

## ***Statement of Position 17-1***

### ***Performing Agreed-Upon Procedures Related to Rated Exchange Act Asset-Backed Securities Third-Party Due Diligence Services as Defined by SEC Release No. 34-72936***

**October 2017**

#### **NOTE**

This AICPA Statement of Position (SOP) has been developed by the Asset-Backed Securities Agreed-Upon Procedures Task Force of the AICPA Auditing Standards Board (ASB) to provide guidance to practitioners regarding the application of Statements on Standards for Attestation Engagements (SSAEs) to agreed-upon procedures (AUP) attestation engagements related to third-party due diligence services performed in connection with rated asset-backed securities (ABS) issued in accordance with the Securities Exchange Act of 1934, as amended, as those services are defined in the SEC rules as amended or adopted by SEC Release No. 34-72936, *Nationally Recognized Statistical Rating Organizations*, and the accompanying text (the release).

An attestation SOP is recognized as an interpretive publication as described in AT-C section 105, *Concepts Common to All Attestation Engagements* (AICPA, *Professional Standards*). Interpretive publications are recommendations on the application of SSAEs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the ASB after all ASB members have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the SSAEs (attestation standards). The members of the ASB have found this SOP to be consistent with the attestation standards.

Although interpretive publications are not attestation standards, AT-C section 105 requires the practitioner to consider applicable interpretive publications in planning and performing an attestation engagement because interpretive publications are relevant to the proper application of



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the SSAEs in specific circumstances. If the practitioner does not apply the guidance included in this SOP, the practitioner should be prepared to explain how he or she complied with the SSAE provisions of this SOP.

This SOP supersedes Attestation Interpretation No. 1, “Third-Party Due Diligence Services Related to Asset-Backed Securitizations: SEC Release No. 34-72936,” of AT-C section 215, *Agreed-Upon Procedures Engagements* (AICPA, *Professional Standards*, AT-C sec. 9215).

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## Introduction and Background

1. This Statement of Position (SOP) provides practitioners with guidance and considerations for performing agreed-upon procedures (AUP) engagements related to rated asset-backed securities (ABS) issued in accordance with the Securities Exchange Act of 1934, as amended (the 1934 Act), that fall within the definition and scope of *third-party due diligence services* (hereinafter referred to as “covered services” in this SOP) as defined in the SEC rules as amended or adopted by SEC Release No. 34-72936, *Nationally Recognized Statistical Rating Organizations*, and the accompanying text (the release). The release adopts SEC Rules 17g-10 and 15Ga-2; amends Form ABS-15G, *Asset-Backed Securitization Report Pursuant to Section 15G of the Securities Exchange Act of 1934*; provides nonauthoritative narrative on the rule changes; and adds new Form ABS Due Diligence-15E, *Certification of Provider of Third-Party Due Diligence Services for Asset-Backed Securities* (Form 15E).

2. This SOP addresses the following topics when the practitioner is engaged to perform covered services in accordance with Statements on Standards for Attestation Engagements (hereinafter referred to as “the attestation standards” in this SOP) (AICPA, *Professional Standards*, AT-C):

- a. AUP engagements and related professional standards
- b. Applicability
- c. ABS terminology
- d. Preconditions for engagement performance
- e. Written assertion by the responsible party
- f. Establishing an understanding with the engaging party
- g. Subject matter and procedures to be performed
- h. Reporting considerations
  - i. General
  - ii. Dating of the report

- iii. Form 15E and Covered Services Reports
- iv. Form ABS-15G
- i. Written representations
- j. Effective date

**3.** Practitioners have commonly performed AUP engagements related to securitization transactions. Generally, securitization transactions are structured financings in which the cash flows and related risks (for example, credit, prepayment, liquidity) of a pool of financial assets are redistributed by the issuance of new securities backed by the same asset or pool of financial assets. The securities are commonly referred to as ABS.

**4.** In 2014, the SEC issued the release with an effective date of June 15, 2015, for third-party due diligence services. In response to the SEC’s initial proposal, commenters noted that relevant AUP engagements performed by practitioners generally include one or more of the following procedures:

- a. Comparing a loan tape (data file) to the loan file, other sources, or both
- b. Recalculating projected future cash flows of the securitized assets and the ABS
- c. Performing procedures that address other information included in the ABS offering document(s)

**5.** In the release, the SEC also stated that “comparing the information on a loan tape with the information contained on the hard-copy documents in a loan file is an activity that falls within the definition of due diligence services in Rule 17g-10 because the work undertaken involves reviewing the accuracy of the information or data about the assets provided, directly or indirectly, by the securitizer or originator of the assets.” These procedures are referred to as “covered services” within the scope of this SOP. The practitioner’s AUP report that includes these covered services is referred to as the “Covered Services Report” in this SOP.

**6.** In the release, the SEC also agreed that “the second and third examples [of procedures set forth in paragraph 4 of this SOP] performed as part of an AUP engagement and for the purpose referenced are not commonly understood as being due diligence services.” Accordingly, such services are not covered services and, therefore, are not within the scope of this SOP.

**7.** When a practitioner performs covered services and issues a Covered Services Report, Rule 17g-10 and the related release describe that:

- a.* The issuer, sponsor, or underwriter of any rated ABS will make publicly available the findings and conclusions of any Covered Services Report obtained by the issuer, sponsor, or underwriter. The release further describes that the disclosure of the findings and conclusions includes, but is not limited to, disclosure of the criteria against which the assets were evaluated, and how the evaluated assets compare to those criteria, along with the basis for including any assets not meeting those criteria. This is accomplished by the issuer, sponsor, or underwriter including such information in a Form ABS-15G, which is required to be furnished by the issuer, sponsor or underwriter to the SEC through the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system at least five business days before the first sale of the rated ABS (assumed to be the pricing date).
- b.* Any provider of covered services is required to complete Form 15E. Form 15E requires information about the covered services performed (Item 4 of Form 15E) and a summary of findings and conclusions of the covered services (Item 5 of Form 15E). The instructions for completing Form 15E allow the practitioner to address the requested items on the form or by referring to the attached practitioner's report. Therefore, practitioners may be submitting either Form 15E as a standalone form with its contents completed, or Form 15E with the attached practitioner's report as a combined submission.
- c.* The release describes that the covered services provider will have been deemed to have met its obligation by providing Form 15E in the following ways: *(a)* in response to a written request from a nationally recognized statistical rating organization (NRSRO), if received; or *(b)* to the issuer, sponsor, or underwriter of the securitization maintaining the Rule 17g-5 website, as described in paragraph (a)(3)(iii) of Rule 17g-5 (Rule 17g-5 website). The issuer, sponsor, or underwriter of the securitization is then required to post Form 15E to the Rule 17g-5 website. The purpose of the Rule 17g-5 website is to make information related to rated ABS transactions accessible to all NRSROs.
- d.* When the NRSRO produces a credit rating, it must publicly disclose each Form 15E that was posted to the Rule 17g-5 website for the related ABS.

**8.** A practitioner is not permitted to prohibit, or require consent for, the inclusion of the procedures or findings, or both, contained in the Covered Services Report that will be disclosed

in Form ABS-15G and Form 15E because, as discussed in paragraph .A40 of AT-C section 215, the distribution of that information is required by regulation to be made available to the public as a matter of public record. In this situation, the Covered Services Report must be provided to the SEC through EDGAR (for Form ABS-15G) and posted to the Rule 17g-5 website for access by the NRSROs (for Form 15E). In addition, the report may be distributed in other scenarios as described in the release (for example, upon a written request by a NRSRO). Though the practitioner cannot limit the distribution when required by regulation, the use of the report remains restricted to the specified parties.

## **AUP Engagements and Related Professional Standards**

**9.** An AUP engagement is required to be performed under AT-C section 105 and AT-C section 215 and any subject-matter section that is relevant to the engagement. This SOP includes guidance and considerations to assist practitioners in applying certain aspects of AT-C section 105 and AT-C section 215 to covered services engagements and, accordingly, not all the provisions of AT-C section 105 and AT-C section 215 are discussed in this SOP, but are still applicable to such engagements.

### **Applicability**

**10.** This SOP has been developed to provide practitioners with guidance and considerations regarding the application of the attestation standards to engagements in which a practitioner performs, and reports on, AUP for covered services.

**11.** Nothing in this SOP precludes the practitioner from also being engaged to perform other attestation services for the same ABS transaction where specific AUP are not considered to be covered services (hereinafter referred to as “noncovered services” in this SOP). Performance of “noncovered services,” although also performed under AT-C section 105 and AT-C section 215, are outside the scope of this SOP.

**12.** Although the execution of covered services and noncovered services can be performed as one engagement, and reported on separately, this SOP assumes that the practitioner has been engaged only to perform procedures considered to be covered services and result in a Covered Services Report. If the practitioner performs covered services and noncovered services as one engagement, this SOP is only applicable to the covered services portion of the engagement.

**13.** The guidance in this SOP is applicable to AUP relating to covered services and, therefore, is not intended to be applicable for use in other AUP engagements.

## ABS Terminology

14. Appendix E, “Glossary,” of this SOP contains a glossary of common terms used in AUP engagements relating to covered services.

## Preconditions for Engagement Performance

15. In accordance with paragraph .10 of AT-C section 215, the practitioner may perform an AUP attestation engagement, provided appropriate conditions exist for services to be performed. For engagements related to covered services, certain additional conditions that may be considered by the practitioner include the following:

- Whether the engaging party and the practitioner have the appropriate knowledge of the relevant SEC rules and regulations (for example: Form ABS-15G, Form 15E)
- Whether the engaging party, or another appropriate party, will ensure that Form 15E will be posted on the applicable Rule 17g-5 website when the practitioner completes and signs Form 15E and provides it to the engaging party or another appropriate party
- Whether adequate time will be provided to perform the procedures and “promptly” provide Form 15E<sup>1</sup>

16. The practitioner is required to maintain independence with respect to the responsible party in all matters relating to the engagement, both in fact and appearance, under the “Independence Rule” (AICPA, *Professional Standards*, ET sec. 1.200.001) of the AICPA’s Code of Professional Conduct, and its interpretations, as modified by the “Application of the Independence Rule to Engagements Performed in Accordance With Statements on Standards for Attestation Engagements” interpretation (AICPA, *Professional Standards*, ET sec. 1.297.010), and in accordance with the “Agreed-Upon Procedure Engagements Performed in Accordance With SSAEs” interpretation (AICPA, *Professional Standards*, ET sec. 1.297.020).

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<sup>1</sup> Page 350 of the release states, “a person employed to provide third-party due diligence services can meet its statutory obligation to provide the written certification relating to those services to any NRSRO that produces a credit rating to which such services relate by promptly responding to a written request from an NRSRO for the executed Form ABS Due Diligence-15E and promptly delivering the Form ABS Due Diligence-15E to the issuer, sponsor, or underwriter of the security or money market instrument that maintains the relevant Internet website pursuant to Rule 17g-5.”



## **Written Assertion by the Responsible Party**

**17.** Paragraph .15 of AT-C section 215 states that the practitioner should request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the criteria. If the responsible party refuses to provide such an assertion, the practitioner should disclose in the Covered Services Report the responsible party's refusal to provide a written assertion, as described in paragraph .36 of AT-C section 215. Paragraph .A42 of AT-C section 215 clarifies that this disclosure is required, regardless of whether or not the engaging party is the responsible party.

**18.** Paragraph .A35 of AT-C section 105 explains that the responsible party's written assertion may be obtained in a number of ways. For example, the written assertion may be obtained in the engagement letter, representation letter, or a stand-alone written assertion, as stated in the attestation standards.

**19.** Such written assertion should include sufficient specificity to ensure that the subject matter of the assertion is properly defined. Examples of illustrative responsible party written assertions for covered services that may be used are presented in appendix A, "Illustrative Responsible Party Assertions," of this SOP.

## **Establishing an Understanding With the Engaging Party**

**20.** As prescribed in AT-C section 215, the practitioner should agree upon the terms of the engagement with the engaging party. Paragraph .12 of AT-C section 215 states that the agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. As described in paragraph .18 of AT-C section 215, if the agreed-upon procedures of the engagement change, the practitioner should amend the engagement letter or other suitable form of written agreement (for example, the management representation letter).

**21.** Paragraph .16 of AT-C section 215 states that if the engaging party is not the responsible party and the practitioner is aware that the responsible party is unwilling to provide the practitioner with a written assertion, the written terms of the engagement should make it clear that no such assertion will be provided to the practitioner.

**22.** A factor in considering whether to accept an ABS AUP engagement is whether the practitioner will have sufficient time to complete the covered services. The release requires an issuer, sponsor, or underwriter to furnish Form ABS-15G at least five business days prior to the

first sale of the offering.<sup>2</sup> Because the findings of the practitioner’s AUP (for procedures determined to be covered services performed prior to the first sale of the offering<sup>3</sup>) are to be included within Form ABS-15G, the practitioner may want to determine with the engaging party during engagement acceptance the timing of when the Covered Services Report is expected to be delivered by the practitioner.

**23.** In addition to the items listed in paragraph .14 of AT-C section 215, matters that the practitioner may consider when establishing an understanding with the engaging party may include agreeing on or specifying the following:

- Which procedures are considered covered services
- The securitized assets, other ABS characteristics, or both, subject to covered services (the characteristics) and the source document(s) that the practitioner will use to compare such characteristics
- Whether the procedures are limited to a sample of assets and, if so, agreeing on
  - the number of assets selected for testing,
  - how the assets are selected, and
  - who selects the assets.
- That Covered Services Reports do not include “conclusions,” as described in paragraph .35j.iii. of AT-C section 215
- The type of information provided to the specified parties, other than the Covered Services Report, that would be considered an “interim report” (for which the implications of use are described in the release).

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<sup>2</sup> Page 649 of the release describes Rule 15Ga-2, which states, in part, “... the Commission has decided to adopt, as proposed, the requirement that an issuer or underwriter must furnish Form ABS-15G at least five business days prior to the first sale in the offering.”

<sup>3</sup> Page 649 of the release describes Rule 15Ga-2, which states, in part, “... the Commission has decided to adopt, as proposed, the requirement that an issuer or underwriter must furnish Form ABS-15G at least five business days prior to the first sale in the offering.”

- That the Covered Services Report and practitioner may not be referred to in an unauthorized manner (for example, referred to in a securitization offering document)
- Which party will ensure that Form 15E will be appropriately posted on the applicable Rule 17g-5 website or equivalent (for example, Electronic Municipal Market Access [EMMA] for municipal securities)
- How the description of the procedures performed and any related findings will be included on Form ABS-15G
- The engaging party or responsible party's identification of personally identifiable information and other information that is deemed to be confidential in nature (collectively referred to as "sensitive information" for the purpose of this SOP) and how, or if, such information will be disclosed in the Covered Services Report, Form ABS-15G or Form 15E or both
- If applicable, that any covered services were not intended to satisfy any criteria for due diligence published by an NRSRO
- Timing necessary to complete the covered services
- That the Covered Services Report is not intended for distribution to nonspecified parties, other than when the report is included or referenced in Form ABS-15G or Form 15E
- That the Covered Services Report is not intended to be, and should not be used, by any nonspecified parties that may have access to the Covered Services Report (for example, rating agency or investor)

**24.** The attestation standards include additional requirements for the practitioner when the responsible party is not the engaging party. Under circumstances when the engaging party is not the responsible party, careful consideration is necessary by the practitioner to determine who will be deemed to be the responsible party. Paragraph .10 of AT-C section 105 defines the responsible party as "the party(ies) responsible for the subject matter. If the nature of the subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the subject matter may be deemed to be the responsible party." Furthermore, subject matter is defined as the phenomenon that is measured or evaluated by applying criteria.

**25.** In ABS transactions covered by this SOP, the determination of the responsible party(ies) can be complex and requires judgment. ABS transactions include different asset classes, different structural arrangements, and multiple parties participating in the transaction. In addition, such parties may be acting as principal or agent on behalf of other parties to the transaction based on the transaction agreements. When identifying a responsible party(ies), practitioners may review legal agreements and consider the responsibilities in paragraph .08 of the “Preface to the Attestation Standards” (AICPA, *Professional Standards*, AT-C Preface). Practitioners may come to different conclusions as to which party is deemed to be the responsible party, based on the practitioner’s judgment.

**26.** If the determination is that the responsible party is not the engaging party, the practitioner should request from the engaging party additional representations in a written representation letter as discussed in paragraphs 58–61 of this SOP.

## **Subject Matter and Procedures to Be Performed**

**27.** Paragraph .02 of AT-C section 215 describes that, in an AUP engagement, “The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. Because the needs of specified parties may vary widely, the nature, timing, and extent of the agreed-upon procedures may vary, as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures because they best understand their own needs.”

**28.** Covered services are typically performed as of a specific date on either a sample or on the entire pool of the assets that will be securitized. The specifics of date and population are to be determined by the specified parties.

**29.** The characteristics subjected to the covered services procedures are agreed upon by the specified parties. In a covered services engagement, the practitioner has no responsibility to determine whether the characteristics have implications on the future performance of the assets, underwritten value of the assets, credit quality of the assets, likelihood of return to investors or any other implications related to the assets or the related asset-backed securities.

**30.** In most cases, covered services principally assist the specified parties in assessing the accuracy of the data file, and the procedures performed by the practitioner generally consist of comparing information about the assets contained in a data file provided by, or on behalf of, the responsible party, to the corresponding information contained in, or calculated using information contained in, copies of various third-party documents relating to the assets including, but not limited to, contracts, mortgages, notes, appraisals, and lease agreements also provided by, or on

behalf of, the responsible party (the source documents). The practitioner is not required to perform any procedures on, and is not responsible for, the accuracy, completeness, or reasonableness of the information contained in the source documents and data file, except as it relates to procedures described as having been performed in the Covered Services Report. However, as explained in paragraphs .A66–.A68 of AT-C section 105, the practitioner should not ignore any concerns found in the source documents or in the data file that may be incomplete or appear to be inaccurate, as the practitioner needs to maintain professional skepticism.

**31.** Under certain circumstances, the specified parties may agree on the use of materiality thresholds when performing the covered services. Such materiality thresholds are the responsibility of the specified parties and should be clearly stated in the Covered Services Report, as stated in paragraph .35*i* of AT-C section 215. See appendix B, “Illustrative Procedures and Findings,” of this SOP.

## **Reporting Considerations**

### **General**

**32.** SEC Rules 15Ga-2 and 17g-10 require the disclosure of the procedures or findings, or both, of the practitioner’s covered services in Form 15E and Form ABS-15G, as applicable. As described in paragraph .35*h* of AT-C section 215, the practitioner’s report contains a list of the procedures performed (or referenced thereto) and related findings.

### **Dating of the Report**

**33.** As stated in paragraph .35*q* of AT-C section 215, the attestation standards require that the date of the practitioner’s report should be no earlier than the date on which the practitioner completed the procedures and determined the findings, including that

- a.* the attestation documentation has been reviewed;
- b.* if applicable, the written presentation of the subject matter has been prepared; and
- c.* the responsible party has provided a written assertion, unless the responsible party refuses to provide an assertion.

**34.** Historically, the dating of many Covered Services Reports follow certain market conventions. As a result of the report dating requirements in paragraph .35*q* of AT-C section 215, which now aligns very closely to the auditing standards, the date of the Covered Services

Report issued under the attestation standards is expected to be close to the report release date. In addition, such standards require that on or before the date of the Covered Services Report, appropriate documentation of the performance of the procedures and support for the findings has been prepared and reviewed. Such standards also require that the Covered Services Report not be released prior to the completion of the engagement quality control review, if applicable.

**35.** The practitioner is permitted to reference other dates in the report title or subject line (if different from the date of the Covered Services Report; for example, the date of the pricing for the transaction).

### **Form 15E and Covered Services Reports**

**36.** Paragraph .35 of AT-C section 215 describes the required elements of the practitioner's Covered Services Report, which includes a list of the procedures performed (or reference thereto) and related findings. The instructions on Form 15E allow the practitioner to address the requested items on the form or by referring to the attached practitioner's report. To the extent that the practitioner intends to refer to the practitioner's report when completing Form 15E, the practitioner should determine that the procedures and findings described in the Covered Services Report include, where relevant, the topics identified in Item 4 of Form 15E, which are described in the release as follows:<sup>4</sup>

- a.* The type of assets that were reviewed
- b.* The sample size of the assets reviewed
- c.* How the sample size was determined and, if applicable, computed
- d.* Whether the accuracy of information or data about the assets provided, directly or indirectly, by the securitizer or originator of the assets was reviewed and, if so, how the review was conducted
- e.* Whether the conformity of the origination of the assets to stated underwriting or credit extension guidelines, standards, criteria or other requirements was reviewed and, if so, how the review was conducted
- f.* Whether the value of collateral securing such assets was reviewed and, if so, how the review was conducted

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<sup>4</sup> Pages 410–411 of the release outline these Item 4 requirements.

- g. Whether the compliance of the originator of the assets with federal, state, and local laws and regulations was reviewed and, if so, how the review was conducted
- h. Any other type of review that was part of the due diligence services conducted by the person executing this form

**37.** Item 5 of Form 15E prescribes that the practitioner provide a summary of findings and conclusions that is sufficiently detailed. When referring to the attached practitioner’s report, the Covered Services Report should include all findings that resulted from the Covered Services, which fulfills the practitioner obligation under Item 5.<sup>5</sup>

**38.** If the practitioner does not intend to refer to the Covered Services Report in Form 15E, then all the information required under Item 4 of Form 15E (see paragraph 36 of this SOP) should be included in the Covered Services Report. The description of the scope and manner of the covered services performed should be sufficiently detailed to provide an understanding of the steps taken in performing the engagement.<sup>6</sup>

**39.** Item 5 of Form 15E prescribes that the person providing covered services must provide a summary of the findings that resulted from the covered services that is sufficiently detailed to provide an understanding of the findings that were conveyed to the engaging party, or responsible party, as appropriate.<sup>7</sup>

**40.** In the release,<sup>8</sup> the SEC acknowledged that there may be particular considerations that would need to be taken into account under applicable professional standards that govern certain

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<sup>5</sup> Pages 412–413 of the release describe that “Item 5 of the form would require the provider of third-party due diligence services to provide a summary of the findings and conclusions that resulted from the due diligence services that is sufficiently detailed to provide an understanding of the findings and conclusions that were conveyed to the person identified in Item 2 (that is, conveyed to the issuer, underwriter, or NRSRO that employed the third party to perform due diligence services).

<sup>6</sup> Item 4 of Form ABS Due Diligence-15E.

<sup>7</sup> Page 412 of the release states that “As proposed, Item 5 of the form would require the provider of third-party due diligence services to provide a summary of the findings and conclusions that resulted from the due diligence services that is sufficiently detailed to provide an understanding of the findings and conclusions that were conveyed to the person identified in Item 2 (that is, conveyed to the issuer, underwriter, or NRSRO that employed the third party to perform due diligence services).”

<sup>8</sup> Page 400 of the release states that “[t]he Commission understands there may be particular considerations that would need to be taken into account under applicable professional standards that govern certain services provided by the accounting profession. The requirements and limitations resulting from relevant professional standards generally

services provided by the accounting profession. Additionally, the SEC acknowledged<sup>9</sup> that the requirements and limitations resulting from relevant professional standards generally are described within the reports issued and, to the extent such requirements or limitations are based upon professional standards, the SEC would not object to the inclusion of the same description in the written certifications on Form 15E required under Rule 17g-10.

**41.** A practitioner may also clarify on Form 15E that the procedures performed did not constitute a review or examination conducted under the attestation standards, as described in paragraph 45 of this SOP.

**42.** The practitioner may also consider whether to include additional information in Form 15E that could assist the reader in understanding the scope of procedures performed and any corresponding limitations of services. This may be accomplished by including certain elements of the Covered Services Report in Form 15E or by attaching the complete Covered Services Report to Form 15E.

**43.** A practitioner engaged to provide covered services will be deemed to have satisfied its obligations under Section 15E(s)(4)(B) of the 1934 Act (*Commerce and Trade, U.S. Code [USC]* 15, Section 78o-7(s)(4)(B)) if the practitioner promptly delivers an executed Form 15E after completion of the covered services to the following:

- a.* An NRSRO that provided a written request for Form 15E either prior to or after the completion of the covered services stating that the services relate to a credit rating the NRSRO is producing, as applicable
- b.* The issuer, sponsor, or underwriter of the ABS for which the covered services relate that maintains the Rule 17g-5 website with respect to the ABS pursuant to Section 240.17g-5(a)(3) of the 1934 Act

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are described within the reports issued and, to the extent such requirements or limitations are based upon professional standards, the Commission would not object to the inclusion of the same description in the written certifications on Form ABS Due Diligence-15E required under Rule 17g-10.”

<sup>9</sup> Page 400 of the release states that “[t]he Commission understands there may be particular considerations that would need to be taken into account under applicable professional standards that govern certain services provided by the accounting profession. The requirements and limitations resulting from relevant professional standards generally are described within the reports issued and, to the extent such requirements or limitations are based upon professional standards, the Commission would not object to the inclusion of the same description in the written certifications on Form ABS Due Diligence-15E required under Rule 17g-10.”



**44.** Form 15E is required to be certified, as defined in the release.<sup>10</sup> The certification will include the person/firm in Item 1 of Form 15E (in most cases, the firm), the printed name of an individual who is duly authorized by the person/firm identified in Item 1 of Form 15E to make such a certification on the covered services, and the signature of such person. The individual identified on Form 15E need not be the same individual authorizing the firm signature on the Covered Services Report.

**45.** Paragraph .18 of AT-C section 105 states that if the practitioner is required by law or regulation to use a specific layout, form, or wording of the practitioner's report and the prescribed form of report is not acceptable or would cause a practitioner to make a statement that the practitioner has no basis to make, the practitioner should reword the prescribed form of report or attach an appropriately worded separate report. In this instance, Form 15E includes a section for "Summary of findings and conclusions of review" that is not consistent with paragraph .35j.iii of AT-C section 215, which states that the practitioner does not express a conclusion in an agreed-upon procedures engagement. Therefore, rather than rewording the prescribed SEC form, a practitioner may consider stating on Form 15E that there are no conclusions which resulted from the covered services performed, and that the procedures performed did not constitute a review or examination in accordance with paragraph .35j.ii of AT-C section 215. An illustrative Form 15E is presented in appendix D, "Illustrative Form 15E," of this SOP.

### ***Restricted Use***

**46.** Because the Covered Services Report may be attached to Form ABS-15G or Form 15E, the practitioner may modify the illustrative language, as described in paragraph .35m of AT-C section 215, in the Covered Services Report to clarify that the information with respect to the procedures or findings, or both, contained therein is not intended to be used by nonspecified parties that may have access to the procedures or findings, or both, as required by SEC Rules 15Ga-2 and 17g-10 (for example, NRSROs and investors). An example of illustrative language for the Covered Services Report follows:

"This report is intended solely for the information and use of the specified parties identified in this report. It is not intended to be and should not be used by anyone other than the specified parties, including investors and rating agencies, who are not specified parties but who may have access to this report as required by law or regulation."

### ***Explanatory Language***

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<sup>10</sup> Section 240.17g-10(b) of the Securities Exchange Act of 1934, as amended, states that "the written certification must be signed by an individual who is duly authorized by the person providing the third-party due diligence services to make such a certification."

**47.** Because the Covered Services Report may be attached to Form ABS-15G or Form 15E, the practitioner may consider adding language to further clarify what the Covered Services Report is not. For example, the practitioner may want to indicate that the Covered Services Report is not intended to address one or more of the following items (if applicable):

- The conformity of the origination of the assets to stated underwriting or credit extension guidelines, standards, criteria, or other requirements
- The value of collateral securing such assets
- The compliance of the originator of the assets with federal, state, and local laws and regulations
- Any criteria for due diligence published by an NRSRO
- Any other factor or characteristic of such assets that would be material to the likelihood that the issuer of the ABS will pay interest and principal in accordance with applicable terms and conditions

### ***Sensitive Information***

**48.** Because engagement documentation and, in certain cases, the Covered Services Report prepared by a practitioner, often contain sensitive information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information, as stated in paragraph .39 of AT-C section 105. The practitioner should work with the engaging party to mitigate the risk that such information is publicly disclosed. For example, practitioners may consider performing the following:

- Writing the Covered Services Report in a manner that does not disclose sensitive information.
- Summarizing the information where appropriate so that sensitive information is not disclosed.
- Creating two versions of the exhibit of findings: one detailed version that includes sensitive information, which is provided only to the specified parties for their purposes; and a more summarized version that excludes any sensitive information and is available for Form ABS-15G and Form 15E postings.

- Redacting sensitive information contained in the Covered Services Report attached to Form ABS-15G and Form 15E. Any redacting or summarizing of the information should not alter the meaning of the finding.

### ***Reissuing a Covered Services Report***

**49.** Practitioners do not have responsibilities subsequent to the issuance of the Covered Services Report. However, practitioners may be requested to reissue a Covered Services Report for various reasons. For example, an item needing a correction may be identified after the Covered Services Report has been issued. In this instance, a new or amended Covered Services Report would be provided to the specified parties. Practitioners may consider whether the changes to the Covered Services Report would require a new Form 15E to be completed. When determining whether a new Form 15E should be completed along with the reissued Covered Services Report, some considerations include whether

- the information that the practitioner provided in Form 15E remains correct and complete (For example, if a subsequently discovered fact is brought to the practitioner's attention that if known at the time of the issuance of Form 15E would have impacted the information required by Form 15E, it will likely result in a reissued Form 15E);
- the procedures or findings changed; or
- the issuer, sponsor, or underwriter will furnish a new Form ABS-15G with the reissued Covered Services Report, resulting in two versions of the practitioner's report being publicly available.

Changes to the procedures, findings, or any of the attributes in Item 4 of Form 15E and reflected in an updated Covered Services Report triggers the need for the practitioner to submit another Form 15E.

**50.** If the practitioner determines that a new or amended Covered Services Report is to be issued, the practitioner may consider communicating the rationale in writing to the engaging party and specified parties. Such communication would make it clear that the new or amended Covered Services Report supersedes the initial Covered Services Report. The practitioner may provide the engaging party with another Form 15E that will have the new or amended Covered Services Report attached. Such Form 15E would include wording that Form 15E is being submitted for the amended report, which supersedes the Covered Services Report submitted with the previously issued Form 15E. Both Form 15E and the new or amended Covered Services Report may include wording that states the reason that the new or amended Covered Services Report has been issued, and that the previously issued Covered Services Report should no longer be used or relied upon.

The following is an example of the wording for the new or amended Covered Services Report:

*“On [date of previously issued Covered Services Report being rescinded], we issued an Independent Accountants’ Report on Applying Agreed-Upon Procedures (the “Initial Covered Services Report”) relating to certain information with respect to a portfolio of [describe assets being securitized; for example, consumer loans, commercial real estate loans, auto leases, and so on]. [Responsible Party] informed us [describe the circumstances that are causing the re-issuance of our report; for example, the composition of the portfolio changed, the deal name changed, the cutoff date changed] and requested that a new report be issued. The Independent Accountants’ Report on Applying Agreed-Upon Procedures described herein supersedes the Initial Covered Services Report. Furthermore, the specified parties have been instructed to no longer use or rely upon the Initial Covered Services Report.”*

The following is an example of the wording for Form 15E with the new or amended report:

*“This Form ABS Due Diligence-15E supersedes our Form ABS Due Diligence-15E dated [date] pertaining to [full deal name]. Since Form ABS Due Diligence-15E dated [date of Initial Covered Services] was issued, [describe the reasons that are causing the report to be re-issued]. Therefore, we have issued the attached Independent Accountants’ Report on Applying Agreed-Upon Procedures dated [date of New Covered Services] pertaining to [full deal name]. The previously issued Independent Accountants’ Report on Applying Agreed-Upon Procedures should no longer be used or relied upon by the specified parties.”*

### ***Adding a Specified Party***

**51.** A practitioner may be requested by the engaging party to consider the addition of another party as a specified party (a nonparticipant party). As stated in paragraph .38 of AT-C section 215, if the practitioner does agree to add the nonparticipant party, the practitioner should obtain affirmative acknowledgment, normally in writing, from the nonparticipant party agreeing to the procedures performed and of its taking responsibility for the sufficiency of the procedures. In addition to the considerations in paragraph .A44 of AT-C section 215, there are other matters the practitioner may consider when adding a specified party, such as, if the underwriter, who is normally added as a specified party via an acknowledgment letter for ABS, will be responsible for Form ABS-15G and Form 15E requirements rather than the issuer. If such circumstances arise, the practitioner may consider adding the items listed in paragraph 23 of this SOP to the acknowledgment letter. The addition of a specified party subsequent to the issuance of the Covered Services Report does not, in itself, require the practitioner to reissue its report.

### **Form ABS-15G**

**52.** The issuer, sponsor, or underwriter’s Form ABS-15G must contain the “findings and conclusions” of any Covered Services Report obtained by the issuer, sponsor or underwriter, as well as the criteria against which the assets were evaluated and how the evaluated assets compare to those criteria. The practitioner and the engaging party may consider the following:

- a.* Reaching agreement that the issuer, sponsor or underwriter will attach the practitioner’s Covered Services Report to Form ABS-15G, and that the issuer, sponsor, or underwriter may not alter in any way or summarize the Covered Services Report provided by the practitioner (except in certain cases with respect to the removal or redaction of sensitive information in the Covered Services Report attached to Form ABS-15G, when agreed to by the practitioner)
- b.* If the issuer, sponsor, or underwriter will not attach the practitioner’s Covered Services Report to Form ABS-15G and references the practitioner or summarizes the covered services, the practitioner and engaging party agreeing that the practitioner has an opportunity to review the issuer, sponsor, or underwriter’s Form ABS-15G prior to submission in order to determine whether it accurately describes the covered services and related findings, if any

**53.** Consistent with the attestation standards, procedures and findings of the practitioner are not considered part of any report until all such standards are met and the report is signed and issued. Therefore, draft, unsigned versions of the Covered Services Report provided to the issuer and underwriters prior to the issuance of the final, signed Covered Services Report are not typically considered ‘interim’ reports and should not be attached to Form ABS-15G.<sup>11</sup>

**54.** Typically, Form ABS-15G will be furnished through the EDGAR system either prior to or at the same time Form 15E is posted to the Rule 17g-5 website.

***Exception Related to Municipal Issuers***

**55.** Form ABS-15G is not required to be furnished to EDGAR by municipal issuers of rated ABS. Municipal issuers are required to make such information available through any means

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<sup>11</sup> Page 374 of the release states, in part, “... all third-party due diligence reports obtained by the issuer or underwriter, including interim reports, related to an offering of asset-backed securities should be made publicly available in order for users of credit ratings to more thoroughly evaluate the level of due diligence obtained by the issuer or underwriter as compared to the due diligence services used by an NRSRO rating the Exchange Act-ABS.” Reports that are not considered final due diligence reports or interim reports do not result in a Form ABS-15G filing.

reasonably accessible to the public, including, for example, by posting the information on an issuer, sponsor, or underwriter-sponsored website, by voluntarily furnishing Form ABS-15G on EDGAR, or by voluntarily submitting a Form ABS-15G on EMMA.<sup>12</sup> Practitioners should follow the same guidelines herein for Form ABS-15G, regardless of the type of securitized assets.

### ***Exception Related to Certain Foreign-Based ABS Issuances***

**56.** Certain foreign issuances (that is, certain non-U.S. transactions) are exempt from the release requirements related to Form ABS-15G and Form 15E if the following conditions are met:<sup>13</sup>

- a. The offering is not required to be, and is not, registered under the Securities Act of 1933, as amended (the Securities Act)
- b. The issuer of the rated security is not a U.S. person (as defined under Securities Act Rule 902(k))
- c. The security issued by the issuer will be offered and sold upon issuance, and any underwriter or arranger linked to the security will effect transactions of the security after issuance, only in transactions that occur outside the United States.

### ***Considerations Regarding EDGAR***

**57.** As noted previously, a Covered Services Report may be attached to a Form ABS-15G furnished through the EDGAR system. The EDGAR system does not currently allow files in PDF format. Therefore, practitioners may want to consider using a conformed signature on the Covered Services Report that is attached to Form ABS-15G (for example, /s/ Firm Name). A handwritten or electronic signature may be easily obtained by a third party from the publicly available report. Practitioners may consider implementing procedures to reconcile the final

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<sup>12</sup> Page 382 of the release states that “Consequently, although municipal issuers and underwriters will not be required to furnish Form ABS-15G pursuant to Rule 15Ga-2, they are subject to the statutory requirement under Section 15E(s)(4)(A) to make publicly available the findings and conclusions of any third-party due diligence report they obtain. Municipal issuers and underwriters may make such information available through any means reasonably accessible to the public, including, for example, by posting the information on an issuer or underwriter sponsored Internet website, by voluntarily furnishing Form ABS-15G on EDGAR, or by voluntarily submitting a Form ABS-15G on EMMA.”

<sup>13</sup> Page 370 of the release.

posted Form ABS-15G with the document provided to the responsible party to ensure that all required elements of the report have not been modified or removed.

## Written Representations

**58.** Paragraph .28 of AT-C section 215 states that a practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. A written representation should be requested for each Covered Services Report issued. Paragraph .30 of AT-C section 215 states that the date of the written representations should be as of the date of the practitioner's Covered Services Report.

**59.** As stated in paragraph .31 of AT-C section 215, if the responsible party refuses to provide a written representation, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should

- a.* discuss the matter with the appropriate party(ies);
- b.* reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect, if any, on the engagement; and
- c.* if any of the matters are not resolved to the practitioner's satisfaction, take appropriate action. Paragraph .A31 of AT-C section 215 clarifies appropriate actions as withdrawing from the engagement or determining the effect on the practitioner's report.

**60.** Written representations primarily provide confirmation of the responsible party's oral representations obtained during the engagement and are intended to reduce the possibility of a misunderstanding. The representations that a practitioner deems appropriate will depend on the specific nature of the engagement. In addition to the requirements included in paragraph .28 of AT-C section 215, the practitioner may consider requesting representations that include the following:

- a.* State that the information included in the data file provided related to the characteristics of the securitized assets is complete and accurate
- b.* State whether the covered services are intended to satisfy any criteria for due diligence published by an NRSRO
- c.* State that the responsible party is responsible for compliance with the regulations

under Rule 15Ga-2 and Rule 17g-10, as appropriate

- d.* State that the responsible party is responsible for the accuracy, completeness, and furnishing of Form ABS-15G, if applicable, and the posting of Form 15E to the Rule 17g-5 website, as appropriate
  - e.* State that any knowledge of any actual, suspected, or alleged noncompliance with these laws and regulations affecting the data file has been disclosed to the practitioner
  - f.* State whether the procedures include those performed for the purpose of reporting findings with respect to the following:
    - i.* Whether the origination of the assets conformed to, or were derived from, stated underwritings or credit extension guidelines, standards, criteria, or other requirements
    - ii.* The value of the collateral securing the assets
    - iii.* Whether the originator of the collateral obligations complied with federal, state, or local laws or regulations
    - iv.* Any other factor or characteristic of the assets that would be material to the likelihood that the issuer of the asset-backed security will pay interest and principal in accordance with applicable terms and conditions
  - g.* State whether any information is deemed to be sensitive information by the responsible party or an agent on behalf of the responsible party, within the provisions specified in the engagement letter
  - h.* State that the responsible party is responsible for any assumptions, methodologies, and instructions provided by the responsible party or on behalf of the responsible party
  - i.* State that any known events subsequent to the practitioner receiving the data file, that would have a material impact on the data file, has been disclosed to the practitioner
- 61.** Refer to paragraphs .28–.30 of AT-C section 215 for additional information regarding management’s written representations in an AUP engagement, including when the responsible party and engaging party are not the same.



## **Effective Date**

**62.** This SOP is effective for engagements that include covered services accepted subsequent to December 31, 2017. Early implementation is permitted.

## Appendix A—Illustrative Responsible Party Assertions

**63.** This appendix presents illustrative responsible party assertions for a covered services engagement described in this SOP. These assertions are intended to be illustrative only and are not intended to be applicable to, or comprehensive for, all engagements. Accordingly, it may not include items that are relevant to a specific engagement and should be tailored to the facts and circumstances of the particular engagement.

The following is an illustrative responsible party assertion when the engaging party is the responsible party:

XYZ Company asserts that the assets' attributes subject to the procedures in our report are

- accurately listed in the data file (for example, ABS File ABC, containing information on ABC securitization transaction receivables as of December 31, 201X provided by the responsible party on January 23, 201X);
- in agreement with the information in the governing source documents; and
- where applicable, accurately calculated based upon the logic, methodology, instructions, assumptions, or formula provided to you.

## Appendix B—Illustrative Procedures and Findings

**64.** This appendix presents illustrative procedures that a practitioner might perform and findings that a practitioner might report as part of the AUP engagement described in this SOP. It is illustrative only and is not intended to be applicable to, or comprehensive for, all engagements. Covered Services Reports should be tailored to the specific facts and circumstances of each engagement.

1. As instructed by the Sponsor, on behalf of the Depositor, we randomly selected a sample of xxx Mortgage Loans listed on the Loan File Comparison Data File (the data file). The sample subjected to the procedures described below are referred to as the “Sample Mortgage Loans.” For the purpose of this procedure, the Sponsor, on behalf of the Depositor, did not inform us as to the basis for how they selected the number of Mortgage Loans that we were instructed to randomly select from the data file.
2. For each Sample Mortgage Loan, we compared the characteristics listed on exhibit 1 (the characteristics), as shown on the data file, to the corresponding information located on the source documents listed on exhibit 1 that were provided by the Sponsor, on behalf of the Depositor, subject to the qualifications, assumptions and methodologies provided by the Sponsor, on behalf of the Depositor, that are stated in the notes to exhibit 1. Except for the information shown on exhibit 2, all such compared information was in agreement. Where recomputation was required, the recomputations are described in the notes to exhibit 1.

## Appendix C—Illustrative Covered Services Report

65. The following is an illustrative practitioner’s report for an AUP engagement described in this SOP. It is illustrative only and is not intended to be applicable to, or comprehensive for, all engagements. Accordingly, it may not include items that are relevant to a specific engagement and should be tailored to the facts and circumstances of the particular engagement.

### **Independent Accountant’s Report on Applying Agreed-Upon Procedures**

[Appropriate Addressee(s)]

We have performed the procedures enumerated in Attachment A, which were agreed to by [list addressee(s) and other specified parties] (collectively, the “specified parties”), in their evaluation of [*identify the subject matter, for example, certain information with respect to attributes of the [identify asset type] relating to [name of transaction]*]. [*The responsible party*] is responsible for the data file accurately representing the information included in the underlying asset documents and the disclosed assumptions and methodologies. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated in Attachment A either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings relating to the procedures are included in Attachment A.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter, for example, certain information with respect to attributes of the [identify asset type] relating to [name of transaction]*]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

[*The practitioner may decide to include additional explanatory paragraphs to clarify the scope of the engagement, such as, but not limited to, the following:*

*Our agreed-upon procedures engagement was not conducted for the purpose of the following:*

- *Addressing the conformity of the origination of the assets to stated underwriting or credit extension guidelines, standards, criteria or other requirements*
- *Addressing the value of collateral securing any such assets being securitized*

- *Addressing the compliance of the originator of the assets with federal, state, and local laws and regulations*
- *Satisfying any criteria for due diligence published by a nationally recognized statistical rating organization*
- *Addressing any other factor or characteristic of the assets that would be material to the likelihood that the issuer of the asset-backed security will pay interest and principal in accordance with applicable terms and conditions*
- *Forming any conclusions.*
- *Any other terms or requirements of the transaction that do not appear in the report]*

This report is intended solely for the information and use of the specified parties. It is not intended to be and should not be used by anyone other than the specified parties, including investors and rating agencies, who are not identified as specified parties but who may have access to this report as required by law or regulation.

*[Signature]*

*[City and State]*

*[Date]*

*[Include as an attachment an enumeration of the procedures and findings.]*

## Appendix D—Illustrative Form 15E

.66

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM ABS DUE DILIGENCE-15E**  
**CERTIFICATION OF PROVIDER OF THIRD-PARTY DUE DILIGENCE SERVICES FOR**  
**ASSET-BACKED SECURITIES**

Pursuant 17 CFR 240.17g-10, this Form must be used by a person providing third-party due diligence services in connection with an asset-backed security to comply with section 15E(s)(4)(B) of the Securities Exchange Act of 1934 (15 U.S.C. 78o-7(s)(4)(B)). Section 15E(s)(4)(B) of the Securities Exchange Act of 1934 requires a person providing the due diligence services to provide a written certification to any nationally recognized statistical rating organization that produces a credit rating to which such due diligence services relate.

**Item 1. Identity of the person providing third-party due diligence services**

Legal Name: *Firm legal name*

Business Name (if different):

Principal Business Address: *Firm business address*

**Item 2. Identity of the person who paid the person to provide third-party due diligence services**

Legal Name: *Engaging party legal name*

Business Name (if different):

Principal Business Address: *Engaging party business address*

**Item 3. Credit rating criteria**

If the due diligence performed by the third party is intended to satisfy the criteria for due diligence published by a nationally recognized statistical rating organization, identify the nationally recognized statistical rating organization and the title and date of the published criteria (more than one nationally recognized statistical rating organization may be identified).

*[Firm name] was not engaged to perform procedures that were intended to satisfy any criteria for due diligence published by a nationally recognized statistical rating organization.*

**Item 4. Description of the due diligence performed**

Provide a description of the scope and manner of the due diligence services performed in connection with the review of assets that is sufficiently detailed to provide an understanding of the steps taken in performing the review. Include in the description: (1) the type of assets that were reviewed; (2) the sample size of the assets reviewed; (3) how the sample size was determined and, if applicable, computed; (4) whether the accuracy of information or data about the assets provided, directly or indirectly, by the securitizer or originator of the assets was reviewed and, if so, how the review was conducted; (5) whether the conformity of the origination of the assets to stated underwriting or credit extension guidelines, standards, criteria or other requirements was reviewed and, if so, how the review was conducted; (6) whether the value of collateral securing such assets was reviewed and, if so, how the review was conducted; (7) whether the compliance of the originator of the assets with federal, state, and local laws and regulations was reviewed

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and, if so, how the review was conducted; and (8) any other type of review that was part of the due diligence services conducted by the person executing this Form. This description should be attached to the Form and contain the heading "Item 4." Provide this description regardless of whether the due diligence performed is intended to satisfy the criteria for due diligence published by a nationally recognized statistical rating organization

[Note to practitioner: You may either address the requested items here or as an attachment depending on preference].

The below number items are intended to address the numerically requested items of Item 4.

- (1) See attached Independent Accountant's Report on Applying Agreed-Upon Procedures dated \_\_\_\_\_ pertaining to [transaction name].
- (2) See attached Independent Accountant's Report on Applying Agreed-Upon Procedures dated \_\_\_\_\_ pertaining to [transaction name].
- (3) See attached Independent Accountant's Report on Applying Agreed-Upon Procedures dated \_\_\_\_\_ pertaining to [transaction name].
- (4) See attached Independent Accountant's Report on Applying Agreed-Upon Procedures dated \_\_\_\_\_ pertaining to [transaction name].
- (5) Not applicable/addressed
- (6) Not applicable/addressed
- (7) Not applicable/addressed
- (8) None

#### **Item 5. Summary of findings and conclusions of review**

Provide a summary of the findings and conclusions that resulted from the due diligence services that is sufficiently detailed to provide an understanding of the findings and conclusions that were conveyed to the person identified in Item 2. This summary should be attached to the Form and contain the heading "Item 5."

*The findings can be found in the attached Independent Accountant's Report on Applying Agreed-Upon Procedures dated [date] pertaining to [transaction name]. Consistent with attestation standards established by the American Institute of Certified Public Accountants, there were no conclusions that resulted from the due diligence services. We were not engaged to, and did not conduct an examination to express an opinion or a review to express a conclusion on the [identify the subject matter of the engagement].*

#### **CERTIFICATION**

The undersigned has executed this Form ABS Due Diligence 15E on behalf of, and on the authority of, the person identified in Item 1 of the Form. The undersigned, on behalf of the person, represents that the person identified in Item 1 of the Form conducted a thorough review in performing the due diligence described in Item 4 attached to this Form and that the information and statements contained in this Form, including Items 4 and 5 attached to this Form, which are part of this Form, are accurate in all significant respects on and as of the date hereof.

*[For purposes of this certification, consistent with attestation standards established by the American Institute of Certified Public Accountants, we were not engaged to, and did not conduct an examination to express an opinion or a review to express a conclusion on the [identify the subject matter of the engagement].*

Name of Person Identified in Item 1: [Firm name]

By: [Name of duly authorized person]  
(Print name of duly authorized person)

[Affix signature]  
(Signature)

Date: [Not earlier than date of the Covered Services Report]



## Appendix E—Glossary

**67.** The following is a glossary of common terms specifically relating to engagements described by this SOP.

**asset-backed security (ABS).** As defined by Section 3(a)(79) of the Securities Exchange Act of 1934, an asset-backed security (ABS) means a fixed-income or other security collateralized by any type of self-liquidating financial asset (including a loan, a lease, a mortgage, or a secured or unsecured receivable) that allows the holder of the security to receive payments that depend primarily on cash flow from the asset, including the following:

- a.* A collateralized mortgage obligation
- b.* A collateralized debt obligation
- c.* A collateralized bond obligation
- d.* A collateralized debt obligation of asset-backed securities
- e.* A collateralized debt obligation of collateralized debt obligations
- f.* A security that the SEC, by rule, determines to be an asset-backed security

The definition of ABS does not include a security issued by a finance subsidiary held by the parent company or a company controlled by the parent company if none of the securities issued by the finance subsidiary are held by an entity that is not controlled by the parent company.

**characteristics.** The asset attributes selected by the responsible party on which the practitioner performs procedures. The characteristics may be subject to procedures for a sample of assets, or all, and specified in the Covered Services Report.

**covered services.** For purposes of this SOP, this term refers to procedures performed by the practitioner that are considered to be third-party due diligence services in accordance with the release. For example, comparing the information on a loan tape with the information contained on the hard-copy documents in a loan file is an activity that falls within the definition of due diligence services in the release.

**Covered Services Report.** The agreed-upon procedures report issued by the practitioner resulting from covered services.

**data file.** An electronic file provided by, or on behalf of, the responsible party that comprises various characteristics of the asset(s) within the scope of the agreed-upon procedures.

**depositor.** Defined as either

- a.* the entity that receives or purchases the underlying financial assets from the originator and subsequently transfers or sells the financial assets to the issuing entity;

- b. the sponsor, in the case of a securitization transaction where there is not an intermediate transfer of the assets from the sponsor to the issuing entity; or
- c. the entity that receives or purchases the underlying financial assets from the originator and subsequently transfers or sells the financial assets to the issuing entity in the case of a securitization transaction in which the entity transferring or selling the financial assets directly to the issuing entity is itself a trust.

**due diligence services.** Rule 17g-10 of the release defines due diligence services as a review of the assets underlying an asset-backed security (as defined in this glossary) for the purpose of making findings with respect to the following:

- a. The accuracy of the information or data about the assets provided, directly or indirectly, by the securitizer or originator of the assets
- b. Whether the origination of the assets conformed to, or deviated from, stated underwriting or credit extension guidelines, standards, criteria, or other requirements
- c. The value of collateral securing the assets
- d. Whether the originator of the assets complied with federal, state, or local laws or regulations
- e. Any other factor or characteristic of the assets that would be material to the likelihood that the issuer of the asset-backed security will pay interest and principal in accordance with applicable terms and conditions

**Form ABS-15G.** Asset-backed securitizer report pursuant to Section 15G of the Securities Exchange Act of 1934.

**Form ABS Due Diligence-15E.** Certification of third-party provider of due diligence services for asset-backed securities. For purposes of this SOP, this form is also referred to as Form 15E.

**issuer.** The entity that organizes and initiates the offering of the asset-backed security (for example, the sponsor or depositor).

**NRSRO.** Nationally Recognized Statistical Rating Organization.

**noncovered services.** For purposes of this SOP, this term refers to procedures performed by the practitioner that are not considered to be third-party due diligence services.

**originator.** An entity that

- a. through an extension of credit or otherwise, creates an asset that collateralizes an asset-backed security; and
- b. sells the asset directly or indirectly to a securitizer or issuing entity (Section 15G(a)(4) of the Securities Exchange Act of 1934 (15 USC 78o-9(a)(4))).

**release.** For purposes of this SOP, this term refers to SEC Release No. 34-72936, *Nationally Recognized Statistical Rating Organizations*.

**securitizer.** With respect to a securitization transaction, this is either

- a. the depositor of the asset-backed securities (if the depositor is not the sponsor); or
- b. the sponsor of the asset-backed securities (Section 15G(a)(3) of the Securities Exchange Act of 1934 (15 USC 78o-9(a)(3))).

**sensitive information.** (1) Personally identifiable information and (2) other information that is deemed by the engaging party to be confidential in nature and does not materially alter the findings of the agreed-upon procedures engagement.

**source documents.** Various documents provided by, or on behalf of, the responsible party for the purpose of comparing or calculating information related to asset characteristics selected by the responsible party. The documents typically include copies of contracts, mortgages, notes, appraisals, and lease agreements.

**sponsor.** The entity that organizes and initiates the asset-backed securities transaction by transferring the assets underlying an asset-backed security directly or indirectly to the issuing entity.

**third-party due diligence report.** Any report containing findings and conclusions of any due diligence services performed by a practitioner.

**underwriter.** The entity that underwrites the offering of asset-backed securities and sells them to investors.

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(2016–2017)**

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