Consideration towards sales of securitised products
(ensuring the traceability of underlying assets)

Securitised products often have complex structures, involving various parties in the process of its structuring and sales. The risks of securitised products are not always clear to investors, as information and risks of the underlying assets may not be communicated appropriately since multiple parties' participate in the structuring of underlying assets, structuring of securitised product, and sales of securitised products which may sometimes be via a secondary distributor.

While securitized products are mainly traded among professional investors (institutional investors) making disclosure obligations inapplicable, due to the systemic concerns, there is a need to be able to communicate the below items when required.

Further, even when a securities company is only involved in an intermediary role, so long as they communicate with investors, it is recommended that they cooperate with investors so far as practically possible.

1. Prior to sales, carry out internal analysis of the underlying assets' contents and risk to enable the provision of appropriate information when required.

2. When selling securitised products, internal procedures and rules exist so that internal analysis of underlying assets' contents and risk, and liquidity risk not reflected in the rating is communicated internally. Merely depending on ratings is inappropriate when selling the product.

3. Ensuring that internal procedures and rules exist so as to enable information of the underlying assets' contents and risk to be available to customers/investors when requested.

4. Ensuring that even when the market value of the product is difficult to ascertain, procedures exist so as to enable smooth provision of information on the theoretical price and valuation when requested. Further, procedures should exist so that the valuation process is not abused by the providers of information for a specific purpose that would benefit certain parties.