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Designed by CREATE. | CRT148814A | May 2023

Collateral and cash waterfall calculations

Collateral and cash waterfall calculations

We perform agreed upon procedures in relation to certain numerical information contained with the offering circular for a securitisation transaction. Our experienced KPMG team has over 20 years of experience, across all major asset classes in performing agreed upon procedures to recalculate the information based on the source data files from which it is prepared and to check the accuracy of its disclosure.

Testing approach

Weighted Average Lives

- Disclosures providing estimated weighted average lives of the notes under different scenarios (the "WALs").
- We are usually requested to fully recalculate the contractual asset cashflows based on the portfolio loan data tape; and then use this to recalculate the liability cashflows for various Constant Prepayment Rate profiles and call option assumptions "Full WALs"
- Occasionally we are asked to carry out a more limited recalculation based on an assumed asset amortisation provided to us and using this to recalculate the liability cashflows under similar scenarios. This enables the Seller/Arranging Bank to choose a less extensive approach and lower priced option "WALs Lite".
- Under each option, we provide an independent check which requires us to collaborate with the Seller/Arranger to calibrate our recalculations to the specifics of the deal and the methodologies and assumptions built into their WALs model.
- In addition to sequential paydown structures, we are also experienced in dealing with more complex features such as revolving portfolios, interest turbos, scheduled note amortisations and/or minimum seller share levels.
- The recalculation process can be carried out in a phased manner initially on a "planned capital structure", to facilitate a quick turnaround when final deal specifics become available.

Stratification tables

- These tables present analysis about the portfolio stratified by key characteristics.
- Seller/Arranger provide a data tape of the portfolio of assets, along with the tables to be presented in the offering circular and a data dictionary setting out the calculation methodology. This is usually provided in Excel or CSV, though all major file formats are acceptable.
- KPMG produces a bespoke independent recalculation of the tables, and compare this to those produced by the Seller/Arranger. Where differences arise, we adopt a collaborative and iterative process to arrive at the final tables presented in the final offering circular.
- We typically carry out this work remotely at our offices using data provided by password controlled transfer or shared secured worksites.

US risk retention

- For US deals that are structured with the risk retention designed as an Eligible Horizontal Residual Interest (the "EHRI"), there is a requirement to present fair value information in the offering circular to demonstrate the sponsor is holding no less than 5%.
- We are able to check the fair value disclosures based on the inputs, assumptions and methodologies set out in the offering documents.

Numerical data

- Offering circulars often contain other relevant numerical information designed to provide additional context. This is typically derived from publically available sources such as data about the mortgage market, inflation or market-wide arrears levels.
- We can undertake procedures to compare the publicly available information presented in the offering circular against the relevant data source.

Linked services



Our credentials



Relationships with asset originators, portfolio vendors and acquirers, and investment banks

Testing locations including UK, Ireland, France, Germany, Italy, The Netherlands, Norway, Finland, Sweden, Denmark, and Poland



Understanding of many lender systems and origination processes including third party service platforms

Sector experience in Residential Mortgages, BTL, Equity Release, Consumer Lending, Credit Cards, Asset Finance, SME, Social Housing, Commercial and Corporate

