ESMA Consultation Paper Guidelines on securitisation repository data completeness and consistency thresholds

This document provides the response of the Dutch Securitisation Association ("DSA") on the ESMA Consultation Paper dated 17 January 2020.
We welcome the opportunity to react on this Consultation Paper.

DSA Background

The Dutch Securitisation Association was established in 2012 as representative body of the Dutch securitisation industry. Our membership includes issuers of securitisations both from the insurance and banking industry as well as finance companies, and we are operating in close cooperation with the Dutch investor community.
Our purpose is to create a healthy and well-functioning Dutch securitisation market.
We try to achieve this i.a. by providing a standard for documentation and reporting of Dutch RMBS, BTL and Consumer ABS transactions, promoting further standardisation and improvements in transparency, and active involvement in consultations about future regulation of the securitisation market.
Against this background, we would like to provide our comments, on behalf of all Dutch issuers joined in the DSA, on the ESMA Consultation Paper Guidelines on securitisation repository data completeness and consistency thresholds (individual DSA members may also provide their own comments).

Our answers on the question

Q1: Do you agree with the guiding principles used for developing the thresholds, as discussed in this section (section 3.1)?
We do generally agree, but have the following comments and questions:
-Par. 8: The threshold concept will only apply to the exposure related annexes. This would lead to the conclusion that the (indeed few) ND1-4 fields in the investor report cannot be applied at all from the start of reporting. There must however have been a rationale for allowing ND1-4 for these fields, but that is now "overruled" by the Guidelines, which seems odd to us.
-Guiding principle 15 a): "potentially at an even greater level of detail for specific categories of securitisation within each type of securitisation" has not (yet ?) been reflected in your proposed guidelines. We could imagine f.i. a separate category Buy-to-let ("BTL") within RMBS, since most BTL issuers have no experience with the ECB templates.

Q2: Do you agree with the proposed calibration approach and proposal for the percentage threshold, as discussed in this section (section 3.4)?
We have no comments on the calibration and proposal for the percentage threshold.

Q3: Do you agree with the proposed calibration approach and proposal for the 'number of legacy assets fields' thresholds, as discussed in this section (section 3.5)?
<u>*Calibration approach*</u>
We do not fully agree with the calibration approach, since a) it seems to penalize past good behavior: those asset classes where relatively high quality data were reported before the ECB thresholds were imposed are now also required to provide superior reporting in the early stages of the new templates and b) we also would like to get some better understanding of the transition of Column (5) to (6), reflecting "expansion of new data fields in ESMA templates in comparison to ECB templates".
<u>*Proposal for the number of legacy assets fields*</u>
While for RMBS there is a relatively large increase in mandatory fields we note that the multiplier between the Columns (5) and (6) is relatively small, which seems to be at odds with

each other. We note in this respect that initially the data quality in ECB optional fields was rather poor. Nevertheless, we can agree with the proposed number of fields for RMBS.
We do not agree with the proposed number of fields for Corporate/SME exposures.
For these exposures we note that the percentage used as max. percentage ND1-4 in ECB templates is not comparable to similar ratio's for other asset classes, due to the fact that the number of fields for this asset class has been reduced more significantly from ECB to ESMA than for other asset classes. So where in the ECB template, with large quantities of optional and/or not critical fields the percentage ND1-4 could be low, this percentage cannot be applied, without disturbing the comparison, to the smaller number of very critical ND1-4 fields in the ESMA template. To compensate for this, we strongly recommend to increase the proposed threshold numbers for Corporate/SME to at least the numbers applicable to RMBS. It would be rather counter-intuitive if for a well developed asset class like RMBS, with comparable number of ND1-4 fields, much higher thresholds would apply compared to a developing asset class like Corporate/SME.
And against the background of the support the European Commission aims to provide to SME's a.o. through the Junker plan, a fair treatment of SME's in terms of data disclosure would also be very important.
Finally, we have 2 additional comments with regards to SME exposures and ND1-4:
-Small SME's are exempted from providing several data that are required in the templates. In these cases ND1-4 has to be used, while in fact ND5 would have been more appropriate. As a result of this, the problems to meet the ND1-4 hurdles are further increased.
-SME data may frequently create privacy/GDPR issues, since they can easily be mapped to real companies; inserting ND1-4 for those fields where privacy issues might arise, will further increase the burden to meet the hurdles.

Q4: Do you agree with the proposed calibration approach and proposal for the 'number of legacy IT system fields' thresholds, as discussed in this section (section 3.6)?
The same comments as for Q3 do apply for 4.

Q5: Do you have any comments on the threshold revision process? Are there any other aspects on this topic that are missing in your view and should be taken into consideration?
We do appreciate your intention to provide sufficient time for market participants to adapt to the first threshold calibrations. Also we agree with your statement that "in the event the thresholds would need to be adjusted, this could still be done with sufficient advance notice". We would like to add to this that any adjustments should be phased in slowly and gradually. There remains however a level of uncertainty whether future revisions of the thresholds can be successfully adopted by the data systems of the originator/servicer.
In this respect we would also like to point to Par 18 where you correctly describe the difference between the ECB requirements being "optional" and the ESMA templates being a supervised regulatory reporting requirement.
If an originator/servicer would not be able to meet revised threshold requirements, it would lead to serious consequences. Against that background, we would argue that revised thresholds should only apply to transactions issued after the revisions have been published by ESMA. After such grandfathering has ended, a "comply-or-explain" process could help solving issues with any remaining problem fields.