Covered Bond Investor Council (CBIC)

2 years of the CBIC Covered Bond Transparency Template – Where do we stand?

Andreas Denger,
Senior Portfolio Manager, Covered Bond Analyst at MEAG
Acting Chairman, ICMA Covered Bond Investor Council (CBIC)
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The CBIC has explained that more transparency is urgently needed as the Covered Bond market has become more and more complex and diverse.

Therefore the CBIC started working with market participants on a Covered Bond transparency template which identified key data that most investors need and data which issuers should technically be able to provide without huge additional costs and legal problems.

May 2012: After an extensive consultation period, the final version of the CBIC transparency template was introduced to the market. It comprises:

- Key balance sheet data to analyse the issuer (balance sheet highlights)
- Cover pool data (not loan by loan data but high quality aggregated data)
- Key Concept's explanations where issuers are asked to explain certain used calculation methods and can provide further relevant information about the reported data.

Also in 2012, the CBIC introduced the “7 C-List” which summarised key requirements of how transparency data should be made available.

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-
Where do we stand today?

Use of the CBIC transparency template:

- Hardly any issuer is actively/properly using it (even blanks are allowed) 😞

The 7-C List requirements:

- 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 timely and updated on a regular basis 😞
- Coordinated: The template is the result of compromise between investor needs and discussions with issuers representatives to ensure the data can (easily) be provided 😞
- 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 (Excel) 😞
- Cost-free/easily available: Free data access via a dedicated platform or at least a direct link to the data in the respective layout (no part of a general presentation) 😞
What are the current takeaways?
What are the possible risks if the current situation persists?

Takeaways:

 Are most issuers simply not willing to publish the data required by investors (even though investors agreed on a compromise and did not ask for loan by loan data)?
 Do issuers really need more than two years of time to properly react to investors' requests? How much longer do they need?
 Is there a need for “real tangible benefits” (e.g., preferential regulatory treatment) before the majority of issuers are accepting to provide more detailed data?

Possible risks:

 If it takes too long to achieve an acceptable level of transparency on a harmonised basis, Covered Bonds may lose the positive reputation they earned during the crisis.
 If the Covered Bonds market looks unable to make collective progress, another market actor might step in (maybe with an outcome which is not welcomed).
Possible reasons - Lack of regulatory transparency or are market participants lost in regulations?

- Various transparency requests – Which way to follow and what will be the outcome?

Will the final result ...

...be something issuers can provide / are willing to provide

...give preferential regulatory treatment

...suit Investor needs

...be something too complex which doesn’t properly reflect the nature of a Covered Bond
Next steps

- The CBIC still intends to push for more transparency and data from issuers.
- This would be easier if the level of collective decisions between market participants improves.
- Market participants will support people and initiatives which try to find suitable market solutions for the Covered Bond market.
- Market participants need to remain open to changes, even in a post-crisis world where funding sources at cheap level are available again.
- Market participants need to remember the promises made during the crisis.

Don’t give away the driver seat position!
Q&A