



Code of Conduct On Disclosure in the ABCP Market

Introduction

Background and Purpose of the Code of Conduct

The asset-backed commercial paper (ABCP) market in Europe proposes to adopt a Code of Conduct on disclosure as a standard of best practice. The Code of Conduct is designed to ensure that investors in ABCP have timely access to information through different sources:

- the information memorandum;
- the monthly investor report;
- investor meetings; and
- rating agency reports

The information should be reviewed by investors, both before buying and on an ongoing basis. Purchases should not be based on rating alone. Specifically, investors should know, monitor and be comfortable with: the type of assets financed; the sponsor of the programme; the sponsor's ability to administer the programme; the liquidity support and credit enhancement provided; and the mechanism for repaying the commercial paper should market conditions not permit rollover.

Status of the Code of Conduct

In keeping with the European Commission's preference for market-led initiatives as opposed to additional regulation, the Code of Conduct will be voluntary. Participants in the ABCP market will be invited to comply with the code.

The International Capital Market Association, through its Euro Commercial Paper Committee, and the European Securitisation Forum have agreed to promote the Code.

Dialogue between Issuers, Investors and Dealers

ABCP market participants are keen to cooperate to enhance the information provided should that be required. However it is important to note that the vast majority of those directly

involved in the market, and particularly those in the investor community, do not believe that a lack of transparency – through failure to provide adequate disclosure – has been a significant contributor to the recent global market turbulence.

ICMA, through its ECP Committee, will facilitate dialogue between issuers, investors and dealers in the ABCP market with the objective of finding a market-led solution to recent concerns. When the market has settled, the Code will be reviewed with issuers and investors to ensure that it meets investor needs in the new market environment.

Code of Conduct

Programmes wishing to issue asset-backed short term debt should provide the following information on a timely basis and ensure, where appropriate, that it is kept up-to-date:

- *Information memoranda:* The information memorandum is the primary marketing document of the programme, which should include issuer description, terms and conditions, form of notes, and selling restrictions. Currently this is usually only made available to actual and potential investors permitted under the selling restrictions, as the commercial paper is sold to institutional investors in the private placement market and usually is not listed on an exchange. The information memorandum should be subject to appropriate legal review.
- *Investor reports:* The investor report is a regular update on the vehicle provided by the issuer to investors. Issuers should distribute investor reports on a monthly basis at least. They should describe current assets and verify compliance with key programme tests or requirements. In general, issuers should include the following information: total asset size; total commercial paper outstanding; asset type breakdown; credit enhancement and overall liquidity support. Investor reports should normally only be made available to programme investors, so as to limit the transmission of sensitive client and competitive information and comply with private placement rules.
- *Investor meetings:* Issuers should make themselves available for ad hoc conference calls or meetings to address queries from active investors as they arise. Investors should have access to senior conduit management and senior bank management to assess the commitment of the sponsor.
- *Rating agency reports:* Programmes should have ratings from at least two recognised rating agencies. In order to obtain these, issuers will need to meet structural and credit standards, satisfy documentation requirements, and be subject to ongoing monitoring and surveillance.