MEDIA STATEMENT

International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MS/02/2010

Madrid, 08 April 2010

IOSCO publishes Disclosure Principles for Public Offerings and Listings of Asset Backed Securities

The Technical Committee of the International Organization of Securities Commission (IOSCO) has published a final report – *Disclosure Principles for Public Offerings and Listings of Asset Backed Securities (ABS Disclosure Principles)* – containing principles designed to provide guidance to securities regulators who are developing or reviewing their regulatory disclosure regimes for public offerings and listings of asset-backed securities (ABS).

The objective of the ABS Disclosure Principles is to enhance investor protection by facilitating a better understanding of the issues that should be considered by regulators in developing or reviewing their disclosure regimes for ABS.

The ABS Disclosure Principles were developed following a recommendation in the Technical Committee's *Report on the Subprime Crisis*[1], published in May 2008, that IOSCO develop international principles regarding the disclosure requirements for public offerings of ABS if it was found that IOSCO's existing disclosure standards and principles did not apply to such offerings. Following an in-depth analysis it was found that, due to the unique nature of ABS and ABS issuers, the types of disclosure that would be deemed most material to ABS investors are not fully captured by the existing IOSCO disclosure standards and principles, leading to the development of these principles.

The report is available on the IOSCO website.

Summary

The ABS Disclosure Principles provide guidance for listings and public offerings of ABS, defined as those securities that are primarily serviced by the cash flows of a discrete pool of receivables or other financial assets that by their terms convert into cash within a finite period of time, such as RMBS (residential mortgage-backed securities) and CMBS (commercial mortgage-backed securities), among others.

The principles are based on the premise that the issuing entity will prepare a document used for a public offering or listing of ABS that will contain all material information, clearly presented, that is necessary for full and fair disclosure of the character of the securities being offered or listed in order to assist investors in making their investment decision.

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The ABS Disclosure Principles will complement IOSCO's existing disclosure standards and principles, which include *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers* (1998)[2]; *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities* (2002)[3]; *General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations* (2003)[4];*International Disclosure Principles for Cross-Border Offerings and Listings of Debt Securities by Foreign Issuers* (2007)[5]; and *Principles for Periodic Disclosure by Listed Entities* (2010)[6].

The ABS Disclosure Principles would also provide guidance if a Document is required:

- when a financial intermediary that has participated in a public offering of securities later sells to the public the securities that were unsold in the original public offering; or
- when the issuer has sold securities in a private placement to any party who then resells those securities to the public.

These principles would not provide guidance for securities backed by assets pools that are actively managed (such as some securities issued by investment companies), or that contain assets that do not by their terms convert to cash (such as collateralized debt obligations).

Disclosure Principles for Public Offerings and Listings of Asset Backed Securities (ABS)

The ABS Disclosure Principles outline the information that should be included in any offer or listing document for a publicly offered or listed ABS, which should include details on the following:

1. Parties Responsible for the Document;
2. Identity of Parties Involved In the Transaction;
3. Functions and Responsibilities of Significant Parties Involved In the Securitization Transaction;
4. Static Pool Information;
5. Pool Assets;
6. Significant Obligors of Pool Assets;
7. Description of the Asset Backed Securities;
8. Structure of the Transaction;
9. Credit Enhancement and Other Support, Excluding Certain Derivative Instruments;
10. Certain Derivative Instruments;
11. Risk Factors;
12. Markets;
13. Information about the Public Offering;
14. Taxation;
15. Legal Proceedings;
16. Reports;

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17. Affiliations and Certain Relationships and Related Transactions;
18. Interests of Experts And Counsel; and
19. Additional Information.

The disclosure topics highlighted in the ABS Disclosure Principles are intended as a starting point for consideration and analysis by securities regulators. Some regulators may find it useful to incorporate all of the disclosure topics into their ABS disclosure requirements. Others may conclude that the relevance of specific disclosure topics in their jurisdictions may vary according to the characteristics of the issuing entity or the securities involved, and may wish to incorporate the principles on a more selective basis.

The principles-based format of these principles allows for a wide range of application and adaptation by securities regulators.

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[1] *Report on the Subprime Crisis* - Final Report, Report of the Technical Committee of IOSCO, May 2008 is available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD273.pdf;

[2] *International Disclosure Standards for Cross-Border Offerings and Initial Listings by Foreign Issuers*, Report of IOSCO, September 1998, is available at http://iosco.org/library/pubdocs/pdf/IOSCOPD81.pdf;

[3] *Principles for Ongoing Disclosure and Material Development Reporting by Listed Entities*, Statement of the Technical Committee of IOSCO, October 200, is available at http://iosco.org/library/pubdocs/pdf/IOSCOPD132.pdf;

[4] *General Principles Regarding Disclosure of Management's Discussion and Analysis of Financial Condition and Results of Operations*, Report of the Technical Committee of IOSCO, February 2003, is available at *http://iosco.org/library/pubdocs/pdf/IOSCOPD141.pdf*

[5] *International Disclosure Principles for Cross-Border Offerings and Listings of Debt Securities by Foreign Issuers* - Final Report, Report of the Technical Committee of IOSCO, March 2007, is available at http://iosco.org/library/pubdocs/pdf/IOSCOPD242.pdf;

[6] *Principles for Periodic Disclosure by Listed Entities*, Report of the Technical Committee of IOSCO, 22 February 2010, is available at http://iosco.org/library/pubdocs/pdf/IOSCOPD317.pdf.