U.S. SECURITIZATION YEAR IN REVIEW

2015

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FOREWORD

The SIFMA's Securitization Year in Review offers a consolidated review of the U.S securitization markets in 2015. The report is comprised of two sections: the first section captures various securitization market trends, statistics and market activity and the second section contains summaries of various governmental and regulatory policy issues that impacted the securitization markets, as well as SIFMA's advocacy efforts regarding those issues last year.

The U.S. securitization markets will continue to be impacted as financial reform proceeds. The development, implementation and assessment of financial policy require statistical data to help understand the intentional and unintentional impact of regulatory action. This report provides a necessary reference point to help better understand the evolving dynamics of the securitized products markets.

Please do not hesitate to contact us with questions regarding the U.S. securitization markets.

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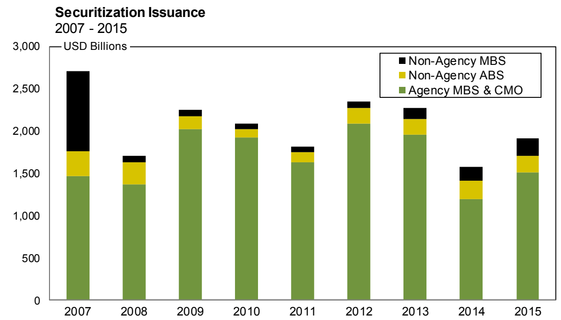
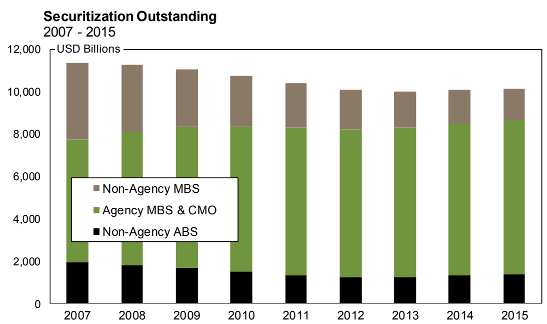
SECURITIZATION OVERVIEW



Source: Bloomberg, Dealogic, Thomson, Fannie Mae, Freddie Mac, Ginnie Mae, SIFMA



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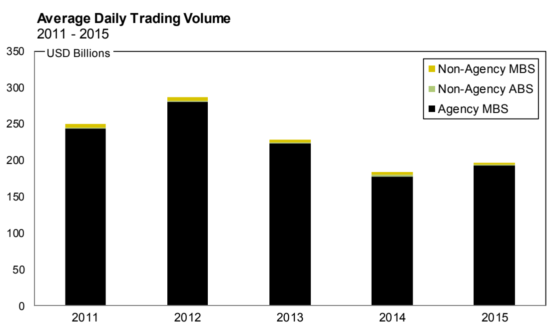
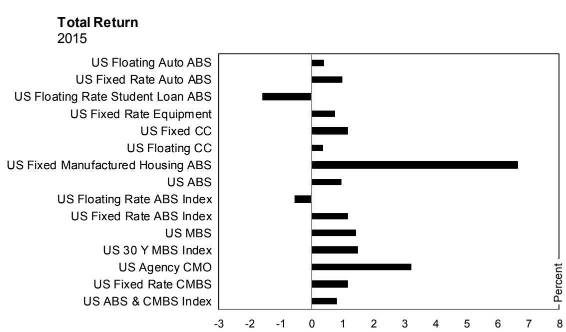


Source: FINRA Trace



Source: BAML

Issuance and Outstanding

Securitization issuance, including agency and non-agency mortgage-backed securities (MBS) and asset-backed securities (ABS), totaled $1.9 trillion in 2015, a 19.8 percent increase from 2014 ($1.6 trillion). The increase was driven entirely by the growth in agency and non-agency MBS issuance, as ABS issuance volumes fell by 14.1 percent year-over-year (y-o-y).

Outstanding volumes rose to $10.1 trillion, an increase of 0.4 percent y-o-y, driven by agency MBS, agency collateralized mortgage obligations (CMOs) and ABS, while non-agency outstanding volumes fell 7.2 percent y-o-y.

Average daily trading volume was $196.7 billion in 2015, an increase of 7.4 percent y-o-y, driven by increased agency MBS trading. Non-agency MBS and ABS volumes fell 17.1 percent and 3.1 percent, respectively, y-o-y.

According to Bank of America-Merrill Lynch indices, 2015 total return for ABS and commercial mortgage-backed securities (CMBS) was 0.81 percent, 30-year agency MBS returned 1.5 percent, and agency CMO returned 3.2 percent.

Non-Agency Mortgage-Related Securities

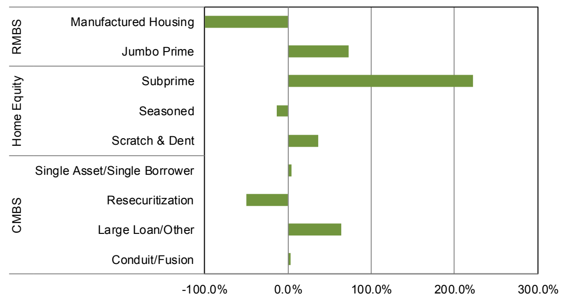
Non-agency issuance totaled $177.4 billion in 2015, an increase of 13.6 percent from the prior year, comprised of $101.5 billion of CMBS, $37.5 billion in home equity securitizations, $19.8 billion of Re-REMICs/resecuritizations, and $18.7 billion in residential mortgage-backed securities (RMBS). Outstanding volumes totaled $1.5 trillion at the end of 2015, a decline of 7.2 percent, comprised of $602.5 billion of CMBS, $350.3 billion of home equity securitizations, $371.8 billion of re-REMICs/resecuritizations, and $442.9 billion of RMBS. All sectors experienced declines except for re-REMICs/resecuritizations.

Non-agency CMBS issuance volumes remain largely unchanged from the prior year, increasing 0.1 percent y-o-y. Both conduit/fusion and single asset/single borrower deals had relatively robust issuance, increasing 2.8 percent and 3.9 percent y-o-y, respectively, while large loan CMBS deals spiked, with $19.8 billion of issuance, an increase of 64.6 percent from the prior year. CMBS outstanding volumes totaled $602.5 billion at the end of the year, a decline of 4.4 percent from the year prior, driven heavily by paydowns from the 2005 and 2006 vintages ($58.5 billion and $34.2 billion, respectively).

Home equity issuance volume was $37.5 billion in 2015, an increase of 30.4 percent y-o-y. The bulk of the deals were from the scratch & dent category, which contain both reperforming and nonperforming loans; scratch & dent volumes were $34.1 billion, an increase of 36.2 percent y-o-y. More notably, subprime/nonprime securitizations, which had remained long dormant after 2008, saw a handful of new loan securitizations in the second half of 2015 after a slow start mid-2014 (Angel Oak, Colt Funding, RCO Mortgage). Home equity outstandings totaled $723.8 billion at the end of 2015, a decline of 6.2 percent y-o-y. Paydowns were largely concentrated in the 2005-2007 and 2010 vintages (totaling $40.9 billion).

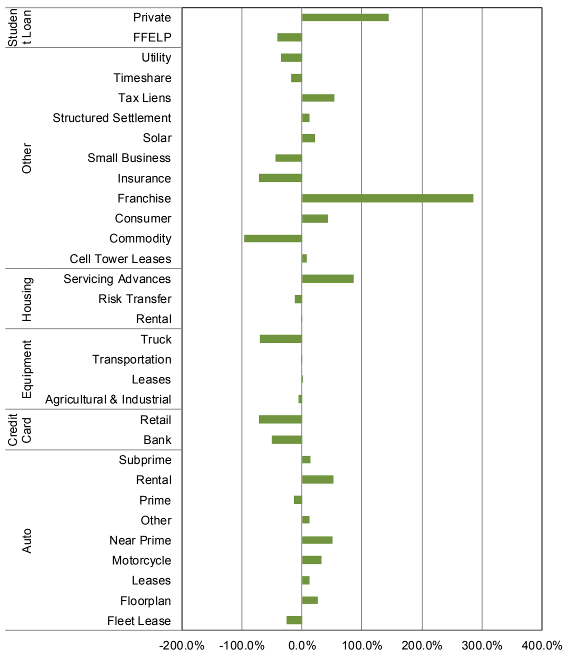
Non-agency RMBS volume was $18.7 billion in 2015, almost double the prior year's volumes; the growth stemmed primarily from the increase in prime jumbo issuance, which was $14.6 billion, an increase of 73.4 percent from the prior year. Non-agency RMBS outstanding volumes were $952.1 billion, a decline of

Non-Agency MBS Issuance by Subcategory, % Change Year-over-Year
2015



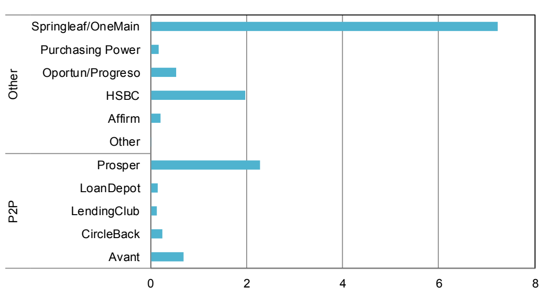
Sources: Bloomberg, prospectus filings

ABS Issuance by Subcategory, % Change Year-over-Year
2015



Sources: Thomson Reuters, Bloomberg, prospectus filings

Consumer Loan ABS Outstandings by Originator
2015 Q4



Sources: Bloomberg, prospectus filings

13.0 percent from the prior year. As with home equity, paydowns were largely concentrated in the 2005-2007 vintages (with each vintage year paying down approximately $20.7 billion).

Asset Backed Securities

ABS issuance totaled $193.6 billion in 2015, a decline of 14.1 percent y-o-y, while outstanding volumes rose by 2.6 percent to $1.39 trillion.

Auto issuance remained relatively steady, with a total of $97.9 billion issued, up 3.2 percent from 2014. Subprime auto volumes continued to exhibit robust issuance with $22.7 billion issued, up 13.9 percent from the prior year, while prime auto volumes fell by $5.7 billion (13.7 percent) to $35.6 billion. Other notable growth sectors were floorplans ($9.7 billion, an increase of 27.0 percent y-o-y) and leases ($18.0 billion, a 12.6 percent increase). Auto ABS outstanding volume totaled $189.9 billion, an increase of 6.3 percent from the prior year.

Credit card issuance volumes fell precipitously by 54.0 percent y-o-y driven in large part by Citigroup's absence in the market and sharply reduced issuance from American Express from the dissolution of its partnership with Costco. Credit card ABS outstandings fell by 5.7 percent y-o-y to reach $128.6 billion.

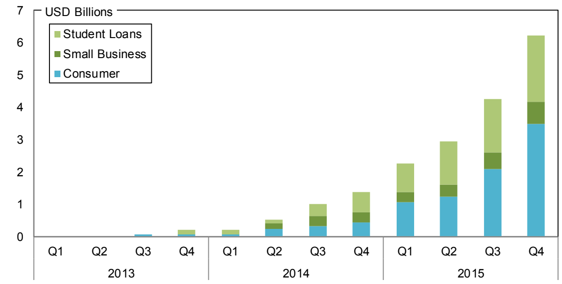
Equipment issuance totaled $16.2 billion in 2015, a decline of 7.9 percent y-o-y. Most of the decline was driven by lack of equipment floorplan deals; both equipment leases and transportation-related deals exhibited little change y-o-y (a 2.0 percent increase and 0.6 percent decline, respectively). Equipment outstandings fell 3.5 percent y-o-y to $50.8 billion.

Housing-related issuance totaled $18.3 billion, an increase of 5.2 percent y-o-y, driven largely by servicing advances (up 86 percent to $4.2 billion). Risk transfer deals declined by 11.6 percent. Despite significant consolidation in the space (American Homes 4 Rent, the largest securitizer, purchased American Residential Properties at the end of 2015; Colony American Homes and Starwood Waypoint Residential Trust completed their merger in the beginning of 2016), single-family rental issuance volume remain essentially unchanged at $6.5 billion, a decline of 0.9 percent y-o-y. At the end of the year, housing-related outstandings rose 65.8 percent to $X.

Student loan issuance totaled $13.6 billion, a decline of 3.6 percent y-o-y. While Federal Family Education Loan Program (FFELP) securitization volumes continue to fall since the termination of the FFELP program in 2010 (issuance volume was $6.8 billion, a decline of 40.5 percent y-o-y), private student loans picked up significantly in 2015 with $6.6 billion issued, an increase of 145.2 percent y-o-y, aided in part with the entry of marketplace lender securitizations of student loans. At the end of 2015, student loan outstandings were $201.7 billion, a decline of 7.5 percent y-o-y.

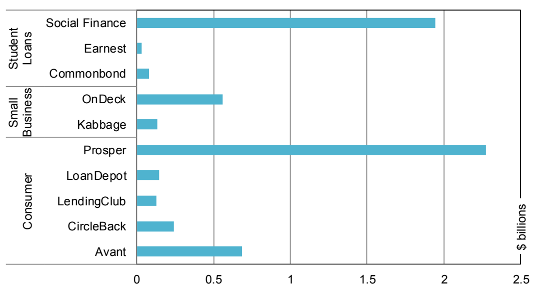
The "other" category, or esoteric ABS, totaled $34.7 billion, an increase of 12.1 percent y-o-y. While "traditional" esoteric categories experienced a decline (insurance fell 70.9 percent y-o-y and timeshare fell 18.2 percent), other categories saw a noteworthy pickup. Consumer/personal loans saw a significant jump with new marketplace lender securitizations with $8.2 billion issued, an increase of 43.1 percent and franchise securitizations totaled $7.2 billion, up 285.2 percent y-o-y. "Green" finance securitizations picked up in 2015, with both Property Assessed Clean Energy (PACE) and solar panel securitizations volumes increasing to $0.8 billion combined compared to $0.5 billion in the prior year. "Other ABS" outstanding volumes were $134.0 billion, an increase of 14.9

Marketplace Lending ABS Outstanding
2013:Q1 - 2015:Q4



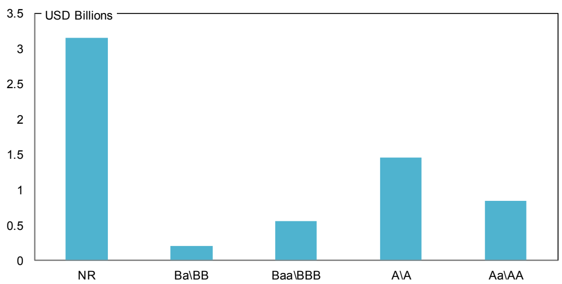
Source: Bloomberg, prospectus filings

Marketplace Lenders ABS Outstanding by Lender
2015 Q4



Sources: Bloomberg, prospectus filings

Marketplace Lending ABS Outstanding by Rating
2015:Q4



Source: Bloomberg, Fitch Ratings, Moody's, Standard & Poor's. Based on lowest rating assigned from the three rating agencies.

percent y-o-y.

General Trend: Marketplace Lending

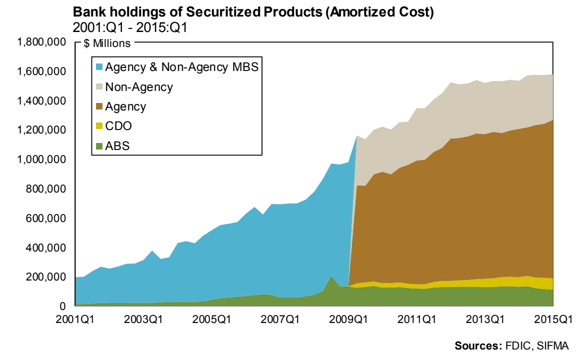
New non-banks entrants, particularly marketplace lenders (sometimes also referred to as peer-to-peer) led the growth of some traditional asset categories (student loans) and less traditional (personal/consumer loans, small business). The growing popularity of these nonbank lenders led to an increase in marketplace lender securitization volumes; as of the end of 2015, $6.2 billion of marketplace lender ABS was outstanding, up 46.6 percent from the prior year, comprised of $3.5 billion of consumer ABS, $0.7 billion of small business ABS, and $2.1 billion of private student loan ABS. Approximately half the market is rated investment grade while the remainder is largely unrated. As in the broader market, student loan ABS skew towards higher ratings than other asset classes due to the unique features of student loans.

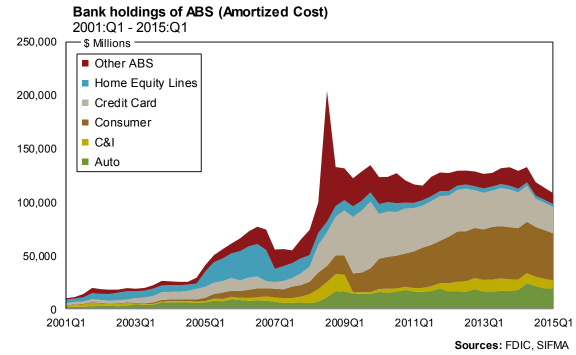
Within the student loan space, Social Finance, a student loan lender that securitized loans as early as 2013, continued to grow in 2015, issuing four deals totaling $1.7 billion, a threefold jump from the $0.5 billion issued the year prior. Two marketplace lenders, Commonbond and Earnest, debuted securitizations in 2015.

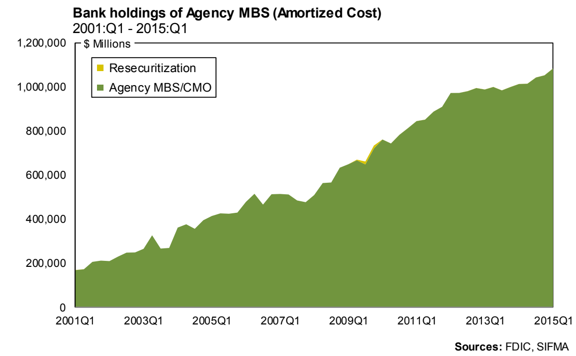
In the personal loan/consumer loan space, both traditional personal loan bank lenders (e.g., Springleaf, which recently purchased another lender, OneMain) and online marketplace lenders (e.g., Prosper, Avant) increased lending, issuing $8.8 billion of product in 2015 compared to $5.6 billion in 2014. Of the total, marketplace lenders issued approximately $3.8 billion, with several debut originators in the ABS marketplace: Avant, CircleBack, and LoanDepot. While personal loan securitizations overall represent a small piece of the ABS outstanding marketplace - $13.6 billion compared to $128.6 billion of credit card ABS - its growth has been rapid.

Securitization of marketplace lenders' small business loans is a small but growing part of a sector traditionally dominated by securitizations of unguaranteed portions of Small Business Administration (SBA) loans. OnDeck continued to issue in 2015, with five deals totaling $464 million, and remains one of two marketplace lenders in the small business securitization space (the other being Kabbage). The Federal Reserve Banks' 2015 Small Business Survey noted that one in five small businesses in need of financing applied to an online nonbank or marketplace lender in 2015, with a 71 percent approval rate.[1]

[1] Federal Reserve Banks of Atlanta, Boston, Cleveland, New York, Philadelphia, Richmond, and St. Louis., 2015 Small Business Credit Survey,







Addendum: Bank Holdings of ABS & MBS

The FDIC's Call reports[2] reveal a wealth of data on bank's securitization holdings in much greater deal than reported by Federal Reserve's Flow of Funds. At the end of 2015, commercial banks held approximately $1.6 trillion in securitized assets, largely agency or agency-backed MBS, up 7.8 percent year-over-year and 35.0 percent since the end of 2009. The growth in holdings is attributable largely to growth in agency MBS holdings.

Despite bankholdings of approximately 19.5 percent outstanding agency MBS, 12.5 percent of ABS including collateralized debt obligations (CDOs) (11.9 percent excluding CDOs), and 8.9 percent of non-agency CMBS and RMBS, only 10.9 percent of FDIC-insured banks actually hold securitized assets in any form. If one excludes agency MBS, less than one percent, or 51 out of approximately 6,200 FDIC-insured banks, helds any securitized assets; at the end of 2015.

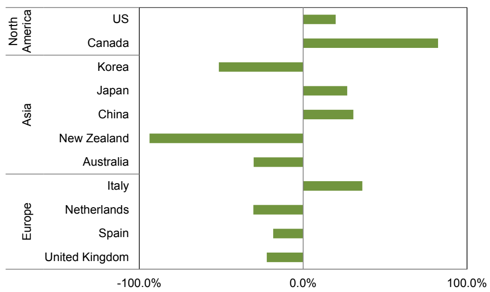
As of the end of 2015, banks held approximately $88.9 billion in ABS, comprised of $15.9 billion auto ABS, $5.2 billion commercial and industrial (C&I) ABS, $21.4 billion credit card ABS, $1.4 billion home equity ABS, $37.5 billion in other consumer ABS, and $7.5 billion other ABS. Year-over-year, ABS holdings fell 21.7 percent, declining considerably in home equity (51.2 percent), C&I (42.2 percent) and other ABS (33.9 percent) despite a general overall trend of non-traditional, esoteric ABS growing in 2015.

Banks held $84.2 billion in CDOs, an increase of 10.7 percent y-o-y. Deals are almost entirely cash collateralized loan obligations (CLOs) ($83.4 billion), although there are legacy portfolios of trust preferred CDOs ($683 million) remaining on some balance sheets.

Banks held $131.6 billion in non-agency MBS, comprised of $61.4 billion in non-agency RMBS and the balance in non-agency CMBS. Non-agency MBS holdings fell 20.5 percent y-o-y.

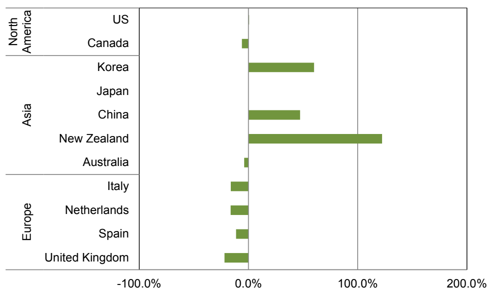
[2] See https://www5.fdic.gov/Call_TFR_Rpts/

Global Securitization Issuance by Country of Collateral, % Change Year-over-Year
2015



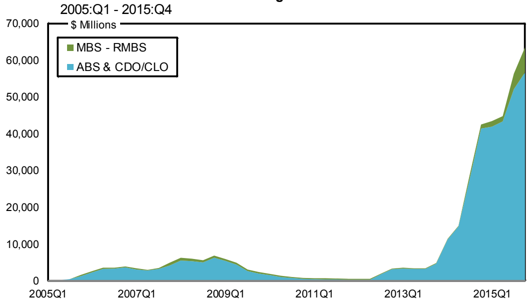
Sources: Bloomberg, Dealogic, Thomson Reuters, AFME/SIFMA members, prospectus filings, Fitch Ratings, Moody's, Standard and Poor's, DBRS

Global Securitization Outstanding by Country of Collateral, % Change Year-over-Year
2015



Sources: Bloomberg, Dealogic, Thomson Reuters, AFME/SIFMA members, prospectus filings, Fitch Ratings, Moody's, Standard and Poor's, DBRS

Chinese Securitization Outstandings
2005:Q1 - 2015:Q4



Sources: Bloomberg, Dealogic

Addendum: International Securitization and Global CDOs

Outside of the U.S., securitization volumes were mixed. Canadian securitization issuance volumes were $10.0 billion, increasing 82.4 percent y-o-y. Overall European securitization volume totaled $1.6 trillion in 2015, down 15.5 percent from the prior year, with declines in all four of the largest countries by securitization volumes (United Kingdom, Spain, Netherlands and Italy).

Asia's securitization volumes, on the other hand, were generally up in 2015. Notably, China's securitization market has experienced explosive growth since 2012, with $65.8 billion of issuance in 2015, an increase of 30.7 percent from the prior year. While Australia securitizations experienced a 30.2 percent decline y-o-y, Japan experienced a a slight uptick, with $27.8 billion issued, a 26.9 percent increase y-o-y.

CHARTS & DATA

ISSUANCE

$ Billions

Asset Backed Securities, Issuance

	2011	2012	2013	2014	2015
Auto	66.0	88.0	88.5	94.9	97.9
Prime	28.7	40.1	38.5	41.3	35.6
Subprime	11.7	17.3	19.1	19.9	22.7
Near Prime		0.4	2.2	3.6	5.4
Leases	10.2	12.4	13.3	16.0	18.0
Floorplan	9.1	11.2	8.7	7.8	9.9
Credit Cards	12.3	30.1	33.3	52.0	23.9
Equipment	11.3	20.1	18.7	17.6	16.2
Floorplan	0.2	2.7	0.9	0.9	
Transportation	3.1	3.8	6.2	5.3	5.2
Housing-Related	1.9	2.0	6.8	17.4	18.3
Single Family Rental			0.5	6.5	6.4
Servicing Advances	1.9	2.0	4.6	2.3	4.2
Other	12.5	22.9	19.2	21.2	23.7
Franchise	0.7	1.6	1.2	1.9	7.2
Consumer		0.8	3.2	5.8	8.2
Structured Settlement	0.5	0.6	0.6	0.7	0.8
Timeshare	1.3	2.2	2.4	2.7	2.2
Student Loans	14.0	25.3	17.9	14.1	13.6
FFELP	11.9	21.0	14.4	11.4	6.8
Private	2.1	4.3	3.0	2.7	6.6

Asset Backed Securities, Issuance by Rating (2015)

	AAA/Aaa	AA/Aa	A/A	BBB/Baa and Below	NA/NR	Total
Auto	45.2	4.5	2.7	2.1	43.5	97.9
Prime	18.9	0.4	0.3	0.2	15.8	35.6
Subprime	3.9	3.1	1.9	1.6	12.3	22.7
Near Prime	3.9	0.4	0.2	0.2	0.7	5.4
Leases	8.9	0.5	0.1	0.1	8.5	18.0
Floorplan	6.6	0.0	0.1	0.0	3.1	9.9
Credit Cards	23.6				0.3	23.9
Equipment	3.0	0.1	4.1	0.6	8.4	16.2
Floorplan						0.0
Transportation						0.0
Housing-Related	2.9	0.2	0.3	2.3	12.6	18.3
Single Family Rental	0.2	0.0	0.0	0.0	6.2	6.4
Servicing Advances	2.7	0.2	0.1	0.4	0.8	4.2
Other	1.3	0.3	5.5	8.9	7.8	23.7
Franchise				7.1	0.0	7.2
Consumer			3.1	1.1	4.4	8.6
Structured Settlement					0.8	0.8
Timeshare		0.3	1.3	0.3	0.3	2.2
Student Loans	7.2	0.4	1.2		4.7	13.6
FFELP	3.8	0.4	0.1		2.5	6.8
Private	3.4		0.9		2.3	6.6

Mortgage Backed Securities, Issuance

	2011	2012	2013	2014	2015
CMBS	34.2	47.8	88.0	101.3	101.5
Single Asset/Single Borrower	2.1	8.7	24.5	23.3	24.2
Conduit/Fusion	26.7	32.9	57.7	60.8	62.5
Large Loan	1.4	1.7	1.5	6.6	10.8
Resecuritization	3.1	2.8	2.2	2.0	1.0
RMBS	37.1	28.0	48.0	54.8	75.9
Jumbo Prime	0.7	3.5	13.2	8.7	14.6
Scratch & Dent	2.4	2.6	10.7	25.0	34.1
Seasoned	7.5	5.4	6.1	3.3	2.9
Subprime/Nonprime					
Resecuritization	15.9	16.5	15.5	16.3	19.8
Agency (ex. CMO)	1,240.1	1,756.9	1,642.7	1,000.7	1,322.5
FNMA	610.5	865.5	764.5	407.7	516.4
FHLMC	301.2	466.5	460.8	279.5	351.8
GNMA	328.5	424.9	417.4	313.5	454.3

Mortgage Backed Securities, Issuance by Rating (2015)

	AAA/Aaa	AA/Aa	A/A	BBB/Baa and Below	NA/NR	Total
CMBS	57.2	8.3	5.2	10.2	20.6	101.5
Single Asset/Single Borrower	8.2	1.9	1.7	4.7	7.7	24.2
Conduit/Fusion	43.4	5.6	2.4	3.2	7.8	62.5
Large Loan	4.9	0.8	0.7	2.3	2.2	10.8
Resecuritization					1.0	1.0
RMBS	14.1	0.7	1.7	1.7	57.8	75.9
Jumbo Prime	8.3	0.3	0.3	0.2	3.9	13.0
Scratch & Dent	3.5		1.2	1.0	28.3	34.1
Seasoned	0.7	0.1	0.0	0.0	2.1	2.9
Subprime/Nonprime						0.0
Resecuritization			0.1	0.4	19.3	19.8
Agency (ex. CMO)	N/A	N/A	N/A	N/A	N/A	N/A
FNMA	N/A	N/A	N/A	N/A	N/A	N/A
FHLMC	N/A	N/A	N/A	N/A	N/A	N/A
GNMA	N/A	N/A	N/A	N/A	N/A	N/A

OUTSTANDING

$ Billions

Asset Backed Securities, Outstanding

	2011	2012	2013	2014	2015
Auto	116.8	142.0	161.1	178.6	189.9
Prime	50.6	56.3	61.6	67.2	67.6
Subprime	16.3	24.0	29.6	33.8	38.3
Near Prime	0.5	0.5	2.7	6.2	9.8
Leases	12.7	18.0	20.4	23.5	25.4
Floorplan	21.6	27.7	30.3	30.4	31.0
Credit Cards	164.3	128.2	124.5	136.5	128.6
Equipment	36.5	41.8	47.5	52.6	50.8
Floorplan	2.7	3.4	4.3	5.4	4.1
Transportation	22.3	22.9	25.1	27.2	28.0
Housing-Related	3.4	3.8	8.7	25.6	42.4
Single Family Rental			0.5	7.2	14.1
Servicing Advances	3.4	3.8	6.4	6.0	5.5
Other	95.4	100.3	108.1	116.6	134.0
Franchise	3.6	3.2	4.0	5.3	11.8
Consumer	0.0	0.0	3.2	6.7	13.6
Structured Settlement	2.5	2.9	3.2	3.6	3.9
Timeshare	3.4	4.3	4.6	5.3	5.4
Student Loans	235.8	235.1	230.0	218.1	201.7
FFELP	191.5	192.0	187.9	177.7	160.4
Private	38.4	38.2	37.2	35.9	37.3

Asset Backed Securities, Outstanding by Rating (2015)

	AAA/Aaa	AA/Aa	A/A	BBB/Baa and Below	NA/NR
Auto	143.6	14.1	12.2	9.5	10.6
Prime	59.3	3.1	1.3	0.7	3.2
Subprime	13.9	8.9	7.5	6.7	1.2
Near Prime	7.5	0.6	0.6	0.5	0.5
Leases	21.9	0.6	0.3	0.1	2.4
Floorplan	26.7	0.7	0.6	0.4	2.6
Credit Cards	121.7	1.2	2.7	1.9	1.1
Equipment	18.6	1.0	17.3	7.1	6.8
Floorplan	3.6		0.1	0.1	0.4
Transportation	0.2	0.3	16.3	6.6	4.5
Housing-Related	10.4	1.7	3.5	10.6	16.2
Single Family Rental	7.1	1.3	1.2	1.1	3.3
Servicing Advances	3.3	0.2	0.2	0.4	1.4
Other	17.2	1.8	15.2	33.4	66.3
Franchise		0.2	0.0	11.2	0.4
Consumer			6.1	2.2	5.3
Structured Settlement	2.8	0.2	0.4	0.2	0.3
Timeshare	0.0	0.6	3.4	0.7	0.7
Student Loans	82.6	81.3	16.3	12.9	8.5
FFELP	70.0	76.4	7.8	1.1	5.1
Private	12.3	4.3	8.0	10.5	2.0

Mortgage Backed Securities, Outstanding

	2011	2012	2013	2014	2015
CMBS	690.3	638.4	627.3	630.0	602.5
Single Asset/Single Borrower	24.2	29.5	48.4	65.4	85.3
Conduit/Fusion	586.5	542.8	526.1	509.6	458.3
Large Loan	30.4	23.4	13.8	13.1	19.9
Resecuritization	26.1	24.7	22.5	20.1	16.6
RMBS	1,437.5	1,239.3	1,073.8	971.7	883.4
Jumbo Prime	228.4	183.4	151.9	132.9	119.0
Scratch & Dent	29.0	26.7	30.5	41.5	57.6
Seasoned	23.5	26.6	27.1	24.7	20.2
Subprime/Nonprime	387.0	338.7	299.4	271.5	242.2
Resecuritization	92.5	99.6	89.1	88.8	90.3
Agency (ex. CMO)	5,546.4	5,656.7	5,905.6	6,008.4	6,208.5
FNMA	2,653.7	2,705.0	2,803.8	2,803.6	2,823.0
FHLMC	1,645.7	1,585.5	1,621.7	1,663.2	1,742.5
GNMA	1,246.9	1,366.2	1,480.1	1,541.6	1,643.0

Mortgage Backed Securities, Outstanding by Rating (2015)

	AAA/Aaa	AA/Aa	A/A	BBB/Baa and Below	NA/NR
CMBS	283.0	70.0	59.3	141.5	48.7
Single Asset/Single Borrower	39.1	10.5	8.4	18.0	9.4
Conduit/Fusion	226.5	55.0	44.8	109.9	22.1
Large Loan	8.4	2.3	1.5	5.6	2.1
Resecuritization	5.7	1.7	0.7	2.5	6.0
RMBS	37.7	11.9	21.0	652.0	160.8
Jumbo Prime	25.5	1.3	2.0	86.7	3.6
Scratch & Dent	3.8	0.7	2.0	12.5	38.5
Seasoned	5.2	5.6	0.3	0.6	8.5
Subprime/Nonprime	0.4	1.5	8.9	221.5	10.0
Resecuritization	1.2	0.5	1.2	11.2	76.2
Agency (ex. CMO)	N/A	N/A	N/A	N/A	N/A
FNMA	N/A	N/A	N/A	N/A	N/A
FHLMC	N/A	N/A	N/A	N/A	N/A
GNMA	N/A	N/A	N/A	N/A	N/A

UPGRADES/DOWNGRADES

DBRS

	2015:Q1	2015:Q2	2015:Q3	2015:Q4	TOTAL	2014:Q1	2014:Q2	2014:Q3	2014:Q4	TOTAL
Auto	22/0	21/0	0/1	0/0	43/1	6/1	15/0	0/0	11/0	32/1
CDO	4/0	2/0	0/0	4/1	10/1	8/0	0/1	11/0	3/6	22/7
CMBS	7/4	14/9	12/3	20/7	53/23	0/6	12/14	7/17	12/7	31/44
Credit Card	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0	0/0
RMBS	346/14	446/26	0/0	0/0	792/40	143/9	236/9	531/47	0/0	910/65
Other ABS	12/0	2/1	0/0	0/1	14/2	20/0	1/1	0/0	4/0	25/1
Total	391/18	485/36	12/4	24/9	912/67	177/16	264/25	549/64	30/13	1020/118

Fitch Ratings

	2015:Q1	2015:Q2	2015:Q3	2015:Q4	TOTAL	2014:Q1	2014:Q2	2014:Q3	2014:Q4	TOTAL
Auto	0/0	0/0	1/0	0/0	1/0	1/0	0/0	0/0	0/0	1/0
Credit Card	0/0	0/0	0/0	0/0	0/0	0/0	3/0	0/0	12/0	15/0
Other ABS	25/3	51/5	50/12	38/1	164/21	65/10	66/25	47/57	39/2	217/94
CDO	34/6	58/18	49/10	29/14	170/48	23/29	55/37	76/14	40/6	194/86
CMBS	159/97	114/64	65/56	99/55	437/272	111/122	146/121	39/66	46/88	342/397
RMBS (prime)	4/171	0/0	180/500	11/100	195/771	120/1,014	3/117	0/143	211/686	334/1960
RMBS (subprime)	20/90	3/1	0/37	933/43	956/171	18/50	156/48	12/24	1,305/23	1491/145
Other RMBS	88/235	139/21	19/75	141/119	387/450	231/128	99/264	36/92	169/104	535/588
Total	330/602	365/109	364/690	1,251/332	2310/1733	569/1,353	528/612	210/396	1,822/909	3011/3270

Moody's Investor Services

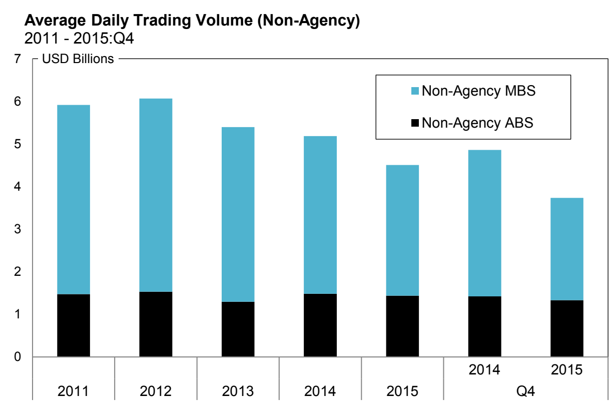
	2015:Q1	2015:Q2	2015:Q3	2015:Q4	TOTAL	2014:Q1	2014:Q2	2014:Q3	2014:Q4	TOTAL
Auto	95/0	36/0	78/0	110/0	319/0	84/0	14/0	113/0	40/0	251/0
CDO	273/5	388/2	249/2	320/1	1230/10	425/13	465/10	589/13	342/1	1821/37
CMBS	226/61	246/70	143/53	370/73	985/257	182/112	303/112	283/106	187/80	955/410
Credit Card	0/0	17/0	0/0	0/0	17/0	0/0	0/0	23/0	17/0	40/0
RMBS	664/374	1057/332	713/206	907/262	3341/1174	481/309	1178/319	878/325	450/237	2987/1190
Total	1258/440	1744/404	1183/261	1707/336	5892/1441	1172/434	1960/441	1886/444	1036/318	6054/1637

Standard and Poor's

	2015:Q1	2015:Q2	2015:Q3	2015:Q4	TOTAL	2014:Q1	2014:Q2	2014:Q3	2014:Q4	TOTAL
Auto	5/0	54/0	87/0	22/0	168/0	17/0	38/0	13/0	28/0	96/0
CDO	296/11	136/24	176/12	122/22	730/69	263/63	396/69	415/35	289/25	1363/192
CMBS	28/19	36/72	76/52	120/63	260/206	112/92	58/68	55/40	73/46	298/246
Credit Card	0/0	0/0	0/0	0/0	0/0	0/1	1/1	0/0	12/2	13/4
RMBS (prime)	37/334	19/322	240/460	121/265	417/1381	8/354	23/547	32/325	31/281	94/1507
RMBS (subprime)	37/118	45/308	159/205	558/345	799/976	66/233	10/193	13/153	34/157	123/736
Total	403/482	290/726	738/729	943/695	2374/2632	466/743	526/878	528/553	467/511	1987/2685

Sources: DBRS, Fitch Ratings, Moody's Investors Service, Standard & Poor's

TRADING VOLUME



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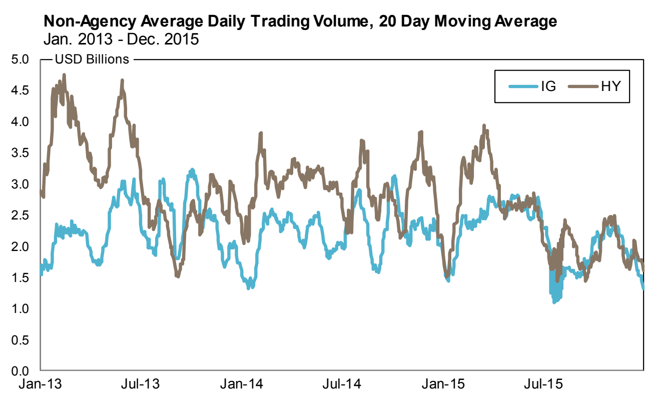
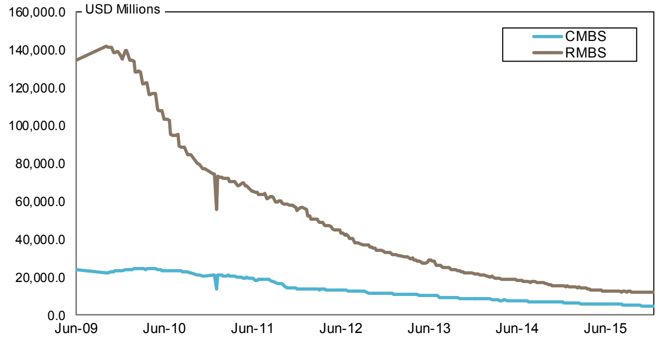


Source: FINRA Trace

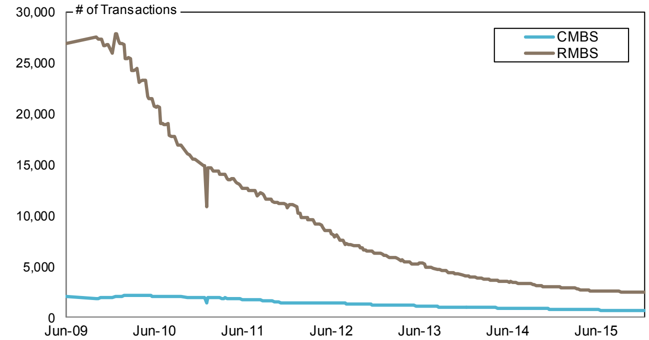
CDS

Single Name US RMBS and CMBS CDS Outstanding, Gross Notional
Jun. 2009 - Dec. 2015



Source: DTCC

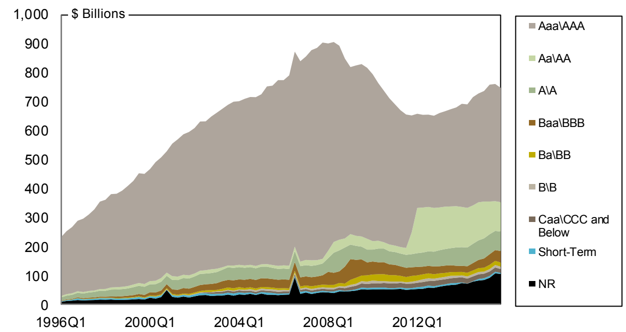
Single Name US RMBS and CMBS CDS Outstanding, Gross Notional
Jun. 2009 - Dec. 2015



Source: DTCC

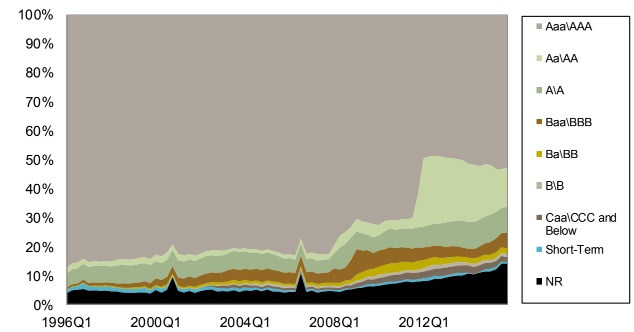
OUTSTANDING BY RATING: ABS

US ABS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US ABS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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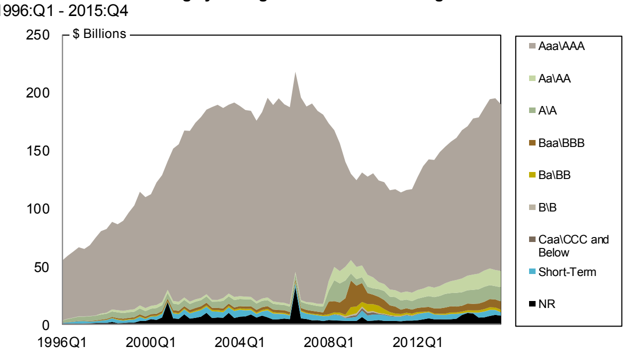
US Auto ABS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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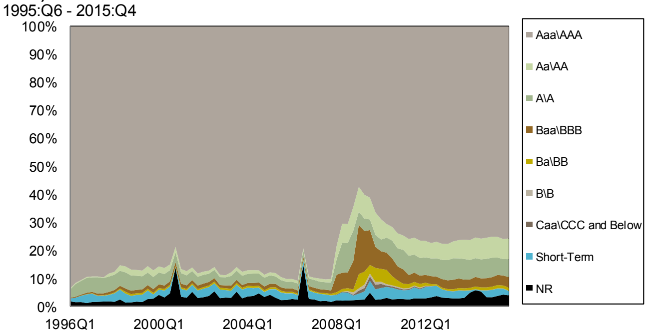
US Auto ABS Outstanding by Rating at Time of Outstanding (% of Total)
1995:Q6 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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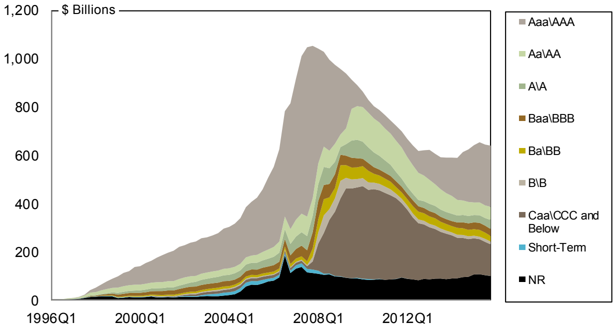
US CDO Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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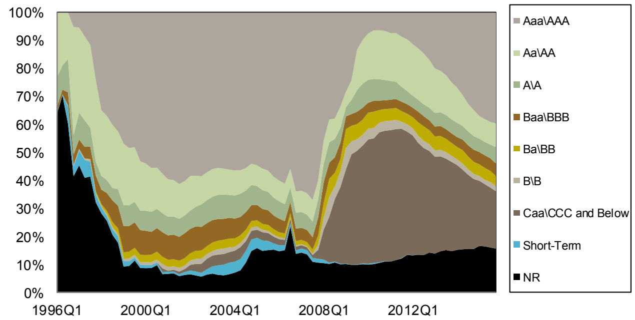
US CDO Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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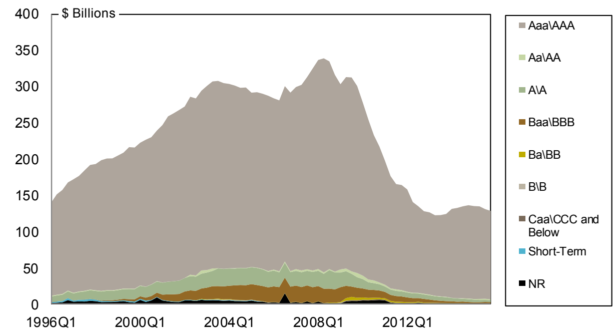
US Credit Card Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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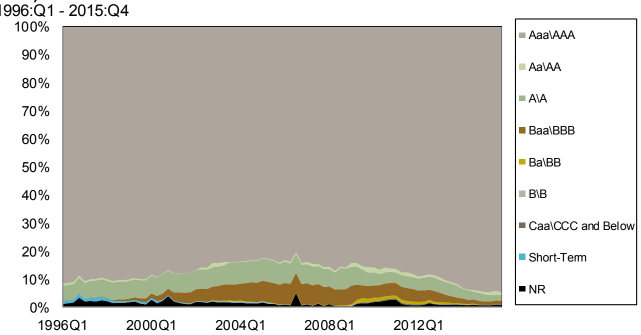
US Credit Card Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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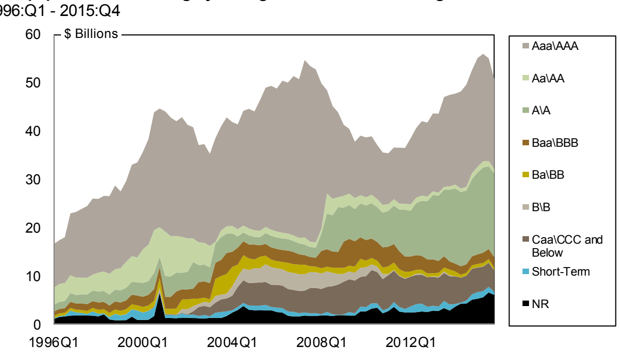
US Equipment Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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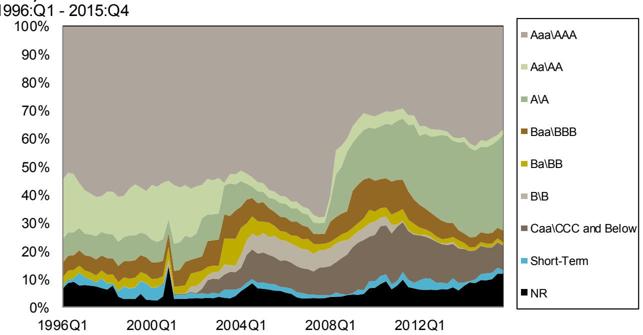
US Equipment Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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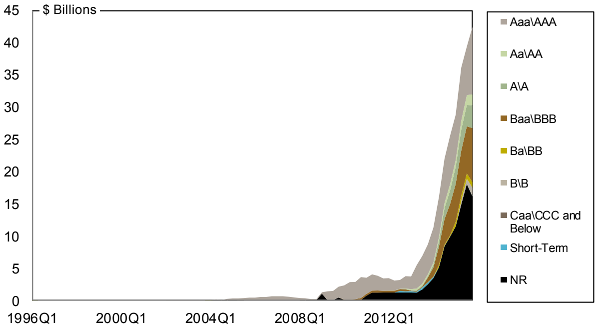
US Housing-Related Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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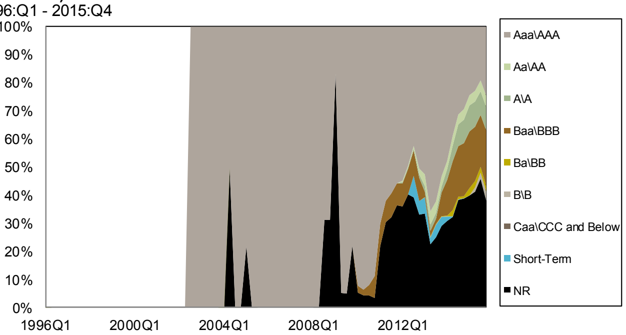
US Housing-Related Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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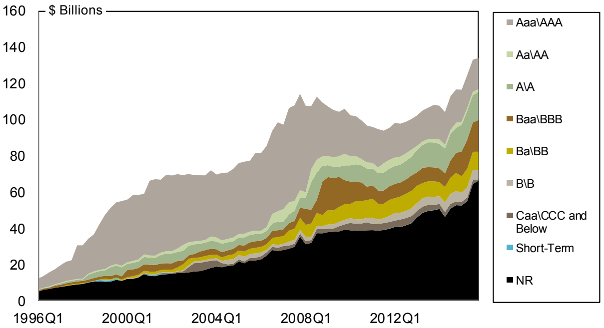
US Other (ex. CDO) Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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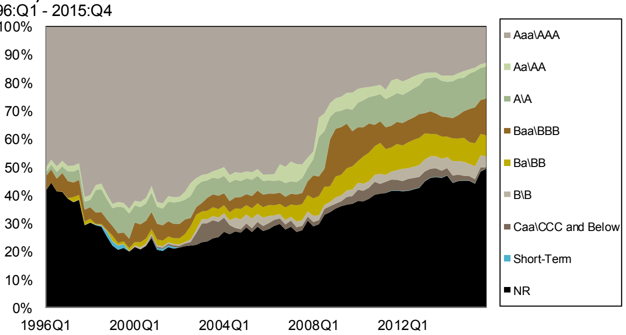
US Other (ex. CDO) Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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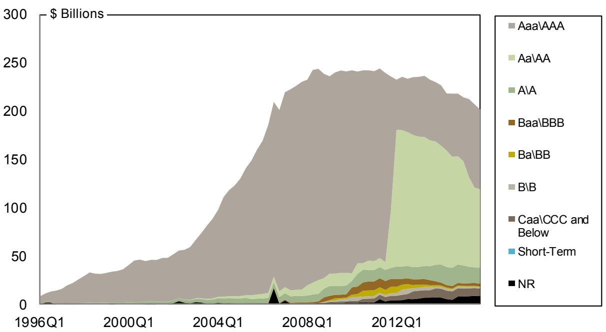
US Student Loan Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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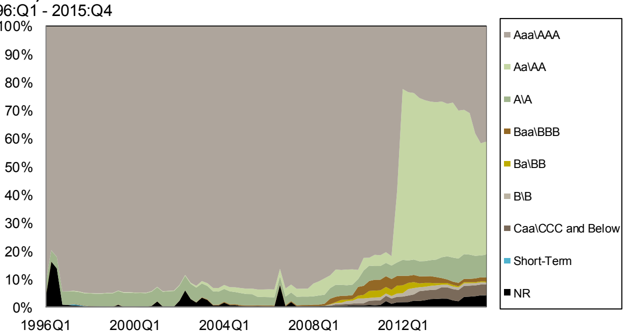
US Student Loan Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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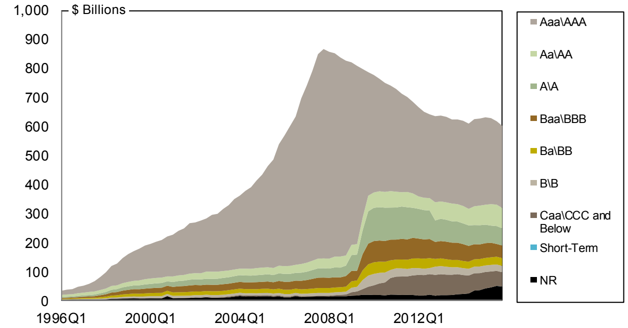
OUTSTANDING BY RATING: CMBS

US CMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



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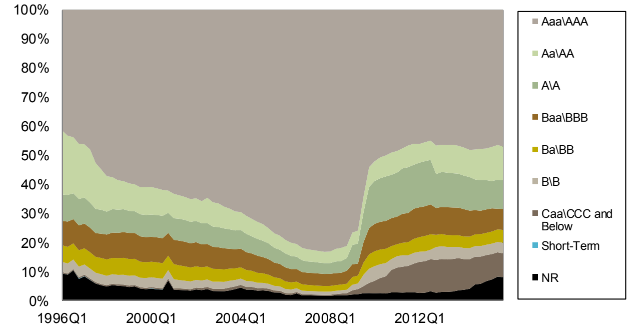
US CMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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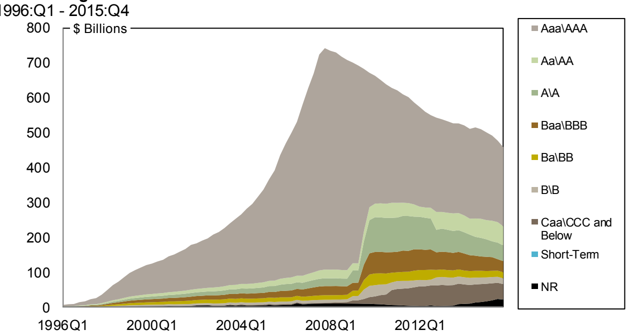
US Conduit/Fusion CMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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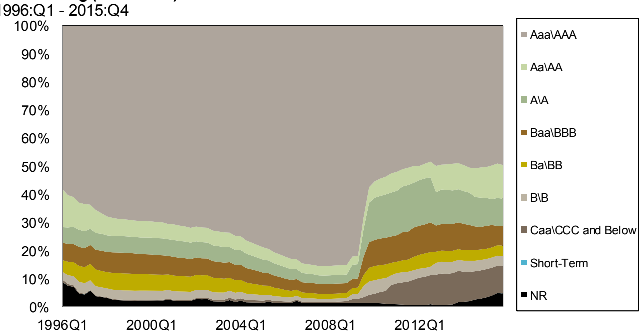
US Conduit/Fusion CMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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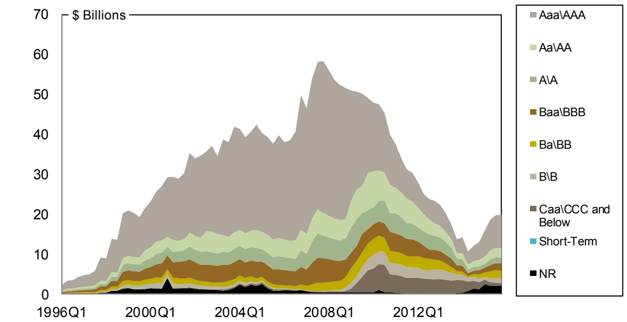
US Large Loan CMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
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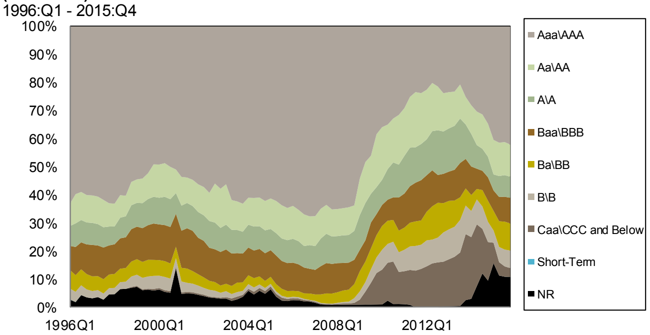
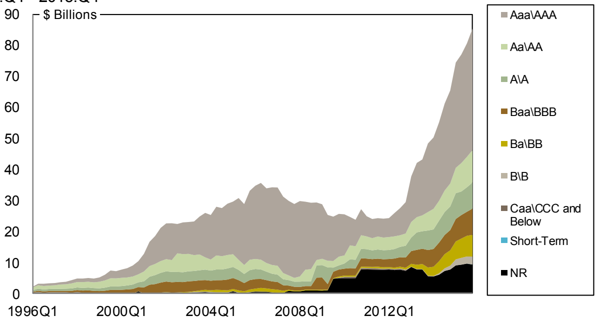
US Large Loan CMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Single Asset/Single Borrower CMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



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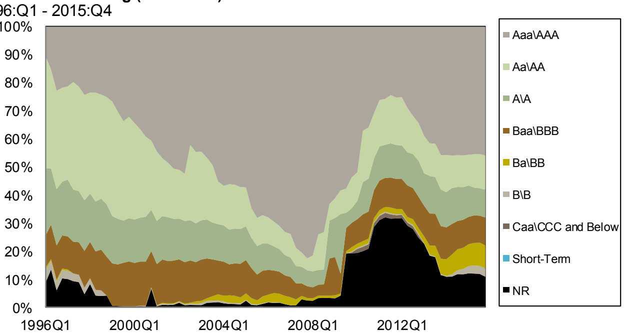
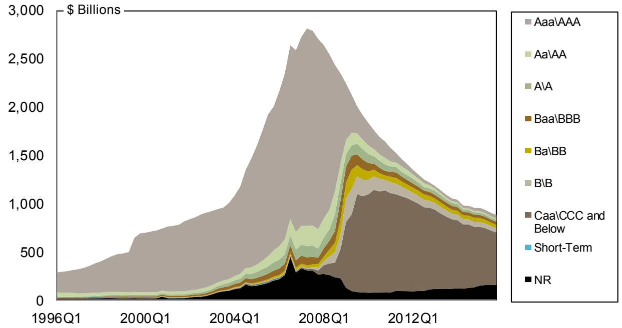
US Single Asset/Single Borrower CMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

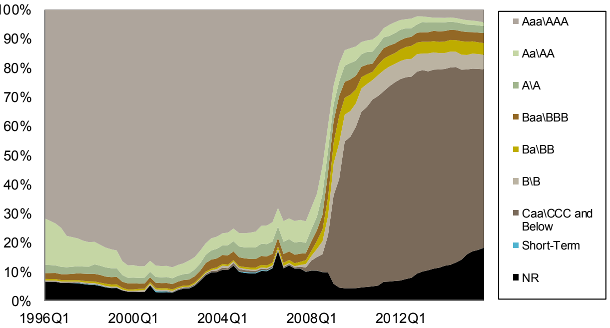
OUTSTANDING BY RATING: RMBS

US RMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US RMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Alt-A RMBS Outstanding by Rating at Time of Outstanding
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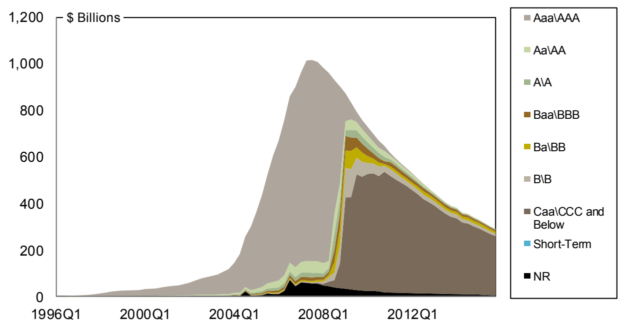
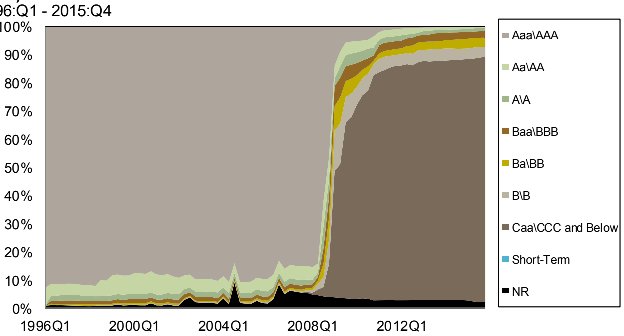


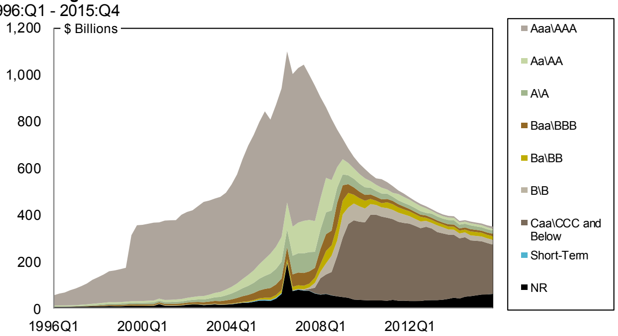
Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Alt-A RMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



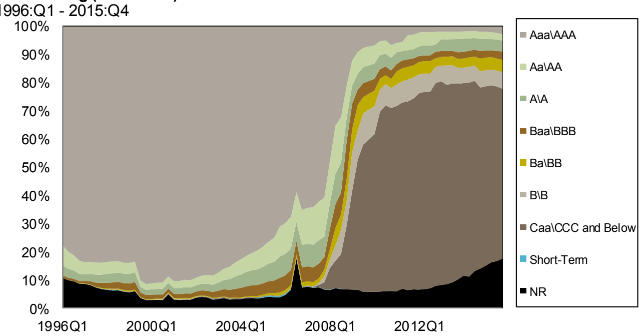
Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Home Equity RMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



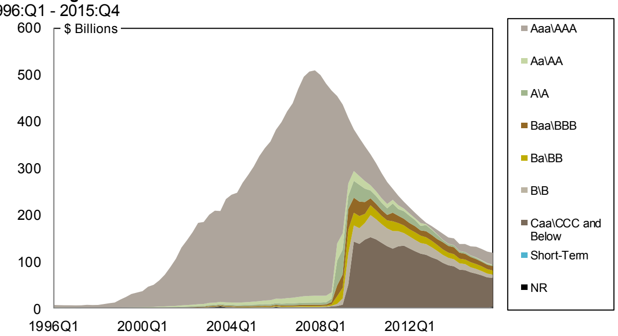
Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Home Equity RMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



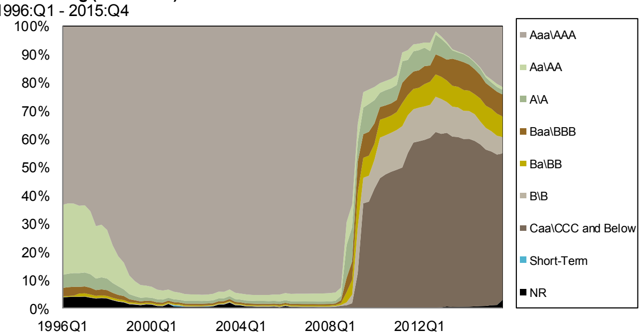
Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Jumbo Prime RMBS Outstanding by Rating at Time of Outstanding
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

US Jumbo Prime RMBS Outstanding by Rating at Time of Outstanding (% of Total)
1996:Q1 - 2015:Q4



Sources: Bloomberg, Fitch Ratings, Moody's, Standard and Poor's, SIFMA
Rating is lowest assigned rating from Fitch Ratings, Moody's, and/or Standard and Poor's.

SIFMA RESEARCH

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EVOLUTION OF THE GOVERNMENT SPONSORED ENTERPRISES

Credit Risk Transfer

Summary of Issue: In 2012, the Federal Housing Finance Agency (FHFA) initiated a strategic plan to develop a program of credit risk transfer to reduce Fannie Mae's and Freddie Mac's overall risk. In 2015, Fannie Mae and Freddie Mac (collectively, the GSEs) continued to grow the credit risk transfer programs.

SIFMA Advocacy: SIFMA focused on how to improve the liquidity of this market, and how to remove obstacles to greater issuance of credit risk transfer (CRT) transactions. SIFMA submitted a letter to key members in Congress that outlined our suggestions to improve this market. A few highlights from the letter can be found below:

- **Upfront CRT**: Upfront risk sharing can provide strong incentives to the issuing originator to deliver quality loans to the GSEs and private investors since any improvements in pricing, relative to the GSEs and based (in part) on the originator's loan quality and historical performance, could be used to provide a benefit to customers and expand access to mortgage credit.
- **REIT Eligibility**: Real Estate Investment Trust (REIT) participation in the markets for CRT is limited due to restrictions contained in the Investment Company Act of 1940 (ICA) and the Internal Revenue Code that govern what are eligible investments for REITs. All forms of CRT (including front-end CRT) should be fully REIT-eligible assets given their core nature as investments in residential mortgage credit and the importance of mortgage REITs as capital markets investors.
- **Capital Requirements and National Association of Insurance Commissioners (NAIC) Evaluations**: Higher capital requirements effectively remove banks from investing in these transactions and make market making more capital-intensive than it needs to be. Almost all bonds issued to date attract a dollar-for-dollar capital charge (or more) for U.S. banks that use the simplified supervisory formula approach (SSFA) formula for calculating capital.

Since most of the securities have low or no NAIC evaluations and concomitant higher capital charges, insurance companies are not as active in this market as they otherwise would be. SIFMA encourages NAIC to include all CRTs in their annual evaluation to help support this important and emerging asset class and ensure evaluation results are in-line with the true risk of the securities.

- **Commodity Pool Regulation**: The CFTC should issue a determination that these transactions are not commodity pools
- **Dodd Frank 621**: The SEC's proposed rules to implement DFA §621 (Conflicts of Interest Relating to Certain Securitizations - 15 U.S. Code § 77z–2a) would render impermissible synthetic transactions such as those proposed to be done as more efficient CRT transactions. CRT in any form should be exempt from these prohibitions under the final rules.
- **Disclosure**: Investors believe granular analysis is very important in their analysis of credit risk. The GSEs should develop means to provide more robust data required by many investors similarly as they do in residential mortgage credit risk.

Links and Documents:

- SIFMA Submits Comments to Congress on CRT **– December 7, 2015**

Single Security

Summary of issue: In August of 2014, the Federal Housing Finance Agency (FHFA) sought public input on a proposal that would implement a single form of MBS to be issued by Fannie Mae and Freddie Mac, with the goal of this common form of security being traded in unified, single To Be Announced (TBA) market. In 2015, FHFA issued "*An Update on the Structure of the Single Security*," which detailed progress on the single mortgage-backed security (Single Security) and sought further feedback on the initiative.

On December 17, the FHFA issued the 2016 Scorecard for the GSEs. It includes the following related to the single security initiative:

- Release 1: In 2016, implement the Common Securitization Platform (CSP) for Freddie Mac's existing single class securities;
- Release 2: In 2018, implement the Single Security on the CSP for both Fannie Mae and Freddie Mac.
- In 2016, publish an aligned timeline for implementing the Single Security on the CSP for both Enterprises in 2018. The timeline must provide stakeholders with at least 12 months' notice prior to implementing the Single Security.
- Work with FHFA to develop and implement a process at each GSE to:
    - Assess new or revised GSE programs, policies, and practices for their effects on the cash flows of TBA mortgage-backed securities (e.g., prepayments and loan buy-outs).
    - Provide on-going monitoring of purchases, security issuances, and prepayments.
    - Provide all relevant information on a timely basis to support FHFA's review process.

SIFMA Advocacy: SIFMA continues to be the leading voice in the discussion of a single security. SIFMA held several meetings with members and representatives of FHFA, Fannie Mae, and Freddie Mac, Treasury, the National Economic Council and others in effort to recommend the most effective path to implementation of a single security for the TBA market and provide guidance to FHFA and the GSEs. SIFMA also responded to FHFA's requests for comment with a number of specific, actionable recommendations.

The key message is that policy, practice, and performance alignment must be top priority. The effective alignment of policies and practices, so as to achieve a continuing alignment of security performance, is the single most important factor in the success (or lack thereof) of this initiative. SIFMA members strongly believe that all of the GSEs' policies or practices that could impact prepayment speeds in a material way must be aligned. This includes, but is not limited to: buyout policies, streamlined refinancing program policies (e.g. HARP and any future programs like it), implementation of new underwriting and servicing initiatives, servicing compensation, and loan level price adjustments/adverse market delivery fees.

SIFMA also believes that it is imperative that the FHFA and GSEs develop a standard protocol to evaluate new programs and changes to existing programs to ensure that any modification is reviewed for its potential impact on security performance, and that any change with a material impact on security performance is implemented in an aligned manner by the GSEs. The 2016 scorecard shows promise in this regard.

We expect to be extremely active on this topic throughout 2016 as focus shifts from concept to implementation.

Links and Documents

- **SIFMA Submits Comment to FHFA on the Structure of the Single Security Update** – August 21, 2015
- **FHFA's 2016 Scorecard for the GSEs**

SECONDARY TRADING UNDER THE VOLCKER RULE FOR SECURITIZATIONS, EXCHANGE-TRADED PRODUCTS (ETPS) AND COVERED BONDS

SIFMA Project to Classify RMBS/ABS, Covered Bonds and Exchange Traded Products

Summary of Issue: The Volcker rule in large part defines a "covered fund" by reference to two specific exemptions from the ICA – 3(c)(1) and 3(c)(7). Many securitization transactions use 3a-7 or 3(c)(5), but others (such as managed CLOs and CDOs, and many synthetic transactions), may use 3(c)(7). More importantly, prior to the issuance of final rules, U.S. transaction documentation did not typically refer to a specific exemption – it would simply state that the transaction was exempt. Foreign transactions generally don't contemplate the ICA at all. There is significant spillover from the Volcker Rule's Covered Funds restrictions beyond the hedge fund and private equity products at which they are targeted towards into securitization and other related asset classes. Accordingly, Volcker covered fund status was unclear for tens of thousands of securities, but is a necessary piece of information for banks who trade or invest in these securities.

SIFMA Advocacy: To help alleviate the lack of clarity regarding covered fund status, SIFMA's Securitization Group engaged KPMG and Cleary Gottlieb to undertake a major project to identify and classify these tens of thousands of securities into covered fund status categories (e.g., 'cannot be excluded from being a covered fund', 'not a covered fund', 'legal review required'). The project scope includes U.S. and foreign securitizations, foreign ETPs and covered bonds. This project was executed in close coordination with Bloomberg's effort to develop a covered fund classification tool that is available to Bloomberg users (their "VCF" screen). The first phase of this project was completed in the summer of 2015. Work continues to refine and expand the decision logic and application of the project. We hope to be able to incorporate a broader range of asset classes, including closed end funds and REITs, in 2016, and to also improve the efficacy of the logic for ETFs.

On September 17, 2015 the Volcker regulators (Federals Reserve, Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC)) issued guidance in the form of a frequently asked question which effectively blessed the use of third party tools, such as Bloomberg's VCF, in a Volcker Rule compliance program, with appropriate auditing and controls. SIFMA was pleased to see this publication and continues to work with its members to enhance the ability of market participants to identify and classify securities in other asset classes.

Links and Documents

- Federal Reserve Volcker Rule FAQ

SECURITIZATION DERIVATIVES

Margin Requirements for Uncleared Securitization Swaps – Final Rules Will Require Securitization SPVs to Post Variation Margin

Summary of Issue: On September 3, 2014 the Federals Reserve, OCC, FDIC, FHFA and Farm Credit Administration (FCA) proposed a rule on margin requirements for non-centrally cleared swaps and security-based swaps. The CFTC followed suit as regards non-securities based swaps on September 18. While these proposed rules would have generally excluded securitization transactions from requirements to post initial margin, they would explicitly include securitizations as entities that must post variation margin.

On October 22, 2016 and December 16, 2016 the prudential regulators and the CFTC, respectively, finalized their rules. Both rule sets would apply variation margin requirements to securitization SPVs' uncleared swaps transactions. (Initial margin is technically applicable as well, but the threshold is quite high and not likely to be triggered in most cases).

SIFMA Advocacy: SIFMA argued in its comments on the rule proposals and in subsequent meetings with regulators that securitization vehicles that are swap counterparties do not present the same risks as corporate or other types of entities given the secured nature of the exposure. Additionally, it is simply not practical or economical for securitizations to comply with margin requirements, since securitizations are not operating companies and generally cannot raise new capital to fund margin requirements. Without relief, these rules would significantly limit the ability of securitization transactions to utilize derivatives to hedge trust cash flows, harming issuers, investors and the consumers who receive funding through securitization. Unfortunately, regulators did not heed the warnings and requests of SIFMA and other industry organizations.

SIFMA will work with members as they face implementation of these rules in the coming year.

Links and Documents:

- Prudential Regulators' Final Rules
- CFTC's Final Rules

CREDIT RISK RETENTION

Implementation of Risk Retention Rules

Summary of Issue: Dodd-Frank section 941 creates a "risk retention" requirement for securitization transactions whereby securitizers will be required to retain at least five percent of the credit risk of their transactions subject to various conditions and exceptions. Rules were first proposed in early 2011 by six regulators. The rules were re-proposed in August 2013 with some key revisions, and were finalized on October 21, 2014. The rules became effective in December 2015 for RMBS and will be effective in December 2016 for other ABS.

SIFMA Advocacy: As we approached implementation in 2015, members raised the question of whether or not a resecuritization of RMBS would be treated as RMBS or a resecuritization for the purposes of the effective date. This is important because resecuritizations do not require retention until 2016, while RMBS begins compliance in 2015. SIFMA sought and obtained guidance that resecuritizations of RMBS would not be treated as RMBS, and therefore would not be required to comply with the rules until 2016. Currently, SIFMA is in ongoing discussions with members on issues related to the financing of retained securities through repurchase agreements.

FINRA

Proposal to Implement Margin Requirements for TBA Trading

Summary of issue: In January 2014 FINRA proposed amendments to FINRA Rule 4210 establishing margin requirements for transactions in the TBA MBS market (and other agency MBS forward transactions). The rule proposal was informed by the set of best practices adopted by the Treasury Market Practices Group (TMPG) of the Federal Reserve Bank of New York. The proposal aimed to reduce counterparty credit risk by establishing, among other things: maintenance and variation margin requirements; risk limit determinations; concentrated exposure thresholds; and exemptions for de minimis transfer amounts and transactions cleared through registered clearing agencies. SIFMA submitted an extensive comment letter in response to FINRA's proposal.

The SEC published FINRA's revised proposal on September 24, 2015, which attempted to address some of the concerns raised in SIFMA's comment letters but failed to address many others. For example, FINRA's proposal does not require the collection of maintenance margin from small counterparties (to the extent that exceptions can be implemented) or large counterparties but only from medium-sized counterparties.

SIFMA Advocacy: As with the initial proposal, SIFMA submitted two comment letters on the revised proposal – one reflecting broad member perspectives and one more specifically representing the views of SIFMA's Asset Management Group (AMG). SIFMA's broader comments focused on the major impact of the proposed amendments, with details on the impact on FINRA members, while also addressing issues of clarity, operational feasibility and unintended consequences.

The comments cover a range of issues, including but not limited to:

- Opposition to maintenance (initial) margin requirements
- Concerns about the significant operational issues with implementing the proposal
- Challenges with determination of exempt accounts
- Impact on middle-market firms
- The need for at least 18 months, and better yet 2 years for implementation
- Liquidation/close out requirements and margin collection timeframes
- Treatment of foreign firms and sovereign wealth funds

Additionally, SIFMA's AMG letter highlighted many of the same concerns as well as specific investor concerns, such as:

- Maintenance margin requirements
- Requirements for two-way margin arrangements
- Liquidation requirements and margin transfer periods
- Challenges with the proposed exceptions
- Flexibility to negotiate contractual terms
- The need for an 18-24 month implementation period

Links and Documents:

- **Proposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market**
- **SIFMA Submits Comments to FINRA on Proposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market – March 28, 2014**
- **Reproposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market**
- **SIFMA Submits Comments to the SEC on FINRA rule 4210 regarding Margin Requirements for TBAs/Agency MBS – November 10, 2015**

- **SIFMA AMG Submits Comments to the SEC on FINRA Rule 4210 Regarding Margin Requirements for TBAs/Agency MBS – November 10, 2015**

Post-Trade Dissemination of Price Information through FINRA's TRACE System
Summary of Issue: In early 2015, FINRA proposed the expansion of real-time dissemination of trade price data to include additional securitized products including CMOs, CMBSs and CDOs.

Additionally, on December 7, 2015 FINRA implemented the dissemination of price information for asset-backed securities including consumer ABS and other asset classes.

Summary of issue: SIFMA agreed with FINRA that there may be benefits to price discovery as a result of dissemination of trade information, but continued to voice concern for the potential that dissemination to negatively impact market liquidity if it is not implemented appropriately. SIFMA members believe strongly that TBA, specified pool and the corporate high-yield markets have each had liquidity negatively impacted due in part to TRACE dissemination. Market makers are less willing to take on large trades from their buy-side counterparties when their position becomes immediately known.

While the final rule to disseminate non-agency RMBS, CMBS and other products is still being developed, SIFMA believes that the SEC and FINRA should once again carefully weigh the benefit of price discovery against the potential detriment to market liquidity, and ensure any final rule is structured in a way that promotes transparency while avoiding reducing liquidity.

Links and Documents:

- **SIFMA Submits Comments to FINRA Regarding Regulatory Notice 15-04 – April, 13, 2015**
- **Rule Proposal – February 2015**

CAPITAL / PRUDENTIAL MATTERS

International Organization of Securities Commissions (IOSCO) & Basel Committee Consultation on Simple, Transparent, and Comparable (STC) Securitizations

Summary of Issue – In December 2014, IOSCO and the Basel Committee released for comment a paper that discussed criteria for determining that a securitization transaction is simple, transparent, and comparable, which would accord the transaction favorable prudential treatment. This consultation is the deliverable from Basel and IOSCO's Task Force on Securitisation Markets (TFSM) which was formed in early 2014. The TFSM conducted an industry survey and held a roundtable in London in June that GFMA staff and members attended. The remit of this group was to: (1) undertake a wide ranging review of securitization markets to understand how they are evolving in different parts of the world; (2) identify factors from across different sectors that may be hindering the development of sustainable securitization markets. With a view to developing diverse and resilient sources of market-based finance, a particular focus will be on the participation of non-bank investors; and (3) develop criteria to identify and assist in the development by the financial industry of simple and transparent securitization structures.

SIFMA Advocacy – SIFMA, through GFMA, responded to this proposal. Comments highlighted the need to carefully balance the needs of investors with cost of the needs of originators. If meaningful benefits to the wider economy are to be realized, securitization must regain its traditional function as a tool not just for direct funding but also for risk transfer to achieve capital relief for the originator. Also, harmonization of the requirements across jurisdictions should be a key goal to encourage growth in the depth and liquidity of the securitization markets. The letter also made the point that synthetic securitizations should be included in the STC criteria (subject to certain conditions). Allowing certain types of synthetic securitizations to qualify as STC will help to contribute funding to the real economy. They would ease the execution of securitizations of more challenging asset classes such as SME loans and trade credit (both of which often contain clauses preventing legal true sale of the loan or are otherwise more difficult and/or slower to structure through cash securitizations) by transferring risk and freeing up bank capital to make additional loans.

The Basel Committee and IOSCO finalized the criteria in July 2015, making certain changes, but not including synthetic securities within scope. The Basel Committee is currently consulting on the inclusion of capital relief within its Securitization Framework.

It is important to note that in the EU, the European Commission has issued its proposal for the implementation of an STC regime in Europe, and the legislative process is moving apace. At this time, the EU proposal would require each of the originator, sponsor and SPV to be domiciled in the EU – shutting out U.S. issuers. U.S. regulators, however, have not indicated an inclination to implement a similar proposal in the U.S.

Links and Documents:

- **Criteria for identifying simple, transparent and comparable securitisations** – December 2014
- Final **Criteria for identifying simple, transparent and comparable securitisations**- July 2015
- **GFMA with Several Other Associations Submit Response to BCBS-IOSCO Consultation on Simple, Transparent, and Comparable Securitisations** – February 13, 2015
- **European Commission Proposal** – November 9, 2015
- **Basel 343 – Implementation of STC in the Securitization Framework** - November 2015

Fundamental Review of the Trading book

Summary of issue: The Basel Committee has been in the process of revising its trading book capital rules (FRTB) for the last few years. GFMA has worked extensively in coordination with the International Swaps and Derivatives Association (ISDA) and the Institute of International Finance (IIF) to advocate on a variety of issues related to FRTB. This process is now nearing its conclusion at the global level.

SIFMA Advocacy: In October 2015, GFMA, ISDA and the IIF wrote to the Group of Governors and Heads of Supervision of the Basel Committee and Bank for International Settlements to highlight key areas of the FRTB framework that require further consideration in order to ensure a balanced and more robust market risk capital framework and prevent negative impacts on the market and broader economy. One of the key priority areas of advocacy, among others, is the very negative impact of the proposed rules on securitizations.

In November 2015, SIFMA worked with other trade associations to develop and submit a letter to bank regulators and the Department of the Treasury expressing significant concern with the proposed capital requirements in the FRTB, expressing opposition to the proposed capital requirements, which are punitive to securitizations and other asset classes. The letter makes clear that if not materially amended, the rules could threaten the liquidity of and ability to fund credit creation of securitization markets. We understand that work is underway to recalibrate the proposal. The letter urges regulators to significantly amend the proposed requirements prior to any consideration of their implementation in the U.S., making clear that minor adjustments will not be enough.

SIFMA expects that the Basel Committee will finalize these rules in January 2016. SIFMA will continue to remain active in the GFMA/ISDA/IIF joint working group (which has been engaged with Basel for about two years), as well as in efforts with other groups. Following finalization, the next steps will include national implementation of the Basel standards, and it is likely that further advocacy will be needed.

Links and Documents:

- **GFMA and Other Associations Submit Comments to the BCBS on the BSBC's Second Consultative Document on the Basel Securitisation Framework – March 24, 2014**
- **GFMA and other Associations Submit Comments to the BCBS on the Revised Standardized Approach for Market Risk – April 16, 2014**
- **GFMA and other Associations Submit Comments to GHOS, BCBS and BIS Regarding the Fundamental Review of the Trading Book Framework – October 30, 2015**
- **SIFMA and Other Associations Submit Comments to Bank Regulators on the FRTB**, November 12, 2015

AMICUS BRIEFS

Madden v. Midland

Summary of Issue: Recently questions have been raised in the context of marketplace lending and other securitization programs based on the Second Circuit's decision in Madden v. Midland Funding, LLC, No. 14-2131-cv, 2015 10 U.S. App. LEXIS 8483 (2d Cir. 2015). In the Madden decision, a buyer of delinquent debt sought to collect a charged-off credit card account, including interest assessed after the sale of the debt by the lending bank to the debt buyer. The lending bank no longer had any interest in the loan. Under those facts, the Second Circuit concluded that the National Bank Act did not preempt the plaintiff's state law usury claim. We continue to believe that Madden decision was wrongly decided because it overlooked the long-standing, fundamental principle of usury law that the assignee of a loan stands in the shoes of the assignor, and is entitled to collect the interest provided for in the contract. Moreover, the Madden decision could significantly interfere with banks' exercise of their federally granted lending authority because it would undermine the secondary market for loans – on which banks depend.

SIFMA advocacy: The defendants in the Madden case petitioned for rehearing or rehearing en banc before the Second Circuit and SIFMA filed an amicus brief supporting that petition. On August 12, 2015 the Second Circuit denied the petition for rehearing. On December 11, SIFMA filed another petition, this time to the Supreme Court for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit, and we should know the outcome of that brief in 2016. SIFMA filed each of these briefs jointly with SFIG.

Links and Documents:

- **Madden v. Midland Funding, LLC Amicus Brief – June 26, 2015**
- **Madden v. Midland Funding, LLC Amicus Brief – December 11, 2015**

MARKETPLACE LENDING

Treasury's Request for Comments on Marketplace Lending

Summary of issue: The U.S. Department of Treasury released a Request for Information (RFI) on expanding access to credit for small businesses and consumers through online marketplace lending. Treasury was interested in learning more about: the business models and product offerings of online marketplace lenders; the potential for online marketplace lending to expand access to credit to historically underserved market segments; and how the financial regulatory framework should evolve to support the safe growth of this industry.

SIFMA Advocacy: SIFMA submitted a comment letter in response to the RFI. SIFMA's comments addressed (1) structures used for marketplace lending and the regulation of marketplace lending; (2) risk retention in secondary market activity, with regard to securitization as well as bilateral transactions (e.g. whole loan sales), where SIFMA does not believe risk retention requirements are appropriate; (3) investor considerations for investing in marketplace loans and securities; and (4) forms of secondary liquidity, as well as hurdles to increasing liquidity in this market.

Links and Documents:

- **SIFMA Submits Comments to Treasury on Marketplace Lending – September 30, 2015**

SIFMA EVENTS

The SSG Spotlight Sessions continued to be a forum for thoughtful discussion on the most pertinent issues impacting the securitization markets. During the summer of 2015, SIFMA hosted a Volcker Rule Webinar which focused on industry efforts to roll out Volcker Rule compliance programs related to both proprietary trading and covered funds provisions of the rule. In September, SIFMA offered a free webinar on the emergence of marketplace lending as a source of capital for consumers and small businesses. In November, shortly after the revised FINRA Rule 4210 proposal, SIFMA conducted a webinar to discuss critical aspects of the re-proposal. To close out the year, SIFMA hosted an in person event on GSE credit risk transfers, which included representatives from Fannie Mae, Freddie Mac, FHFA and from buy and sell side firms participated in this informative event. Replays of the events are available.

Links and Documents:

- **Volcker Rule Webinar – June 17, 2015**
- **Marketplace Lending Webinar – September 10, 2015**
- **FINRA Rule 4210 TBA Margining Rules Webinar – November 3, 2015**
- **GSE Credit Risk Transfer – December 10, 2015**

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