

Covered Bond Investor Council (CBIC)

European Transparency Standards



Reasons for better transparency - The CB Market has changed -

The Covered Bond market is getting more and more complex and diverse

Countries entering the Euro BM Covered Bond Market (21)

1997
Luxemburg, LdG

2002
Ireland, ACS
Spain, CT

2004
Hungary CB

2006
Sweden CB
USA contract. CB
France contract. CB
Portugal, OH

2008
Denmark, CB
Italy, OBG
UK CB

2010
New Zealand contract. CB
France, OFH

1995
Germany
Jumbo Pfandb.

1999
Spain, CH
France, OF

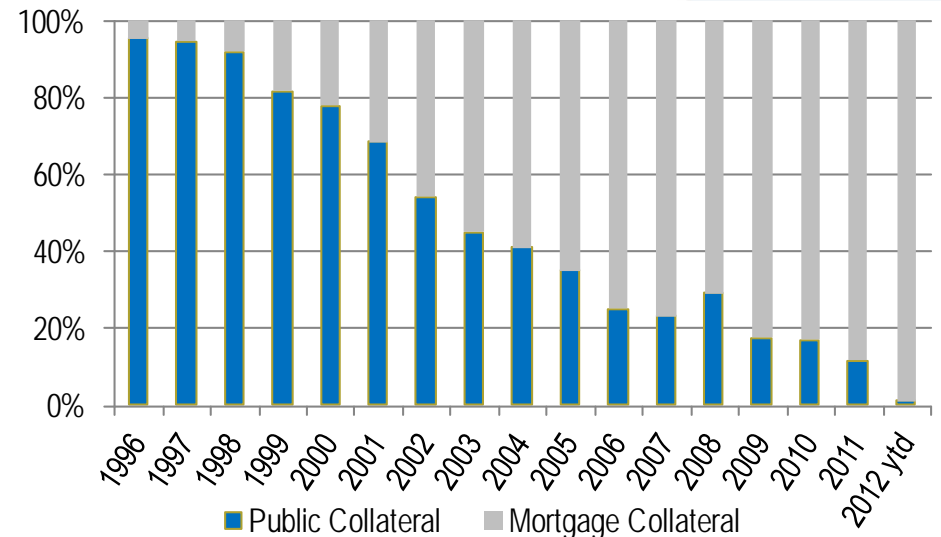
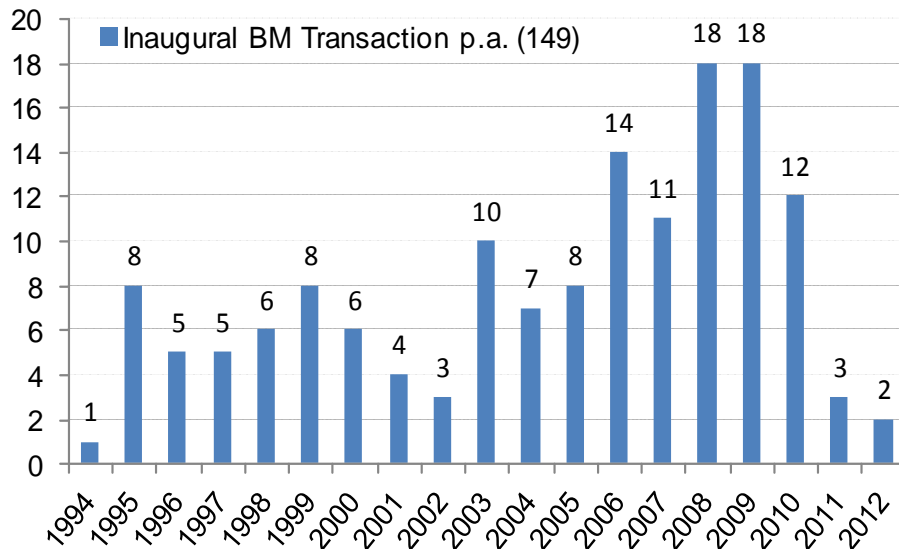
2003
UK contract. CB
Austria, FSV

2005
Finland CB
Netherlands CB

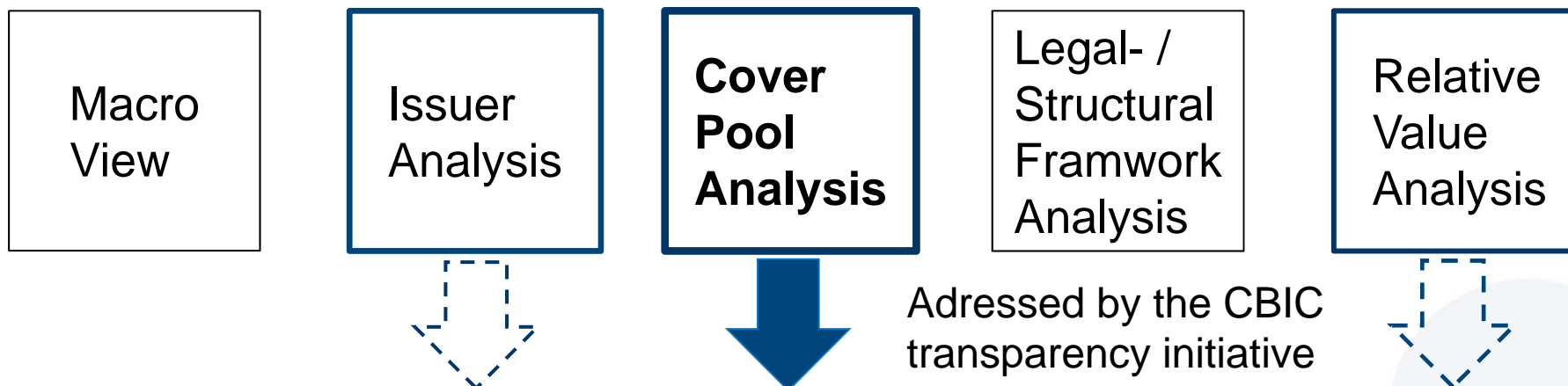
2007
Norway CB
Canada contract CB

2009
Greece CB
Swiss contract. CB

2011
Australia CB



Building blocks of a Covered Bond analysis



Although different investors have different transparency requirements, better transparency in general is needed and requested by all covered bond investors:

- Investors who are new to the Covered Bond market are demanding a high degree of transparency to understand the market and its dynamics.
- Investors who do not have “sufficient” capacity to carry out a deep analysis themselves need adequate data not to rely solely on external assessments.
- Covered bond investors who need to do a deep analysis to e.g. justify their investments need adequate data to comply with their internal requirements.

Why did the CBIC come up with its own transparency initiative?

- The CBIC believes that transparency standards should be set by investors to suit investors' needs.
 - The CBIC as a purely investor-driven organisation can act independently from both issuers and other market stakeholders
 - Investors must be able to identify possible risk in cover pools and the remaining balance sheet of the issuer to invest according to their respective risk profiles
- No list fulfilling the following 7 transparency criteria's is yet available (7 C-List):
 - Comparable: The data is reported according to a standardised template
 - Comprehensive: The template aims to provide European comparability and not only national
 - Continued: The data must be reported and updated on a regular basis
 - Coordinated: The template is the result of compromise between investor needs, discussions with issuers representatives to ensure the data is easily available
 - Circumstantial: The template recognises differences between jurisdictions and holds a key concept list for each jurisdiction to explain their own specificities
 - Conceptional: Investors are able to understand and readily use the reported data presented on a stratified basis
 - Cost-free/easily available: Free data access via a dedicated platform (links to data)

The structure of the CBIC transparency template for CB

- The CBIC transparency working group identified key data for investors – already requested by investors – for them to make a fully informed investment decision.
 - General issuer data of special interest to covered bond investors
 - Cover pool data
 - Key concepts' explanations (comments on data definitions and used calculations)
- The CBIC aim is not to duplicate credit analysis or CRAs' work.
- The CBIC believes that it mainly asks for data which is already available in issuers' systems.
- However the CBIC understands that not all data fields will be filled in by issuers. Blanks are acceptable, especially when issuers are willing to explain why no data is reported.
- The CBIC acknowledges certain limits to the transparency standards
- Some investors may look for additional data, and it is expected that they would discuss this directly with issuers rather than ask for the data to be part of the CBIC transparency template, at this stage.

Amendments to the template following the consultation

General issuer data:

- We added the field “% of assets pledged to central banks”
- The margin calculation fields have been removed

General Cover Pool information

- Within the ‘% ABS’ field we added a distinction between RMBS and CMBS
- Within the soft/hard bullet structures section, we added ‘Is there a legal possibility to redeem the covered bond before its legal and final maturity?’

Key concept’s explanations

- As regards NPV, the CBIC expects issuers to decide on a national common discount curve – Information regarding that curve should be made available in the key concepts section

In addition we removed some typos, slightly rephrased some of the headings, harmonised some data requirements over different fields and shifted some questions into other sub-sections of the template.

- We would like to ask the remaining interested market participants who still want to comment on the CBIC transparency template to come back to us as soon as possible.
- We would like to invite more national associations to use the CBIC transparency template as the model when creating their own national transparency template for Covered Bonds.
 - As the ECBC-CB Label is also linked to national templates, the CBIC believes that comprehensive transparency data and the usefulness of the requirements should be the focus of national templates to ensure the label success and a positive market perception.

To obtain the updated template and/or get more information, please send your request to cbic@icmagroup.org

Or click on the following webpage: <http://www.icmagroup.org/About-ICMA/icma-councils-and-committees/Covered-Bond-Investor-Council-CBIC-/>