



Istituto Italiano di Valutazione Immobiliare

Milano  
Via Lanzone, 7  
20123 Milano  
Tel. +39 02 86467831 Fax +39 02 8057446  
Merano  
Via delle Corse, 62  
39012 Merano  
Tel. +39 0473 236257 Fax +39 0473 231296  
email: [isivi@isivi.it](mailto:isivi@isivi.it)  
website: [www.isivi.it](http://www.isivi.it)

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Jonatan Bravo  
IOSCO General Secretariat  
International Organization of Securities Commissions (IOSCO)  
Calle Oquendo 12  
28006 Madrid  
Spain

Anticipated by email to: [ongoing-abs@iosco.org](mailto:ongoing-abs@iosco.org)

Subject: ***Principles for Ongoing Disclosure for Asset-Backed Securities.***

Dear Sirs,

we would like to focus our comments on the following points:

1. on Principal no. 3

***Periodic and event-based disclosure should contain sufficient information in order to increase the transparency of information for investors and to allow investors to independently perform due diligence in their investment decisions regarding the specific ABS.***

with a specific attention to the Mortgage-Backed Securities;

2. on the questions listed in the Appendix A.

## First Part

As to the first point above, we note that, according to the first paragraph of Principle no 7 of the "Policy Framework for Sustainable Real Estate Market " set forth by UNECE<sup>1</sup>, *"the warranty-backed financial products must have a direct and transparent connection with the value and the risk of the real estate asset under warranty and they have to be assessed by an independent appraiser"*.

It is crucial to us to introduce, in the paragraphs named respectively *"i). Asset Information"* and *"ii). Asset Impairment Information"* of the point "h) Distribution and Pool Performance Information" of Principle no. 3, an express reference to the real estate collateral specific information such as, for example:

- the result of "asset monitor"'s activity to constantly check the Loan-to-value (LTV) ratio;
- the knowledge of real estate market dynamics and access to information sources;
- the assessment of eventual legal risks, which might challenge the title and/or the mortgage of the collateral, not covered by proper title and/or mortgage insurances;
- the real estate lending risk also called property and market rating (PAM) according to the European Valuation Standards (EVS) issued by TEGoVA.

Improved disclosure and transparency standards providing detailed information on the assets underlying structured finance products is seen as a key factor to ensure better understanding of the risk. At loan origination credit risk of the obligor, valuation of the collateral, LTV and interest coverage ratio form part of the decision tree as to whether to grant a loan and the pricing of the same. What the lender is not capable to price and, subsequently, manage, in particular in the loan book, is an objective assessment of relative medium term marketability/liquidity and prospective volatility of the mortgaged real estate properties. The hypothesis behind the system is that there are four principal elements that support the underlying quality and sustainability of value, volatility and liquidity or medium term marketability of any property:

- socio-economic environment;
- location;
- property; and
- cash flow.

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<sup>1</sup> Please see: <http://www.unece.org/fileadmin/DAM/hlm/documents/Publications/policy.framework.e.pdf>

## Second part

To your following questions, please find below our answers:

- *“Periodic and event-based disclosure reports should contain sufficient information to increase transparency and to help enable investors to perform due diligence in their investment decisions independently. Should an issuer be responsible in its ongoing reports for providing disclosure about the oversight/supervision of a credit rating agency that provided a rating for the issuer’s ABS? If so, when and how frequently should the issuer disclose the information, what type of information should the issuer disclose, and what impact might it have on investors’ decisions regarding the ABS? What would the benefits and concerns be with issuers providing information about CRA oversight/supervision in their ongoing reports, either as foreseen or based on your experience with the matter in other jurisdictions?”*

As to the information to be provided with respect to the real estate collateral, please see above. An Asset Monitor shall be appointed to be responsible to constantly monitor the value and the real estate rating of the mortgages. Its reports shall be included in the standard information periodically provided.

- *“Disclosure should be presented to facilitate analysis by investors. How do the means through which information is delivered affect the utility of disclosure?”*

Please see above.

- *“Information should be available to the public on a timely basis. Should periodic reporting depend on the information being disclosed? If so, what should be the basis for establishing reporting periods?”*

As to the real estate collateral, a report per semester seems to be adequate.

However, in consideration of special portfolio, the Asset Monitor should be in position to disclose events which affected the value or the risks of the collateralize mortgages.

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Best Regards,

Dott. Ing. Enrico Campagnoli<sup>2</sup>

President

Istituto Italiano di Valutazione Immobiliare - IsIVI

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<sup>2</sup> Immediate Past Word President of the International Real Estate Federation – FIABCI, see [www.fiabci.org](http://www.fiabci.org), whose IsIVI is a principal member.