type 	<ul style="list-style-type: none"> • Total contracted principal and interest payments • Asset manager • Type of asset manager license • Backup asset manager • Type of backup asset manager license • LTV • Collateral evaluation
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When multiple nonrecourse loans are involved as underlying assets, information is needed for each nonrecourse loan.

Final maturity date (final redemption date) indicates the final date of the tail period if one is specified for in the underlying asset nonrecourse loan contract. Generally in the case of a nonrecourse loan, a certain period of time is specified following the planned maturity date (planned redemption date) in preparation for the risk that the loan is not repaid by the planned maturity date (planned redemption date) through refinancing or sale of the property. This additional period in which the property can be sold or other measures taken is called the tail period.

Sub-items under loan balance include original loan balance, balance of underlying loan at cutoff date (balance of underlying loan at point of issue of the CMBS), current loan balance, and balloon payment balance on planned maturity date. The balloon payment balance on planned maturity date is included because in many cases an underlying asset nonrecourse loan will be repaid either in its entirety or in large part on the maturity date. Repayment conditions can be understood from the principal amortization and type.

Interest includes not only whether the interest rate is floating or fixed and its level, but also the strike price (cap interest rate) when there is an interest rate cap agreement for a floating interest rate.

LTV stands for loan to value. The subject real estate is financed through a loan and equity. The LTV refers to the amount financed through a loan as a percentage of the entire financed amount (i.e., the price of the subject real estate). From the perspective of the loan's lender, the lower the LTV, the greater the relative certainty that the loan will be repaid. The LTV varies depending on whether the loan is repaid during its period or the

value of the subject real estate (collateral valuation) changes.

Important information related to collateral evaluation includes the evaluation amount type (e.g., appraisal report, valuations by rating agencies, asset manager (AM) valuations, arranger valuations) and their evaluation date. The category “C-1. Performance Report on Collateralized Properties” includes the appraisal value of each collateralized property. The sum total of these appraisal values is this collateral evaluation.

B-2. Performance of Underlying Loans

The category “B-2. Performance of Underlying Loans” includes the following items of information. These are items disclosed at point of issue and ones disclosed in interim reports.

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| <ul style="list-style-type: none">• Loan ID number• Borrower• DSCR• Occurrence (or not) of trigger events |
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DSCR stands for debt service coverage ratio. This is the ratio of cash flow from the subject property to the amount of scheduled payment of loan principal and interest. The higher the DSCR, the greater the leeway for loan repayment. In cases such as when the DSCR falls below a certain level, allocation to equity may be suspended or the loan may be subjected to preferential payment (under cash trap reserve or fast-pay trigger clauses). If such clauses apply, attention must be paid to the occurrence (or not) of trigger events.

B-3(1) Special Items Report

The category “B-3(1) Special Items Report” includes the following items related to interim reports on the underlying loans.

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|---|--|
| <ul style="list-style-type: none">• Loan ID number• Borrower• Current loan balance• Report on early repayments other than scheduled payments | <ul style="list-style-type: none">• Report on property sales• Report on changes in loan-related agreements• Report on other significant events |
|---|--|

A report on early repayments other than scheduled payments is prepared in cases of prepayment due to causes such as sale of the subject real estate (collateralized property), refinancing, or occurrence of insured events.

The report on property sales includes information such as sale price and amount of loan

principal repaid from the proceeds of the sale when the subject real estate (collateralized property) has been sold.

A report on other significant events is prepared when events have occurred that are considered likely to have a substantial impact on the cash flow or value of the subject real estate (collateralized property) or the collection of the nonrecourse loan.

B-3(2) Watch List

The category “B-3(2) Watch List” includes the following items related to interim reports on the underlying loans.

<ul style="list-style-type: none">• Loan ID number• Borrower• Current loan balance• Date added to servicer watchlist	<ul style="list-style-type: none">• Report on occurrence of trigger events• Report on major deterioration in performance• Report on other significant events
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A servicer collecting on a loan adds the loan to the servicer watchlist for administration if collection of the loan is delayed or an incident has occurred that could have a substantial impact on its collection. This also includes the triggers that caused notation on the servicer watchlist, such as a decrease in DSCR or notice of the exit of a major tenant.

B-4. Original balance of underlying loan

The category “B-4. Original balance of underlying loan” includes the following items related to interim reports on the underlying loans.

<ul style="list-style-type: none">• Loan ID number• Borrower• Current loan balance
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This information concerns cases in which the underlying asset nonrecourse loan is in arrears. In such a case, information is needed on matters including the principal arrears and interest arrears.

For loans in arrears that have been transferred to special servicers, it is recommended to prepare this report each time there is any progress or change in collection status.

B-5. Information on Reserves

The category “B-5. Information on Reserves” includes the following information items concerning reserves set up at the loan level. These are items disclosed at point of issue and ones disclosed in interim reports.

- Loan ID number
- Borrower
- Loan balance
- Reserve details

Balances and other information are needed for property taxes and city planning taxes and insurance, capital expenses, immediate repairs, liquidity (for interest payment), rent, and other reserve accounts.

B-6. Report on Servicer Advances

The category “B-6. Report on Servicer Advances” includes the following items related to interim reports on the underlying loans.

- Basic information
- Servicer information

When an underlying asset nonrecourse loan is in arrears, the servicer may advance an amount equivalent to the collection amount. This is called a servicer advance.

Servicer information includes information on balances of servicer advances and changes in such balances.

C-1. Performance Report on Collateralized Properties

The category “C-1. Performance Report on Collateralized Properties” includes the following items of information concerning the real estate serving as collateral for the nonrecourse loans which are underlying assets of a CMBS. These are items disclosed at point of issue and ones disclosed in interim reports.

In addition to these individual items, it is recommended to disclose a real estate appraisal report, an engineering report (ER) on the building status, and a property management (PM) report complying with nondisclosure agreements, as well as applicable laws and regulations such as the Act on the Protection of Personal Information.

<ul style="list-style-type: none"> • Loan ID number • Borrower • Property ID number • Property • Duration of real estate trust period and trust bank • Property type • Location (prefecture) • Location (municipality) • Year built • PML • Number of dwellings (for residential property) 	<ul style="list-style-type: none"> • Rentable space (m²) • Rentable space (tsubo) • Property manager • Appraisal value • Valuation date • The occupancy and operating rates at the cutoff date • Operating rate at time of report • Cash flow for current (calculation) period • Cash flow for previous (calculation) period • Cash flow two (calculation) periods ago • Cash flow for previous fiscal year • Cash flow two fiscal years ago
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Since the source of principal repayment and interest payment are cash flow generated from the real estate properties serving as collateral on the nonrecourse loans, information on the performance of the underlying properties is important in CMBS

In addition to a summary of the collateralized real estate properties, other information included are appraisal value, occupancy ratio, and cash flow. This information is needed at the point of issue in order to forecast the future cash flow. It also serves as basic information in interim reports for use in considering sale or refinance of the properties.

C-2. Report on Property Sales

The fund for final repayment of the underlying asset nonrecourse loan is raised through refinancing or sale of the property. For a CMBS in which the funds are raised through sale of the property, the following items of information are included in “C-2. Report on Property Sales.”

<ul style="list-style-type: none"> • Loan ID number • Borrower • Current loan balance • Issue date • Planned maturity date (planned redemption date) 	<ul style="list-style-type: none"> • Final maturity date (final redemption date) • Property sales in current period • Cumulative sales record • Individual property sales information
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Information on sold properties includes information on the whole property sales in the current period, cumulative sales record, and information on individual property sales. It also includes the release price (the amount repaid to the lender to release the collateral obligation when the property is sold).

Conclusion

This Guidebook has been prepared with the anticipation to assist investors in utilizing the SIRP and consequently to contribute to further development of the securitization market. It is our pleasure if the document offers value as a reference material for investors when they are looking for investment in securitized products.

References

- Standardized Information Reporting Package (SIRP) (Japan Securities Dealers Association)
- *Rules Concerning Distributions, etc. of Securitized Products* (Japan Securities Dealers Association)
- *Final Report of the Working Group on Distribution of Securitized Products* (March 17, 2009, Japan Securities Dealers Association)
- *Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc.* (Financial Services Agency)
- *Basel II Q&A* (Financial Services Agency)
- *Summary of Comments and the Financial Services Agency's View* (IV. On Adoption of Regulations for Ratings Agencies: Item no. 123, etc.) (December 22, 2009: *Results of Public Comment on Proposed Government Ordinance and Cabinet Order on FY2009 Partial Amendment of the Financial Instruments and Exchange Act*)

This Guidebook and the SIRP are available on the website of the Japan Securities Dealers Association (<http://www.jsda.or.jp/>).

Address any questions or comments concerning this Guidebook and the SIRP to the Bonds and Financial Products Division of the Japan Securities Dealers Association.
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This Guidebook has been prepared as a reference material for investors in using the SIRP. Note that it differs from laws, regulations, and self-regulation rules in that it is not normative. Also, it is not intended to recommend purchase of specific products or specific methods of analysis of risks and returns.