Australian Securitisation Forum

ASF MARKET GUIDELINE

SECURITISATION ENTERPRISE WIDE ASSET AND CASH FLOW VERIFICATION

1 June 2026

Overview

The Australian Securitisation Forum (ASF) acknowledges the issues highlighted in connection with certain examples of double pledging of collateral in non-Australian offshore transactions. To develop a proportionate response, the ASF established an industry representative working group to examine the impact of these events and to assist with responses from the Australian securitisation market.

The ASF working group has developed this Market Guideline (Guideline). The Guideline incorporates a non-binding Testing Scope which outlines a practical framework for external procedures that may be performed by professional services firms under an agreed-upon procedures (AUP) framework or by other service providers, such as corporate trustees or data analytics providers. The Guideline has been designed to assist securitisers, their funders and investors in demonstrating that specific procedures have been performed by an independent party relating to the reconciliation of assets reported within trust structures for the enterprise.

The Guideline is not mandatory and is anticipated to be reviewed based on the evolution of practices adopted in the market. It does not represent the position taken by any firm or organisation and will need to be tailored depending on the circumstances of each securitiser. No warranty or assurance is given by the ASF on the sufficiency, adequacy or suitability of the Guideline, and each market participant remains responsible for its adaptation and use of the procedures.

Application of the Guideline should remain subject to professional judgement, having regard to relevant factors including the securitiser, asset class, transaction structure, reporting frequency and the outcomes of prior engagements.

Additional procedures may also be required for asset classes beyond traditional residential mortgages, auto loans and leases, asset and equipment finance loans, and personal loans, having regard to the unique characteristics and risks associated with alternative product nuances and asset classes.

The procedures outlined in the Testing Scope are not intended to replace traditional AUP engagements performed in connection with term market issuance and warehouses or legal, operational or other due diligence performed by funders and investors. Rather, they are designed as a practical guide that provide securitisers, funders, and investors with a range of options to enhance existing frameworks.

They are also not intended to constitute an audit or assurance opinion on the effectiveness of internal controls, advice (legal, financial or otherwise), or to detect all instances of fraud, error or misconduct. The frequency of such procedures would be determined by the securitiser, taking into account the requirements of its funders and investors.

It is not intended that this Guideline replace any representations, warranties or other obligations given under transaction documents to which securitisers, funders and investors are party and receive the benefit of.

Testing Scope

1. Testing of completeness of the loan book, including:

Reconcile the enterprise portfolio, extracted from the loan management system or underlying data warehouse under auditor/third-party supervision, to independent data source at an enterprise and trust level (e.g. general ledger if the securitiser is audited by an external auditor, servicer reports, etc.). Report reconciling items by category, including warehouse loans or loans funded on-balance sheet, in-flight settlements, or other allocation timing differences. Particular care should be exercised where the securitiser undertakes whole loan sale transactions or provides servicing to external portfolios to ensure the loan pool cut appropriately captures the managed portfolio.

Data analytics on the enterprise portfolio (e.g. identifying duplicate loan IDs, duplicate borrower IDs, loan collateral tagged to different funding vehicles, direct debit account details associated with unrelated loan IDs, loans of identical amounts settled on the same date, etc.). Depending on data availability, asset class, and other relevant factors, and subject to the practitioner's professional judgement, additional data analytics procedures may be designed and performed as considered appropriate.

2. As appropriate, testing of a loan sample to underlying documentation:

Testing on a sample basis to loan contract and if applicable sales notices, certificates of title/PPSR, asset invoices by directly interrogating the title registers/ PPSR, where applicable, as opposed to securitiser held records of certificates of title and tracing settlement cashflows to system entries and bank statements.

In addition, the tagging of the receivable should be reconciled to the trust reporting. The approach and sample size would be tailored depending on the asset class as well as the frequency of other AUPs or external verifications and the needs of the users.

3. Testing of cash, including:

Testing on a sample basis to trace cash flows from the underlying borrower through to the special purpose vehicle (SPV) or trust and the application of those funds to the respective loan in the loan management system, including testing of alignment with 'cash sweep' requirements in the transaction documents relating to receipt in servicer bank accounts prior to recognition in the SPV collection account. Understand and report the treatment and subsequent resolution of unmatched or unallocated cash receipts.

The sample is recommended to be selected from both the enterprise loan portfolio pool cut and the collection account population and include samples from all asset type variables (e.g. principal and interest, interest only, fixed interest, variable, etc.), payment type[1] and timing[2] variables. For loans selected that did not receive payments during the testing period, testing should be performed to confirm that the accounts were in arrears, consistent with both the pool cut and underlying system data.

[1] e.g. direct debit, direct credit, payment via invoice, etc.
[2] e.g. regular payments, overdue and default payments and payments in connection with payouts, refinances, etc.

Bank reconciliations – testing of selected accounts to supporting bank statements on a sample basis, including timeliness of reconciliation and resolution of aged reconciling items.

For a selected sample of SPVs/trusts, reconcile trust assets and liabilities per investor trust reports to the general ledger and the underlying loan management system data. The testing may be undertaken on the complete population of SPVs/trusts, depending on the specific facts and circumstances applicable to each securitiser. Particular care should be exercised where the securitiser undertakes whole loan sale transactions or provides servicing to external portfolios.

4. Where relevant, the external party should gain an understanding of the securitiser' s system and manual controls around loan tagging and re-tagging and reporting of securitiser's processes as described by the securitiser:

This is limited to reporting an understanding and performing walkthroughs and does not extend to detailed control testing. It is important that this distinction is understood as no detailed controls testing or system capability testing is being performed.