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Loan-Level Initiative

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Loan-level Initiative



Introduction

The ABS loan-level initiative establishes specific loan-by-loan information requirements for asset-backed securities (ABSs) accepted as collateral in Eurosystem credit operations. It increases transparency and makes available more timely information on the underlying loans and their performance to market participants in a standard format. In the past, assessments of asset-backed securities have been hampered by the lack of standardised, timely and accurate information on single loan exposures. The Eurosystem believes that the data requirements will help both investors and third-party assessment providers with their due diligence. Ultimately, greater transparency will help to restore confidence in the securitisation market.

The Eurosystem investigated the usefulness of ABS loan-by-loan information for market participants through a public consultation and received overwhelming support for the initiative.

Main objectives

The loan-level initiative aims to:

1. improve transparency in ABS markets by requiring loan-by-loan information to be available and accessible to market participants on an ongoing basis. This is considered necessary to revive the ABS markets;
2. facilitate the risk assessment of ABSs as collateral used by Eurosystem counterparties in monetary policy operations.

Eligibility requirements

The Eurosystem takes into account loan-level data to determine whether ABSs are eligible as collateral in its credit operations. Through its collateral framework, the Eurosystem can help to improve market functioning and the transparency of the securitisation structures.

Loan-by-loan information requirements for residential mortgage-backed securities (RMBSs) and ABSs backed by small and medium-sized enterprise (SME) loans began on 3 January 2013. On 1 March 2013, the loan-by-loan requirements began for commercial mortgage-backed securities. On 1 January 2014, the loan-by-loan reporting requirements began for consumer ABSs, auto loan ABSs and leasing ABSs. On 1 April 2014, the loan-by-loan reporting requirements will begin for ABSs backed by credit card receivables.

The requirements apply to existing and newly issued ABSs.

Further information regarding the special provisions for RMBSs and SME ABSs, announced on 9 September 2013, can be found on the [Eligibility Requirements \(Link to: <http://www.ecb.europa.eu/paym/coll/loanlevel/implementation/html/index.en.html>\)](http://www.ecb.europa.eu/paym/coll/loanlevel/implementation/html/index.en.html) page.

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