

# Press release

News from the International Capital Market Association (ICMA)

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For immediate release

## **Progress on transparency in the European Covered Bond market ICMA report calls for further disclosure of cover pool data**

(London, UK) A new report commissioned by ICMA's Covered Bond Investor Council, '*Covered bond pool transparency: the next stage for investors*' reviews progress so far in attempts to improve and standardise disclosure of the cover pool data for the asset class in certain national markets across Europe and makes recommendations on future measures.

Covered bonds are an important component in the funding of financial institutions. They are backed by a collection of investments, the "cover pool," which usually consists of mortgages or public-sector loans. Faced with an expanding number of covered bond issues in different jurisdictions, investors need updated, comprehensive and readily comparable information in order to make informed investment decisions, including consistent data on the composition and quality of the cover pool.

Earlier work by the CBIC, which represents investors in covered bonds, defined a standard disclosure template, but progress in the adoption of the standard has been slow, meanwhile the European Covered Bond Council (ECBC) launched the Covered Bond Label in mid 2012, leading to the publication of 13 national disclosure templates to date. The report compares a sample of the national templates against the CBIC standard and concludes that there is still a clear need for data that is easily accessible, comparable and which goes beyond the requirements of the ECBC label.

Andreas Denger, Acting Chair of the CBIC said: 'The CBIC has always seen transparency to be key to the success of the covered bond market. Therefore the CBIC template has pushed higher level of transparency. For the analysed countries, Richard's report contributes to identify the gaps left and investors needs in general. The CBIC will certainly take the recommendations forward'.

The main recommendations of the report are to:

- Support a single central data repository for information on cover pools.
- Refine investors' data needs particularly for structural features that are not readily available, for example more details of swap arrangements impacting the cover pool.
- Promote, through further disclosure in line with the recommendations of the CBIC templates, greater transparency in covered bonds at national and European level.

Martin Scheck, ICMA's Chief Executive said: "The original template published over two years ago helped the national industry bodies to understand investor needs and to develop disclosure templates adapted to the specifics of their own market.

We hope that this new initiative will facilitate further progress towards greater disclosure of the information that matters to investors in a format that they can use easily. We will work closely with potential data providers and will launch a consultation of our members on the structural features, such as swaps, where they feel that disclosure currently falls short of the ideal. "

The report was written by Richard Kemmish of Richard Kemmish Consulting Limited.

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#### **Notes for editors**

##### **ICMA Covered Bond Investor Council (CBIC)**

The ICMA Covered Bond Investor Council is an investor driven organisation, independent of both issuers and the market. The CBIC represents investors interested in the European covered bond market. It aims to embrace all investors, diversified by geography, type of activities and size. The CBIC promotes the high quality, simplicity and transparency of the product. Improving transparency is viewed as essential for the market and to make it possible for investors to compare different covered bond programmes.

##### **International Capital Market Association (ICMA)**

For nearly 50 years the International Capital Market Association (ICMA) has worked to establish the internationally recognised conventions and standards which are the foundations of the cross-border fixed income market. With more than 450 member institutions in 53 countries, it represents the entire value chain from issuers, through intermediaries and infrastructure providers to investors. Members include: sovereign, supranational and financial issuers, global and regional banks, private banks, brokers, exchanges, trading platforms, ICSDs, rating agencies, asset managers, pension funds, insurance companies, central banks and law firms. For more information

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##### **Richard Kemmish Consulting Limited**

Richard Kemmish Consulting Limited provides support, independent advice and education on all aspects of the covered bond market to issuers, investors and intermediaries. For more information

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