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Finance for Europe

IACPM

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European Banking Authority ("**EBA**")
European Insurance and Occupational Pensions Authority ("**EIOPA**")
European Securities and Markets Authority ("**ESMA**")

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Re: Joint Consultation Paper: STS securitisations-related sustainability disclosures

On behalf of the Association for Financial Markets in Europe[1] ("**AFME**") and the International Association of Credit Portfolio Managers[2] ("**IACPM**" and, together with AFME, the "**Joint Associations**") and their members, we welcome the opportunity to respond to the Joint Consultation Paper on STS securitisations-related sustainability disclosures (the "**CP**") published by EBA, EIOPA and ESMA (collectively, the "**ESAs**") and dated 2 May 2022.

Members of the Joint Associations place great importance on sustainability considerations. It is our view that they are central to the future of securitisation markets specifically and financial markets more generally. In order to achieve a workable financial market regulatory framework that prioritises ESG considerations appropriately, it is important to preserve a

[1] AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 6511006398676.

[2] IACPM is a global industry association established in 2001 to further the practice of credit exposure management by providing an active forum for its member institutions to exchange ideas on topics of common interest. The IACPM's institutional member firms comprise the world's largest financial institutions, and as such overlap the membership of several other financial industry associations. Our perspective is different, however, in that the IACPM represents the teams within those institutions who have responsibility for managing credit portfolios, including actively controlling concentrations, adding diversification, managing the return of the portfolio relative to the risk and applying capital to new lending. In carrying out these responsibilities successfully, credit portfolio managers contribute to maintaining the safety and soundness of their respective financial institutions. Effective credit portfolio management is critically important to our prudential supervisors and to policy makers more broadly because of its role in supporting financial institutions' ability to lend.

sense of proportionality, that the correct incentives should be in place and that there should be a level playing field.

In this response we will cover each of these areas, among others, by first making some general comments on the subject of the CP and then by addressing each question posed in the CP specifically.

For the sake of completeness, this response relates to the asset-based disclosure being consulted on as part of the Draft RTS. The Joint Associations will continue to wish to engage with regard to other developments in relation to ESG in relation to securitisations, including, for example, the green bond standard.

General comments

Proportionality and consistency

As a general matter, members of the Joint Associations believe that ESG disclosures should be standardised as to meaning and form as much as possible, and product disclosures should be agnostic to the particular type of transaction engaged in. In this sense, it is helpful to align the metrics required to be disclosed to their equivalents under the Taxonomy Regulation, the SFDR and the NFRD[3] (as each of those terms is defined in the CP) as much as possible.

That said, not all entities have responsibilities under e.g. the SFDR and the NFRD. The SFDR generally imposes reporting responsibilities on "financial market participants" (as defined in the SFDR). The NFRD mainly imposes ESG reporting obligations on "large undertakings" which are "public-interest entities" (as those terms are defined in NFRD) exceeding an average of 500 employees during the financial year (or public-interest entities which are parent undertakings of a large group meeting the same 500 employee criterion).

While these definitions mean that a significant number of market participants representing a large proportion of market volumes will need to be familiar with this type of reporting at an institutional level, this familiarity is broadly limited (at the moment) to the largest undertakings who have the most sophisticated reporting systems and are best able to bear those burdens. SMEs and other new market entrants tend to be excluded from these reporting requirements.

In the Joint Associations' view, the ESAs should be mindful of this general approach and should be careful not to disincentivise the use of STS securitisation as a financing or risk sharing tool. Aligning the metrics required to be disclosed under the Securitisation Regulation (and the draft RTS consulted on via the CP (the "**Draft RTS**")) to their equivalents already defined elsewhere is a good instinct, but is helpful only to the extent that those reporting under the Securitisation Regulation are already familiar with those other regulations, either because they already have regulatory reporting obligations under those other regulations or because they have already built the required systems in order to satisfy the demands of their investors. Imposing significant additional detailed reporting requirements on originators who are not already institutionally familiar with the requirements of other legislation such as SFDR and NFRD serves only to disincentivise the financing of those assets via STS securitisation, especially if equivalent ESG reporting would not be

[3] Of course, to the extent that the NFRD is replaced by the CSRD, then the same principles we have outlined in this response should be applied, *mutatis mutandis*, to those recast obligations.

required if those assets were financed in other ways (e.g. bank loans or other forms of secured instruments).

Put another way, imposing SFDR-style disclosure on regulated financial institutions (a good proxy might be to scope in institutions of a type that would be financial market participants when managing others' portfolios) in respect of the securitisations they originate is sensible and proportionate. Extending SFDR-style disclosures to unregulated entities who do not otherwise have to engage with SFDR simply because they are financing or buying protection on their assets via an STS securitisation is not sensible or proportionate.

Timing

The second general comment the Joint Associations would like to raise has to do with the timing of the information required to be disclosed under the Draft RTS. Recital (4) of the Draft RTS notes that sustainability-related disclosures are needed "to ensure that investors are in a position to take informed decisions as regard the sustainability impact of their investment". However, under Article 1(2) of the Draft RTS, the information required under the Draft RTS is explicitly to "be made available as part of the information disclosed pursuant to point (a) of Article 7(1)" of the Securitisation Regulation. The implication of this is that the timing of delivering the information required is identical to the timing of other Article 7(1)(a) information – that is, at least quarterly, starting a month after the first interest payment date on the transaction. Needless to say, this reporting burden becomes even more onerous for the numerous deals in the market that have monthly interest payment periods and accordingly report monthly under Article 7(1)(a). This is too late to be useful to investors in the primary markets, who would need this information along with the initial offering documents if they are to use it to inform their investment decisions. Updating it quarterly is also potentially hugely burdensome for originators and too frequent to be useful to investors. From a market utility point of view, the Joint Associations would suggest making this information available prior to pricing, along with the information described in points (b), (c) and (d) of Article 7(1) (and along with Article 7(1)(a) information, if requested by investors under Article 22(5) or Article 26d(5)) of the Securitisation Regulation. Thereafter, it should be updated at most annually, particularly since the sustainability factors required to be reported on are likely to be extremely stable in respect of a given asset, and therefore unlikely to change materially over the life of a transaction with a static pool.

Where updates to the disclosure are required in respect of existing assets, it should be made clear that this information should be treated in the manner described in Q&A 5.1.14 of ESMA's Questions and Answers on the Securitisation Regulation, which is to say that it would not be required to update information collected at origination unless the originator becomes aware of updated information in the course of its ordinary business or interactions with an obligor and will therefore make such information available as part of its annual reporting.

In this respect, the Joint Associations would point out that there is no requirement in the level 1 text of the Securitisation Regulation to make the information described in the Draft RTS available as part of the Article 7(1)(a) disclosures which the Joint Associations agree with as it might otherwise discourage the use of STS transactions. We acknowledge, of course, that

the first subparagraph of each of Articles 22(4) and 26d(4) of the Securitisation Regulation refers to making information on the environmental performance of the assets available as part of the Article 7(1)(a) disclosures. The second subparagraph of each of those articles, however, explicitly provides an alternative "[b]y way of derogation from the first subparagraph", meaning that the ESAs when carrying out their mandates under Articles 22(6) and 26d(6) are not bound to develop an RTS that will require sustainability disclosures that would be part of the broader Article 7(1)(a) disclosures. Rather, they are free to determine both the content and the timing of the relevant disclosures to match what would be most useful to accomplishing their purpose. In addition, if the intention is that if the relevant information is available, and is disclosed for other purposes, because it is required for other purposes (as expressed in paragraph 19 of the CP) then it should be made available to securitisation investors as well, we consider that this should be made clear. The Joint Associations consider that ESG disclosure should not be required for STS and any such disclosure should not be caught under Article 7.1(a) – instead, there should be separate disclosure provisions as otherwise, there is a risk of endangering existing and discouraging future STS securitisations, including private securitisation.

Supervision

The third general point the Joint Associations would like to raise relates to supervision. The CP states at paragraph 13 that "the ESAs acknowledge that the responsibility of supervising the ESG disclosures on securitisations should however be kept separated from the supervision of certain provisions of the SECR". It does not, however, go on to clarify how the supervision of ESG disclosures should operate, nor does the Draft RTS shed any light on this matter. In fact, by saying that the disclosures required under the Draft RTS will form part of the Article 7(1)(a) disclosures required under the Securitisation Regulation, the Draft RTS suggests that ESG disclosures will, contrary to paragraph 13 of the CP, be integrated with the supervision of Securitisation Regulation disclosures more generally, which we do not agree with for the reasons given above.

Since the disclosures provided for under the Draft RTS are required only of STS securitisations the members of the Joint Associations would recommend coordinating supervision of these disclosures with supervision of STS more generally, but that ESG disclosure should be separate from, and supplemental to, Article 7(1)(a) disclosures. We would therefore encourage the ESAs to amend the Draft RTS to make clear that national competent authorities designated for the purpose of supervising STS matters should also supervise compliance with the requirements to be introduced under the Draft RTS.

We would further note that, since the disclosures contemplated under the Draft RTS are very largely derived from other legislation with separate supervision mechanisms, it would be appropriate to ensure there is a requirement for the relevant supervisors (e.g. those appointed to supervise compliance with the Draft RTS, and those referred to in Article 14 of SFDR) to coordinate to ensure consistent interpretation of equivalent requirements.

Means of disclosure

The fourth general point the Joint Associations would like to raise relates to the means of disclosure. Under paragraph 9 of the CP, it is noted that the Draft RTS "build[s] on the existing infrastructure for the disclosure of public securitisation information foreseen in Article 7 of the Securitisation Regulation, namely the Securitisation Repositories". Broadly speaking, this is a sensible solution as far as it goes. It does not, however, clarify the means of disclosure required for private securitisations. Based on the drafting of the CP, members of the Joint Associations understand that private securitisations will be permitted to make available the information required under the Draft RTS by the same means as existing information required by Article 7 of the Securitisation Regulation – that is to say, there is no particular means of disclosure that will be required, provided that the information is made available to the required audience (investors, competent authorities and, upon request, potential investors) in a timely manner. We consider that it would be helpful for the final RTS to confirm this.

Transitional relief

The final general comment the Joint Associations would like to raise is in relation to transitional provisions, which broadly seem to be lacking in the Draft RTS. Recital (12) of the Draft RTS notes that "in order to provide originators (…) with sufficient time to gather the necessary information and to adapt to the requirements of this [Draft RTS]", which alludes to the possibility of the delayed date of application of the Draft RTS, but the placeholders in Article 3 for the date of application do not appear to envisage any meaningful time period that would allow sufficient time for originators to prepare, given that the details of the Draft RTS are unlikely to be finalised before the later part of 2022. In addition, there is a passing reference to the availability of information in Recital (6) of the Draft RTS but this does not adequately take into account the age of many of the assets included in securitisations. Virtually all of the PAI indicator disclosure in the Annexes to the Draft RTS would require the originator to have the relevant data in respect of every asset in the pool. This is either because the PAI indicator tables request the "share of underlying exposures" meeting a certain criterion or because they request an average. In either case, without the relevant data for every underlying exposure it is impossible to calculate these numbers.

Since requirements to collect this type of PAI indicator are relatively recent, and securitised assets can sometimes be a decade or more old, it will be extremely challenging (if it is even possible) for originators to comply with these requirements in most or all cases.

What is needed to resolve this is a two-step process. The first step would be to disclose the proportion of the pool in respect of which data on the relevant PAI indicator is available, which permits the equivalent of a "no data" response in respect of at least some assets. This is a common solution that was deployed by the ECB when it introduced its loan-level data requirements and remains in use in respect of the reporting templates for Article 7(1)(a), (e), (f) and (g) under the Securitisation Regulation.

The second step would then be to calculate the relevant share or average based on the "sub-pool" in respect of which the information is available.

Finally, we would ask the ESAs to consider a delayed application of the requirements to be put in place under the Draft RTS. Considering the need for originators to put in place systems to collect and accurately report this information, we consider that the period for implementation will need to be sufficiently long enough and we consider the period will likely need to be longer than six months between the publication of the final RTS in the Official Journal and its application would be appropriate. Given the current legislative timeline, that would appear likely to be some time in H2 2023, rather than late 2022 as suggested by Article 3(2) of the Draft RTS. If this extra time to prepare is not provided, we are concerned that a significant portion of the market will simply opt not to provide the information contemplated by the Draft RTS, preferring to continue complying with the requirement to "publish the available information related to the environmental performance of the assets" as part of the Article 7(1)(a) Securitisation Regulation reporting instead. Realistically, market participants are likely to make the judgment that the resulting additional and unnecessary friction in the market would be undesirable, but nonetheless preferrable to possible regulatory liability for failing to properly comply with the Draft RTS.

Answers to the ESAs' specific questions in the CP

1. ***Do you agree that it is preferable to make disclosures available in a stand-alone document based on the SFDR template and consider any potential related adjustments to ESMA's disclosure RTS at a later stage?***

   Yes, as a general matter members of the Joint Associations agree that separating out ESG disclosures from the existing loan-level data disclosures required under Article 7(1)(a) of the Securitisation Regulation is preferable. We agree with the reasons for this set out in paragraph 11 of the CP.

   However, members of the Joint Associations would go further, and suggest that ESG reporting and Article 7(1)(a) reporting should be clearly separated more permanently. This would avoid putting the use of the STS designation at risk and allow for the more nuanced approach to reporting suggested above under the "Proportionality and consistency" heading of our general comments. Under this model, securitisation originators' reporting duties under the Securitisation Regulation would be matched to their ESG reporting duties more broadly, allowing originators to access the STS securitisation markets without additional burden of securitisation-specific ESG reporting that would not be required if they availed themselves of other financing options.

   It would also allow for the timing of ESG disclosures to be more helpful to investors and less burdensome for originators, as described above under the "Timing" heading of our general comments.

   Finally, even if the ESAs wish to keep open the possibility of integrating ESG reporting with Article 7(1)(a) reporting, we do not believe it would be appropriate to assume that would be the outcome of any review and from our perspective ESG disclosure should not be conflated with Article 7(1)(a) reporting. In addition to the reasons outlined above with respect to timing and proportionate reporting burden, it is not clear to us that the concerns the ESAs outline in paragraph 11 of the CP (qualitative nature of the elements requested, risk of changing indicators and thresholds) would ever be resolved to such an extent and

in such a way as to make the highly prescriptive and standardised approach taken in ESMA's disclosure RTS appropriate to the disclosure of these ESG matters.

2. ***Do you agree that originators should disclose information in the principal adverse sustainability impacts statement, about whether and, if so, how principal adverse impacts on sustainability factors are taken into account in the originator's credit granting criteria? Do you agree that the disclosed information should rely on and cross-reference existing disclosures?***

   Members of the Joint Associations agree that – to the extent originators are already institutionally familiar with SFDR (e.g. because they are an institution of a type that could be a financial market participant under SFDR) – then they should disclose that information in respect of the assets underlying the securitisations they originate.

3. ***Do you agree that originators should disclose information about whether, and if so how, PAI indicators on sustainability factors are considered in the selection of underlying exposures to be added/repurchased to/from the pool at the time of marketing or during the lifetime of the securitisation? Do you agree with the level of information required?***

   Members of the Joint Associations agree that – to the extent originators are financial market participants under SFDR (or are otherwise institutionally familiar with SFDR reporting requirements) – then they should be able to disclose that information in respect of the assets underlying the securitisations they originate. However, this should simply be a case of disclosing the PAI indicators on sustainability factors that are considered in selection of assets for addition to or removal from the pool. In other words, this should be a simple requirement to disclose the extent to which such factors come into the decisions made and how they are used. The requirement to provide "details of the best efforts used to obtain the information from the obligors, external experts or by making reasonable assumptions" in Article 2(3)(d)[4] of the is of a different nature and unacceptable. Rather than simply requiring originators to describe their processes, the proposed Article 2(3)(d) seems to be impliedly imposing an obligation to make "best efforts" to obtain information, which is a potentially extremely onerous requirement that it is inappropriate to impose via a provision that is merely set up to require disclosure of the extent to which PAI indicators on sustainability factors are considered, not require the acquisition of the underlying information and its consideration.

4. ***Do you agree with the approach taken in the draft RTS which aims for full consistency with the draft SFDR RTS?***

   In principle, we agree that full consistency with SFDR is desirable, subject to our point above about limiting SFDR-modelled disclosure to financial market participants defined in SFDR. We should clarify, however, that this is limited to those metrics which are

[4] This is labelled point "(j)" in the Draft RTS as a result of a numbering typo.

relevant for securitisation investors. That is to say, where there are relevant metrics for securitisation investors that have already been defined in the context of SFDR, we agree that it is sensible to preserve the definition and reporting of that metric for the purposes of reporting under the Draft RTS. It will not always be sensible to report all SFDR-defined metrics in the context of an STS securitisation, however.

Further, the reference to additional indicators "which originators will be required to collect for an underlying exposure" pursuant to the Commission Delegated Regulation (EU) 2021/2178 (the "**Economically Sustainable Economic Activities RTS**" or "**ESEA RTS**") inappropriately assumes the nature of the originator. The green asset ratio, for example, is required only from credit institutions under the ESEA RTS, whereas the Draft RTS seems to require this information from all originators, regardless of whether they are credit institutions. As with our suggested approach to SFDR-like disclosures, we would suggest that only those metrics the originator is anyway required to prepare under the Taxonomy Regulation and the ESEA RTS (or those straightforwardly derived from such metrics – as with the non-green asset ratio) should have to be disclosed under the Draft RTS.

5. ***Do you agree with the inclusion of the new mandatory non-green asset ratio indicator for all asset classes covered by the RTS?***

Members of the Joint Associations question the relevance of the non-green asset ratio outlined in paragraphs 22-24 of the CP on the basis that (i) the non-green asset ratio is not an SFDR metric, which contradicts the objective of standardised and harmonised ESG disclosure and (ii) under the SFDR, the green asset ratio, at product-level, does not apply in certain circumstances meaning that it will not be possible to calculate the non-green asset ratio. ESG disclosure should be kept simple to ensure proportionate reporting costs across transactions.

Additionally, depending on the asset class in question, originators may not necessarily have all the information to produce the proposed reporting metrics. There are a significant number of originators of both residential mortgage assets and auto loan and lease assets who are not credit institutions and would find it extremely burdensome (and perhaps impossible) to produce these metrics. The effect of requiring non-credit institution originators to produce these metrics would be to significantly disincentivise their use of STS securitisation as a financing tool for those assets.

More fundamentally, members of the Joint Associations query whether the non-green asset ratio is a reliable PAI indicator as it has little relevance to measuring adverse impacts on the climate as "non-green assets" (with "green" assets complying with all Taxonomy requirements) are not equivalent to "assets having negative effects on sustainability factors", as recognised in paragraph 24 of the CP itself.

The CP justifies the use of the non-green asset ratio on the basis that the SFDR RTS includes an indicator that is similar in nature (i.e. "Share of bonds not certified as green under a future EU act setting up a European Green Bond Standard"), the indicator under the SFDR RTS is an optional indicator and falls within the category of indicators

applicable to investments in sovereigns and supranationals. [5] Thus, we do not consider the comparison to be relevant and as such the proposed inclusion of the non-green asset ratio in the contemplated reporting framework seems to run counter to the legal mandate given to ESAs.

6. ***Do you agree with the proposed PAI indicators for residential real estate?***

   In addition to the concerns outlined above about requiring information only from those types of entities that are required to produce it in relation to other products or in other contexts, we consider that not all PAI indicators listed in the SFDR should be selected for inclusion in the Draft RTS. Instead, only relevant PAI indicators should be selected which are collected by credit institutions originating residential loans (such as the energy performance certificate of the property as contemplated in the EBA final draft ITS on prudential disclosures on ESG risks published in January 2022 ("**Final Draft ESG ITS**")[6]) and which provide meaningful information to investors. Additionally, the indicators sourced from SFDR should be required only from originators who are financial market participants (or otherwise institutionally familiar with SFDR reporting requirements) and indicators sourced from the ESEA RTS should only be required from originators who are credit institutions (in the event the ESAs choose to retain the non-green asset ratio).

   Finally, we would point out that – because of the frequently very long terms of the underlying loans – residential real estate is particularly problematic from the point of view of the transitional issues raised in our general comments above.

7. ***Do you propose to add any additional specific indicators for this asset class?***

   Not at this stage, though it is important for this to remain flexible and for it to be reviewed regularly as it should reflect as much as possible the most recent industry-standard PAI indicators and these are still in a state where they are evolving quickly. The ESAs and industry have a shared interest in ensuring that any regulation does not hold back positive evolutions in this important area.

8. ***Do you agree with aligning the PAI indicators for motor vehicles with the screening criteria for motor vehicles established in the Taxonomy Regulation?***

   We note that the CP acknowledges (as mentioned in our response to question 5) that assets which fail to meet high sustainability criteria are not necessarily assets that have a

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[5] https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf

[6] https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2022/1026171/EBA%20draft%20ITS%20on%20Pillar%203%20disclosures%20on%20ESG%20risks.pdf

negative impact on the environment. As such, we do not agree with aligning the PAI indicators for motor vehicles (or electric vehicle batteries) with the screening criteria for motor vehicles (or electric vehicle batteries) established in the Taxonomy Regulation. In particular, social and employee matters are not relevant for reporting in respect of residential loans – the same should apply to auto loans and leases in order to be consistent.

In addition, please also note our concerns outlined above about requiring information only from those types of entities that are required to produce it in relation to other products or in other contexts. That is to say the indicators sourced from SFDR should be required only from originators who are financial market participants (or who are otherwise institutionally familiar with these reporting requirements) and indicators sourced from the Climate Delegated Act (via the ESEA RTS) should only be required to originators who are credit institutions (since the relevant indicators are all indicators required only of credit institutions). In particular, we note that many "auto captive" entities may not familiar with SFDR. In such cases, the information proposed to be required will probably not be readily available to them. It could also be difficult to provide that information in respect of second-hand cars (i.e., those manufactured before the indicators were developed).

We would note further that item 6 of Table 1 appears to have a typo. Point (b) of the "Metric" column refers to "reusable or recoverable". "Reusability" and "recyclability" are both defined terms in the Annex but "recoverability" is not. The term "recoverable" should therefore be replaced or the term "recoverability" should be defined.

9. ***Do you agree with expanding the indicators to potentially cover these additional aspects at a later stage?***

This will need to be carefully considered in the light of the specific proposals at the time. We believe that it is currently too early to define precisely the additional aspects to be covered by new indicators at this stage, not least because technology is evolving and reliable emissions and air pollution measures are not yet available. It will also be important to ensure that any additional PAI indicators are workable both for captive and non-captive auto lenders.

10. ***Do you agree with applying the mandatory indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters to the manufacturer of the vehicle?***

These disclosures present legitimate consistency concerns. That is to say, there is no equivalent requirement in relation e.g. to the developer of a residential real estate property or other physical asset that might be financed via a securitisation. We understand that it is a finely balanced judgment because the financing of an auto loan or lease portfolio often helps to support demand for the manufacturer's products, but on balance we would omit any PAI indicators relevant specifically to the manufacturer (or indeed a real estate

developer for residential mortgages) because the financing is in relation to the specific physical asset rather than the corporate producing that asset.

These PAI indicators also present increased concerns with respect to the availability of data and clarity as to what is required. The manufacturer(s) of the vehicles financed via an auto loan or auto lease securitisation will not always be party to that securitisation, making it potentially more difficult to obtain the relevant information. Even where that information is publicly available, Table 1 does not make clear how to calculate the required PAI indicator. For example, when calculating item 10, should the unadjusted gender pay gap of the relevant company be used as at the date the relevant auto was manufactured, or should the current data be used? Presumably the information as at manufacture is not relevant since the purpose of disclosing the data is to encourage progress, which is not achieved if that progress is not reported and cannot therefore be rewarded. If, on the other hand, the current information should be used, how should a manufacturer be treated if it has since gone out of business or merged into another business with the legacy business unit no longer having a meaningful separate identity?

11. Do you propose to add any additional specific indicators for this asset class?

Not at this stage, though it is important for this to remain flexible and for it to be reviewed regularly as it should reflect as much as possible the most recent industry-standard PAI indicators and these are still in a state where they are evolving quickly. The ESAs and industry have a shared interest in ensuring that any regulation does not hold back positive evolutions in this important area.

12. Would you agree with using the SFDR real estate PAI indicators for commercial real estate securitisation?

Members of the Joint Associations agree that – to the extent originators are financial market participants under SFDR (or who are otherwise institutionally familiar with these reporting requirements) – then they should be able to select whether or not to disclose that information in respect of the assets underlying the securitisations they originate.

13. Would you consider it useful to provide originators of securitisations consisting of corporate debt including trade receivables a template to disclose standardised information on principal adverse impacts on sustainability factors?

Members of the Joint Associations consider that it is premature to set out a mandatory template in this respect. We would suggest allowing more time for the market and regulatory framework to develop best practice in this area and then apply the same requirements to securitisation financing as are applied to equivalent market participants engaged in other forms of financing. . Given that the trade receivables market is diverse in terms of the precise nature of the underlying assets and the corresponding information available, any decision on this should be taken in close cooperation with relevant stakeholders in the relevant market.

14. ***Would you agree with applying the draft SFDR RTS PAI indicators to exposures to corporates?***

    In principle we would support alignment between any securitisation ESG disclosure requirements and non-securitisation ESG disclosure requirements on the basis of the requirements otherwise applicable to the relevant originator(s) in respect of the relevant assets. So extending SFDR RTS PAI indicators to exposures financed via securitisation would not be problematic provided the originator is a financial market participant in scope of the relevant SFDR RTS disclosure obligations and chooses to disclose SFDR RTS PAI indicators to investors.

15. ***Would you agree with applying the proposed application of the same draft SFDR RTS PAIs focusing on the seller in the case of securitisation consisting of trade receivables?***

    See response to question 14 above. This would in principle be acceptable provided it applies to the seller group (of the trade receivables) on a consolidated basis and it is optional.

16. ***Would you agree with adopting the proposed proportionate approach to SME loan?***

    Members of the Joint Associations approach the question of disclosure against SME loans in the same way as they approach other disclosure questions. That is to say, the fact of securitising SME loans should not change the types of ESG disclosure lenders are required to make, just the audience for that disclosure. Any existing obligations arising under e.g. SFDR for the originator could be repurposed for securitisation disclosure, but no further data should need to be collected or disclosed.

    Additionally, the approach should be aligned with the required information under the Final Draft ESG ITS in terms of timing, phase-in period and to allow SMEs to adapt to the new requirements and reporting in general.

17. ***Would you propose to add any additional specific indicators for these three types of securitisation?***

    Not at this stage, though it is important for this to remain flexible and for it to be reviewed regularly as it should reflect as much as possible the most recent industry-standard PAI indicators and these are still in a state where they are evolving quickly. The ESAs and industry have a shared interest in ensuring that any regulation does not hold back positive evolutions in this important area.

*18. **Would you agree that there are no appropriate PAI indicators for securitisations backed by consumer loans or by credit card debt? If not, which PAI indicators would you propose for these loan types?***

Yes, members of the Joint Associations agree that these asset classes do not lend themselves to PAI indicator disclosures. In particular, since there is generally no information available on the use of the money borrowed under consumer loans or credit cards, it would be extremely challenging to develop appropriate PAI indicators to report.

*19. **Do you consider that it would be useful to develop standardised PAI indicators on sustainability factors for other types of securitisation?***

Not at this stage. The major asset classes in respect for which securitisation is a significant financing technique are already covered by the Draft RTS. The general principles set out in this response, however, would apply in respect of any new asset classes as well. That is to say, parity of disclosure requirements so that ESG disclosures for securitisation should be matched to the ESG disclosure requirements for other financing techniques applied in respect of the same assets by the same entities.

In closing, we wish to emphasise that the engagement of the ESAs with market participants on issues related to the securitisation sustainability disclosures is appreciated. We are grateful for the opportunity to contribute evidence in response to the CP and we would be happy to answer any further questions that you may have.

Yours faithfully

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