

European Securitisation Data Repository (ESDR) – Compromise Option How STS Article 5 Could Work in Practice

With reference to the European Parliament ('EP') Amendments to the STS Securitisation Regulation¹ ('STS') and the public open-access document ('[STS Transparency Arrangements](#)')² describing **Objectives** and **Options** for the implementation of STS Article 5 - originally discussed at the STS Securitisation hearing at the European Parliament on 21st June 2016.

There are several instances in the EP response to STS of the mentioning of a 'GLEIF' based model solution to Article 5. This is Option 5 in the STS Transparency Arrangements doc.

EuroABS has experience both in the ABS industry and in handling very similar datasets to those required in STS. EuroABS therefore considers that setting out a compromise solution that in our view would be workable in practice – based on the GLEIF model - could be useful in what is clearly a complex regulatory task.

Summary of Objectives

- ESMA retain full control and ultimate oversight
- ESMA website provides a simple Centralised Directory of Centralised Data listing each ABS issue and Internet URL links to where the Regulatory Required Data and Documentation ('RRDD') can be found
- Regulated Securitisation Data Repository ('RSDR') (private commercial businesses), regulated by ESMA, would provide checking and secure hosting services ('RSDR Services') for the Regulatory Required Data and Documentation, to a standard and specification controlled by ESMA.
- ESMA liabilities would be off-set by a per issue listing fee
- To keep costs as low as possible, RSDRs would compete to provide RSDR Services to issuers
- Regulatory Required Data and Documentation would be available free-of-charge to all **Eligible Recipients** via RSDRs

ESMA Responsibilities

- Source and maintain the specification of the Regulatory Required Data and Documentation – to this end, as necessary, appoint and instruct sub-committees for each asset class (e.g. RMBS, Auto ABS, etc.)
- Construct and maintain the Centralised Directory of Centralised Data on its website

¹ the proposal for a regulation of the European Parliament and of the Council laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation and amending Directives 2009/65/EC, 2009/138/EC, 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONGML%2bCOMPARL%2bPE-587.495%2b01%2bDOC%2bWORD%2bV0%2f%2fEN>

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-%2f%2fEP%2f%2fNONGML%2bCOMPARL%2bPE-587.508%2b01%2bDOC%2bWORD%2bV0%2f%2fEN>

² <https://docs.google.com/document/d/1NimrYSLnbPguTKiPbBsOluSvY53PgdtHkoJtSjv7gCs>

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- Source and maintain the specification for and oversee the regulation of RSDRs

Issuer Responsibilities

- Meet and maintain the RRDD standards set by ESMA
- Submit Centralised Data to ESMA
- Publish the RRDD on a RSDR

Regulated Securitisation Data Repository ('RSDR') Responsibilities

- Meet and maintain regulatory standards set by ESMA
- Publish the RRDD free-of-charge to Eligible Recipients

Definitions

Centralised Data

- Issue Name
- Asset Pool Originator/Sponsor/Issuer/Arranger
- Asset Class (RMBS/Auto, etc.)
- Issue Closing Date
- Country of Listing
- True Sale/Synthetic?
- STS Certified by Issuer?
- Transaction Description (either optional or broken down into asset class dependent specific requirements)
- Internet URL linking issue specific Regulatory Required Data and Documentation on RSDR
- Issuer contact details phone
- Issuer contact details e-mail
- List of the Notes (Class name (e.g. 'A'), Spread/Yield, ISIN)

Centralised Directory

Database of Centralised Data maintained by ESMA with free unrestricted public read access via an Internet web page.

Regulated Securitisation Data Repository ('RSDR')

Multiple instances of private commercial companies competing to provide RSDR Services to ABS issuers.

Regulatory Required Data and Documentation ('RRDD')

ABS transparency measures required by EU law and as to be specified by ESMA Regulatory Technical Standards.

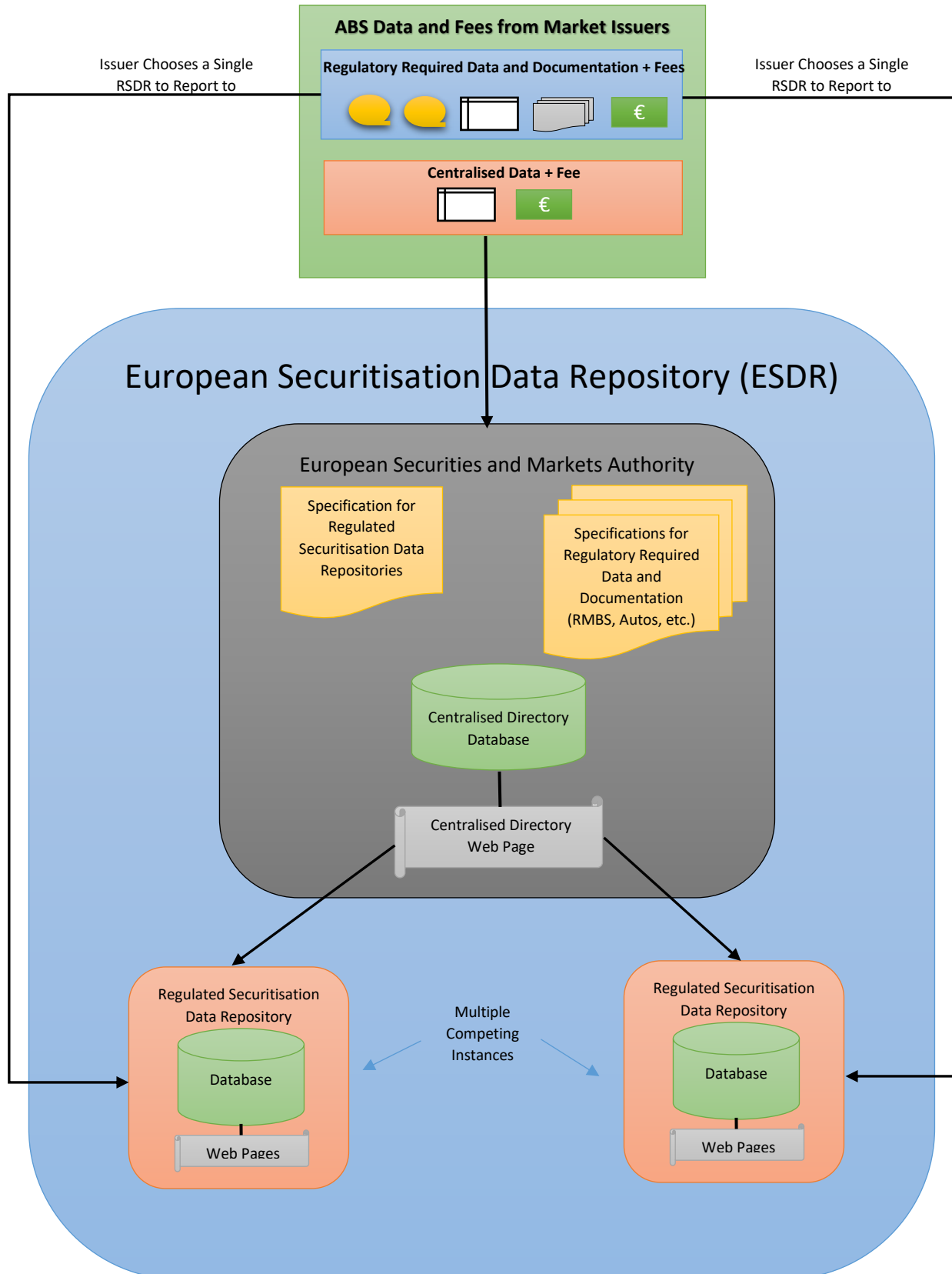
Eligible Recipients

Persons eligible to receive and access RRDD. Please see recommended definition contained in [EuroABS STS Regulation Recommended Draft Changes](#)³ (amendments and comment on pages 12, 16, 18 and 23).

³ <https://www.euroabs.com/Vl.aspx?d=25858>

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'GLEIF' Model-Based European Securitisation Data Repository Structure Diagram



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Notes

Eligible Recipients

EuroABS considers that this definition is key to transparency and ending information asymmetry. Please see further notes on this in [EuroABS Recommendations to the European Commission on Article 5 of STS](#)⁴ from January 2016 sections 6 and 7.

Securities Ownership Information – Concentrations of Risk

Securities ownership information would be treated as a separate dataset. It would appear unlikely that investors/asset managers would be willing to allow this information to be made public – the exact composition of their investment portfolio could be considered very commercially sensitive and ‘trade secret’. It may be possible to collect this data and make it available to regulators in private, but, in our view, this data set and that of RRDD would need to be kept strictly apart for security purposes. In any event, if STS requirements enforce higher quality standards in all respects for ABS, perhaps investor ownership information becomes of less importance to regulators.

Requirements Specification for Regulated Securitisation Data Repositories

Should our input be requested, EuroABS would be willing and able to help in the production of a specification for RSDRs. EuroABS’ experiences having undertaken work to a similar purpose in the form of central bank eligibility could be uniquely valuable in this regard.

Requirements Specification for Regulatory Required Data and Documentation

Over the course of several years EuroABS has been in discussion with many issuers about their loan level data (‘LLD’) and undertaken much work in the way of analysis between their LLD and investor reports.

Some of the errors and differences we have found have highlighted the need for standardisation of data handling and methods of calculation.

Because there are many important raw data fields and calculated reporting data points - whilst it is important to provide as tight a definition as possible for each from the start of the regulation coming into force - it is not credible to suggest that these detailed specifications can be provided in a final state from the outset. It will be necessary for these definitions to be adjusted and improved over time.

ESMA must oversee these definitions with the help of a committee drawn from experts from central banks and the industry. ESMA would hold consultations/invite feedback from all stakeholders, hold regular meetings to discuss and publish updates to the requirements specifications.

ESDR Funding Issues

EuroABS observes that GLEIF supports around 400,000 paying entities. EuroABS estimates that ESDR would likely host data for 1,000 – 2,000 ABS issues (once both ESDR matures and if/when the ABS Market recovers). Also, the quantities of data and the effort required for quality checking under ESDR would be several orders of magnitude greater than that for GLEIF. So a much smaller number of funding entities coupled with a much greater set of liabilities would make funding challenging. However, EuroABS’ Bank of England eligibility field study proves that this is all workable, but free market competition is key.

⁴ <https://www.euroabs.com/Vl.aspx?d=25861>