



EUROPEAN CENTRAL BANK

EUROSYSTEM

# ECB staff response to the ESMA consultation paper on the securitisation disclosure templates under Article 7 of the Securitisation Regulation

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# 1 General remarks

**The availability of loan-level data (LLD) for asset-backed securities (ABSs) is key to improving investment decisions and performing proper risk evaluation, especially due-diligence analyses.** Prudent and diligent analysis of the risks associated with a securitisation transaction is critically dependent on access to relevant information. The more granular information is available, the more thorough an analysis can be performed. The opacity of some ABSs issued before 2007-09 is often considered to have contributed to an under-appreciation of the risks of these ABSs, and resulted in excessively optimistic credit assessments in the lead-up to the great financial crisis. Limited disclosure of the details of securitisation products and their underlying assets made it difficult for investors to understand such complex products. This encouraged overreliance on credit ratings, which can effectively be seen as investors outsourcing their due diligence to credit rating agencies or other agents. This overreliance on ratings came about partly because investors lacked comprehensive and easily available data that would have enabled them to perform reliable, independent in-house credit-risk analyses.

**ABSs are an important source of collateral for Eurosystem counterparties in terms of monetary policy operations, and certain types of ABS were purchased by the Eurosystem under the ABS purchase programme (ABSPP).** For ABSs to comply with Eurosystem collateral eligibility criteria, LLD must be submitted, in line with the templates developed by the European Securities and Markets Authority (ESMA), to an ESMA-registered securitisation repository.<sup>1</sup> Asset-level information enables more accurate evaluation of potential risks and of the future performance of the underlying assets, thereby improving the accuracy of ABS valuations. [The Eurosystem's initiative to introduce LLD reporting requirements](#) played a significant role in post-crisis efforts to reform and revive ABS markets by supporting a higher degree of transparency and improving market functioning after the crisis. When LLD requirements were introduced to the Eurosystem collateral framework in 2010, they had three objectives:

- i) to help develop transparency in the ABS market;
- ii) to make loan-by-loan information available and accessible to market participants on an ongoing basis;
- iii) to facilitate the risk assessment of ABSs as collateral used by Eurosystem counterparties in monetary policy operations.

**The Securitisation Regulation (SECR)<sup>2</sup> incorporated LLD requirements and also extended to other areas of information, e.g. standardised investor reporting.<sup>3</sup>** The current arrangement, with four sets of templates, captures the principal areas of any

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<sup>1</sup> <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210628~ab8aa2e3e1.en.html>

<sup>2</sup> Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (OJ L 347, 28.12.2017, p. 35).

<sup>3</sup> Article 7 of the SECR establishes minimum disclosure requirements for all securitisations issued in the EU, i.e. applicable, without content distinction, to both STS and non-STS securitisations, and those that are public and private.

transaction.<sup>4</sup> Building on asset-level and tranche-level data was the natural next step in strengthening the efforts initiated by the establishment of the ECB's LLD initiative to increase transparency.

**The ECB strongly supports any initiatives aiming to enhance the quality and availability of data submissions.** While the current ESMA consultation focuses on the importance of streamlining the set of data templates, it is important to highlight that a lack of granular and high-quality data inhibits the quality and depth of analyses or valuations. The ECB has noticed with concern that the data quality submitted in designated repositories has plateaued since late 2021, and that the overall level of data quality is not satisfactory. Specifically, a large number of fields – including those intended to capture basic information on loans – are inadequately reported as “no data” (ND) and “other” or filled with highly unlikely values or values that lead to inconsistencies across fields. For this reason, the ECB warmly supports any steps undertaken, either by ESMA, the European Commission or market players, to enhance the quality of the data submitted. This might also include changes to the regulatory framework to enable ESMA to effectively enforce data quality. Without complete, high-quality data, any information disclosed ultimately lose its usefulness. Here, it is important to note that there is a fine balance to be maintained between flexibility, for example to allow for ND options when data may not available, and sufficient data quality, i.e. avoiding excessive use of ND options, and neither should come at the cost of the other.

**The ECB welcomes the inclusion of additional risk indicators related to climate change that can support EU efforts to improve sustainability disclosures.** Climate change data are essential if investors, policymakers and all stakeholders are to properly understand, measure, and manage financial risks related to sustainability. These data are currently scarcely available, which makes a rigorous and adequate assessment of climate-related risks in this context almost impossible. Introducing a minimum number of data metrics, corresponding to those used in other EU legal acts, would enable a more rigorous assessment of the associated climate-related risks without unduly burdening the reporting agents or requiring unreasonable efforts to capture the necessary data.

**Access to climate-related data at a granular level is necessary for adequately assessing the increasing transition and physical risks related to the climate.** This was communicated in March 2023 via [a joint statement by the ECB and the European Supervisory Authorities](#). Better climate-related data reporting would provide basic information on the impact of, and the exposure to, risks arising from climate change. Such disclosures would also foster a level playing field in terms of transparency across all asset classes, as neither the EU taxonomy for sustainable activities<sup>5</sup> nor the Sustainable Finance Disclosures Regulation (SFDR)<sup>6</sup> apply to securitisations. Given

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<sup>4</sup> As follows: (i) The underlying exposure templates, containing loan-by-loan information; (ii) the investor report template, which considers information on the securitisation's related triggers and cash-flow information; (iii) the significant event template, which includes information on any change of the securitisation's structural features, risk characteristics or underlying exposures that can materially impact the securitisation's performance, and encompasses detailed information at tranche, counterparty and account level; and (iv) the inside information template, which captures information on the originator, sponsor or Special Purpose Entity.

<sup>5</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance) (OJ L 198, 22.6.2020, p. 13).

<sup>6</sup> Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Text with EEA relevance) (OJ L 317, 9.12.2019, p. 1).

that some types of underlying assets contribute to a non-negligible extent to greenhouse gas emissions in Europe – as is the case with real estate or car loans for example – transparency via climate-related disclosures would also be an important step towards reaching the EU's Paris Agreement goals for reducing emissions.

**While streamlining the overall reporting burden is important, it should not preclude mandatory reporting of the most important key metrics necessary for assessing the relevant financial and climate-related risks and valuations of ABSs.**

As suggested in Option C, the ECB would not be opposed to reducing the total number of reporting fields by removing those that are potentially unnecessary. Such a reduction would need to aim at concentrating the focus on the key mandatory fields necessary for analysis, i.e. where data quality is absolutely required. Fields deemed to be of secondary importance could be dropped. The proposal, in Option D, for undertaking a complete and thorough review of the disclosure framework would have to take into account lessons learnt from previous instances. Introducing simplified templates across all asset classes (paragraph 180) would constitute a new and ambitious project, the costs of which should be carefully assessed in the light of the fact that:

- (i) the existing templates were only implemented three years ago;
- (ii) it takes several years for relevant entities to implement the requirements laid down by the SECR;
- (iii) the current design fulfils the requirements stipulated in Article 5 of the SECR.

**From a banking supervision perspective, with regard to Articles 6 to 8 of the SECR, the ECB needs reliable, relevant data in order to properly supervise significant institutions when these institutions are the originators or sponsors of securitisation transactions.**

In these cases, supervision is carried out ex post based on the notifications that significant institutions send to the ECB in accordance with the [guide on the notification of securitisation transactions](#). So the ECB needs access to information on the main characteristics of the underlying exposures (e.g. maturity date, origination date, geographical and currency exposures, eligibility criteria) as well as on the structure of the securitisation transaction (e.g. waterfall structure, cash-flow information, pool characteristics). The information gaps between the existing ECB notification template and the current ESMA templates need to be addressed for the ECB to be able to ensure it can carry out its supervisory activities as effectively as possible. If future ESMA disclosure templates were to cover all necessary fields for efficient supervision, ECB Banking Supervision would be able to rely entirely on the ESMA templates and phase out its own notification template.

**In addition, from a supervisory perspective, disclosure requirements should not be diluted unless this is clearly requested by users of the templates, such as investors or rating agencies, or there is a substantive change in the market that would justify such structural shifts in the regulatory framework.** Improved disclosure was one of the five key approaches used by legislators to address the failings in securitisation markets following the great financial crisis (the other four were risk retention or “skin in the game”, a new capital requirements framework for securitisation, restructuring credit rating agencies, and the Simple Transparent and Standardised label). The ECB notification template can serve as a basis for a

future disclosure template for private securitisations. This template is a minimum standard for supervisors, but it is important to note that the level of information it captures may not be enough for investors or other users. The SECR ensures that investors in private securitisations have access to securitisation information to fulfil due-diligence requirements at least on a comparable basis to those that invest in public securitisations. In principle, a change of disclosure standards for private securitisations would require a change in Level 1 legislation. A detailed legal analysis could provide clarity on this point. The difficulty of such a change not only arises from a legal perspective, but also from a financial stability point of view taking into account the origin and rationale of the transparency requirements.

## 2 Reply to selected consultation questions

The consultation document is available on [the ESMA website](#).

**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.**

**Submitting loan-by-loan data on the underlying assets is a crucial prerequisite in the Eurosystem's risk control framework for assessing the risk of, and pricing, ABSs that are accepted as collateral in monetary policy operations.** LLD supplies detailed information on the underlying loans, collateral and debtors in a standardised format, enabling evaluation of the various risks embedded in the underlying pool. LLD provides investors with greater insight into the underlying ABS collateral mix, which is essential for accurately assessing the credit risk of ABSs, and allows improvements in predicting how assets will perform. This holds true especially for those pools with a high proportion of individual assets that have multiple high-credit-risk attributes. Additionally, asset-level data allow the development of more precise risk estimations by removing any opacity created by pool-level data, while permitting the investors to utilise their own assumptions and risk indicators. Although some investors or data users may lack the incentives to make the costly effort of analysing voluminous asset-level information, the market has several tools that enable smooth aggregation and cross-analysis.

**Data granularity is crucial for several tasks performed by investors during the process of acquiring an ABS.** These tasks include the following.

- Pricing: without concrete and correct LLD, it is not possible to assess the intrinsic value of securities, which makes pricing them more difficult. (Cash flows cannot be easily and reliably modelled without LLD).
- Running internal cash flow models: models are part of the active risk monitoring process. Building and running these models is much more complex and costly with data on a portfolio basis only.
- Stress testing: LLD also enable stress testing at loan-level, which includes modelling changes to the profile of prepayment and defaults. It also grants investors the capacity to produce a more refined set of assumptions, which enable a better understanding and pricing of risk.
- Trend analysis: historical LLD provides the basis for developing tools to analyse trends over time, allowing inspection of, for example, certain dynamics that only affect certain sub-groups of loans, particular cases that call for data stratification (i.e. sorting loans with similar characteristics) for conducting more in-depth examinations, or the impact of economic or financial shocks (e.g. pandemic affected loans).

**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.**

**Lowering ND thresholds may come at result in data providers resorting to the ND5 option (“data not applicable”) or other ways to circumvent the reduced ND threshold.** Data submissions that exceed ND tolerance thresholds will be automatically rejected by the securitisation repository.<sup>7</sup> Therefore, more stringent ND threshold criteria could have an undesired effect on the data submitted. More specifically, a reduction of the ND threshold may incentivise data providers to look for workarounds for submitting all data (even if not collected or available) or switching to ND5 to avoid having their templates rejected. The use of ND5 as a means of overcoming more restrictive ND thresholds should be avoided. This is evidenced by the recurring issues in the data submissions to European DataWarehouse (EDW). As part of [a presentation for a workshop on data quality in June 2023](#), EDW flagged more than six million loans in relation to suspicious reporting of ND5 values. For example, use of ND5 in the maturity-date field for active loans or in the current principal balance. At this stage, the ECB considers it preferable to restrict use of ND5, in particular for key data fields, instead of reducing ND thresholds. Although ND options provide necessary flexibility, amendments to existing templates must ensure that ND values are used in an appropriate manner. Otherwise, data quality deterioration caused by excessive use of ND options could compromise the completeness and representativeness of LLD.

**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?**

**Removal of ND options, i.e. ND5, should be prioritised for fields that are essential for risk analysis and valuations.** ND5 tends to be misused and not properly justified. According to [ESMA’s Questions and Answers on the Securitisation Regulation](#), the ND5 option is limited to only being used when the information is not applicable to the field in question<sup>8</sup>, yet submissions based on the ESMA templates show otherwise. For example, information on the interest rate applies to all underlying loans and should be collected as part of the underwriting process. However, at the end of the fourth quarter of 2023 approximately 3.5 million loan disclosures submitted to EDW using ESMA reporting templates reported the “current interest rate margin” field as ND5, and 2.7 million loans reported the “current interest rate” field as ND5. ND5 entries are not

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<sup>7</sup> ESMA tolerance thresholds are applied by the securitisation repository and define the maximum leeway of unavailability of all reported data in a data submission to the securitisation repository.

<sup>8</sup> Question 5.1.11 clarifies that information not being available for a particular field does not automatically imply that ND5 is the appropriate value to provide. ND5 should be only be accepted if the information is not available and the field does not apply to the particular underlying exposure or other aspect of the securitisation.



appropriately accounted for, as they are removed from the calculation of the data completeness score which aims to evaluate the quality of data submitted.<sup>9</sup>

**Revising ND options and the implementing more restrictive requirements, e.g. data quality scores that measure the percentage of ND options, should aim at improving data quality.** Any amendment to the current validation rules or data quality procedures should incentivise originators to submit accurate and complete LLD. ND options are intended to be a way of signalling that information is missing and potentially not available, and they should be used appropriately, with rational justification and their use should be minimised as much as possible. This is particularly applicable to fields that are mandatory for risk calculation and pricing. Given the experience gathered by market participants over the last three years, ESMA should collect those fields perceived as most relevant and amend the information requested accordingly. As stated in paragraph 104, the list of fields affected is expected to be relatively short, as most of this input was part of the [consultation on the use of No Data options in securitisation reporting](#). With this in mind, the associated cost could be relatively low, whereas the potential improvement would be substantial.

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

**The ECB welcomes the inclusion of additional risk-sensitive data because comprehensive disclosures relating to exposures contained in the securitised pool are crucial for well-informed investment decisions.** In the case of Annex 4 (corporates), probability of default and loss given default are two of the fundamental credit-risk parameters calculated by originators. Therefore, being able to access this information would enable more precise evaluation of the creditworthiness of debtors and potential expected loss. Payment schedules for individual loans across all annexes pertaining to underlying exposures would play an essential role for any cash-flow modelling; not only would they enhance stress testing, but they would also facilitate more accurate pricing and valuations.

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

**The ECB fully supports the inclusion of information on climate risk, currently not available, in order to correctly perform the due-diligence process required by the SECR.** Securitisation products fall outside the scope of the main climate-related

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<sup>9</sup> Currently, the Commission Delegated Regulation (EU) 2020/1229 of 29 November 2019 supplementing Regulation (EU) 2017/2402 of the European Parliament and of the Council with regard to regulatory technical standards on securitisation repository operational standards for data collection, aggregation, comparison, access and verification of completeness and consistency (OJ L 289, 3.9.2020, p. 335) defines a data score that has aims to indicate the amount of the information made available without determining a minimum level. (It only accounts for the percentage of fields in a data submission across all data being submitted at the time.)

regulations, namely the Corporate Sustainability Reporting Directive (CSRD)<sup>10</sup> or the SFDR (where securitisation products are not considered to be financial products), hence the only potential regulation ruling how and what information should be disclosed for ABSs is the SECR. The ECB considers the development of sustainability templates for STS securitisations in the SECR, Article 22.4, to be an important step forward in terms of enhancing climate-related reporting and transparency on climate-related risks for investors. At the same time, such templates still do not encompass all types of ABS, in particular non-STs securitisations, and they focus on adverse impacts rather than on providing the tools to more generally analyse the environmental performance of the underlying assets. The process for identifying, assessing, monitoring and mitigating all risks materially affecting the securitisation position is only possible if access to necessary and valid information is provided. In the absence of relevant data, an investor's due-diligence analysis is at best incomplete, or worse, inaccurate. Moreover, revising disclosure requirements early would also facilitate analysis with regard to the financial sector aligning in a timely manner to meet commitments to the Paris Agreement.

**The ECB proposes a set of metrics that align with other EU regulatory criteria, such as the EU taxonomy or SFDR disclosure requirements, with the aim of harmonising the reporting burden for originators.** In this context, reporting the following metrics, in addition to those proposed in paragraph 115, would be very useful for all financial analysts and investors.

- **Primary energy demand (kWh/m<sup>2</sup> per year):** the metric primary energy demand (kWh/m<sup>2</sup> per year) is used, alongside energy performance certificates (EPCs), to evaluate transition risks related to buildings. Real energy performance measurement of buildings provides a better understanding of the true climate impact of the assets in their portfolio. Additionally, originators must collect this data for other disclosure requirements including EBA Pillar 3 and EU taxonomy alignment disclosures. The implementation and content of EPCs vary quite considerably across EU Member States. As a result, EPC class A refers to significantly different ambition levels in terms of energy performance across countries. This information should be mandatory for all new loans, and estimates should be provided for legacy loans for which such data are not readily available. The originator should disclose the methodology of such estimates used for legacy loans and identify which metrics have been estimated. ESMA could provide guidelines for the methodology of such estimations, taking into account the existing practices of market participants, public investment banks and supervisors.
- **Issuance date of the EPC:** in addition to EPCs themselves, information on their issuance dates would be useful. EPCs will be harmonised at the European level in 2025, following the revision of the Energy Performance of Buildings Directive (EPBD).<sup>11</sup> EPC issuance dates allow assessment of whether EPCs have been calculated with one methodology or another. Moreover, EPCs are only valid for a maximum of ten years, which makes date of issuance an important piece of information.

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<sup>10</sup> Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance) (OJ L 322, 16.12.2022, p. 15).

<sup>11</sup> Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast) (OJ L 153, 18.6.2010, p. 13).

- **Information on tailpipe emissions for vehicles (gCO<sub>2</sub>/km):** this is essential for assessing transition risk; it enables an objective comparison across different vehicle types that is independent of the differences between regional emissions labels.<sup>12</sup> It is a metric that is widely used to estimate the environmental performance and transition risks associated with vehicles. Additionally, there is a need to expand data on exhaust emissions per kilometre to include all vehicles beyond just cars, as both lease-based and loan-based auto ABSs encompass other types of vehicle that emit greenhouse gases. It is necessary to identify types of vehicle based on the EU classification of vehicles (Regulation (EU) No 168/2013 and Directive 2007/46/EC) in order to assess alignment with the taxonomy (screening criteria for these assessments vary according to the type of vehicle). Having reliable information on the CO<sub>2</sub> emissions testing procedure<sup>13</sup> would support the comparison of exhaust emissions across categories such as region and car model.
- **Annual primary energy consumption of properties:** for consumer or mortgage loans used for home renovation, it is important to disclose the annual primary energy consumption of the property before and after the improvements in order to assess whether the project corresponds to a "deep renovation" as defined by the EPBD.<sup>14</sup>
- **Taxonomy metrics and scope 1, 2 and 3 emissions:** for ABSs backed by corporate loans, the obligor's scope 1, 2 and 3 emissions, as well as the relevant EU taxonomy metrics (e.g. shares of debtor turnover, capex and opex aligned with the EU taxonomy) would be highly important, especially for companies under the scope of the CSRD, for which the disclosure of such data will become mandatory.
- **Transaction-level information for green ABSs:** as the green ABS market expands, and with EU Green Bond Standards (EU GBS)<sup>15</sup> entering into force, information at transaction level about requirements for issuers of green ABSs (e.g. use of proceeds vs green loans) and the name of the relevant environmental, social and governance framework (e.g. ICMA Green Bond Principles vs EU GBS) would be welcome.<sup>16</sup>

**It is important to note that data availability is a major challenge, especially in the case of vintage loans for which certain data were not collected at origination.**

However, this issue is likely to become less acute with time and if collecting the information is increasingly incentivised. In [a joint statement](#), the European Supervisory Authorities and the ECB have already called on originators to collect this information during the underwriting phase. It is also important to note that the "data not collected as not required by the lending or underwriting" option (ND1) should be applied appropriately on a case-by-case basis. For example, in the case of vintage loans where environmental information was not collected during the origination process, the relevant data may not have been available at the time of origination.

<sup>12</sup> [Information on CO<sub>2</sub> emissions](#) is available in the European Environmental Agency database. It contains information on emissions from new passenger cars registered in Europe (based on vehicle manufacturer and model).

<sup>13</sup> This is the World Harmonised Light Vehicles Test Procedure (WLTP) for emissions (as of 2021). Before that it was the New European Driving Cycle (NEDC) emission test procedure.

<sup>14</sup> In the absence of data, the renovations would be assumed not to be "deep renovation" according to the EPBD.

<sup>15</sup> Regulation (EU) 2023/2631 of the European Parliament and of the Council of 22 November 2023 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (OJ L, 2023/2631).

<sup>16</sup> EU GBS stipulates all information that is necessary for evaluating the use of proceeds of European Green Bonds, both pre-issuance and post-issuance. The designation "European Green Bond" or "EuGB" must be stated in the prospectus.

**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 benefits, challenges, or considerations that ESMA should consider if adopting this approach?**

**The ECB would only consider abandoning LLD in favour of aggregated data in a limited number of restricted cases.** For assets that are revolving in nature<sup>17</sup>, with regularly low outstanding balance (such as credit card receivables) or a very short-term maturity (less than the interest payment date or reporting requirements), it could be justifiable to transition to clustered information, especially as (i) the exposure of revolving assets is highly dynamic and not easily captured by LLD and (ii) for short duration loans, the information is already outdated when published.

**The definition of what constitutes a granular pool would introduce another level of complexity, even though deviating from LLD for certain pools could be justified.** If a decision were taken to transition to an aggregated information format, it would need to be clear, and defined a priori, exactly which ABSs should transition (depending on asset types), so as to avoid the complexity of creating a definition of granular versus non-granular pools across ABS types. Identifying which templates are associated to each type of asset is currently a relatively straightforward and easy process. ESMA's underlying exposures templates are clear and easy to determine but would not remain so if a pre-check of granularity definition needed to be performed before deciding which template (granular or loan-level) was applicable.

**For most ABSs, one-dimensional, pool-level statistics are insufficient for properly assessing pools affected by different types of risk.** Aggregated pool-level statistics eliminate the possibility of analysing multiple dimensions of the underlying assets, inhibiting the identification of collateral performance patterns. Even highly granular pools may have this issue because small changes in the collateral pool composition may not be clearly reflected in averages or pool-level disclosures. Subtle effects of risk layering can add materially to the expected loss of a collateral pool and to the riskiness of a given tranche of a securitisation. Pool-level summary statistics may be insufficient for assessing cross-individual credit-risk attributes, or they might require a large number of charts or cross-tables, accounting for several key risk qualities (i.e. arrears by geographical breakdown). The catalogue of all possible combined attributes would be huge and very costly to implement and maintain.

**Deviating from granular LLD and moving to aggregate data will not spare data providers the effort of first collecting loan-by-loan information and subsequently transforming it into tabulated data.** Essentially, gathering the loan-level information will still be necessary with the same processes and IT systems in place. However,

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<sup>17</sup> Whereas paragraphs 161 and 71 refer to asset classes that are considered to be revolving in nature, this question and question 29 have a different reference ("revolving pools"). Market understanding of revolving pools is that it indicates ABSs with revolving period for some part of their lives but that are otherwise mostly static. For these cases, having a differentiated disclosure framework over the life of the ABS (only granular information will be disclosed when the pool is revolving, and loan-level data once static) is inconsistent and undesired.

instead of submitting the information in its entirety, it will require first a transformation and then various validation checks, resulting in an additional round of data quality inspections to ensure consistency between the raw and aggregated data. Aggregated data are directly derived from LLD, so it seems questionable as to whether there are direct benefits for data providers in aggregating loan-by-loan data to a higher level when currently such transformation, and the associated costs and procedures, are not part of the process.

**Investors will experience additional costs associated with this change in the data format.** Tabular data and statistics are part of the first step of investors' analyses. However, when analysing the various layers of risk in more detail, asset-level disclosures are more incrementally relevant and necessary. In addition, models currently developed using LLD for different purposes (i.e. valuations, stress testing, credit risk modelling, cash flow forecasting, etc.) and involving different market participants (i.e. credit rating agencies, investors, etc.) could no longer be used because of the lack of loan-level information. Some of these models cannot be adapted to aggregated data, which would lead to the creation of a parallel channel of data exchange. These kinds of parallel reporting channels existed before the Eurosystem launched its LLD initiative.

**Loss of access to asset-level data can be concerning in particular situations where more detailed loan data may be required.** In certain circumstances where detailed data are key to analysing risks, e.g. payment holidays during the pandemic crisis, a secondary data channel between the originator and the investors could become the new norm, falling outside the general scrutiny and validation rules of a regulated disclosure framework. Additionally, the development of this channel would be highly influenced by the bargaining power of the investors, with only some investors having the ability to persuade the issuer to bilaterally share the data with them. This would be a step back from the current framework where all investors have that information readily available. Additionally, portfolio-level statistics may be insufficient for performing the credit analysis detailed in Article 5 (due-diligence requirements for institutional investors), particularly Article 5.3, paragraph a, and 5.4, paragraphs b and e<sup>18</sup> of the SECR.

**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.**

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<sup>18</sup> Article 5.3 – prior to holding a securitisation position, an institutional investor, other than the originator, sponsor or original lender, shall carry out a due-diligence assessment which enables it to assess the risks involved. That assessment shall consider at least all of the following: (a) the risk characteristics of the individual securitisation position and of the underlying exposures; Article 5.4 – an institutional investor, other than the originator, sponsor or original lender, holding a securitisation position, shall at least: (b) in the case of a securitisation other than a fully supported asset-backed commercial paper programme, regularly perform stress tests on the cash flows and collateral values supporting the underlying exposures or, in the absence of sufficient data on cash flows and collateral values, stress tests on loss assumptions, taking into account the nature, scale and complexity of the risk of the securitisation position; (c) be able to demonstrate to the relevant competent authorities, upon request, that it has a comprehensive and thorough understanding of the securitisation position and its underlying exposures, and that it has implemented written policies and procedures for the risk management of the securitisation position and for maintaining records of the verifications and due diligence processes in accordance with paragraphs 1 and 2, and of any other relevant information.

See Question 18.

**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.**

See Question 21.

**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.**

**There is some scope for improving the current templates, either by addressing certain problems (see Question 8) or removing unnecessary fields.** The ECB could agree with a reduction of the number of fields, as long as the minimum information necessary for conducting due diligence is guaranteed, and that the quality of the remaining fields is increased. For example, compared with ECB templates, ESMA templates added some additional sets of data, e.g. investor report, significant event and inside information templates<sup>19</sup>, which clearly incorporated some data at the transaction level that were missing in the Eurosystem's reporting framework. At the same time, there was a significant increase in the number of data fields, which enlarged the data reporting burden. In fact, ESMA's underlying exposure templates contain 153 additional new data fields when compared with ECB templates, out of which 74 fields represent a conversion of ECB optional fields into mandatory fields.

**Any attempt to streamline the existing templates should maintain the critical variables necessary for characterising transaction features.** Any template overhaul should have a minimum set of fields containing information about the underlying loans and tranches/ABS information. The minimum information at loan-level should cover data that the entities are collecting for their own business processes and monitoring, namely data related to loan servicing and the risk-related data that originators collect for monitoring risks with regard to the borrower over time. If this information is not available in the originator's system, it is questionable whether that loan should have been underwritten in the first place. For this reason, the possibility of entirely deleting some existing annexes, as proposed in paragraph 150, should be carefully assessed because less information on that front could hinder capacity to assess the transaction per se and how it has been structured. With that in mind, a reduction of the non-essential information would reduce the associated burdens for data providers, thereby enhancing data quality.

**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.**

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<sup>19</sup> It is important to note that certain annexes (i.e. the investor report, Annex 12 and the inside information or significant event information template, Annex 14), although not related to underlying exposures, provide important information as regards the transactions (e.g. Constant Prepayment Rate, CPR, and Constant default rate, CDR, for valuation) or other risk features (counterparty roles), so there is a practical use for those annexes and the information they relate to.

**In addition to the established templates, it could be useful to introduce dedicated templates for renewable energy assets.** For example, the ABS market in the United States has witnessed an overall growth of securitisations of photovoltaic project portfolios in recent years.<sup>20</sup> But the momentum has picked up noticeably in Europe<sup>21</sup> as the focus on renewable energy sources has increased. While the market size of this ABS sub-type is currently small, developing a dedicated solar ABS template could potentially assist the growth of this niche market and support refinancing of the transition to green energy sources to meet Paris Agreement targets. The opportunity to develop securitisation around renewable energy and other climate change-related investments might also open up the market to the securitisation of the still increasing number of wind-power projects. The list of data fields to be included in such templates should, in any case, build upon input from the renewable energy industry and other relevant stakeholders. Additionally, other disclosure frameworks (e.g. EU GBS) potentially applicable for this type of sustainable bonds, whose underlying exposures are taxonomy aligned, should be carefully revised to avoid overlapping requirements and unnecessary burdens being placed on issuers, as these would inhibit new issuances.

**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.**

**Any deviation from the status-quo should take past experiences into consideration, while providing market participants with predictability and stability.** The LLD initiative has been in place for nearly a decade and has been under ESMA purview for almost three years. A revision of the framework in a short period of time, with such a fundamental change (potentially deleting templates and removing LLD in some cases) should be subject to a consultation on a more detailed proposal, containing detail on which specifics assets will be affected, what aggregated information will be available, how data quality checks will be performed and so on. The impact of the great financial crisis on the ABS market was partially caused by the lack of standardised, timely and accurate information on single loan exposures, which hampered assessing risk properly. In the future, particular attention needs to be paid to the quality of LLD.

**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**

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<sup>20</sup> According to [Crédit Agricole Securities](#), 56 solar ABS transactions have been successfully closed since 2013, with an aggregate issuance volume of over \$13.1 billion.

<sup>21</sup> The two solar ABSs in Europe were launched in mid-2022 and early 2023 and originated with two solar photovoltaic providers. The underlying pools are backed by receivables of photovoltaic solar panel and solar systems, and energy storage and electric vehicle charging systems.

**analysis of the transaction? Please explain the rationale behind your answer.**

**Transitioning into a new set of templates may not come without risks and it is challenging to assess the potential effects in the absence of a concrete proposal.**

Without specifying what will be covered by this simplification and standardisation, it is difficult to assess whether it would impede meaningful credit analysis, or how such analysis might be affected. Nonetheless, when information is disclosed at a higher level and summarised, the cost of evaluating transaction performance and monitoring rises. Any new template must ensure data consistency and integrity. In particular, developing a completely new set of templates after three years would be perceived in the market as signalling instability, especially because the ECB templates have been in place for more than ten years.

**New templates would entail costs for data providers with regard to disclosing new or different data in a new format.** Current IT systems (used for data extraction) could become outdated if new templates are implemented. Even if the information is similar, or even the same, as long as the format differs, i.e. with new templates, it would carry substantial implementation effort. i.e. cost borne by the originators, that could outweigh the benefits of transitioning to new templates.

**Investors and other market players will also experience additional burdens.**

Adapting existing monitoring checks for the sake of implementing changes will also affect data users and data validators. In addition, historical data reconciliation and adaptation to the monitoring process will be costly, requiring additional resources. New templates could potentially threaten data quality, as has been the case when transitioning from ECB to ESMA templates. In summary, all these associated costs should be recognised as an essential component of the impact analysis given the current dependency on existing systems, databases and information channels, on the part of both data providers and data users.

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

See Question 26.

**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?**

See Question 18.



**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.**

See Question 19.

**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?**

**Given previous experience with field categorisations, the ECB welcomes the proposal to differentiate the types of field, especially in line with other EU reporting regimes.** ECB templates previously included two types of data field: (i) mandatory fields, subject to compulsory reporting that could not be left blank, and (ii) optional fields, subject to voluntary reporting and therefore potentially empty. Consistency between disclosure approaches is encouraged because it ensures integrity across disclosure frameworks with regard to different asset classes in the EU. The minimum metrics necessary for risk assessments should fall under mandatory fields, or should be conditionally mandatory for metrics that are relevant under certain circumstances. The rest of the fields could fall into the optional category. As this proposal is opposite to the proposal presented in Option A (please refer to paragraph 178), it is important to note that both cases (stringent use of the current ND options and a differentiation of the categorisation of the fields) should not imply different requirements that could potentially hinder data quality.

**ESMA should be open to incorporating some of the "no data" (ND1-4) options, following appropriate analysis, on a field-by-field basis for all type of fields.**

Information, in particular for vintage loans, may not be easily available, as such mandatory fields need to allow for some flexibility or a phase-in period in case information is unavailable. ECB templates allowed using ND1-4 in the mandatory cases up to a certain extent.

**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?**

**Any new categorisation should provide incentives for data providers to adapt their reporting systems.** Any change in the current framework will require an adaptation even if the set of information does not change. There would necessarily be internal developments and additional checks, consequently it would be important to allow for a transition implementation time. Potentially setting hard dates, after which a

minimum set of mandatory fields (and potentially a percentage of optional fields) are enforced, would be the best approach, with the objective of incentivising data providers to disclose information without jeopardising quality.

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