European Covered Bond Council (ECBC)

ECBC reply to ESAP consultation

Submitted 30 March to the European Commission

The European Covered Bond Council (ECBC), representing 95% of the covered bond industry, would like to thank the European Commission for the ongoing commitment to ensuring relevant, up-to-date and transparent data disclosure with the European single access point for company information (ESAP) and would like to provide the following points of reflection.

With the Covered Bond Label Foundation (CBLF), the ECBC already in 2012 has started to organise and harmonise data collection of both covered bonds and respective cover pools. This market based reporting instrument is currently covering over 70% of the global covered bond market, providing information on over 5,000 covered bonds on the covered bond label website and detailed data of their respective 148 cover pools scattered in 23 countries world-wide using the Harmonised Transparency Template (HTT) which is required to be completed at least every three months and which undergoes annual revision process in order to guarantee its alignment with the law. The HTT is publicly available to investors and stakeholders and labelled issuers provide data required by the Covered Bond Directive (CBD). The template undergoes annual revision managed by the Label Committee which comprises representatives of the issuers and is supported by the Advisory Council including organisations such as EBA, EBRD, ECB, EIB, the World Bank alongside national regulators, rating agencies and the investor community. Thanks to this annual revision important legislative developments such as the CBD as well as new trends in the market such as the increased interest in sustainable finance and ESG are actively analysed and absorbed in the template.

Article 14 of the CBD on investor information states that lending institutions are required by Member States, in order to inform and guarantee protection of investors, to publish on their websites a certain amount of minimum portfolio information. Moreover, the transparency of the cover pool securing the covered bond increases comparability and enables investors to perform the necessary risk evaluation on different issuances of covered bonds thereby representing a fundamental element of this type of financial instruments.

Against this background we would like to reiterate our reservation as to whether the information required in Article 14 fits into the objective of ESAP, whose purpose is to increase the visibility of companies and the disclosure on corporate information in order to stimulate investments and access to capital markets. Whereas data on financial intermediaries are, to a great extent, already been made available and public, ESAP could add value particularly in relation to data concerning non-listed and non-financial companies (including SME) and on ESG information. In the final analysis, it is fair to say the benefits for investors of feeding CBD-compliant information into ESAP would be less considerable than, for instance, in the case of SME information.

Should Article 14 information fall under the scope of ESAP, we welcome the approach adopted by the EC to include this information not since the outset of the project but at a later stage i.e. from 1.1.26 onwards. This would mean that no request of further data should be mandated above and beyond those data which constitute matter of an obligation of disclosure by Banks. That said, we deem it extremely important to avoid any extra-requirement and related costs on the banking sector and that burden of submitting reported data to ESAP rests solely with the national and EU authorities collecting bodies, and that related costs for the authorities are not directly or indirectly passed on to the companies. It is also important to ensure that the adoption and the entry into force both of Level 1 and of Level 2 rules are adequately synchronised and the "proportionality principle" is actually implemented, e.g. when it comes to the content of the Draft EBA ITS thereby minimising the compliance efforts for banks.