



## **Sample Asset Level Data (ALD) Due Diligence Topics for Underwriters in ABS Offerings**

*Version 1  
February 2, 2017*

*The sample topics contained herein, which are the result of discussions by the SIFMA dealer working group on the auto loan and auto lease asset level data (“ALD”) disclosures required under Item 1125 of Regulation AB (17 CFR 229.1125), are intended to be used by dealers acting as underwriters as part of their efforts to undertake a reasonable investigation to determine if there are any material misstatements contained in a registration statement or prospectus as it relates to the ALD. These are potential topics of focus, and the actual topics of focus should be narrowed or expanded based on the circumstances of the transaction and asset class. This document is not intended to be prescriptive, nor is it intended to apply to every transaction. For example, a periodic (e.g., annual) discussion of some of these topics with a sponsor may be appropriate.*

*For more information, please contact Chris Killian of SIFMA at 212-313-1126 or [ckillian@sifma.org](mailto:ckillian@sifma.org).*

## **1. Provide an overview of key systems of the sponsor**

- a. Systems map
  - i. Flow of data between systems
  - ii. Description of how external data (e.g., residual value, credit scores) is incorporated into data systems
- b. Creator
  - i. Identify whether the systems creator is internal or external
  - ii. Process for entry of information into the systems
  - iii. Process for verification of manually entered data points (e.g., modification / payment / extension information)
  - iv. Process for verification of data scanned into the system or provided by third parties
- c. Systems maintenance
  - i. Maintenance of systems
  - ii. Procedures and controls for making changes to the systems (for both internally/externally provided data)
  - iii. Audit trails for any data entry / changes
  - iv. Authority levels required for any change of previously entered information
- d. Data security measures
  - i. Description of security measures designed to protect applicable systems and data integrity
  - ii. Backup servers
  - iii. Access controls

## **2. Provide an overview of internal and external audit procedures conducted on the sponsor's systems**

- a. Description of types of audits conducted on the following:
  - i. Accuracy of reports
  - ii. Assets eligibility criteria
  - iii. Collections
  - iv. Initial source of data
  - v. Tolerances/potential discrepancies between system and the data in the ALD file
- b. Who performs the external audits; internal audit function; staffing and line of reporting

- c. Frequency of the audits/tests
    - i. Description of audits run by external auditors and related results
    - ii. Description of internal audit function, including personnel involved and process for determining if results are satisfactory or require corrective action
  - d. Explanation of how the systems feed into any GAAP financial statements
- 3. Provide an overview of internal and external audit results (including any attestations in connection with Item 1122)**
- a. Size of sample
  - b. Exceptions
    - i. Type and number identified in audits during the prior 12 months
    - ii. Description of tolerances / discrepancies that do not rise to the level of an exception
    - iii. Any responsive action taken in the prior 12 months to address any previously identified exceptions/errors
- 4. Describe procedures / processes established in connection with the preparation of asset-level data**
- a. Describe process to export data from systems into the ABS-EE format
  - b. Describe procedures to ensure data attributes comply with ABS-EE requirements (e.g., data formatting, length and data type constraints)
  - c. How is system data converted into valid values? (e.g. that a “2” is indicated in the “Vehicle Type” field for a vehicle that is listed as a “truck” on the systems)
  - d. Describe results of any text filings and any comments received from the SEC on those filings (or for subsequent annual sessions, any comments on any ABS-EE filings by auto sponsor over the past year)
- 5. Subsequent Reviews**
- a. Describe any changes in any policies / procedures over the past 12 months
  - b. Describe any issues identified by internal / external auditors (even if a formal report has not been made available)