

European Mortgage Federation – European Covered Bond Council (EMF-ECBC)

Feedback on the ESAP targeted consultation

March 2021

For your information please find reported here the replies the EMF-ECBC submitted to the targeted consultation on the establishment of a European single access point (ESAP) for financial and non-financial information publicly disclosed by companies for which further information can be found [here](#).

General questions

Question 1. Please rate the following characteristics of ESAP based on how relevant they are according to you:

	1 (fully disagree)	2 (somewhat disagree)	3 (neutral)	4 (somewhat agree)	5 (fully agree)	Don't know - No opinion - Not applicable
The information quality (accuracy and completeness) is most important				X		
The widest possible scope of the information is most important	X					
The timeliness of the information is most important			X			
The source of the information is a key element to know						X

The immutability of the information is a key element		X				
ESAP should include information made public on a voluntary basis by non-listed companies of any size, including SMEs				X		
ESAP should include information made public on a voluntary basis by financial market actors						X
Other aspects					X	

Please specify what are the other aspects you referred to in your response to question 1:

Row 1: The “quality” issue should be addressed by the EC

i) duly considering the difference between, under the EU financial services rulebook, the legal and regulatory status of

a) listed companies/issuers (see below) on the one side and

b) non-listed companies (including SMEs) on the other side and

ii) therefore, not adopting a “one-size-fits-all” approach.

“Completeness” should not imply additional and excessive information to be provided by companies/issuers. Rather, the ESAP should be simple and user friendly, gathering exclusively relevant, reliable, and decisions-useful data to the benefit of a “general” public of potential investors.

Row 2: First and foremost, ESAP should be exclusively fed into with information whose disclosure is mandated by EU legal instruments already into force. Moreover, the scope of the information to be feed into ESAP must be proportionate and fit-for-the purposes which the EC intends to achieve through ESAP. Information which do not add informational value for the above-mentioned purposes should be excluded from the scope of ESAP. The risk of informational overburden must be avoided. A gradual and a step-by-step approach seems acceptable.

Row 3: same comment, mutatis mutandis, regarding the need to avoid a “one-size-fits-all” approach made in relation to Row 1.

Rows 4 and 7: it is not clear what “source of information” and “financial market actors” mean.

Row 5: immutability is not ideal “per se”.

Row 6: it is likely that non-listed SMEs will gain more benefits in terms of visibility from ESAP than larger listed companies. However, feeding ESAP with information risks generating more costs and operational challenges for non-listed companies (and, in particular, SMEs) than for larger listed companies. Last but not least, the

universe of non-listed companies is extremely heterogeneous as far as the means and resources necessary to provide information are concerned. At this very preliminary stage, various options could be considered such as, for example, a voluntary regime coupled with simplified standards for non-listed companies (including SMEs) at least in a first stage and/or granting some opt-in rights towards the standard regime. This is one of the most serious issues raised by this consultation and deserves extremely thorough analysis also with a view to answering to other questions of this consultation paper e.g. 18 and 21 below.

Question 1.1 Please explain your position providing your arguments, and where appropriate, concrete examples and data to support your answers:

In principle, the ESAP initiative could be positive since it could contribute to:

1. increasing data availability and promote accessibility, analysis and comparability of companies' information
2. reducing fragmentation of information
3. favoring, albeit progressively, access to capital markets by non-listed companies, including SMEs as well as sustainable investments in line with SF Action Plan.

That said, there are many points of attention which deserve to be addressed:

1. The maximum level of coordination must be guaranteed between the legal regime which will provide for ESAP and the regime on disclosure and access to information already in force at the EU and national level. The highest level of attention must be paid to the fact that the information falling under the category of "regulated information" is already centrally stored through officially appointed mechanisms (OAMs) established for this purpose and currently operating at national level
2. No duplication of obligations for companies on disclosure and access to information should arise as a consequence of ESAP
3. File-only-once" principle and minimization of related costs for companies which submit information
4. ESAP as "one-stop-shop" based on interconnections between the EU and the national levels
5. Involvement of the NCAs and coordination with ESMA since the outset of the project
6. Staged approach with clearly defined timeline.

Moreover we think it is beneficial to have the database for both ESG and financial data combined because:

1. we see that the EC is highly keen on advancing integrated reporting
2. Non-financial reporting is standardised already, and it is a matter of technical difficulty to get the data into the database. So, it should not dilute too much time away from the future ESG standard setter.
3. There is a need for interlinking ESG- and financial reporting in longer term. These two are natural parts of one whole, especially when monetisation of ESG impacts starts taking place gradually & increasingly.
4. One of the key building blocks in the future ESG reporting standardisation in the EU is "building on and contributing to" international existing ESG standards. This can only be done in good cooperation with IFRS & other standards. EFRAG, which has the mandate to standardise the ESG reporting, is overseeing also financial reporting and has very good relations with IFRS. IFRS is very keen to develop non-financial reporting standards. Thus, this again points to the need to combine the database for non-financial and financial reporting.

Question 2. Which channels do you use when searching for, retrieving or using companies' public information?

- X Company's website
- X Data aggregation service providers
- X Stock Exchanges
- X Public repositories or databases (OAMs, NCAs, ESAs)
- X Other

Please specify what are the other channel(s) you use when searching for, retrieving or using companies' public information:

Rating and sustainability reports

Question 3. Would you say that the cost for retrieving and using companies' public information is:

- Immaterial
- Average
- X High
- Don't know / no opinion / not relevant

Question 3.1 Please provide more information on your answer to question 3:

The cost of accessing data and maintaining interfaces is high as multiple data sources must be accessed

Question 5. Do you encounter barriers or difficulties when accessing the information?

- X Yes
- No
- Don't know / no opinion / not relevant

Question 5.1 Please describe the barriers or difficulties you encountered when accessing the information:

The main barriers experienced, at least so far, relate to access to non-listed companies, including SMEs as well as sustainability-related information.
Missing API's, complex structures of the websites; data/resource not available (expired links).

Question 6. Do you encounter barriers or difficulties when using the information?

- X Yes
- No
- Don't know / no opinion / not relevant

Question 6.1 Please describe the barriers or difficulties you encountered when using the information:

The main barriers experienced, at least so far, relate to insufficient/lack of standardization, comparability and linguistic barriers.

The Scope of ESAP

Question 7. Should ESAP include information from the hereunder provided list of EU legislations in the financial area ?

Section 9: The Covered Bonds Directive (2019/2162) (e.g. information on the cover pool)

- ☐ Fully disagree
☐ Somewhat disagree
☒ Neutral
☐ Somewhat agree
☐ Fully agree
☐ Don't know / no opinion / not relevant

Please explain your position providing your arguments, and where appropriate, concrete examples and data to support your answers to question 7. 9)

First and foremost, all CBD-compliant information is, at this stage, already provided through national legal frameworks, many of which today are based on the Harmonised Transparency Template (HTT) promoted by the Covered Bond Label Foundation, which is publicly available to investors and stakeholders and covering over 70% of the global covered bond market (status January 2021). Labelled issuers provide all the data required by the Covered Bond Directive using the HTT at least on a quarterly basis.

Any changes to the transparency template are decided through an annual revision procedure by the label committee comprising representatives of the issuer and investor community (ICMA), rating agencies and supported by observers from the advisory council comprising organisations such as the ECB, national regulators, EBA and the World Bank. This procedure is able to adjust the requirements in a standardised approach and can quickly respond to additional information requests from investors (e.g. COVID-19 related payment holidays, ESG disclosures etc.) which go beyond the requirements of the Covered Bond Directive.

In addition to that, as regards the specific example made by the EC i.e. the “cover pool” please see our arguments as follows.

Information on cover pool and, namely,

- a. the value of the cover pool and outstanding covered bonds
- b. the maturity structure of cover assets and covered bonds
- c. the levels of required and available coverage, and the levels of statutory, contractual and voluntary overcollateralization belong to the set of information which credit institutions issuing covering bond shall be required by Member States
 - i. to give to investors and
 - ii. to publish on their website so as to guarantee protection of investors.

Moreover, the transparency of the cover pool securing the covered bond

- i) increases comparability and
- ii) enables investors to perform the necessary risk evaluation on different issuances of covered bonds thereby being an essential component of this type of financial instrument.

In the light of the above we are not entirely convinced that specific information on Covered pools fits into the objective of ESAP, whose purpose we understand should be to increase the visibility of companies and the disclosure on corporate information in order to foster investments and capital markets. Whereas data on financial intermediaries are to a great extent already available and public, the importance of the project is more focused on data concerning non-listed companies and non-financial Co (including SME) and on ESG information. Therefore, the benefit for investors of feeding CBD-compliant information into ESAP would be smaller than, for instance, in the case of SME information. Should CBD-compliant information become part of ESAP, it has to be ensured, that no additional burden on the banking sector will be created, therefore no request of further data should be foreseen in excess of data for which there is currently an obligation of disclosure by Banks and that a transition period will be put in place. We also expect that benefits stemming from the establishment of ESAP will exceed all implementing costs of the infrastructure.

The Usability and accessibility

Question 8. In order to improve the digital use and searchability of the information, for which of the hereunder information would you support the use of structured data formats, such as ESEF (XHTML and iXBRL), XML, etc., allowing for machine readability?

- X Listed companies' half yearly financial reports
- X Financial statements
- Management report
- Payments to governments
- Audit report
- Total number of voting rights and capital
- Acquisition or disposal of issuer's own shares
- Home Member State
- Acquisition or disposal of major holdings
- Inside information
- Prospectuses
- Net short position details
- Fund-related information
- Key Information Document
- Public disclosure resulting from prudential requirements
- Remuneration policies
- Corporate structure of the conglomerate
- Governance arrangements
- Covered bonds - related information
- Solvency and financial condition report
- Sustainability - related information
- X Other:

Please specify for what other information you would support the use of structured data formats allowing for machine readability:

We think that the future database should focus on including raw data so that it would be possible to perform the analytical screening functions (Taxonomy alignment screening, sector-based materiality disclosure screening, sector-based peer group comparison etc.). If there is additionally some other "non-raw data", it needs to be seen as such.

Please explain to what other machine-readable formats you refer in your answer to question 9:

At least at this very preliminary stage, we would suggest to apply the ESEF (XHTML+XBRL) only for:

- Listed companies' half yearly financial reports
- Financial statements
- Quarterly interim financial reports (this would apply also to question 8 above).

Infrastructure and data governance (collection of data + validation of data)

Question 12. Should specific categories of stakeholders be involved in the governance of ESAP?

- X EU authority (ESMA, European Commission etc.) or a consortium of EU authorities?
- X National competent authorities
 - Investors
 - Reporting companies
 - Other

Please specify which EU authority should be involved in the governance of ESAP:

The participation of investors and reporting companies is not a priori excluded at this very preliminary stage. Further thorough analysis on this topic is strongly needed.

As for “other”, the participation of the OAMs is not a priori excluded at this very preliminary stage. Further thorough analysis on this topic is strongly needed.

Targeted questions regarding entities with no access to capital markets (non-listed entities), including SMEs

Question 17. Should it be possible for companies other than those with securities listed on EU regulated markets to disclose information on ESAP on a voluntary basis?

- X Yes
 No
 Don't know / no opinion / not relevant

Question 17.1 If you replied yes to question 17, please specify which type of entities should be allowed to disclose data on a voluntary basis in the ESAP:

- X Companies with securities listed on a SME growth-market
 X Companies with securities listed on other non-regulated markets
 X Pre-IPO companies not yet listed on an exchange
 X Any unlisted companies
 X Other entities

Please specify what other entities should be allowed to disclose data on a voluntary basis in the ESAP:

SMEs should also report in the database whatever the future ESG reporting standard prescribes them to report. Proportionality would be accounted in the future standard, not in the ESG database, which is a purely technical solution.

Question 18. What type of information should be disclosed on a voluntary basis in the ESAP?

- X A set of predefined key financial information, allowing to compare data
 Any financial information that the issuer would be willing to render public via ESA
 X A set of predefined key sustainable related information, allowing to compare the data
 Any sustainability related information that the issuer would be willing to render public via ESAP
 Other

Please specify give a few examples of other type(s) of information that should be disclosed on a voluntary basis in the ESAP:

The answer to this question is closely related to the answer to question 1 row 6 and should be made consistent with it. At this very preliminary stage, the option of a predefined set of key financial and sustainability information for companies who would voluntarily disclose on voluntary basis could be considered. Before providing a conclusive response, further thorough analysis on this crucial topic is strongly needed.

Question 21. Should filings done on a voluntary basis by SMEs and non- listed companies follow all the rules of the ESAP as regards for instance identification, data structuring and formats, quality checks, etc.?

☐ Yes
☒ No
☐ Don't know / no opinion / not relevant

Please explain your answer to question 21:

The answer to this question is closely related to the answer to question 1 row 6 and should be made consistent with it. At this very preliminary stage, the option that the above-mentioned rules apply only to a limited extend could be considered. Before providing a conclusive response, further thorough analysis on this crucial topic is strongly needed.

Costs and benefits

Question 22. Do you expect that costs of introducing ESAP be proportionate to its overall benefits?

- ☐ Not at all
- ☐ To some extent
- ☐ To a reasonable extent
- X ☒ To a very great extent
- ☐ Don't know / no opinion / not relevant