CRITERIA FOR RATING SECURED BONDS

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Scope of the Criteria

1. This criteria titled 'Criteria For Rating Secured Bonds' (the 'Criteria') will be used to rate senior secured securities and will be accompanied by a transaction specific report that will disclose any additional observations or modifications to the Criteria. The Criteria should be read in conjunction with GCR Ratings' ("GCR") Criteria for Rating Structured Finance Transactions, updated and published in September 2018.

2. The methodology and assumptions detailed in this report will be further developed and enhanced as GCR rates a greater number of Project Finance transactions.

3. This Criteria applies globally, although each individual jurisdiction and each specific transaction may give rise to additional observations and/or deviations, which will be disclosed in the transaction-specific reports.

Summary of the Criteria Changes

4. This Criteria is an update to the version published in November 2017[1]. There are no significant amendments to the Criteria. The update of this Criteria will not have an impact on any existing transactions that have been rated under it. Going forward, all new transactions will be rated using this Criteria.

[1] This version of the criteria, published in September 2019, has been updated for formatting, naming conventions and alignment with GCR's updated Rating Symbols, Scales and Definitions only. This criteria is applicable to all previous publications referring to "Global Structurally Enhanced Corporate Bonds Rating Criteria, November 2018".

Introduction

5. GCR Rating's ("GCR") Criteria for Rating Secured Bonds (the "Criteria") applies to senior secured securities issued by corporates that benefit from certain structural enhancements. These enhancements can, for example, take the form of cash reserves, guarantees or transaction specific security packages. This rating criteria report lays down the fundamentals for structurally enhanced senior secured corporate bond issues that are not covered by other specific GCR rating criteria reports. Each transaction will be accompanied with a transaction specific report that will disclose any additional observations or deviations to the Criteria.

Fundamental Approach

6. The rating of structurally enhanced corporate bonds is derived by applying a notching approach, starting from the long term, corporate credit rating of the intended issuer of such bonds. In determining the appropriate number of rating notches to be applied, GCR compares the estimated overall recovery rate after a potential default of the bonds with the assumed average corporate senior unsecured debt obligation recovery rate. If overall estimated recoveries are higher than the assumed average recovery rate, a notching uplift may be applicable in line with the recoveries notching table detailed on Page 2. Where relevant, the credit quality of the transaction parties facilitating structural enhancements (e.g. a guarantee) relating to the transaction is taken into account. In some instances, dependant upon the rating of the underlying corporate, the rating of the secured obligation may be capped.

7. The rating of the senior secured structurally enhanced corporate bonds incorporates recoveries potentially arising from the structural enhancements (e.g. the proceeds of a guarantee claim payment). In effect, the rating accorded to these securities is an expected loss rating (which is a function of probability of default and loss severity), and relates to an assessment of the ability to meet ultimate (as opposed to timely) payment of interest and principal. Such a rating can therefore not be fully compared with a traditional corporate credit rating (the latter, which is also an expression of expected loss, but refers to probability of default and an average historical loss given default (LGD) for generalised senior unsecured debt). Where a tap issue occurs, GCR expects to receive sufficient notice prior to issuance in order to carry out its analysis to accord and/or affirm the ratings of the bonds. Where such notice is not provided, GCR may withdraw the ratings at its discretion.

Estimating Overall Recoveries

8. It is necessary to estimate the overall recovery rate assuming a default takes place on the bonds. Only if this recovery rate is higher than the recovery rate range one would typically expect in relation to corporate senior unsecured debt obligations, does an argument exist to consider a higher rating for the bonds than the corporate credit rating. In some cases a notching down approach may be appropriate. It should also be considered that secured bonds may potentially have an impact on the unsecured rating of an entity.

9. In according a credit rating to any entity, an opinion is being given both in terms of the probability that the entity/instrument will default on its obligations, and the expected recovery should such an event of default occur. This is embodied in the concepts of expected loss and probability of default.

10. Looking more specifically at unsecured issuer ratings, while such ratings often speak to probability of default primarily, statistical evidence has borne out that each level of probability of default is aligned to a level of recovery, and that the lower a company's probability of default, the better the recoveries are expected to be on an unsecured basis. In other words, the higher the rating of an issuer and the lower its probability of default, the more likely that a lender will report strong recoveries should the issuer default. This is for various reasons including the fact that the assets of highly rated issuers tend to be of higher quality, and that such issuers rarely default for governance or solvency reasons, but more usually for liquidity reasons. This assumption is of course subject to various sub-elements such as the nature of the business (and assets) of the issuer and the level of encumbrance reported over the assets (and which assets are secured), amongst others. However, these elements are incorporated and considered in the accordance of the issuer rating, and the principal abides that a rating embodies both facets of risk.

11. Structured bonds typically serve to improve recovery prospects to a lender in the event of default, without usually reducing or changing the risk of default (which is more akin to structured finance). In this regard, the security and/or guarantees that underpin the structured bond tend to only come into force should a default occur and don't prevent it from occurring. Thus, when such structural enhancements are considered from a ratings perspective, they are considered in respect of how much they improve the recovery prospects of the lender relative to the unsecured issuer rating. The instrument rating that is then accorded thus represents the probability of default of the issuer and the bespoke recovery expectations of the instrument.

12. The overall recovery rate is calculated by comparing expected recovery proceeds from the structural enhancements with the assumed aggregate exposure of the bondholders. The recovery proceeds are estimated on the basis of all relevant information provided in respect of the structural enhancements. For example, in respect of a guarantee, the mechanics of the guarantee will need to be analysed to determine what the likely claim payment upon default of the bond will be. Aggregate bondholders' exposure is calculated by adding the assumed missed interest payments, plus expected legal costs to the assumed principal amount outstanding upon default.

Assumed Average Recovery Rates

13. International rating agency studies indicate that the average recovery rate on defaulted corporate senior unsecured debt obligations is approximately 40%. Note must be taken that the data supporting these studies is mainly derived from observations from the US market and other developed markets where typically rated debt issuance takes place. For other jurisdictions lower average recovery rates may be expected, particularly if such jurisdictions have less developed legal systems and/or where practical enforcement of creditor rights is deemed to be a challenge. In addition, a corporate that has ceded the

vast majority of its assets as security for debt obligations, will typically have a lower average senior unsecured debt obligation recovery rate. Recovery rates will be estimated on a case-by-case basis by GCR's rating committee.

Recoveries Notching Table

14. A recovery rating is accorded using a notching approach. The recovery rating considers the value of recoveries that may be obtained on the underlying collateral and also takes into consideration the amount of time allowed for business rescue proceedings to take place. The number of notches that is applied from the corporate credit rating is determined by comparing the calculated overall recovery rate with the table listed below:

Table 1: Recoveries Notching Table

Overall Recovery Prospects	Recovery Prospects	International Scale Notching
> 90% – 100%	Excellent	+2 to +3
> 70% – 90%	Superior	+1 to +2
> 40% - 70%	Good	0 to +1
> 20% - 40%	Average	0 to -1
≤ 20%	Poor	-1 to -2

Source: GCR

15. It should be noted that the table represents the International Scale notching, which may be mapped to a national scale rating through the relevant country specific mapping table - please see further information in this regard detailed later in this report.

16. Under certain circumstances, GCR may cap the number of notches uplift. This may be the case, for example, in respect of bonds that are issued in jurisdictions with legal systems that are deemed not to be sufficiently developed. In addition, depending on the circumstances, a rating committee may decide to deviate from the guidelines provided by the Recoveries Notching Table. If, for example, the average overall recovery prospects in a certain jurisdiction are expected to be lower than the average of 40% observed in the international rating agencies' studies, GCR's rating committee may decide to notch up from a lower base. The transaction specific rating report will highlight such deviations. A rating cap may be applied to secured bonds where the underlying corporate rating is 'BB+' or lower. GCR may also deem a particular security package or underlying collateral inappropriate for such a transaction. Stable, long term assets are considered most appropriate for this type of methodology. Where the underlying collateral is short-term in nature or highly revolving, an alternative methodology or more severe haircuts may be applied.

17. It should be noted that the number of notches applied relates to the international rating scale. This is then mapped across to the national rating scale. A 1 or 2 notch uplift on the International rating scale may

relate to a higher notch uplift on the national rating scale. This may also differ dependant upon the mapping table in place for each jurisdiction.

Credit Quality of Counterparties

18. GCR also considers the credit quality of transaction parties facilitating structural enhancements in its analysis. As mentioned above, the corporate credit rating of the enhancement provider may place a cap on the maximum achievable rating on the bonds. For example, if the Recovery Notching Table indicates a 3 notch uplift from a corporate credit rating of 'A' to 'AA', but the guarantor is only rated 'AA-', the bonds are likely to be accorded the latter rating.

19. In other words, if a transaction benefits from a guarantee, but such guarantee is provided by a counterparty that is rated lower than the corporate credit rating of the issuer, no notch uplift will be accorded. However, if the corporate credit rating of the guarantor is higher, then the mechanics and the nature of the guarantee will need to be analysed to determine an appropriate number of notches uplift. If a guarantee is irrevocable, unconditional, pays immediately upon demand and covers 100% of principal and interest payable under the bonds, as well as penalty charges, the rating of the bonds would typically, but not always, be aligned with the (higher) corporate credit rating of the guarantor.
20. If the guarantee provides less than 100% cover, the rating of the bonds may be somewhere in between the corporate credit ratings of the issuer and the guarantor.

21. Where a transaction benefits from a funded reserve account which is legally segregated from insolvency risk relating to the issuer, benefit may be given to the estimated cash balance in the reserve account at the assumed time of default. A notching up approach will only be considered if the relevant account bank's corporate credit rating is higher than the issuer's corporate credit rating.

Interaction with National Scale Ratings

22. In certain jurisdictions, mainly National Scale Ratings (as opposed to International Scale Ratings) will be used by issuers as an international 1 notch uplift may equate to a greater notch uplift on the national scale. This is particularly the case for countries that have sovereign international ratings in the 'B' or 'BB' rating bands, which substantially limit the number of corresponding attachment points in the applicable international to national scale rating mapping tables. For example, in a situation where the sovereign is rated 'B' on the international scale, many corporates are likely to be rated 'B-'. Technically, in the absence of structural enhancements or special circumstances, there would likely be room for only 1 international notch uplift. However, on the national scale one could differentiate further.

23. A transaction with an estimated overall recovery rate of 50% (being on the lower end of the relevant recovery band) may be accorded only 1 national scale notch uplift, whilst a transaction with an estimated overall recovery rate of 65% (being on the higher end of the relevant recovery band) may be accorded more national scale notches uplift. GCR will limit the maximum number of notches uplift on the

national scale to 5 notches. It is to the discretion of GCR's rating committee to decide on the appropriate number of national scale notches uplift after reviewing the underlying collateral, structural mechanics and transaction party ratings. Further information on how National Scale Ratings are accorded and their definitions is available on GCR's website at www.gcrratings.com.

Legal and Audit Opinions

24. It should be noted, credit is only given to structural enhancements if a satisfactory transaction specific legal opinion is analysed. As a minimum, GCR expects the legal opinion to include capacity language in respect of transaction parties, a description of the security and an opinion that transaction documentation is legal, valid, binding and enforceable against the relevant transaction parties.

25. In the event that the security is shared with other creditors (e.g. senior or pari passu ranking parties or parties that have subrogation rights), GCR expects this to be described in the legal opinion as this may influence the calculation of the estimated overall recoveries. GCR also expects confirmation from the issuer in writing that the underlying security is not dual-ceded to another party.

26. An independent audit opinion on the underlying collateral is required for each transaction, except in cases where the collateral is fully insured by an external insurance counterparty. GCR may request an additional audit opinion where it is felt the auditor has a conflict of interest or is not a highly recognised audit firm. In instances where an audit opinion is not provided, GCR will do a file review on a random selection of files relating to the underlying collateral. GCR will also conduct site visits in order to sight some of the assets that may be pledged as collateral in cases where the collateral includes capital equipment or immovable property.

27. GCR also expects to receive a tax opinion determining any tax liability of the SPV or that may be incurred by the transaction.

Simplified Calculation Examples

28. Notching uplift in the following examples is based upon the International Scale notching table detailed on Page 2 of this report. It should also be noted that costs and claims may vary dependent upon the type of the underlying collateral.

Table 2: Example with a Guarantee	
Principal amount outstanding	100,000,000
Assumed missed interest upon default of bonds	+1,250,000
Assumed missed interest to give time to realise recoveries	+1,250,000
Aggregate exposure bondholders	**102,500,000**
Guarantee claim payment	-50,000,000
Unsecured claim on corporate	**52,500,000**

Assumed recovery on unsecured claim	-15,750,000
Legal costs	+2,250,000
Remaining claim	**39,000,000**
Overall recovery rate (1- 39/102.5)	62.0%

Source: GCR

- Rating issuer: BBB+
- Rating guarantor: AA
- Interest rate: 5% p.a., paid quarterly.
- Assumed 1 Quarter of missed interest in the event of default.
- Guarantee: 50% of principal amount outstanding.
- Assumed recovery rate on unsecured claim: 30%.
- Recovery timing: 3 months.
  Expected legal costs: 2,250,000

29. The overall recovery rate of 62.0% carries the qualification 'Good Recovery Prospects' and is in the higher end of the relevant recovery band. This particular bond would likely be accorded a 'A' rating (i.e. a 2-notch uplift). The corporate credit rating of the guarantor is 5 notches higher than the issuer's corporate credit rating, and does not therefore constrain the bond rating.

Table 3: Example with a Reserve Account	
Principal amount outstanding	100,000,000
Assumed missed interest upon default of bonds	+1,250,000
Assumed missed interest to give time to realise recoveries	+2,500,000
Aggregate exposure bondholders	**103,750,000**
Reserve account balance	-10,000,000
Unsecured claim on corporate	**93,750,000**
Assumed recovery on unsecured claim	-37,500,000
Legal costs	+1,000,000
Remaining claim	**57,250,000**
Overall recovery rate (1- 57.25/103.75)	44.8%

Source: GCR

- Rating issuer: BBB-
- Rating account bank: AA
- Interest rate: 5% p.a., paid quarterly.
- Assumed 1 Quarter of missed interest in the event of default.
- Funded Reserve Account: 10,000,000, immediately available.
- Assumed recovery rate on unsecured claim: 40%.
- Recovery timing: 6 months.
  Expected legal costs: 1,000,000.

30. The overall recovery rate of 44.8% carries the qualification 'Good Recovery Prospects' but is in the lower end of the relevant recovery band. This particular bond would likely be accorded a 'BBB-' rating (i.e. no notch uplift). The corporate credit rating of the reserve account bank is 7 notches higher than the issuer's corporate credit rating, and is therefore no constraint to the bond rating.

Table 4: Example with Real Estate as Security	
Principal amount outstanding	100,000,000

Assumed missed interest upon default of bonds	+1,250,000
Assumed missed interest to give time to realise recoveries	+5,000,000
Aggregate exposure bondholders	**106,250,000**
Stressed value real estate	-100,000,000
Unsecured claim on corporate	**6,250,000**
Assumed recovery on unsecured claim	-625,000
Legal costs	+3,000,000
Remaining claim	**8,625,000**
Overall recovery rate (1- 8.625/106.25)	91.9%

Source: GCR

- Rating issuer: BBB+
- Interest rate: 5% p.a., paid quarterly.
- Assumed 1 Quarter of missed interest in the event of default.
- Market value real estate: 200,000,000.
- Market value haircut applied: 50%.
- Assumed recovery rate on unsecured claim: 10%.
- Recovery timing: 12 months.
- Expected legal costs: 3,000,000.

31. The overall recovery rate of 91.9% carries the qualification 'Excellent Recovery Prospects' but is in the lower end of the relevant recovery band. This particular bond would likely be accorded a 'AA-' rating (i.e. a 4-notch uplift). The appropriate market value haircut in respect of the real estate depends on the relevant rating scenario and the specifics of the transaction, and will be determined at the discretion of GCR's rating committee based upon information provided. In general: the higher the rating scenario, the higher the haircut. The assumed recovery rate on the unsecured claim on the corporate is low because, in this example, the assumption is that the real estate forms the largest part of the assets, and that not many assets will be left for unsecured claim holders upon default.

Table 5: Example with a Guarantee	
Principal amount outstanding	100,000,000
Assumed missed interest upon default of bonds	+2,500,000
Assumed missed interest to give time to realise recoveries	+2,500,000
Aggregate exposure bondholders	**105,000,000**
Guarantee claim payment	-25,000,000
Unsecured claim on corporate	**80,000,000**
Assumed recovery on unsecured claim	0
Legal costs	+1,000,000
Remaining claim	**81,000,000**
Overall recovery rate (1- 81/105)	22.9%

Source: GCR

- Rating issuer: BB-
- Rating guarantor: AA
- Interest rate: 10% p.a., paid quarterly.
- Assumed 1 Quarter of missed interest in the event of default
- Guarantee: 25% of principal amount outstanding. Guarantor has subrogation rights and has a first ranking claim on any unsecured recovery proceeds.
- Assumed recovery rate on unsecured claim: 0%. Normally expected recovery rate on unsecured claims: 25%.

- Recovery timing: 3 months.
- Expected legal costs: 1,000,000.

32. The overall recovery rate of 22.9% carries the qualification 'Average Recovery Prospects' but is in the lower end of the relevant recovery band and is lower than the normally expected recovery rate. Despite the receipt of the guarantee claim payment, this particular bond would likely be accorded a 'BB-'. The assumed recovery rate on the unsecured claim on the corporate is zero because, in this example, the assumption is that all normally expected unsecured recovery proceeds are being channelled to the guarantor.

Surveillance

33. On an on-going basis GCR will review all of its secured bond ratings at a minimum on an annual basis or as events warrant. For certain transactions these may be reviewed on a quarterly or semi-annual basis depending upon the type of the underlying collateral or potential performance issues.

Disclaimer

34. Note that GCR is not a legal, tax or financial adviser and will only provide a credit opinion of the rated securities. For example, a rating does not cover a potential change in the applicable laws nor can it be regarded as an audit. Moreover, GCR is not a party to the transaction documents.

Glossary Of Terms/Acronyms

Administrator	A transaction appointed agent responsible for the managing of a Conduit or a Special Purpose Vehicle. The responsibilities may include maintaining the bank accounts, making payments and monitoring the transaction performance.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Amortisation	From a liability perspective, the paying off of debt in a series of installments over a period of time. From an asset perspective, the spreading of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life).
Arrears	General term for non-performing obligations, i.e. obligations that are overdue.
Asset	An item with economic value that an entity owns or controls.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Borrower	The party indebted or the person making repayments for its borrowings.
Call Option	A provision that allows an Issuer the right, not the obligation, to repurchase a security before its maturity at an agreed price. The seller has the obligation to sell the security if the call option holder exercises the option.
Capital	The sum of money that is used to generate proceeds.
Cash Flow	A financial term for monetary changes in operations, investing and financing activities.
Collateral	An asset pledged as security in event of default.
Commingling	The mixing of various transaction parties' funds in an account.
Coupon	Interest payment on a security.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Credit Enhancement	Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Debt	An obligation to repay a sum of money.
Debt Sponsor	Usually as Investment bank that brings a transaction to the capital markets, similar to an Arranger.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Desktop	An assessment of the property value, with the value being compared to similar properties in the area.
Downgrade	The assignment of a lower credit rating to a corporate, sovereign of debt instrument by a credit rating agency. Opposite of upgrade.
Enforcement	To make sure people do what is required by a law or rule et cetera.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Excess Spread	The net weighted average interest rate receivable on a pool of assets being greater than the weighted average interest rate payable for the debt securities.

Guarantee	An undertaking for performance of another's obligations in event of default.
Guaranteed Investment Contract	A contract that guarantees the principal and interest repayment over a period of time. Typically GIC are used in relation to a bank account.
Income	Money received, especially on a regular basis, for work or through investments.
Index	An assessment of the property value, with the value being compared to similar properties in the area.
Issuer	The party indebted or the person making repayments for its borrowings.
Junior	A security that has a lower repayment priority than senior securities.
Liability	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liquidity	The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.
Liquidity Risk	The risk that a company may not be able to meet its financial obligations or other operational cash requirements due to an inability to timeously realise cash from its assets. Regarding securities, the risk that a financial instrument cannot be traded at its market price due to the size, structure or efficiency of the market.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Loss	A tangible or intangible, financial or non-financial loss of economic value.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Option	Either a call or a put option. A call option gives the holder the right to buy assets at an agreed price on or before a particular date. A put option gives the holder the right to sell assets at an agreed price on or before a particular date.
Origination	A process of creating assets.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
Owner Trust	Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Payment Date	The date on which the payment of a coupon is made.
Prepayment	Early or excess repayment of an obligation. Partial or full prepayment of the outstanding loan amount.
Prepayment Rate	The rate of prepayment in relation to the pool of obligations. Also called prepayment speed.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Property	Movable or immovable asset.
Provision	An amount set aside for expected losses to be incurred by a creditor.
Rating Outlook	A Rating Outlook indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Reserves	A portion of funds allocated for an eventuality.
Seasoning	The age of an asset, the time period passed since origination.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	Is a process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be

	forfeited in case of default.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Spread	The interest rate that is paid in addition to the reference rate for debt securities.
Stock Code	A unique code allocated to a publicly listed security.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whist reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Tranche	In a structured finance, a slice or portion of debt securities offered that is structured or grouped to resemble the same degree of risk associated with the underlying asset or with a similar degree of risk. A junior tranche has a higher degree of default risk than a senior tranche.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Valuation	An assessment of the property value, with the value being compared to similar properties in the area.
Waterfall	In securitisation, the order in which the cash flows are allocated to the transaction parties.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.