European Securities and Markets Authority (ESMA)
201-203 rue de Bercy
CS 80910
75589 Paris Cedex 12, France
Submitted by email

21 March 2024

The Joint Associations' response to the ESMA consultation of December 2023 on the review of SECR Article 7 templates[1]

We, the associations named in **Appendix 4** to this letter (the **Joint Associations**) and their respective members, welcome the opportunity to respond to the ESMA consultation of 21 December 2023 (ESMA12-2121844265-3053)[2] on the review of the securitisation disclosure templates under Article 7 of the EU Securitisation Regulation (**SECR**). The response is set out in full in **Appendix 1**.

Appendix 2 "Securitisation markets – a global picture" and **Appendix 3** "Examples of existing investor reporting standards and practices in securitisation markets to supplement comments in Question 24" provide certain additional information that the Joint Associations referred to in their comments to certain questions.

We would also like to draw ESMA's attention to the fact that the Joint Associations collectively represent a very significant number of the key stakeholders in the European securitisation markets (as further described in **Appendix 4** below), which include many different institutions representing sell-side, buy-side, as well as their advisers and service providers. Therefore, we trust that ESMA will give due weight and consideration to the response by the Joint Associations.

The Executive Summary that follows the Table of Contents below supplements the joint response by providing a high-level summary of the overall feedback to the proposed four options.

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[1] https://www.esma.europa.eu/sites/default/files/2023-12/ESMA12-2121844265-3053_-_Consultation_Paper_on_the_Securitisation_Disclosure_Templates.pdf
[2] https://www.esma.europa.eu/sites/default/files/2023-12/ESMA12-2121844265-3053_-_Consultation_Paper_on_the_Securitisation_Disclosure_Templates.pdf

Table of Contents

EXECUTIVE SUMMARY 3
APPENDIX 1 – JOINT ASSOCIATIONS' RESPONSE TO THE ESMA CONSULTATION 6
1. OPTION A QUESTIONS 6
2. OPTION B QUESTIONS 12
3. OPTION C QUESTIONS 18
4. OPTION D QUESTIONS 31
APPENDIX 2 – SECURITISATION MARKETS – A GLOBAL PICTURE 35
APPENDIX 3 – EXAMPLES OF EXISTING INVESTOR REPORTING STANDARDS AND PRACTICES IN SECURITISATION MARKETS TO SUPPLEMENT COMMENTS IN QUESTION 24 37
APPENDIX 4 – DESCRIPTION OF THE JOINT ASSOCIATIONS 38

EXECUTIVE SUMMARY

The Joint Associations welcome the opportunity to respond to the ESMA consultation on the review of the Article 7 reporting templates.

It is close to a year and a half since the European Commission's Article 46 report of October 2022[3] was published inviting ESMA to review the disclosure templates and "*to draw up a dedicated template for private securitisation transactions that is tailored particularly to supervisors' need to gain an overview of the market and of the main features of the private transactions*", noting that this will also "*make it easier for sell-side parties from third countries to provide the required information*" and also noting that ESMA should consider "*whether information on a loan-by-loan basis is useful and proportionate to investors' needs for all types of securitisations*".

It is imperative that some action is taken sooner rather than later to address certain real urgent matters. Consequently, in addition to our feedback and comments in response to the 33 questions of the consultation paper (as set out in **Appendix 1** below), the Joint Associations want to ensure that the overall key feedback is clear. That is,

now <u>is not</u> the time:

- to do nothing (*so, it's a "no" to Option A*), or

- to make an existing reporting regime which is already highly prescriptive and burdensome even more difficult to comply with in practice (*so, it's a "no" to Option B*), or

- to embark on the comprehensive review of all reporting templates which will take years to complete and to implement, and which will overlap with the wider review of the SECR (*so, it's a "no" to Option D at this stage, although some of its ideas may be worth re-visiting later, in the next stages of the SECR reform as part of its wider review*),

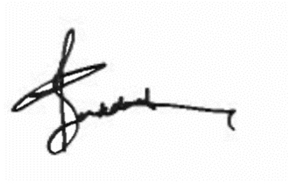
now <u>is</u> the time:

- to address in the interim period (prior to the wider review of the SECR) certain urgent matters that could help to revive the securitisation markets by reducing unnecessary complexities and cost of regulatory compliance. That is, the reforms are needed now: (i) to remove burdensome regulatory reporting on private securitisations and to introduce a single dedicated template addressing the supervisors' needs, thus also removing compliance challenges faced by the EU investors when seeking to invest in third country securitisations; and (ii) if any changes are to be made to the "public" reporting templates, to introduce only a very limited number of targeted amendments to such templates – for example, by replacing unnecessary loan-by-loan reporting for certain highly granular and revolving asset classes, such as credit card receivables, and by making certain other targeted improvements that take into account previous industry feedback to ESMA on the field-by-field review of the reporting templates (***so, it's a "yes" to Option C, which***

[3] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022DC0517

the Joint Associations believe reflects most closely what the European Commission had in mind given its statements in the Article 46 report of October 2022).

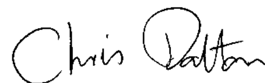
We also note that the EU is gearing up for the next European legislative term and is identifying the priorities and measures necessary to advance the Capital Markets Union (**CMU**) in order to improve the functioning of European capital markets. It is clear from the statements published in March 2024 by the European Central Bank (**ECB**) Governing Council and the Eurogroup that the growth of a securitisation market is one of the key priorities for action and that in this context there is a recognition and support for the need to review not only the prudential treatment of securitisation for banks and insurance firms, but the need to review reporting and due diligence burdens that tilt the playing field against securitisation. We refer in more detail to these statements in our response to **Question 1** and mention it again here in this executive summary to reinforce the message that there is no time like now to do something that will remove some of the regulatory burden for the securitisation market and that, in the short term, Option C is the way to do it.



Shaun Baddeley
Managing Director, Securitisation Association for Financial Markets in Europe (AFME)

Olav Jones
Deputy Director General, Director ECOFIN, Insurance Europe

Jiří Król
Deputy CEO, Global Head of Government Affairs, AIMA
Global Head of the ACC



Chris Dalton
Chief Executive Officer, Australian Securitisation Forum (ASF)

Peter Cosmetatos
CEO, CREFC Europe

Bryan Pascoe
Chief Executive Officer, International Capital Market Association (ICMA)

Scott O'Malia
CEO, International Swaps and Derivatives Association
25 Copthall Avenue, 3rd Floor
London EC2R 7BP, United Kingdom
+44 (020) 3808 9700

Jan-Peter Hülbert
Managing Director, True Sale International (TSI)

Michaela Zattler
Director, Leiterin Bankenaufsicht und Bilanzierung/Head of Banking Supervision and Accounting
Bundesverband deutscher Banken e.V. / Association of German Banks
(GBIC)

Christopher B. Killian
Managing Director, Securitization and Credit, Securities Industry and Financial Markets Association (SIFMA)

APPENDIX 1

JOINT ASSOCIATIONS' RESPONSE TO THE ESMA CONSULTATION

1. OPTION A QUESTIONS

1.1 General: Question 1 – Option A focuses on maintaining the current framework in its entirety. Do you agree with maintaining the current disclosure framework unchanged?

The consistent feedback received from the members of the Joint Associations is that Option A is **not** a preferred option.

Now is not the time to do nothing and to wait for the wider review of the SECR regime. Now is the time to find in the short-term solutions to some key challenges faced by the industry, which we discuss in more detail in responses to other questions below.

Now is the time to introduce in the short-term some tangible improvements that could facilitate the revival of the EU securitisation market (and thus benefit the wider economy), given that the introduction of the SECR regime has so far failed to encourage the growth of the securitisation market in Europe, which remains at a historic low since the global financial crisis, while it has entirely recovered in the U.S. and we refer you in this regard to **Appendix 2** *"Securitisation markets – a global picture"*.

We also refer in this regard to the speech by Christine Lagarde, President of the European Central Bank (**ECB**) at the European Banking Congress on 17 November 2023,[4] in which it was stated that: "*A genuine CMU would mean building a sufficiently large securitisation market, allowing banks to transfer some risk to investors, release capital and unlock additional lending. In the United States, banks have access to a securitisation market that is three times the size of Europe's. This could be even more powerful in our bank-based financial system.*" We do agree with this statement.

More recently, in a statement of 7 March 2024 by the ECB Governing Council on advancing the CMU,[5] the ECB showed further support for securitisation by placing the growth of a securitisation market at the centre of its recommendations and specifically noting the need to review not only the prudential treatment of securitisation for banks and insurance firms, but the need to review reporting and due diligence requirements in terms of their impact on the supply and demand factors. This ECB recommendation was also echoed on 11 March 2024 in a statement of the Eurogroup published by the Council of the European Union,[6] which also identified securitisation as a priority area for action.

[4] https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp231117~88389f194b.en.html
[5] https://www.ecb.europa.eu/press/pr/date/2024/html/ecb.pr240307~76c2ab2747.en.html
[6] https://www.consilium.europa.eu/en/press/press-releases/2024/03/11/statement-of-the-eurogroup-in-inclusive-format-on-the-future-of-capital-markets-union/

In addition, we draw your attention to a recent article entitled "Securitisation, Europe's categorical imperative"[7] written for Eurofi by Ian Bell from Prime Collateralised Securities. In this article a clear case is made as to why securitisation is an essential bank funding tool, which can also generate fee income, play a role as systemic stabiliser and be at the heart of kick-starting the capital market union. The article notes in this regard that: "*To achieve its ambitions, Europe must increase the width of the banking channel and create a proper second channel with a real capital markets union. Securitisation is, in our view, the only means to achieve these twin goals at speed. This is why this article bears its Kantian title of securitisation as a categorical imperative.*"

Therefore, we urge ESMA to ensure that the outcome of this consultation results in the introduction – in the short term – of meaningful improvements to the SECR reporting regime which will meet the objectives of the advancement of the securitisation market in the EU.

1.2 Section 4.2: Question 2 – Do you agree that LLD granularity is essential for performing proper risk evaluation, including due-diligence analysis or supervisory monitoring? Please explain your answer considering the costs and benefits of keeping the current level of granularity in terms of operational costs, compliance burden and any other possible implications.

LLD is not essential to make a well-informed investment decision in respect of all type of asset classes – it is not useful for highly granular, short-term, or revolving asset classes, such as credit card and trade receivables.

This feedback has been consistently provided by the industry to the European Commission and to ESMA over the last few years and the European Commission acknowledged this in its Article 46 report of October 2022.

Just to reiterate some of our previously made comments. By way of example, for credit card securitisations pool-level characteristics, trends and statistics are far more useful than any information about the (very small) individual account receivables making up the pool, as the former will help an investor understand the key parameters and trends affecting their investment over time (e.g. excess spread, utilisation rate and payment rate). The latter, on the other hand, will necessarily be out of date by the time data can be reported (due to the dynamic and revolving nature of the underlying receivables) and in any case data on any individual receivable does not materially affect the credit performance of the overall pool.

Continuing to use credit card receivables as an example, note that on some credit card receivables securitisations, the loan-by-loan reporting each month or quarter leads to the production of files containing over **half a billion** data points. We also understand from the relevant members that the implementation costs for setting up internal systems to enable such reporting are estimated to be around EUR 500,000. So, while the costs are clearly very high to produce this reporting, this is not the pixilated information that the investors need to receive or need to use in their risk

[7] https://pcsmarket.org/wp-content/uploads/Securitisations-Europes-categorical-imperative.pdf

assessment analysis, which is a clear example of a disproportionate regulation of the securitisation market under the SECR regime.

Similar arguments apply to non-ABCP securitisations of trade receivables. This asset class does not bear interest and maturities of trade receivables are normally between 30 and 90 days. The originators are not in the business of creating and managing credit risk. The originators make products or provide services and the credit risk associated with the trade receivables is ancillary to their core activity and ordinary course of business. Hence there is no bank-like credit analysis or credit process or credit rating by the originator for these receivables (which is not to say that there is no credit analysis at all). They are often insured by a trade credit insurer.

More generally, for granular portfolios (e.g., pools selected according to defined eligibility criteria, assessed on a statistical basis – based on historical data – and monitored through aggregate indicators), aggregate information (under the form of stratification tables) is sufficient and largely accepted by the market (and used in the prospectus and marketing materials to describe the portfolio in public deals).

Regarding the ESMA comment that "*LLD was already a requirement for central banks to assess collateral eligibility and for CRAs in the rating of securitisation transactions*", we would like to note that, apart from the ECB, no other central bank saw it fit to introduce LLD reporting requirements for credit card receivables, that securitisations of trade receivables do not tend to be eligible as central bank collateral and that credit rating agencies do not require LLD when rating credit card or trade receivables ABS.

See also our responses in relation to Option C (and Question 24 in particular), where we discuss further and provide illustrative examples of more tailored reporting that is required by investors on private securitisations.

1.3 Section 4.3: Question 3 – Do you agree that the current design of disclosure templates is adequately structured to facilitate comprehensive risk evaluation, including due diligence analysis and supervisory monitoring of securitisation transactions? If not, please explain your answer.

No, we do not agree. While certain standardisation of the information facilitates the development of a common framework, which assists with due diligence and supervisory monitoring, we do not believe that the current design of disclosure templates is proportionate or relevant to all securitisations, which is particularly acute for private securitisations, including third country (non-EU) securitisations.

The industry's informal and formal feedback over the last few years to the European Commission and ESMA has consistently pointed out that the industry believed that the intention of the co-legislators of the SECR was that templated disclosure should be limited to public transactions. ESMA undertook a detailed consultation with the industry on this basis that concluded in March 2018. After that consultation, ESMA changed course and required templated disclosure for all securitisation transactions, whether public or private. As a result, in the absence of a formal comprehensive

ESMA consultation on the usefulness and the applicability of the public reporting templates in private and third country securitisations, the industry was left with a "one size fits all" approach which created considerable difficulty, cost and administrative burdens for the market, thus hindering the growth of the EU securitisation market.

In addition, the problems associated with securitisation disclosure are not only related to the SECR and ESMA templates. As the article "*Reviving securitisation in the EU: A critical analysis of the reporting requirements*" by the Principal Economist at the ECB, Olivia Hauet, demonstrates convincingly, the burdens of securitisation reporting are multiple, specific and have a complex interplay with reporting requirements originating from the SECR as well as other EU regulations (such as the EU CRR/COREP/SRT, ECB SRT and SECR notification (including STS-related) requirements, the EU NPL Directive, and there will be soon additional (and fragmented) ESG reporting requirements to consider as well), whereby the templates and their field definitions may be similar in some respects as well as different in others, with different formatting rules prescribed under each reporting/notification regime – all are contributing to a burden that many potential securitisation issuers are not willing or able to carry and to costs that they are not able to absorb.

The SECR reporting regime should also be compared with a much more streamlined and industry-driven standard for cover pool and investor reporting under the Harmonised Transparency Template (HTT) developed for use on covered bonds with the Covered Bond Label of the European Covered Bond Council (ECBC). While banks manage their collateral, such as residential mortgages, for both covered bonds and securitisations of this type of assets (i.e. RMBS) based on the same internal information, the SECR reporting regime is much more burdensome and prescriptive compared to what is required for covered bonds under the EU Covered Bond Directive and what has been developed by the industry under the Covered Bond Label's HTT, which is an adaptable standard that gets updated annually to reflect the market and industry developments (including driving some standardisation on sustainability/"green" mortgage reporting) and which is completed by covered bond issuers with this label to provide standardised data that can be very easily and quickly used by any market participants to analyse the cover pool and the deal data. Furthermore, the Covered Bond Label website makes easily available tools that any market participant or supervisor can use to run comparative and customisable analysis on the relevant covered bond issuances (see https://www.coveredbondlabel.com/stats/custom-chart/index). There is much to be learned from the experience on the asset-backed and dual recourse products like covered bonds in terms of how industry-driven standard brings better results and aligns much better the information that can and should be provided by the issuers on the underlying assets and the transaction performance with what is material and necessary information for investors.

1.4 Section 4.4: Question 4 – Do you agree that disclosure and reporting requirements should be maintained consistent between private and public securitisation?

Setting aside for now the wider debate on how public and private securitisations may need to be re-defined in the level 1 text of the SECR, overall, we do not believe it is helpful to prescribe standard templates as currently implemented under the SECR, especially in respect of private securitisations.

Yes, the disclosure requirements should be the same on public and private transactions in terms of providing investors (and supervisors) with access to the core transaction documents, sufficient information on the underlying assets and providing regular investor reports and ad hoc reporting on significant events. However, the application of *overly prescriptive* regulatory reporting templates should not be necessary at all for any securitisation, especially (as is currently the case under SECR), when such templates do not reflect for most asset classes the industry standards or meet the investor needs but do create high barriers to entry on both sell- and buy-side and hinder the growth of the securitisation market in the EU, which impacts on the wider economy. Please also refer to our comments in response to **Question 24** below for illustrative examples of industry standards and practices with regard to what investors do need or expect to receive on different types of private securitisations.

The feedback received from the members confirms that the SECR template-based deal reporting made available on *private* securitisations outside the securitisation repositories platforms does not get used much in practice; and that SECR template-based reporting submitted to the securitisation repositories on *public* securitisations is not necessarily what investors need or find most useful (although we understand that there may have been some increase more recently in the downloads of the SECR reporting made available via securitisation repositories on *public* securitisations). ESMA itself acknowledged this in the consultation paper by noting that "*it is apparent that investors and potential investors tend to make limited use of SR data, as they generally rely on customised information directly provided by issuers and originators*".

While some standardisation for *public* securitisations may be desired, we see much scope for improving currently applicable templates, although to make such templates fit for purpose would require a significant amount of work and, therefore, will take some time to implement (in this regard, see also our comments on Option D below). However, certain quick fixes could be introduced in the short-term, such as the aggregated data reporting (rather than LLD reporting) for certain granular asset classes.

For private securitisation reporting, we need to find in the short-term solutions to some key challenges faced by the industry and, as further discussed below, we support in this regard Option C and the introduction of a simplified private securitisation reporting template.

1.5 Other Observations: Question 5 – Please insert here any general observations or comments that you would like to make on this CP, including how relevant the revision based on the above approach (Option A) may be to your own activities and potential impacts.

As noted in response to Question 1 above, there is no support from our members for Option A, as doing nothing and preserving the existing SECR regime without any changes until its wider review (which will take a long time) is not a good option at this stage when the industry needs real short-term solutions to address certain immediate compliance challenges, which could also help to revive the European securitisation markets and thus also bring benefits to the wider EU economy.

2. OPTION B QUESTIONS

2.1 General: Question 6 – Do you believe that the additional adjustments to the current framework proposed by Option B, such as restricting the use of ND options and including additional risk indicators (including climate-related indicators) are necessary? Do you support a revision of the technical standards accordingly? Please explain your answer, indicating whether you support these proposed adjustments and any reasons for your agreement and disagreement.

The existing reporting regime under SECR is already disproportionately burdensome. Option B, if implemented, will introduce additional complexities, the industry will face new regulatory compliance challenges, leading to more costs and administrative burden, which is likely to impact negatively on the development and growth of the EU securitisation market and thus will have negative impact for the wider economy.

Therefore, our members do **not** support the implementation of Option B.

2.2 Section 5.2: Questions 7 & 8

(a) Question 7 – Do you believe that a reduction of ND thresholds would materially improve the representation of data of securitisation reports? Please explain your answer.

No. While the quality of data reported is important, the justification of a need for any reduction of ND thresholds must be supported by sound and thorough market data and cost-benefit analysis. When discussing Option B, ESMA simply refers to some concerns about the overuse of ND options, particularly ND5, without providing any further evidence or explanation.

Further reduction of ND thresholds does not automatically mean that it will materially improve the data quality. There are legitimate reasons as to why in practice it is not possible to complete Article 7 templates without making the full use of ND options available (subject to, on public securitisations only, the application of the ESMA guidelines on tolerance thresholds).

As demonstrated in the detailed AFME response to the informal ESMA consultation on a field-by-field review of the reporting templates submitted in early 2023, we need more flexibility in the use of ND options (rather than less) in the existing templates, because a "one size fits all" approach does not work well in practice and certain fields may not be relevant at all, or there are good reasons why the information requested cannot be provided.

As noted in the AFME response of March 2020 to the ESMA consultation on the draft guidelines,[8] the calibration of the tolerance thresholds was

[8] https://www.esma.europa.eu/system/files/consultations/2020/05/esma_cp_on_data_completness_march_2020_final.pdf

developed in the absence of the comprehensive real-world data and was largely based on the ECB data, which was limited to certain type of asset classes that would have been historically eligible for the Eurosystem collateral framework and provided loan-level data using the ECB templates. Therefore, the original starting point for setting the tolerance thresholds standards for the public securitisation market left much to be desired. To amend this regime further by reducing the availability of ND options is likely to have a negative impact on the EU securitisation market, as it will:

- raise the barrier to entry for new originators even higher,
- reduce collateral available for securitisations, thus contributing to lower issuance volumes and difficulty with reaching critical portfolio sizes,
- potentially create compliance challenges on existing securitisations, and
- make it even harder for non-EU securitisations to complete the applicable EU reporting templates.

(b) Question 8 – Do you think that the advantages stemming from restricting the consistency thresholds and/or removal of ND options for specific fields, resulting in more accurate representation of data, would justify the heightened compliance costs for reporting entities?

To be able to fully comment on this question we would need more clarity around which fields are being specifically referred to here. We note that ESMA refers to restricting the use of ND options in certain "limited" number of fields and that it would represent "marginal change" to the existing regime. However, even what appears to be small changes may present compliance challenges in practice and it should not be underestimated the cost of implementing and adjusting internal systems to deal with what appears to be only a small change. Any reduction in ND options must also be done with third country originators and non-EU securitisations in mind, to the extent the templates in question are required to be used on non-EU transactions.

Therefore, heightened compliance costs that stem from reducing ND options can only be justified if this change is capable of being complied with in practice on relevant transactions by the sell-side parties and provided such changes are justifiable from the perspective of the cost-benefit analysis and there is a consensus in the market that such changes are beneficial, necessary and material from the perspective of investor due diligence and supervisory monitoring.

2.3 Section 5.3: Questions 9 & 10

(a) Question 9 – Do you believe that the proposal of enriching the Annexes with additional risk-sensitive indicators (presented in Section 5.3) is necessary?

ESMA consultation notes that Option B proposes the inclusion of the additional risk indicators "*with the aim of reducing reporting overlaps and thus the burden on reporting entities*". However, a few examples of various metrics set out in section 5.3 are unlikely to achieve this aim.

It is also unclear which overlap is meant here. ESMA specifically refers in this regard to the ECB/SSM reporting, but the ECB template does not provide for any additional fields for risk-sensitive indicators. If it is related to the additional information that credit rating agencies may require on rated transactions, it should be noted that not all securitisations are rated, that rating methodologies and rating models would vary between different credit rating agencies and that the SECR regime should not be focused on what credit rating agencies may require under their applicable methodologies and models, and should instead focus on what is material for investors (based on the investor feedback), what the sell-side can provide (taking into account the availability of such data, the costs involved in capturing it) and what is needed from the perspective of supervisors. At all times it is also imperative to ensure that careful cost-benefit analysis is carried out before any amendments that require more information to be reported are introduced.

(b) Question 10 – Do you believe that reporting entities would face challenges and/or significant costs if requested to report those additional indicators? If yes, please elaborate your answer.

Yes. Our members' feedback noted that increasing the reporting burden by introducing new fields on additional risks and environmental metrics will bring with it compliance challenges for many issuers, because some information is commercially sensitive and, in the case of ESG metrics in particular, because of the disparity of data, the issues with comparability of data and the lack of readily available information.

With regard to the reporting of schedules for individual loans, the PD and the LGD metrics, we agree with observations made in the IACPM response that payment schedules for individual loans is commercially sensitive information that is not useful for investors and that PDs and LGDs represent opinions and internal credit assessment models of the relevant bank, which is also commercially sensitive and is problematic for non-bank lenders as they will not assign PDs or LGDs. In addition, requiring reporting on the payment schedules for individual loans is excessively burdensome as it will be too data intensive, subject to ongoing updating (as the status is likely to change) and there is no evidence that the cost-benefit analysis would justify the introduction of such additional reporting burden.

With regard to climate risk metrics, we note the Opinion of the European Banking Authority (**EBA**) on green loans and mortgages (EBA/Op/2023/13) of December 2023 which sets out the findings of the EBA survey to which 82 institutions from 27 jurisdictions responded and which confirmed that current practices are highly fragmented. As a result, the EBA's

recommendation to the European Commission is to make certain legislative changes and to set up a common framework for green loans and a voluntary green loan label to address the lack of comparability and fragmentation in markets for green loans.

The Joint Associations therefore believe that the introduction of any new ESG metrics should be reflective of what is required to be collected at the origination of the assets so that such asset-level metrics naturally flow into the securitisation reporting rather than the securitisation reporting being ahead of what is required to be collected and recorded on the underlying assets, irrespective of whether or not such assets are securitised. As the EBA Opinion clearly demonstrated, the collection of such metrics is too fragmented and lacks comparability, which is why further legislative reforms and initiatives like the EBA's voluntary green loan label will play an important role, but these legislative changes and label initiatives need to be sufficiently mature before the disclosure of the relevant metrics is required to be reported under the SECR regime.

Some members also commented that, with regard to ESG, the focus should be first on ensuring that the data on energy performance and climate risks is publicly available and that potential GDPR concerns are addressed, before more of such data is required to be reported on securitisations. Furthermore, given the lack of standardisation and comparability when it comes to the energy performance certificates (EPC), in particular in the auto sector, the EPC metrics for auto assets can be misleading and unhelpful. Therefore, other options should be explored including the information already available on the public databases, such as the database "CO2 emissions from new passenger cars" of the European Environmental Agency.

In conclusion, it is also acknowledged that there is a general direction of travel for the provision of climate risk metric data. With this in mind, if any SECR reform intends to introduce climate risk indicators, ESMA should consider setting up a focus group with the industry in order to develop an understanding about the end goals for the provision of this data under the SECR regime and how it is best to address standardised climate metrics reporting in securitisations, taking into account other overlapping reporting requirements (such as the EU SFDR) that some (but not all) originators may already be subject to, as well as other legislative and label initiatives, such as those described in the EBA Opinion mentioned above.

See also our response to Question 11 below and the comments about the new voluntary ESG reporting template for certain STS securitisations.

2.4 Section 5.4: Questions 11 & 12

(a) Question 11 – Do you believe that the proposal of enriching the Annexes with climate risk indicators (presented in Section 5.4) is warranted?

As our members do not support the introduction of this Option B, in the short-term, we do not think that it is appropriate to amend the existing templates with climate risk indicators. As suggested in our response to Question 10 above, more work is needed if any standardised reporting for these metrics is to be introduced for all securitisations. In addition, it is worth to wait and see (and use the lessons learned from) the practical experience of the market with the implementation and adoption of the new voluntary ESG reporting template for securitisations backed by residential mortgages and auto loans/leases that are designated as traditional (non-ABCP) or on balance sheet (synthetic) securitisations. Following the publication on 5 March 2024 of the Commission-adopted text of the draft RTS prescribing such voluntary template-based reporting, this new regime is expected to be finalised and enter into force in the next two-three months. Three-four years after the introduction of this new voluntary reporting, it will be worth taking stock of its uptake by STS originators and how useful (or not) it proved to be in practice to investors. Only once such analysis is made, and other ESG legislative reforms and initiatives are at more advanced stages, does it make sense to make further ESG-related amendments to the SECR reporting regime.

(b) Question 12 – In addition to the list of advantages and challenges identified by ESMA in introducing the proposed sustainability indicators, do you believe additional advantages and challenges should be factored in?

The consultation paper already noted that this Option B will result in an increase in the compliance burden and will give rise to more costs. More specifically, it is worth to emphasise that this Option B will:

- not address the issues raised in the European Commission Article 46 Report of October 2022;[9]
- not address the supervisory needs;
- not provide a solution for more proportionate reporting on private securitisations; and
- not address the Article 5(1)(e) issue and the competitive disadvantage of the EU investors on third country securitisations. We note in this regard that in response to the industry request for further guidance on this, the Joint Committee of ESAs issued a letter on 12

[9] The European Commission acknowledged in that report that "*because of bespoke nature of private securitisation, investor in such transaction need more tailor-made information than the ESMA templates might be able to provide*" and that, from the perspective of third country securitisations, amendments to the reporting templates might "*help reduce the competitive disadvantage for EU institutional investors… because this will make it easier also for sell-side parties from third countries to provide the required information*".

October 2023 stating that "*it would be premature*" to provide further guidance on the compliance challenges on third country securitisations and that "*ESMA is considering what can be done in the absence of Level 1 changes in terms of reviewing the reporting templates*" and invited further collaboration with the industry.

2.5 Other Observations: Question 13 – Please insert here any general observations or comments that you would like to make on this CP, including how relevant the revision based on the above approach (Option B) may be to your own activities and potential impacts.

We do not support Option B and have no further comments.

3. OPTION C QUESTIONS

3.1 General: Question 14 – Do you agree with Option C as the preferred way forward (simplified template for private transactions, removal/streamlining of loan-level data for some asset classes, new template for trade receivables) for the revision of the disclosure templates?

Yes, we agree that this is a preferred option (relative to the other proposed options) and that it is more closely aligned with the assessment of the European Commission in its Article 46 Report of October 2022.

We agree that using the ECB/SSM template for simplified "private" securitisation reporting as a base is a good approach (see also our further comments below on this point).

As to the existing reporting templates that will continue to apply to "public" securitisations, it should be appreciated that the introduction of any changes, however small, will incur implementation costs and that the industry will need to be given sufficient time to put in place internal approvals (including budget approvals) that are needed to update existing processes and systems set up to facilitate regulatory reporting. Therefore, if any amendments were to be made at all under this Option C to the "public" reporting templates, the cost-benefit analysis should drive any such decision. If it is considered necessary to introduce some changes in the short-term, they should be very limited and targeted at removing some (easy to fix) burden of reporting on "public" securitisations. This, for example, could include (i) the introduction of more flexibility on the use of "ND" options; (ii) the deletion of certain unnecessary fields where, for example, the information is static and will not reflect the updated data as it will not be collected; (iii) the addition of guidance in certain fields that could facilitate anonymisation of information if there are confidentiality or data protection concerns; and (iv) the replacement of an LLD reporting template with a new aggregated data reporting template for certain asset classes, such as credit card receivables.

We would also caution in this regard against making too many and potentially more complex amendments because (i) it could complicate the practical implementation of the reform in terms of additional costs and administrative burden, and (ii) it is likely to slow down the process of the reform, which could then clash with the wider review of the SECR regime.

Our members also noted that additional costs are also often associated with the lack of clarity as to how the templates need to be completed and complex changes are likely to lead to more work needed to be done to ensure there are no ambiguous amendments. Just how unclear to date the industry has found the reporting templates is demonstrated by the ESMA's own 130+ page Q&A document that seeks, among other things, to clarify how to interpret various fields in the disclosure templates.

Finally, it should be noted that in early 2023, AFME and CREFC Europe provided detailed feedback to ESMA on the field-by-field review of the existing reporting

templates and that in the process of this more recent consultation some additional feedback has also been collected from our members. Therefore, we stand ready to assist ESMA further with identifying specific fields in the existing reporting templates where certain limited and very targeted improvements could be introduced as part of the implementation of Option C.

3.2 Section 6.2: Questions 15 -17

(a) Question 15 – Do you agree with the analysis and the inclusion of a new simplified template for private transactions that focuses mostly on supervisory needs?

Yes, we agree and fully support that a simplified private securitisation reporting template should be primarily aimed at the supervisory needs so that the transaction parties are free to agree the form and the content of any loan-level and investor reporting while ensuring that the reporting provided by the sell-side remain sufficient to enable investors to meet their initial and ongoing due diligence as required under Article 5 of the SECR.

If Option C is adopted, Article 7 templates for LLD and investor reporting will no longer be applicable on private securitisations. Instead, as was the case prior to the introduction of the SECR, the forms of investor reporting agreed to be provided on a deal-by-deal basis will be set out in the relevant transaction document. It is also worth reiterating a previous point here: for all private securitisations executed under the SECR regime, transaction documentation continues to define the form of investor reporting agreed between the parties, it is just that the Article 7 templates have to be produced in addition, despite not being used or helpful to investors. That is, the asset-level and transaction reporting will still be provided but without the constraints of the Article 7 templates and the relevant transaction documents will address this as well. Investors have access to the transaction documents essential to understand the deal (including the draft of such documents made available "pre-pricing") and, therefore, will be able to confirm what reporting (and how it) will be made available to them.

The simplified private securitisation reporting regime needs to be introduced to remove the burden and the costs of compliance with too prescriptive regulatory reporting templates which have limited use in practice (in this regard we also refer to our Question 4 answer above). Feedback received from investors confirms that, in many cases, investors find it more useful to receive more tailored private securitisation reporting as agreed and separately provided on a deal-by-deal basis, with some sectors developing common industry standards (please refer to our response to **Question 24** below for further details).

This change also needs to be introduced to harmonise the fragmented application by different supervisors of the notification requirements that enable such supervisors to have better visibility of private securitisations. As

there is no evidence that the supervisors themselves are relying on or using the Article 7 LLD and investor reporting, it should be sufficient, as in the case of the reporting template introduced by the ECB, to address the supervisors' needs by a simple, tailored template that describes the main features of the securitisation. The supervisors will be able to access all information and reporting made available to investors, because the simplified private securitisation reporting template will confirm where/how such Article 7 information is made available on each deal (by stating the address of the relevant secure website/data room, if one is used, or by confirming other manner adopted for the dissemination of Article 7 information). Therefore, for supervisors, it's a win because harmonised private securitisation reporting using a simplified reporting template will make the supervision of such transactions easier which will also facilitate the convergence of supervisory practices, where needed.

Finally, this change will remove disclosure bloat, will help investors to focus on more tailored and relevant information, will remove the need for the originators and the issuers to set up expensive internal systems or to engage third party agents to facilitate reporting that no one is using, which will drive efficiencies, will reduce administrative and other costs and will lower the bar to entry for sell- and buy-side, which will likely drive the growth of the securitisation market in Europe and will thus benefit the wider economy.

See also our additional comments and observations in **Question 24** below.

(b) Question 16 – Do you believe that ESMA should proceed with the review of the RTS based on this option and using the SSM notification template as a starting point? Please provide details in your answer.

Yes, we agree with this approach. In addition, for the purposes of introducing such private securitisation reporting template and amendments required to Article 7 RTS/ITS, we would also propose the reform under this Option C to address the following considerations:

- **No duplication of reporting:** to avoid duplicative reporting to the national competent authorities (**NCAs**) designated for the purposes of Article 7, no separate/different template should need to be completed by the relevant EU transaction parties; that is, this new SECR private template should supersede any existing NCA (including ECB/SSM) template for reporting private securitisations to the relevant supervisor.
- **Using dedicated email address for notifying NCAs:** because private securitisations are exempt from the SR reporting, the relevant NCAs (except for ECB/SSM that operates the Caspar platform) will set up a dedicated email address to which the relevant EU transaction parties can submit the completed template:
    - in this regard we note that the ESMA list of competent authorities designated for the purposes of the SECR regime could be further developed to include in the relevant section an email address dedicated to private securitisation reporting for each national supervisor designated for the purposes of Article 7 (with the Caspar platform being used by the significant institutions when reporting to ECB/SSM);
    - the NCAs will be notified in the template (as is the case in the ECB/SSM template already) about how/where the information made available for the purposes of Article 7 can be accessed – e.g. if a secure website/data room is used, the website address will be provided and the NCAs will be given access to it should it wish to monitor compliance with Article 7.
- **Timing**: the frequency of reporting will follow the same methodology as applied by the ECB/SSM, i.e.:
    - the initial template is to be completed within a certain period after closing (e.g. 15 days, as for STS notification, or within one month, as currently required by the ECB/SSM) and submitted to the relevant NCA's dedicated email address (or to the Caspar platform in the case of ECB/SSM); and
    - this template is to be re-submitted/updated, as appropriate, in the case of the significant events that introduce material

amendments, structural changes, etc. (i.e. Article 7(f) and/or (g), as applicable, is triggered).

- **Format**: because private securitisations are exempt from the SR reporting and the simplified private securitisation reporting template is aimed at supervisory needs, the format of this template should be different from other reporting templates – i.e. it should not be necessary to use XML format, so no amendments should be needed to the existing XML schema, validation rules and technical instructions, instead, **excel** format should be acceptable as is currently the case with the ECB/SSM. Creating this reporting as a **csv** file should also be permitted, as it gives more flexibility to the end users as this format works in different applications, including excel.

- **Optionality/adaptability of the template for different type of scenarios**: Given that the ECB/SSM template was designed only for reporting by the significant institutions, some adjustments and more flexibility will need to be introduced to this template to cater for a variety of scenarios, including where the only nexus to the SECR is the EU-established SSPE or where the reporting is done from the perspective of the EU institutional investor when investing in third country (non-EU) securitisations. The Joint Associations stand ready to provide ESMA with further input on possible amendments to the ECB/SSM template so that it is better suited for use in this wider context.

- **ABCP:** ABCP transaction consideration is another angle that would further support the need for introduction of a simplified private securitisation reporting template aimed at supervisory needs only. This is because ABCP transactions could give rise to dual (ABCP and non-ABCP) reporting burden where such ABCP transaction is funded via an ABCP conduit and on the bank's own balance sheet. The current format of the Article 7 regime suggest that a single originator of a private securitisation potentially has to complete underlying exposures under the ABCP template and the non-ABCP templates. Moreover, even when the position is not syndicated, there could be a scenario whereby the template which the reporting entity is required to use may change through the life of the securitisation. This can cause significant confusion for market participants, and excess burden in having to change IT systems to comply with a new disclosure template.

- **Interplay with the NPL Directive (Directive (EU) 2021/2167) reporting requirements:** the NPL Directive anticipates that in the case of securitisation transactions, where mandatory transparency templates are provided for, any double reporting as a result of the NPL Directive should be avoided. Amending the NPL Directive itself may not be possible, but this issue could be clarified via the EBA/ESMA Q&As confirming that, in the light of the SECR reforms, in the case of the transfer of an NPL portfolio by a seller in-scope of the NPL Directive via a "private"

securitisation, the NPL Directive reporting template is applicable, rather than the NPE reporting template (Annex X) prescribed under the SECR regime.

(c) Question 17 – Do you consider that a simplified template can be useful even though the operational way to submit the data is exempted from the mandatory reporting via the SRs?

We assume this question relates to the comments made by the national supervisors who stressed the importance of extending SR reporting to private securitisations and comments that "*usefulness of a dedicated template might be limited as the information's reliability is not asserted until it is centralised and validated by an SR*". In this regard we would note the following:

- The comments seem to suggest that without an SR validation the information provided may be seen as less reliable. However, the ECB/SSM template and supervisory templates introduced by some NCAs, such as the Dutch AFM, for example, do not require an SR validation and it is perfectly acceptable.

- We do not agree with these comments, and we do not consider that a simplified private securitisation reporting template is undermined and less useful because there is no SR reporting. See also our comments to Question 16 above which refer to considerations that would ensure that it is easy for the NCAs to receive and access all relevant information made available for the purposes of Article 7, once the simplified private securitisation template is submitted to them.

3.3 Section 6.3: Questions 18 & 19

(a) Question 18 – Do you believe that ESMA should proceed with the review of the RTS based on the proposal to deviate from loan-level data reporting for those asset classes which are highly granular, of short-term maturity or revolving pools? What are the potential benefits, challenges, or considerations that ESMA should consider if adopting this approach?

As a general comment, it would potentially be more helpful to assess this issue by reference to specific asset classes rather than by setting out general parameters by defining such concepts as what is considered "highly granular" or "short-term maturity" using, as ESMA notes, "*measurable terms to avoid ambiguity and to ensure consistent application*". In particular, if such general parameters are proposed to be adopted for the purposes of creating a single type of a template for aggregated data reporting for any asset class meeting such parameters, creating such a generic template that is workable and useful in practice may be challenging.

Credit card receivables: Yes, we have received consistent comments from the members supporting the move towards aggregated asset data reporting for credit card receivables and refer you in this regard to our earlier comments in Question 2 above and to **Appendix 3** where we included our previously submitted feedback on the field-by-field review of the reporting templates including the suggested new template for credit card receivables aggregated data reporting. Given the work already done by the industry on this, we would strongly support the introduction of such new template for credit card receivables in the short-term as part of the targeted amendments to the "public" reporting templates.

Trade receivables: Yes, our members support in general the introduction of the aggregated data reporting for trade receivables. In the course of this consultation, some members provided further input on the possible template for aggregated data reporting for this type of asset, which we can explore further with ESMA if Option C is taken forward. However, it should also be noted that securitisations of trade receivables would commonly be treated as "private" for the purposes of the SECR regime. Therefore, if the simplified private securitisation template is introduced under this Option C, there is arguably less urgency for developing this new template in this phase of reform that needs to be implemented in the short-term.

Auto loans/leases: There does not appear to be a consensus on this asset class. Therefore, in this phase of the reform, to avoid slowing down the introduction of the key changes, we would suggest putting on hold the introduction of aggregated data reporting for this asset class and to revisit this issue again as part of the wider review of the SECR later on.

(b) Question 19 – Are there any additional asset classes that should be further explored based on the proposal of deviating from the loan-level data reporting? Please list the relevant asset classes or annexes and explain why.

We have no comments on this at this stage.

3.4 Section 6.4: Questions 20 & 21

(a) Question 20 – Do you agree, in the context of option C, that ESMA should further explore the deletion of the current disclosure templates? Please provide details in your answer.

As per our previously submitted comments on the field-by-field review of the reporting templates, our members support the deletion of Annex X (NPE) and the deletion of Annex XIV (inside information/significant event reporting) and streamlining of the investor reporting under Annex XII.

Regarding the deletion of Annex X (NPE), the same consideration as what we raise in our comments to Question 16 apply. That is, the interplay between the NPE reporting under the NPL Directive and the SECR regime will need to

be addressed (e.g. via the EBA/ESMA Q&As) if Annex X is deleted. In addition, it should be noted that the trigger for the application of the NPE template being when over 50% of the pool is not performing creates issues in practice when the need to prepare this template arises on an *ad hoc* basis and the parties involved in facilitating the Article 7 template-based reporting have no means of obtaining some of the required information. Such *ad hoc* reporting during the life of the transaction should not be necessary, because when the assets become delinquent, go into default or are at risk of default, there will be generally established market practices for how any additional reporting on such assets is provided, which is tailored to a particular asset class or deal type. For example, in the context of CMBS, this will be covered by the special servicer reports, because such loans will be transferred into special servicing when certain contractually provided triggers are hit (note that such triggers will not be aligned with the accounting and CRR tests envisaged for the Annex X reporting, in fact, the relevant contractual triggers for special servicing may come into play ahead of the trigger to prepare Annex X being activated, which is much more protective and helpful to investors). As such, in this context, the need to prepare Annex X becomes a burdensome box-ticking exercise and offers little value to investors.

With regard to deletion of Annex XIV and streamlining Annex XII (and potentially incorporating into it some of the elements of Annex XIV reporting, as per our earlier comments on the field-by-field review consultation), this type of helpful for the industry change will need to be balanced against whether this additional work (that will require significant re-design of the existing investor reporting template, applicable xml schema and IT systems) could slow down the progress of finalising the introduction of the Option C reforms, which could bring forward sooner rather than later key improvements to more urgent issues faced by the industry (such as the introduction of the simplified private securitisation reporting regime). We have received some additional feedback from our members on the field-by-field review of these annexes and we will be happy to discuss this further with ESMA, once it is clear which option ESMA decides to take forward. See also our related comments on Option D in Question 33 below.

(b) Question 21 – Do you agree, in the context of option C, that ESMA should further explore the streamlining of the current disclosure templates? Please provide details in your answer.

We refer to our comments in Question 14 above and note again that, if any changes to the "public" reporting templates are to be introduced in the short-term, these should be limited and targeted amendments only that could assist further with removing some burden of reporting on "public" securitisations.

However, we would caution against making too many and potentially more complex amendments as it could complicate the practical implementation of the reform in terms of additional costs and administrative burden, and it is

likely to slow down the process of the interim reform, which could then clash with the wider review of the SECR regime.

3.5 Section 6.5: Questions 22 & 23

(a) Question 22 – Do you consider that a new template for non-ABCP trade receivables should be included and why? Please provide reasons for your answer.

Please see our trade receivables-related comments to **Question 18** above. Additional feedback from the members also noted that, based on experience to date, Annex IX (Esoteric) that is currently applicable for trade receivables, is not a suitable template for this asset class, as it is too complex and difficult to process by the end user, because there are too many irrelevant fields and because LLD reporting is too granular for this type of asset.

(b) Question 23 – Which additional template could be relevant for the reporting of other asset classes that are not currently covered in the framework? Please provide details in your answer.

No comments on this point at this stage.

3.6 Other Observations: Question 24 – Please provide any general observations or comments that you would like to make on this CP, including how the revision based on the above approach (Option C) may be relevant to your own activities, and any potential impacts.

Further to our earlier comments (and ESMA's acknowledgment) that investors do not use Article 7 templates that much in practice and our comments in Question 15 that a simplified private reporting template should only focus on supervisors' needs, we also wish to bring to your attention various industry standards and practices with regard to post-closing reporting on "private" securitisations that existed prior to and continue to be relevant in practice since the introduction of the SECR regime. That is, in the absence of the prescribed Article 7 loan-level and investor reporting templates, "private" securitisations will be providing such information following, where applicable, agreed industry standards or providing more bespoke and tailored reporting as agreed between the sell- and buy-side parties.

- **Private securitisations financed by European banks on bank balance sheet, including, more generally, on-balance sheet warehouse securitisations and other private asset-backed lending funded by European banks**: The first point to note about this type of securitisations is that it is all about the wider banking relationship, rather than issuer–investor relationship as is the case on public securitisations. Therefore, treating the bank lenders in this context in the same way you would treat an investor on the public markets who has **no** ongoing access to the management of the originator, is simply not appropriate. Banks playing this sort of "investor" role have close contact with the originators, regular

dialogue with management, access to detailed information and often have a wealth of historical information built up over years of providing the same client with a variety of financial products and services. The due diligence of banks is driven by the overarching principle of getting all the necessary information to be comfortable on making a credit decision. The due diligence process generally include meeting the originator clients including detailed questioning of their underwriting and collection policies and processes. Given the wealth of information received from this due diligence, requiring detailed (and often irrelevant) templated information in addition is therefore mainly just a barrier to allowing the bank(s) in question to provide more efficient, asset-backed financing to their clients than might otherwise be available on the client's own credit.

The second point to note is that the due diligence performed by banks on private securitisations is done in the framework of the overall banks' governance and controls for their own credit underwriting. This involves oversight from senior management for overall credit appetite, credit approval procedures and committee processes involving second line of defence and audits by third line of defence. This process is highly regulated and supervised by national competent authorities and the ECB for banks supervised under the SSM.

The third point is that in private securitisation, banks have the ability to structure the transaction to include additional protections compared to public transactions. For instance, banks generally only fund assets that are eligible and comply with concentration limits on a dynamic basis, i.e. "borrowing base approach". As such the underlying assets that become defaulted or in excess of concentration limits are identified dynamically on a monthly basis and not funded by banks the following month. This makes such private transactions more akin to covered bonds with a first recourse on the originator to fund non-eligible assets every month.

Therefore, reporting on this type of private securitisations is always tailored and is aimed not merely for the purposes of monitoring the credit performance of the transaction but for the purposes of *active* determination of the borrowing base/utilisation of the transaction. It therefore requires specific information and dynamic calculations that are not part of the Article 7 templates. We will be happy to demonstrate to ESMA some transaction-specific examples of the tailored reporting that is provided for these types of private securitisations.

- **On balance sheet (synthetic)/significant risk transfer (SRT) securitisations**: First of all, it should be remembered that external investors in synthetic securitisations will almost always be junior or mezzanine specialised investors who will have significant commercial leverage to insist on receiving the information they consider to be relevant for risk evaluation and due diligence analysis. The due diligence on this type of transactions is a process that typically takes place over

many months and involves investors working closely with originators to understand their business in great detail in order to ascertain the originators' risk drivers so that the investor can determine the best way to underwrite the risk of the securitisation (and we note that EIB/EIF adopt the same approach on this type of private securitisation). Please refer to **Part 1** of **Appendix 3** for an illustrative timeline, which sets out a typical disclosure process. Therefore, as investors will necessarily be sophisticated entities involved in meaningful negotiations with the sell side, they will be able to ensure they are receiving disclosure and deal reporting tailored precisely to what they require in order to make an informed initial investment decision and to monitor their investment on an ongoing basis. This is also the reason why investors in synthetic securitisations do not make use at all of Article 7 templates. We also agree with observations and comments made on this type of securitisations in the IACPM response.

- **European and U.S. managed CLOs**: There is an established market practice to prepare monthly and quarterly deal reports, produced by the deal's trustee and agent teams, and CLO investors these days also specifically require CLO contractual documentation to permit the disclosure of these reports and to make such reports available on subscription-based online reporting services such as Bloomberg, Intex, Creditflux (e.g. see https://cloi.creditflux.com/TrusteeReports) etc., thus increasing further the openness and availability of deal reporting and performance disclosure. Please note that these online reporting services provide a powerful tool to investors and other stakeholders as they make information available in a standardised format by using data from the CLO reports, but then present it in a way that makes it easy to analyse. It may be helpful, therefore, for ESMA to receive a demonstration of these platforms and we stand ready to assist ESMA with this.

  Please also note that CLO monthly and quarterly reports differ vastly from the Article 7 template reports in form, substance, flexibility and utility for investors, for instance: (i) their contents are dynamic, updating from deal to deal to reflect new pressure points and points of interest for investors in a way that a regulatorily-prescribed report template never could (to the extent that individual investors frequently request specific additional information to be added to these reports on any individual transaction); (ii) they achieve the right balance between aggregate portfolio reporting (for instance, in respect of the numerous ratings agency collateral quality tests embedded in a CLO) and granular individual-asset reporting (for instance, where a particular credit is distressed or a specific event has occurred); and (iii) their form (consisting of a PDF document containing tables of information relating to specific CLO portfolio-wide analysis, graphs etc. and the ability to access the standardised data analysis through subscription-based online platforms as mentioned above) is what investors actually want to, or rather – demand to, see in order for them to evaluate their investments. We also refer ESMA to **Part 2** of

Appendix 3 for transaction-specific examples of this type of CLO reports and, as mentioned above, invite ESMA to receive a further demonstration of the specific online tools that facilitate standardised deal analysis.

- **European and U.S. CMBS and CRE CLO**: It is common practice in CMBS for investors to rely on the tailored investor reporting by specialist loan servicers (including special servicing reports on loans at risk of default or in default). CREFC Europe worked with the industry in the aftermath of the Global Financial Crisis to develop the market principles for issuing European CMBS 2.0, including recommendations for post-issuance disclosure and reporting (see https://www.crefceurope.org/resources/market-principles-for-issuing-cmbs-2-0). The Commercial Real Estate Finance Council Investor Reporting Package (**CREFC IRP**) is a well-established industry standard developed for the U.S. CMBS and CRE CLO market and is available at: https://www.crefc.org/irp. The European version of the investor reporting package (**E-IRP**) was also developed, for further details see https://www.crefceurope.org/pages/cmbs and https://www.crefceurope.org/resources/cmsa-europe-e-irp-v2-0-exposure-draft. There are also special service providers in the European CMBS market that facilitate investor reporting and make relevant information available on their websites (see, for example, the website of Mount Street at: https://mountstreet.com/investor-reporting/).

- **U.S. SEC-registered ABS**: The Regulation AB regime applies to U.S. SEC-registered ABS provides for very prescriptive disclosure and reporting requirements (both at the time of the offering and on an ongoing basis), including the provision of asset-level information for certain asset classes, including residential and commercial mortgages, auto loans and leases. Such asset-level disclosure requirements are set out in paragraph (h) "Asset-level information" of § 229.1111 (Item 1111) Pool assets and the corresponding list of items that must be reported is set out in § 229.1125 (Item 1125) Schedule AL—Asset-level information. The corresponding rules also prescribe the format and manner in which such reporting must be provided (for example, the disclosures are required to be filed as an "asset data file", as defined, in the format required by the EDGAR File Manual and be also filed as an exhibit to the prescribed ABS form).

- **Australian RMBS, CMBS, ABS:** Reporting templates prescribed by the Reserve Bank of Australia (**RBA**) under its collateral framework are commonly used as the market standard and the RBA templates are available at: https://www.rba.gov.au/securitisations/system/support-material.html#rmbs-excel-data-submission-template.

In conclusion, we want to emphasise that private securitisations are an important source of funding for the real economy, as the fifth edition of the European Benchmarking Exercise for

Private Securitisations of 11 March 2024[10] (which is a market-led initiative organised by AFME, EDW and TSI) clearly demonstrates. This report is produced using data provided on a voluntary basis by 12 banks across 6 countries (Austria, France, Germany, Italy, Netherlands, the UK). While this report does not cover the entire private securitisation market in Europe, the idea behind this exercise is to enhance visibility of this market and to reassure supervisors by showing the willingness of the relevant stakeholders to voluntarily share the data they receive. If Option C is introduced, as noted above already, it's a win for supervisors because harmonised private securitisation reporting using a simplified reporting template will make the supervision of such transactions easier which will also facilitate the convergence of supervisory and monitoring practices.

[10]https://www.afme.eu/publications/reports/details/european-benchmarking-exercise-for-private-securitisations--updated-report-h1-2023

4. OPTION D QUESTIONS

4.1 General: Question 25 – Do you agree with Option D (a comprehensive review of the disclosure framework) as the preferred way forward for the revision of the disclosure templates?

Option D, which prioritises the usefulness of information for the holders of securitisation positions and introduces more flexibility for the completion of the templates, should have been perhaps the base used in the first place for the development of Article 7 templates.

However, given that the existing Article 7 regime is very different from Option D (so the implementation of this option will be a very time-consuming exercise which is likely to clash with the wider review of the SECR regime) and given that, as already noted in our earlier comments, the industry needs at this stage real short-term solutions to address certain immediate compliance challenges, we do **not** think that now is the time for the comprehensive review of the Article 7 templates. Instead, the reform should in the first instance focus on implementing Option C (i.e. the introduction of the simplified private securitisation reporting regime and certain limited and targeted amendments to the existing public reporting templates).

At a later stage (and as part of the wider review of the SECR regime), we do agree that aspects of Option D should be considered and incorporated into the next review of the Article 7 templates in order to streamline and to make the mandatory templates more useful in practice, taking stock of the market experiences with the simplified private reporting regime and targeted amendments made to the public reporting templates under interim (Option C) reforms.

4.2 Section 7.2: Questions 26-28

(a) Question 26 – Do you think that it would be possible to achieve a level of simplification and standardisation within fields, across multiple templates, without having an impact on the overall risk analysis of the transaction? Please explain the rationale behind your answer.

Yes, it could, in principle, be possible, although unlikely to work perfectly for all segments of the very diverse securitisation market removing completely the need for more tailored reporting.

There is also an issue of the market experience with the simplified private securitisation notification regime. If it is introduced under Option C as an interim reform, further comprehensive review of Article 7 templates should focus on streamlining public reporting templates only rather than introducing, yet again, mandatory LLD and investor reporting templates for private securitisations. There is also an open question of whether the wider review of the SECR regime proposes any reforms on recalibration of the definition of "public" securitisation, which would give rise to other considerations regarding mandatory reporting requirements.

(b) **Question 27 – Do you think that the overall usability would improve with simplified and standardised templates? Please explain the rationale behind your answer.**

Yes, we agree that streamlined and simplified templates could assist with overall usability.

In this regard we also refer to our earlier comments in **Question 3** where we noted that the SECR reporting regime should also be compared with a much more streamlined and industry-driven standard for cover pool and investor reporting under the Harmonised Transparency Template (HTT) developed for use on covered bonds with the Covered Bond Label of the ECBC.

(c) **Question 28 – Do you agree with the approach proposed by Option D, to create a set of templates based on the characteristics and nature of underlying assets rather than the categorisation of the securitisation transaction (i.e., public, or private, true sale or synthetic)?**

There is potentially a number of different approaches to consider here. Distinction by characteristics and nature of the underlying assets is not always what will drive the information that investors need to receive. The level of due diligence and information disclosure is also dependent upon the risk of the particular investment and the tranche the investor is investing in. However, as suggested above, the implementation of Option D will require a fair amount of work and we would recommend for the industry and ESMA to form a focus group to kick off the work on the best approach to the comprehensive review of Article 7 templates, which the European Commission can take into consideration when preparing its next Article 46 report on the wider review of the SECR regime.

4.3 Section 7.3: Questions 29 & 30

(a) **Question 29 – Do you believe that ESMA should proceed with the review of the RTS based on the proposal to deviate from loan-level data disclosure for those asset classes which are highly granular, of short-term maturity or revolving pools? What are the potential benefits, challenges, or considerations that ESMA should consider if adopting this approach?**

Yes, we agree that it is appropriate to move away from LLD reporting for certain asset classes, such as credit cards and trade receivables and refer in this regard to our earlier comments in Questions 2 and 18 above.

(b) **Question 30 – Are there any additional asset classes that should be further explored based on the proposal of deviating from the loan-level data reporting? Please list the relevant asset classes or annexes explain why.**

No comments on this point at this stage.

4.4 Section 7.4: Questions 31 & 32

(a) Question 31 – What are your views on the proposal to transition from the current 'no-data' options to a framework based on 'mandatory', 'conditional mandatory' and 'optional' fields for securitisation transactions?

As at this stage the priority should be given to the implementation of Option C, it is best to revisit this alternative approach as part of the wider review of the SECR regime later on and to assess the need for any such changes in the light of the market experience with the simplified private securitisation reporting regime. Introducing this alternative approach will require a major overhaul of the existing regime and careful analysis of all fields for their suitability for different level of completion as well as the development of the appropriate guidance that is easy to understand and that is workable in practice. We are happy, of course, to engage with ESMA on more specific proposals in due course, but we cannot comment further on this at this stage.

(b) Question 32 – Do you think that this transition be of added value to the securitisation framework? What challenges or concerns, if any, do you anticipate with the introduction of 'mandatory,' 'optional,' and 'conditionally mandatory' fields? Are there specific considerations related to data availability, feasibility, or implementation that should be considered?

Please see our comment to Question 31 above. We have no further comments at this stage.

4.5 Other Observations: Question 33 – Please provide any general observations or comments that you would like to make on this CP, including how the revision, based on the above approach (Option D) may be relevant to your own activities and any potential impacts.

(a) ***Removal of inside information/significant event reporting under Annex XIV and streamlining of investor reporting under Annex XII***:

The reporting of significant event and/or inside information should **not** be required using a prescribed regulatory template. Notification of such event-/change-driven information is best to be dealt with in the form of an investor notice or, where relevant, a market announcement. Annex XIV as currently designed is not fit for purpose:

- it can be problematic to complete it quickly in practice when disclosure must be made "without delay", because the completion of this template requires a coordination between multiple transaction parties;

- some of its fields (for example, those in tranche/bond and account-level information sections) belong in the Annex XII

investor report rather than in a report intended to deal with event-driven reporting;

- it creates an unnecessary burden and duplication when the securitisation may already have made a market announcement in compliance with other applicable listing and/or disclosure regimes such as disclosure of inside information under the EU Market Abuse Regulation, the disclosure of significant new factor, material mistake or inaccuracy via a prospectus supplement under the EU Prospectus Regulation, or certain other continuing disclosure obligations that apply under the EU Transparency Directive that would require regulatory announcement in the case of certain material changes. On unlisted transactions, it is normal market practice (predating the introduction of SECR) to issue investor notices about significant events and material changes. Therefore, it should be sufficient for Article 7 purposes to make available such market announcement/investor notice alongside other Article 7 information as Annex XIV template adds little or no value, but does gives rise to additional costs and administrative burden; and

- it should not be required that Annex XIV template is submitted as a single file with Annex XII, thus triggering Annex XIV reporting each reporting period. This is because reporting of inside information and significant events should be limited to ad hoc reporting when such event-driven disclosure is appropriate. Therefore, xml schema, Recital 11 of the Article RTS and the corresponding ESMA Q&As should be amended.

We also refer in this regard to the earlier industry feedback on the field-by-field review, which is included in **Appendix 3**.

(b) Securitisation repository framework

For public securitisations, when reporting via a securitisation repository, it is impractical to have one reporting entity responsible for uploading the completed templates when such reporting entity has had no part in creating the relevant files and will not be able to troubleshoot in the event of load failure, which can create significant delays in practice. While it may be possible under the securitisation repository servicing agreement to designate other transaction parties as additional data providers, the legislative framework itself is not sufficiently clear on this point. Therefore, our members' suggestion is to clarify the framework so that a more streamlined file load process is anticipated where the loan file can be inputted separately and loaded by the relevant transaction party, such as the servicer or the originator, as required. That is, we need a more streamlined process that stops delays owing to a reporting entity post box being a "middleman" between the report creator and the securitisation repository.

APPENDIX 2

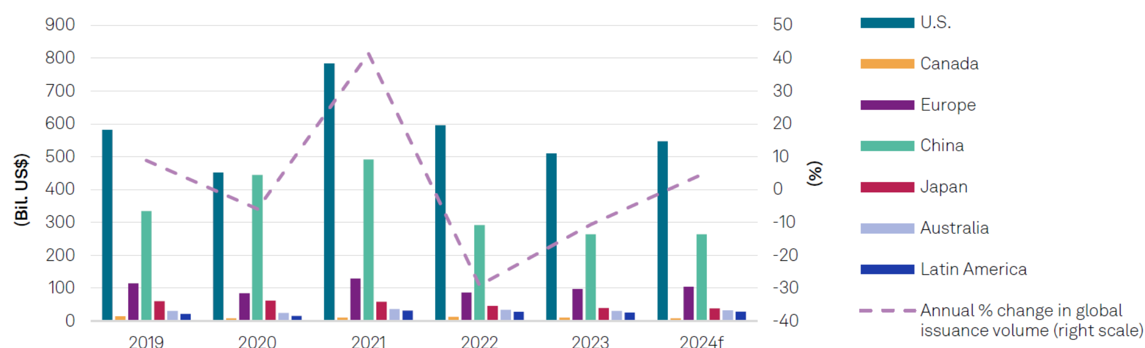
SECURITISATION MARKETS – A GLOBAL PICTURE[11]

- Market research from the **S&P Global Ratings "Global Structured Finance 2024 Outlook"** report of 10 January 2024

Approximate global structured finance new issue volumes(i)

Bil. US$(ii)	2018	2019	2020	2021	2022	2023	2024f
U.S.	540	582	452	784	596	510	547
Canada	18	15	9	11	13	11	9
Europe	123	115	85	130	87	98	104
China	292	335	444	492	292	264	264
Japan	55	61	62	59	46	40	39
Australia	23	31	25	37	34	31	33
Latin America	15	22	16	32	28	26	29
Global total	**1,066**	**1,161**	**1,093**	**1,545**	**1,096**	**980**	**1,025**

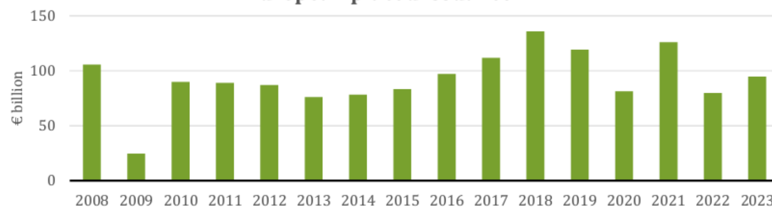
(i)We reserve the right to periodically revise these estimates retroactively as new information becomes available. Covered bonds, agency RMBS/CMBS, ABCP, TOBs, CRE CLOs, and CLO refinancings and resets are excluded from new issue totals. The issuance figures shown are rounded. (ii)With the exception of Australia and Latin America, exchange rates as of each year-end. 2024f exchange rates are as of 2023 year end. f--Forecast. RMBS--Residential mortgage-backed securities. CMBS--Commercial mortgage-backed securities. ABCP--Assetbacked commercial paper. TOB--Tender option bond. CRE CLO--Commercial real estate CLO. CLO--Collateralized loan obligation. Sources: S&P Global Ratings, Bloomberg, Green Street.



f--Forecast. Sources: S&P Global Ratings, Bloomberg, Green Street.

- Market research from the **AFME Securitisation Report: Q4 2023 and 2023 Full Year**

[11] Note that the European data in the charts presented in this Annex includes the UK securitisation market and that certain types of securitisations may be excluded from new issue totals, please refer to the corresponding footnotes and the full reports for further details.



Values in EUR bn	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
European placed	105.5	24.7	89.8	88.9	87.0	75.9	78.2	83.2	97.1	111.7	135.7	119.2	81.8	126.0	79.7	94.6
European retained	713.2	399.3	288.1	287.9	170.9	104.8	138.8	133.5	142.4	124.4	133.1	101.7	116.4	107.1	123.6	118.5
European retention (%)	87%	94%	76%	76%	66%	58%	64%	62%	59%	53%	50%	46%	58%	46%	61%	56%
Total European	**818.7**	**423.9**	**378.0**	**376.8**	**257.8**	**180.8**	**217.0**	**216.6**	**239.5**	**236.0**	**268.8**	**220.9**	**194.7**	**233.1**	**203.3**	**213.1**
Total US [4]	**967**	**1447**	**1246**	**1069**	**1609**	**1565**	**1191**	**1745**	**1860**	**1899**	**1670**	**1953**	**3350**	**3891**	**2049**	**1525**

Sources: Bloomberg, Citigroup, Dealogic, Deutsche Bank, JP Morgan, Bank of America, NatWest Markets, Thomson Reuters, UniCredit, AFME & SIFMA

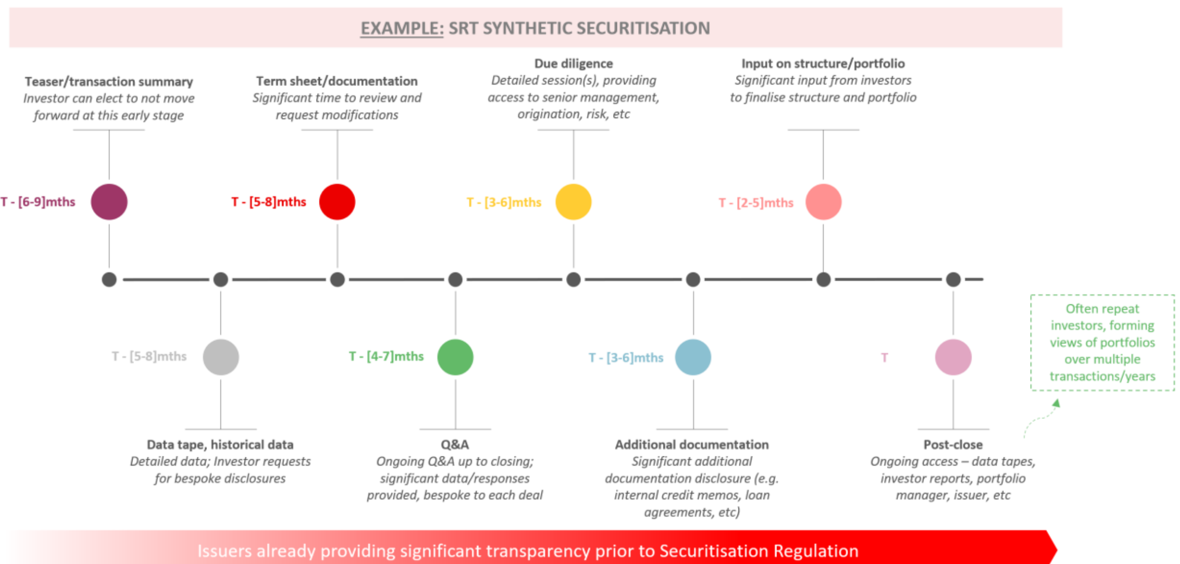
Notes: (1) European volumes prior to 2020 include transactions from all countries in the European continent, including Russia, Iceland, Turkey and Kazakhstan, whereafter. European volumes include CLOs and CDOs denominated in all European currencies. (2) Volumes have been subject to periodical revision according to the available updated information. (3) For 2023 Q4, European issuance volumes (ex-CLOs) are sourced from JP Morgan, with CLO issuance volume data sourced from Bank of America. (4) Due to ongoing revisions to the data, most recent quarterly issuance data volumes (1Q23-4Q23) concerning the US non-agency RMBS, CMBS and CDO categories likely to be revised upwards in coming quarters. Total US issuance volumes are rounded to the nearest EUR billion due to formatting of table.

APPENDIX 3

EXAMPLES OF EXISTING INVESTOR REPORTING STANDARDS AND PRACTICES IN SECURITISATION MARKETS TO SUPPLEMENT COMMENTS IN QUESTION 24

PART 1

ON BALANCE SHEET (SYNTHETIC) SRT SECURITISATION



PART 2

EUROPEAN AND U.S. CLOS

Please see below illustrative examples of reporting produced on European and U.S. managed CLOs. As noted in Question 24, the Joint Associations would also like to invite ESMA for a follow up demonstration of various online platforms (eg Creditflux, Intex) that further package such reporting into easy to analyse online tools.

TR_ICG_Euro_CLO_2022_1_2024_01_16.P

TR_Albacore_Euro_III_2024_01_16.PDF

TR_ICG_US_CLO_2016_1_Ltd_2024_01_1

TR_Clontarf_Park_CLO_2024_01_24.PDF

APPENDIX 4

DESCRIPTION OF THE JOINT ASSOCIATIONS

The **Association for Financial Markets in Europe** (**AFME**) is the voice of Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. With **170 members** in total, we represent the leading global and European banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME's members are the lead underwriters of 89% of European corporate and sovereign debt, and 79% of European listed equity capital issuances. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is listed on the EU Register of Interest Representatives, registration number 6511006398676.

Insurance Europe is the European insurance and reinsurance federation. Through its **37 member bodies — the national insurance associations —** it represents all types and sizes of insurance and reinsurance undertakings. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers pay out over €1000bn annually — or €2.8bn a day — in claims, directly employ more than 920.000 people and invest over €10.6trn in the economy.

The **Alternative Investment Management Association (AIMA)** is the global representative of the alternative investment industry, with around **2,100 corporate members** in over 60 countries. AIMA's fund manager members collectively manage more than US$3 trillion in hedge fund and private credit assets. AIMA draws upon the expertise and diversity of its membership to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes and sound practice guides. AIMA works to raise media and public awareness of the value of the industry. AIMA set up the Alternative Credit Council (ACC) to help firms focused in the private credit and direct lending space. The ACC currently represents over 250 members that manage over US$1 trillion of private credit assets globally. AIMA is committed to developing skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors).

The **Alternative Credit Council (ACC)** is a global body that represents asset management firms in the private credit and direct lending space. It currently represents **250 members** that manage over $1 trillion of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset

management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.

The **Australian Securitisation Forum (ASF)** is the peak body representing the securitisation industry in Australia and New Zealand. The ASF's role is to promote the development of securitisation in Australia and New Zealand by facilitating the formation of industry positions on policy and market matters, representing the industry to local and global policymakers and regulators and advancing the professional standards of the industry through education and local and international market outreach opportunities. The ASF is comprised of a governing National Committee, standing subcommittees and a national membership of **over 190 organisations**.

The **Commercial Real Estate Finance Council (CREFC) Europe** is the industry association representing commercial real estate (CRE) finance markets in Europe (our sister organisation in the United States is CREFC). Our membership comprises some **170 firms**, including banks and non-bank lenders, debt investors, rating agencies, loan servicers, lawyers and other advisers, as well as real estate firms that use debt to fund their activities. We promote well-functioning, responsible and sustainable markets that are appropriately transparent and liquid, serving both institutions investing capital (their own or on behalf of others) and CRE businesses (large or small) borrowing to finance their investments, without unduly threatening financial stability. We do not favour any particular product, lender category or strategy, because we believe diversity makes markets more resilient. EU Transparency Register ID 050415314994-69.

The **International Capital Market Association** (**ICMA**) promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. It is a not-for-profit membership association with offices in Zurich, London, Paris, Brussels and Hong Kong, serving around **620 member firms in 67 jurisdictions**. Among its members are private and official sector issuers, banks, broker-dealers, asset managers, pension funds, insurance companies, market infrastructure providers, central banks and law firms. It provides industry-driven standards and recommendations, prioritising four core fixed income market areas: primary, secondary, repo and collateral as well as the cross-cutting themes of sustainable finance and fintech & digitalisation. ICMA works with regulatory and governmental authorities, helping to ensure that financial regulation supports stable and efficient capital markets.

Since 1985, the **International Swaps and Derivatives Association** (**ISDA**) has worked to make the global derivatives markets safer and more efficient. Today, ISDA has **over 1,000 member institutions from 77 countries**. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on Twitter, LinkedIn, Facebook and YouTube.

True Sale International GmbH (TSI) has been established in 2004 by leading banks with the purpose to support the development of the securitisation markets in Germany and Europe, its regulation and the further development of its legal framework. Through training courses, specialist conferences and the annual TSI Congress, we contribute together with our **over 70 partner institutions** to the information, education and qualification of market participants as well as representatives from central banks, supervisors, governments and parliaments in Germany and Europe and contribute to an open exchange between these parties. Key segments of the European markets are covered, especially public true sale securitisations, synthetic balance sheet securitisations as well as ABCP and other private non-ABCP securitisations. For further details please see https://www.true-sale-international.com/

The **German Banking Industry Committee (GBIC)** is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent approximately **1,700 banks**.

The **Securities Industry and Financial Markets Association (SIFMA)** is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. We currently have **352 members**. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development.