Risk Distribution Investors Guide – Securitisation

in association with: DEMICA

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Contents

'Risk Distribution Investor Guide – Securitisation' is the first in a series of papers designed to help new investors understand the data and reports required for Risk Distribution. Future papers in this series will cover other Risk Distribution methods."

1. Introduction

This memorandum focuses on the key characteristics, principles, and knowledge that Investors need to consider when participating in Trade Receivables Securitisation Risk Distribution.

The main aim of the memorandum is to simplify the access of new participants to the Securitisation Risk Distribution market by acting as a guide for new Investors entering the space and proposing standards to simplify the process for Lead Banks and Investors alike.

The focus of this memorandum is on Primary Trade Receivables Securitisations, where the Seller (Originator) and Servicer of the Receivables being Securitised is the company that originally generated the Trade Finance Assets. Secondary Trade Receivables Securitisations, where the Seller (Originator) (typically a financial institution) has acquired the Trade Finance Assets being securitised from its clients, is largely similar, but has some specific considerations that are not covered in this memorandum.

The memorandum covers:

- Key definitions used in the Risk Distribution process
- Key characteristics of securitisations that Investors need consider
- Standard legal formats used to Risk Distribute Trade Finance Assets
- Risk Distribution process currently followed by Lead Banks and Investors
- Key pain points experienced by Lead Banks and Investors
- Changes proposed by ITFIE to address key pain points, and simplify the Risk Distribution Process
- Standard reports proposed by ITFIE to simplify analysis and automation for market participants

2. Definitions

- **Conduit:** vehicle used by Lead Banks to fund trade receivables by issuing commercial paper
- **Cash Manager:** executes payments and reconciles bank accounts for the programme
- **Investor (Participant):** the party that gains access to a Trade Finance Asset through the transfer or assignment by the Seller, or a Participation with the Seller.
- **Lead Bank (Participant):** original participant of the receivables that holds the relationship with the Buyer, and purchases the receivables directly from the client
- **Notes:** Financial instrument issued by the SPV and purchased by the Lead Banks and Investors to finance the Securitisation
- **Obligor (Debtor):** counterparty that has a financial obligation towards another party, and is the ultimate Recourse Party
- **Operating Company:** Seller legal entity issuing the receivables and selling them onto the SPV
- **Participation:** the participation in Trade Finance Assets through a bilateral arrangement with the Seller
- **Reporting agent:** appointed either by the Seller or the SPV to generate transaction reports and calculations
- **Risk Distribution:** sale of receivables participated by the Lead Bank
- **Seller (Originator):** the counterparty that transfers the Trade Finance Asset and associated Recourse Rights to a Participant
- **SPV:** special purpose vehicle, used as an intermediary between the Seller and the Lead Bank/ Investors (depending on structure), which purchases the receivables from the Seller
- **SPV Management Company:** administrator of the SPV, in charge of accounting, report review, governance, director appointment, audit process, etc.
- **Trade Finance Assets:** payment obligations in relation to receivables/payables, promissory notes and bills of exchange, loans, letters of credit, guarantees
- **Tranche:** different note categories based on their seniority and risk

3. Key Considerations for Trade Receivables Securitisation

- Programmes tend to have a big pool of diversified debtors (typically c. 1,000, but securitisations can reach over a million debtors)
- High volumes of receivables (typically c. 10,000, but securitisations can reach over several million receivables)
- Receivables are purchased by an SPV. Lead Bank and Investors tend to buy notes issued by SPV rather than the receivables themselves
- Risk Distribution is most typically done via the notes issued by the SPV
- Some Lead Banks have conduits which they use to finance their own note purchases
- Settlements can be required with different frequencies, typically weekly or monthly, but can be done as frequently as daily
- Securitisations can be co-lead by multiple Lead Banks
- There can be multiple tranches

4. Legal Structures

There are multiple legal structures that can be used to Risk Distribute Securitisations, each with their own sets of considerations and legal documents. Variations in the appropriate legal structure and legal documentation to be used depend on e.g. whether the transaction is rated, requires de-recognition, jurisdiction, etc. This section of the memorandum provides an overview of the main legal documents and participants common across securitisation legal structures which are covered in more detail on **'ITFIE Workstream B – "The Rules of the Game"'**.

The typical key participants are:

- **Cash Manager:** executes payments and reconciles bank accounts for the programme
- **Financial Advisors:** Advisors provide expert advice and services to structure and execute the securitization transaction. Their involvement is upfront, and their engagement ends once the transaction goes live
- **Investors:** the party that gains access to a Trade Finance Asset through the transfer or assignment by the Seller, or a Participation with the Seller. In this case, the purchasers of the securities
- **Paying Agent:** executes the payments instructed by the Cash Manager
- **Reporting Agent:** appointed either by the Seller or the SPV to generate transaction reports and calculations
- **Seller(s) (Originator(s)):** the counterparty that transfers the Trade Finance Asset and associated Recourse Rights to a Participant, or in this case to the SPV
- **Servicer:** The servicer manages the collection of payments from the receivables. Often, the originator acts as the servicer, but a third-party servicer can also be appointed
- **Special Purpose Vehicle (SPV):** special purpose vehicle, used as an intermediary between the Seller and the Lead Bank/ Investors (depending on structure), which purchases the receivables from the Seller
- **SPV management company**: administrator of the SPV, in charge of accounting, report review, governance, director appointment, audit process, etc.
- **Underwriters:** Underwriters or placement agents assist in selling the securities to investors. Their involvement is upfront, and their engagement ends once the transaction goes live

The typical structure involves the following key steps:

- The Originator sells its receivables into a bankruptcy remote SPV
- The SPV finances the purchase of the receivables by issuing securities, typically notes, to the Investors
- The Servicer will manage the collection of payments from the outstanding receivables

- Cashflows from the collections are distributed by the Cash Managers according to a pre-defined waterfall structure

- Throughout the process, regular reporting is provided by the Reporting Agent, and services are provided by the SPV Management Company

The most common legal documents are:

- **Account Control Agreement:** Governs the control and management of bank accounts where receivable collections are deposited

- **Back-up Servicing Agreement:** defines the responsibilities and triggers for a back-up servicer to take over the responsibilities of the primary servicer in the event of its failure or inability to perform its duties

- **Cash Management Agreement:** governs how the Cash Manager must manage the cash from the collections and the SPV

- **Corporate Services Agreement:** Like the servicing agreement, but may encompass broader administrative tasks, often detailing the administrative responsibilities of a third party or the SPV itself

- **Legal Opinions:** Provided by legal counsel to affirm that the transaction documents are valid, enforceable, and comply with applicable laws and regulations

- **Master Framework Agreement:** governs all other boiler plate terms. Includes definitions, representations and guarantees, etc. everything that is applicable to all agreements

- **Note Issuance Agreement:** Governs the issuance of notes by the SPV to investors, specifying terms such as interest rates, payment schedules, and investor rights across all tranches. In addition, a note certificate that describes the note can be issued

- **Performance Guarantee:** outlines the performance obligations of the sellers and is typically provided by an entity of the Originator

- **Receivables Purchase Agreement (RPA):** This is the primary document where the Seller agrees to sell and assign its receivables to the SPV. It also details the terms and conditions under which the receivables are sold and assigned

- **Reporting Services Agreement:** outlines the responsibilities and obligations related to the reporting and provision of information

- **Servicing Agreement:** Establishes the terms under which the originator or a third party will continue to service the receivables on behalf of the SPV

- **Transaction Summary:** document that provides a detailed overview of the securitisation. This summary is requirement by EU and UK regulations to ensure transparency

- **Trust Agreement/Declaration of Trust:** Establishes the trust and outlines the duties of the trustee in managing the receivables and cash

[ADDITIONAL INFORMATION TO BE PROVIDED BY WORKSTREAM B]

5. Current Risk Distribution process

- Reporting agent receives receivable level data from Sellers
- Reporting agent produces Servicer Report based on securitisation parameters
- Servicer Report is reviewed by either the Seller; or the Seller, the Lead Bank and the SPV Management Company
- Servicer Report is approved
- Servicer Report is issued to Lead Bank, Investors, Sellers, SPV and Cash Manager
- Servicer Report is reviewed by Investors
- Servicer Report is booked in Lead Bank and Investor systems, upcoming payments are arranged
- Cash manager executes the outgoing payments and acknowledges the incoming payments defined in the Funding Calculations and Waterfall section of the Servicer Report
- SPV Management Company books transaction into SPV accounting systems
- Lead Bank and Investor create internal risk and regulatory reports needed for internal controls

6. Key Pain Points for participants

- Sellers:
  - Hard to access, aggregate and structure historical granular data over long time periods (at least 18 months) required for securitisation reporting
  - Hard to extract, harmonise, and aggregate data across multiple Operating Companies which may operate using multiple ERP systems
  - Securitisation with multiple investors might require an independent third party to process, calculate and report on data for the securitisation to ensure neutrality in reports
  - Setting up securitisations often requires a specialised skill set, and requires either independent advisory, or team members with previous experience to navigate legal and structure documentation

- Lead banks and Investors:
  - There tends to be internal reporting needs for investors and issuers that require additional reports/cuts of the same reports
  - High variance from reports across transactions makes it difficult to standardise processes and risk analysis and monitor
  - Data heavy and complex regulatory reporting requirements (e.g. ESMA, STS)
  - Typically limited access to up-to-date portfolio information. Some transactions generate reports only on a monthly basis, and up to 10 days after the cut-off date
  - Specialised risk analysis skill are needed to understand structural and portfolio risk
  - Heavy legal and structuring documentation which requires experience in the asset class
  - Limited ability to understand portfolio level exposure due to varying reports across transactions and lack of centralised data base

7. Changes proposed to reduce key pain points

- **Standardise format of reports being exchanged between parties:** this can simplify the risk analysis needed, and ensure consistency when reviewing offers

- **Exchange item level information:** having a method to easily access, structure and share item level information underpinning securitisation reports can help Lead Banks and Investors address their internal reporting requirements, as well as more easily satisfy regulatory reporting requirements

- **Daily reporting:** increasing the standard frequency of securitisation reporting will result in increased liquidity to sellers, by increasing the settlement frequency and providing funding for new sales quicker. It would also provide better risk protection for investors by allowing for more frequent adjustments to reserves, and a more up-to-date oversight of portfolio performance

- **Automated report generation:** ensuring that Reporting Agents use automated methods for report generation will allow more frequent reporting without increasing operational complexity. It will also significantly reduce the gap between data cut-ff date and report generation date

- **Integration of back-up servicing**: working with reporting agents that have integration with back-up servicers will help mitigate portfolio risks associate with the securitisation

8. Standard set of outputs

The main output needed by Lead Banks and Investors to run Risk Distribution for securitisations is the Servicer Report, and in particular the main section of the report that is needed is the "Funding Calculations and Waterfall" section, nonetheless, the other sections of the report are used to determine the Funding Calculations and Waterfall section. The report sections are:

- Cover Page
- Calendar
- Debtor details
- Roll-forward and ageing balance
- Excess concentrations
- Reserves calculations
- Funding Calculations and Waterfall
- Fees
- Triggers
- Inputs

9. Servicer Report

Refer to Servicer report template Servicer Report.xlsx

9.1 Cover Page

Introductory tab which covers key details and participants of the securitisation. It should include the following fields:

Field	Description	Sub Field	Description
Securitisation Name	Name assigned to the securitisation transaction in the legal documentation, or mutually agreed between Lead Bank and Seller	N/A	N/A
Commitment currency (Consolidation Currency)	currency in which the commitment is provided and to be used for consolidation across currencies for the transaction		
Commitment Amount	Maximum amount of funding committed by the Lead Bank and Investors for the securitisation	N/A	N/A
Lead Bank	Legal name(s) of the Lead Bank(s)	N/A	N/A
SPV	Name of the SPV issuing the notes	N/A	N/A
Reporting Services Provider	Name of the company acting as the Reporting Agent	N/A	N/A
SPV Management Company	Name of the company acting as the SPV Management Company	N/A	N/A
Cash Manager	Name of the company acting as the Cash Manager	N/A	N/A
Investors	List of investors purchasing the notes issued by the SPV. This should be split by Note Tranche in the event there is more than one Tranche	N/A	N/A
Sellers	List of Operating Companies participating in the securitisation	N/A	N/A
Consolidation currency	Consolidation currency for the transaction		
Start Date	Date in which the securitisation started	N/A	N/A

9.2 Calendar

List of dates relevant for the transaction split by reporting period (whether periods are defined on a daily, weekly or monthly basis) and activity. The calendar tab should contain a table with the following fields as standard:

Field	Description	Sub Field	Description
Period	Reporting period for the transaction	N/A	N/A
Activity and date	The title of the column should be the activity that is expected to happen in a given day (e.g. data cut-off), the value of the field should be the date in which that activity is expected to happen. There will be as many Activity and date fileds as required by the securitisation. The standard fields are: • Cut-off date: Date as of which the data sent by the Seller is being taken into consideration to generate the report • Determination/ calculation date: Date that is being used to calculate the outputs in the report • Reporting date: Date in which the report is generated • Settlement date: Date in which settlement of funds is expected	N/A	N/A

9.3 Debtor details

List of Debtors that are applicable to the transaction, and key information related to those debtors. The standard fields are:

Field	Description	Sub Field	Description
Debtor ID	unique identifier for the debtor	N/A	N/A
Debtor Name	name of the debtor	N/A	N/A
Country	country in which the debtor is incorporated	N/A	N/A
Seller Name	name of the seller which is issuing invoices to that debtor (the same debtor may appear multiple times if invoices by multiple sellers)	N/A	N/A
Seller Code	unique identifier of the seller which is issuing invoices to that debtor	N/A	N/A

Field	Description	Sub Field	Description
Currency	currency in which that debtor is being invoiced	N/A	N/A
Beginning receivable Balance	receivable balance at the beginning of the period	N/A	N/A
Gross Sales	New receivables issued over the period	N/A	N/A
Cash Collections	receivables closed over the period	N/A	N/A
Credit notes Closed	Value of credit notes that was allocated over the period	N/A	N/A
Unallocated Cash Closed	Cash received on account but not allocated that was allocated over the period	N/A	N/A
Cancellations	Cancelled receivables over the period	N/A	N/A
Repurchases	Repurchased receivables over the period	N/A	N/A
Contractual Credit Notes	Contractual credit notes issued over the period	N/A	N/A
Non-contractual Credit Notes	Non-contractual credit notes issued over the period	N/A	N/A
Unallocated Cash	Cash received on account but not allocated over the period	N/A	N/A
Write-offs	receivables written-off over the period	N/A	N/A
Ending receivable Balance	receivable balance at the end of the period	N/A	N/A
Ageing current	receivables that are not past due for that debtor	N/A	N/A
1-30 days past due	receivables that are past due by up to 30 days (inclusive) for that debtor	N/A	N/A
31-60 days past due	receivables that are past due more than 30 days and up to 60 days (inclusive) for that debtor	N/A	N/A
61-90 days past due	receivables that are past due more than 60 days and up to 90 days (inclusive) for that debtor	N/A	N/A
91-120 days past due	receivables that are past due more than 90 days and up to 120 days (inclusive) for that debtor	N/A	N/A
121-150 days past due	receivables that are past due more than 120 days and up to 150 days (inclusive) for that debtor	N/A	N/A
151-180 days past due	receivables that are past due more than 150 days and up to 180 days (inclusive) for that debtor	N/A	N/A
181+ days past due	receivables that are past due more than 180 days for that debtor	N/A	N/A
Credit balances	Value of outstanding credit notes	N/A	N/A

Field	Description	Sub Field	Description
Ending balances	Sum of all ageing buckets minus credit balances	N/A	N/A

9.4 Roll-forward and Ageing

Roll-forward Balance and Ageing balance tend to be incorporated in the same tab of the report, as they are related with each other, and together they give a good picture on the Seller performance and receivables. Typically the values for the roll-forward and ageing balances are reported twice each, based on the total receivable portfolio, and again based just on the eligible receivables. Additionally, for some transactions each of the tables below may also be reported for all the Sellers in the securitisation, as well as on a per-seller basis. Optionally, some reports may also contain the historical consolidated values for roll-forward and ageing (separate tab attached). The example attached includes multiple sellers, and historical reporting period as a separate tab

The roll-forward balance shows how the receivable balance evolved as a whole between reporting periods, explaining the difference between the balance at the beginning and the end of the reporting period. It typically contains the following fields:

Field	Description	Sub Field	Description
Category	Value that is being reported. The sub-fields shows the typical list of values that are reported. Custom values specific to the Securitisation/ Seller may also be reported as needed (e.g. differentiation between contractual and non-contractual credit notes, or specific operational practices that impact the receivables Balance)	Beginning receivable Balance	receivable balance at the beginning of the period
		Gross Sales	New receivables issued over the period
		Cash Collections	receivables closed over the period
		Credit notes Closed	Value of credit notes that was allocated over the period
		Unallocated Cash Closed	Cash received on account but not allocated that was allocated over the period
		Cancellations	Cancelled receivables over the period
		Repurchases	Repurchased receivables over the period
		Contractual Credit Notes	Contractual credit notes issued over the period
		Non-contractual Credit Notes	Non-contractual credit notes issued over the period
		Unallocated Cash	Cash received on account but not allocated over the period
		Write-offs	receivables written-off over the period
		Ending receivable Balance	receivable balance at the end of the period
Consolidated Amount	Value for each of the items under the Category sub-fields for the period, converted to the main currency of the securitisation. The column name reflects the currency in which the values are being reported	N/A	N/A
Amount in original currency	Value for each of the items under the Category sub-fields for the period, in their original currency. The column name reflects the currency in which the values are being reported. There will be as many Amount in Original Currency columns are there are different currencies in the Securitisation. Each column will be labelled with the currency that is being reported. Only items that were originally issued in that currency will be incorporated in the column	N/A	N/A

The ageing balance shows the balances of receivables based on whether they are current, or still outstanding past their original due date, based on pre-defined buckets. It typically contains the following fields:

Field	Description	Sub Field	Description
Ageing Bucket	Grouping of value that is being reported based on pre-defined buckets of how many days past due the receivable is. The sub-fields shows the typical list of values that are reported.	Current	receivables that are not past due
		0–30 days past due	receivables that are past due by up to 30 days (inclusive)
		31–60 days past due	receivables that are past due more than 30 days and up to 60 days (inclusive)
		61–90 days past due	receivables that are past due more than 60 days and up to 90 days (inclusive)
		91–120 days past due	receivables that are past due more than 90 days and up to 120 days (inclusive)
		121–150 days past due	receivables that are past due more than 120 days and up to 150 days (inclusive)
		151–180 days past due	receivables that are past due more than 150 days and up to 180 days (inclusive)
		181+ days days past due	receivables that are past due more than 180 days
		Credit balances	Value of outstanding credit notes
		Ending balances	Sum of all balances above
Consolidated Amount	Value for each of the items under the Ageing Bucket sub-fields for the period, converted to the main currency of the securitisation. The column name reflects the currency in which the values are being reported	N/A	N/A

Field	Description	Sub Field	Description
Amount in original currency	Value for each of the items under the Ageing Bucket sub-fields for the period, in their original currency. The column name reflects the currency in which the values are being reported. There will be as many Amount in Original Currency columns are there are different currencies in the Securitisation. Each column will be labelled with the currency that is being reported. Only items that were originally issued in that currency will be incorporated in the column	N/A	N/A

9.5 Excess Concentrations

List of tables laying out the risk parameters driving excess concentrations (e.g. debtor, or country), and the values, limits, and excess concentrations for those risk parameters. There should be as many tables as there are relevant risk parameters for the securitisation. The most common risk parameters for excess concentrations are:

- Debtor Country: Aggregate amount exposure based on country of incorporation of the debtors
- Debtor Credit Rating: Aggregate amount exposure based on credit rating of the debtors
- Debtor Group: Aggregate exposure to a debtor group, or to top x debtors
- Government: Aggregate exposure to government owned debtors
- Receivable Currency: Aggregate exposure to Receivables issued in a certain currency

Each excess concentration table should have the following fields:

Field	Description	Sub Field	Description
Risk parameter	The value against which the excess concentration is being measured (e.g. if the table is for Debtor Countries, then the value of the risk parameter could be United Kingdom)	N/A	N/A
Exposure Currency	Currency in which the total exposure is being measured for the risk parameter value (e.g. GBP)	N/A	N/A
Exposure	Total exposure against the risk parameter value (e.g. total exposure to United Kingdom is 1,341,857.33)	N/A	N/A
Limit currency	Currency in which the max concentration limit is defined (e.g. GBP)	N/A	N/A
Limit	Maximum exposure that can be purchased against that risk parameter value (e.g. 1,000,000.00)	N/A	N/A

Excess concentration currency	Currency in which the excess concentration is calculated (e.g. GBP)	N/A	N/A
Excess concentration	Total amount that was over the limit (e.g. 341,857.33)	N/A	N/A

9.6 Reserves Calculations

Covers the calculation of the reserve rates required for the securitisation for the tranche. there should be a Reserves Calculation section for each tranche of the transaction in the event there is more than one tranche. The Reserve Calculation section should cover the Loss Reserve Rate, Dilution Reserve Rate, and Cost and Expense Reserve Rate as standard. The sections below show components based on the S&P methodology, the actual methodology to arrive to the different reserve values may vary, but the structure in which the calculations are laid in the report should be similar, or additional tabs should be added to support the calculation, whilst displaying the final results in this tab:

Inputs For Reserve Calculations: inputs that will be used across multiple reserves

Field	Description	Sub Field	Description
month	month for which the reserve is being calculated	N/A	N/A
Outstanding Receivables Balance	Outstanding balance of receivables for the month	N/A	N/A
Sales for the month	Value of receivables issued over the month	N/A	N/A
Defaulted receivables	Value of receivables that went over 90 days past due over that month	N/A	N/A
Stress Factor	Risk modifier based on the implied credit rating of the securitisation, used to stress the results of the calculations for the Loss Reserve Rate and Dilution Reserve Rate	N/A	N/A

Loss Reserve Rate: Rate that will be used to account for the potential losses in the portfolio

Field	Description	Sub Field	Description
Defaulted receivables	Value of receivables that went over 90 days past due over that month	N/A	N/A
Loss Horizon	Aggregate value of receivables generated over the last x months, where x is the typical month between Receivable issuance and Receivable default (e.g. if the average payment terms are 60 days, and the point in which receivables are considered defaulted is 90 days past due, the Loss horizon will be 150 days, or 5 months)	N/A	N/A
Default rate	Percentage of receivables defaulted, calculated as: highest three month moving average over the last 12 months of the defaulted receivables that were issued in a month/ receivables issued over that month	N/A	N/A
Loss Reserve Rate	Value of the loss reserve rate for that month, calculated as: [(Loss Horizon * Default Rate) / Outstanding Receivables Balance] * Stress Factor	N/A	N/A

Dilution Reserve Rate: Rate that will be used to account for the potential dilutions in the portfolio

Field	Description	Sub Field	Description
Dilutions	Value of non-contractual dilutions that occurred over that month	N/A	N/A
Dilutions Horizon	Aggregate value of non-contractual dilutions over the last x months, where x is over which months non-contractual dilutions tend to be known (e.g. dilutions are typically issued within two months of a receivable being issued)	N/A	N/A
Dilution rate	Percentage of dilutions calculated as: highest three month moving average over the last 12 months of the dilutions that were issued in a month/ receivables issued over that month	N/A	N/A
Dilutions Reserve Rate	Value of the dilution reserve rate for that month, calculated as: [(Dilutions Horizon * Dilution Rate) / Outstanding Receivables Balance] * Stress Factor	N/A	N/A

Cost and Expense Reverse Rate: Rate that will be used to account for the portfolio to cover expected fees

Field	Description	Sub Field	Description
Collections	Value of receivables collected over that month	N/A	N/A

Field	Description	Sub Field	Description
Amortisation period	Period over which the portfolio would be amortised, calculated as Outstanding Receivables Balance / Collections for that month. The result will be the number of months over which the portfolio would be amortised if no new sales were issued	N/A	N/A
Amortisation period stress factor	Typically, amortisation period is stressed by 3 months to assume that in an scenario that the portfolio needs to be amortised, it will be harder to collect receivables	N/A	N/A
Expected Interest Rate	Base rate + margin for that month	N/A	N/A
Interest Rate stress factor	typically 2%, to account for potential increases in base rate over the amortisation period	N/A	N/A
Interest component	Value of the Interest Component of the Cost and Expense Reserve for that month, calculated as: (Amortisation Period + Amortisation Period Stress Factor) * [(Expected Interest Rate + Interest Rate Stress Factor) / 12]	N/A	N/A
FX reserve	often a fixed percentage to account for FX rate fluctuations	N/A	N/A
Cost and Expense Reverse Rate	Value of the Cost and Expense Reverse Rate, calculated as: Interest component of Cost and Expense Reserve + FX reserve	N/A	N/A

9.7 Fees

List of fees that are applicable to the transaction, including historical information. They are split into three main categories:

Investor Participation: shows the participation that each Investor has in the securitisation. The standard fields are:

Field	Description	Sub Field	Description
Investor	Name of the Investor participating in the securitisation	N/A	N/A
Participation	Level of participation in the securitisation	N/A	N/A
Note	Note to which the level of participation is applicable	N/A	N/A

Undrawn Fee and Drawn Fee Inputs: contains the list of inputs required to calculate the Undrawn Fee. Standard fields are:

Field	Description	Sub Field	Description
period start date	date from which the fee is being calculated	N/A	N/A
period end date	date until which the fee is being calculated	N/A	N/A
days in count	number of days between the period start date and the period end date	N/A	N/A
Day count basis	Basis for day count per currency (e.g. 360 vs 365)		

Undrawn Fees: relates to the information needed to calculate, as well as the final values, for the fees related to commitment charged for securitisation funding. In the event there are multiple notes, this table will be repeated as applicable. The standard fields are:

Field	Description	Sub Field	Description
Undrawn fee categories	Values that are being reported, the sub-fields are the different values typically needed	Applicable margin to undrawn portion	Margin to be applied for the commitment on the undrawn portion of the securitisation
		Applicable margin to undrawn portion per Investor	Same information as the Applicable margin to undrawn portion, split per Investor
		undrawn portion	value of the available funding that is not being used
		Commitment fee	Fee charged for the undrawn portion of the transaction
		Commitment fee per Investor	Same information as the Commitment fee, split per Investor
Consolidated currency	all values in consolidated currency	N/A	N/A

Drawn Fees: relates to the information needed to calculate, as well as the final values, for the fees related to interest charged for securitisation funding. In the event there are multiple notes, this table will be repeated as applicable. The standard fields are:

Field	Description	Sub Field	Description
Drawn fee categories	Values that are being reported, the sub-fields are the different values typically needed	Applicable margin to drawn portion	Margin to be applied to the funding being provided
		Applicable margin to drawn portion per Investor	Same information as the Applicable margin to drawn portion, split per Investor
		Applicable base rate to drawn portion	Base rate to be applied to the funding being provided
		Applicable base rate to drawn portion per Investor	Same information as the Applicable base rate to drawn portion, split per Investor
		drawn portion	value of the available funding that is being used
		Interest	Fee charged for the drawn portion of the transaction
		Interest per Investor	Same information as the Interest, split per Investor
Consolidated currency	all values in consolidated currency	N/A	N/A
Receivable currency	all values in original Receivable currency, based on the balances of Receivables issued in that currency	N/A	N/A

Servicing Fee: covers the fees being charged to service the transaction

Field	Description	Sub Field	Description
Servicing fee categories	Values that are being reported, the sub-fields are the different values typically needed	Eligible receivables	Balance of the eligible receivables
		Servicing Fee Percentage	Percentage fee applicable for servicing fees
		Servicing fee period	Period for which the fee is relevant (e.g. 30 days)
		Servicing fee for period	Fee amount for the servicing fee for the period
Consolidated currency	all values in consolidated currency	N/A	N/A

Other Expenses: contains the list of additional expenses required to run the securitisation

Field	Description	Sub Field	Description
Other expense categories	List of any other transaction specific expenses, examples are reporting fee, registrar fee, service provider fees, etc.	N/A	N/A
Consolidated currency	all values in consolidated currency	N/A	N/A

9.8 Funding calculations and waterfall

Cover the amount of funding that needs to be covered by the Lead Bank and the Investors, as well as the different cashflows that need to occur for the period. This is the main page for Lead Banks and Investors to understand how much funding they need to provide, and how much cash they should receive from e.g. fees

Investor participation: shows the participation that each Investor has in the securitisation. The standard fields are:

Field	Description	Sub Field	Description
Investor	Name of the investor participating in the securitisation	N/A	N/A
Participation	Level of participation in the securitisation	N/A	N/A
Note	Note to which the level of participation is applicable	N/A	N/A

Funding calculations: shows the funding amount increase or decrease expected for the different notes. In the event there are multiple notes and/ or investor, this table will be repeated as applicable. The standard fields are:

Field	Description	Sub Field	Description
Funding calculation categories	Values that are being reported, the sub-fields are the different values typically needed	Commitment amount	Total committed amount for the transaction
		Net eligible receivables balance (NERB)	Funding base used to calculate the final amount of funding that needs to be provided
		Default reserve	Default Reserve Rate * NERB
		Contractual dilution	accrued value of contractual dilutions that have not yet been materialised
		Dilution reserve	contractual dilutions + (dilution reserve rate * NERB)
		Cost reserve	Sum of essential yearly costs to run the transaction (e.g. reporting fees, servicing fees, back-up service fees)
		Cost and expenses reserve	Cost Reserve + (Cost and Expense Reserve Rate * NERB)
		Advance rate	Percentage of the funding base that will be funded based on the reserve calculations (1 - sum of all reserves divided by nerb)
		Funding required	Amount of funding provided by the note after applying advance rate
		Opening notes amount	Amount of funding that was being provided over the previous reporting period.
		Opening notes amount per investor	Same information as the Opening Notes Amount, split per Investor
		Notes funding	Increase needed to provide the relevant funding in case the funding required is greater than in the previous period. There will be as many of these fields as there are Investors in the securitisation
		Notes funding per investor	Same information as Notes Funding, split per Investor. There will be as many of these fields as there are Investors in the transaction
		Notes repayment	Increase needed to adjust to the relevant funding in case the funding required is lesser than in the previous period.
		Notes Repayment per investor	Same information as Notes Repayment, split per Investor.
		Closing notes amount	Final value of funding to be provided.
		Closing notes amount per investor	Same information as Closing Notes amount, split per Investor. There will be as many of these fields as there are Investors in the transaction

Field	Description	Sub Field	Description
Consolidated currency	all values in consolidated currency	N/A	N/A
Receivable currency	all values in original Receivable currency, based on the balances of Receivables issued in that currency. not applicable to: commitment amount	N/A	N/A

Expense payments: will contain a list of all the expenses which need to be settled from the transaction, detailed calculations for the expenses can be found in the fee tab

Field	Description	Sub Field	Description
Fee categories	All the values that are being reported in the fees tab should be summarised here (e.g. the interest fees, the servicing fees, the reporting fees, etc.)	N/A	N/A
Payer	party that owes payment for each value	N/A	N/A
Payee	Party that receives payment for each value	N/A	N/A
Consolidated currency	all values in consolidated currency	N/A	N/A
Receivable currency	all values in original Receivable currency, based on the balances of Receivables issued in that currency	N/A	N/A

Increase/ decrease of funding: will contain all the increases and decreases for funding for each note and investor in every currency with the following fields:

Field	Description	Sub Field	Description
Note/ investor category	Increase/ decrease of funding needed taking into account the changes in funding and expenses (e.g. decrease/ increase in tranche A funding)	N/A	N/A
Consolidated currency	all values in consolidated currency	N/A	N/A
Receivable currency	all values in original Receivable currency, based on the balances of Receivables issued in that currency	N/A	N/A

9.9 Triggers

List of performance triggers relevant to the transaction. The most common triggers are: Default Ratio Trigger, Delinquency Ratio Trigger, Dilution Ratio Trigger, and DSO trigger. This will be a table per trigger, with the following fields

Field	Description	Sub Field	Description
Period	Period for which the trigger value is being reported	N/A	N/A
Trigger value	Value for the KPI that is being measured for the period	N/A	N/A
Max value	Value that would cause the trigger being breached	N/A	N/A
Trigger test	whether the trigger value is below the max value		

9.10 Inputs

List of inputs used in other parts of the transaction, e.g. base rates, fx rates, etc.

Field	Description	Sub Field	Description
Period	Period for which the trigger value is being reported	N/A	N/A
Input value	Value that is being used as an input. There will be as many columns as inputs needed for the securitisation	N/A	N/A

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About ITFIE

This paper is a publication of the ITFIE Working Group.

The ITFA Trade Finance Investment Ecosystem (ITFIE) Working Group strives to enhance the trade finance investment ecosystem by facilitating more efficient asset and risk transfer between banks and non-bank investors, while promoting broader risk appetite from non-traditional investors.

By harmonising, standardising and digitising processes, ITFIE aims to support the real economy by increasing capital availability for trade and offering institutional investors a diversified asset class.

ITFA has been at the forefront of this initiative since 2021, when it took over the International Chamber of Commerce-led Investors in Trade Finance (IITF) Group.

ITFIE's work streams strives to achieve several objectives, including articulating the requirements of institutional investors and ensuring a clear understanding of the technical aspects of distribution; developing an asset originator guide for streamlined distribution; driving automation and digitisation for trade finance distribution; and promoting market awareness and education for both, asset originators, and investors.

ITFIES is constructed under three work main streams:

Stream A: Voice of the Institutional Investors

Stream B: Rules of the Game

Stream C: Technology and Data

This paper, a first of others to come, will be jointly published as part of ITFIE´s findings and conclusions from its three Work Streams at a later day.

For additional information on ITFIE´s activities please do not hesitate to access:

https://itfa.org/about-us/working-groups/itfie/

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