

**5<sup>th</sup> Anniversary Celebration – 4 July 2017**

Dear Mr Mersch, dear Steve Gandy, dear members of the staff, ladies and gentlemen, it is an honour to be here tonight and speak - in front of so many - at the fifth anniversary of the European DataWarehouse. We have just heard some impressive numbers from Christian about the European DataWarehouse as it stands today. I guess it is fair to say that nobody would have thought that the transparency initiative that was started almost eight years ago, by the European Central Bank, national central banks and leading representatives from the European ABS market, would turn out to be so successful.

We all remember that the market conditions back in 2009 have been the most challenging in decades. That said let us take a step back and look at the European ABS market in the first half of 2009 and consequently the motivation for the European Central Bank to step forward and take action.

During the height of the financial crisis in early 2009 the European ABS market and with it the important flow of credit to the real economy fell to near inactivity. While in 2007 close to 200 billion euros of new issuances had been placed in Europe, volumes declined to close to zero less than 24 months later.

Many impediments brought the European ABS market to a halt but most of all the market suffered from a lack of confidence in the reliability of official data – such as the extent of loans in arrears in certain weak economies – as well as in the perceived quality of the assets underlying individual ABS transactions. This lack of confidence presented the major hurdle in the European ABS market, which suppressed demand for all but the highest quality ABS tranches and increased secondary market spreads to – so far – unseen levels. For example, in early 2009 AAA-rated Italian RMBS traded at 400 basis points, AAA-rated Spanish RMBS traded at more than 700 basis points and AAA-rated Irish RMBS even at 800 basis points.

Faced with this extraordinary market situation the European Central Bank stepped forward with the aim to restore confidence in the European structured finance market by tackling the key problem: transparency.

Consequently, - and I am sure many of those here today will remember – in December 2009 the European Central Bank launched a public consultation on loan-by-loan information requirements for asset-backed securities in the Eurosystem collateral framework. But it was not clear how the market would react, if the Eurosystem asked for the provision and public disclosure of very granular and to a certain extent information widely considered to be confidential.

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Fortunately, this public consultation revealed very strong support for the initiative. The vast majority of respondents considered that the provision of more detailed information on the underlying assets would eventually help the market to assess the risks associated with asset backed securitisations and so urged the Eurosystem to press ahead with the project.

Of course, like in every public consultation, there were diverging views which solution would serve the market best taking into account considerations such as data consistency and data quality, competition, governance, costs, ease of transmission of data, etc.

While for many questions of the consultation a consensus quickly emerged there remained a significant divergence regarding the required infrastructure to provide the loan level data. Some market participants preferred a scenario with competing data repositories while other market participants opted for just a single data repository. Some were concerned that a single repository could have led to inappropriate pricing and/or a lack of data quality and timeliness. On the other hand other investors expressed concerns that in a scenario with multiple repositories they eventually would have needed to sign up to several portals to get all the data they require which would have increased the operational burden and ultimately cost. Furthermore, it was highlighted that although data would be standardised, there could have been different loan-level data formats between portals, different data quality standards, which could have hindered further processing and analysis of the loan level data.

In hindsight, I am glad to say that all the concerns brought forward during the consultation have been dispelled as the European DataWarehouse is the proof that this single repository has been able to deliver standardised loan level data and achieve high data quality in a timely fashion.

Following the positive feedback from the market the Governing Council of the European Central Bank decided on 16 December 2010 to establish loan-by-loan information requirements for asset-backed-securities in the Eurosystem collateral framework and at the same time recognised the need to establish a data warehouse for processing, verifying and disseminating of this loan-level-data. Ultimately the European Central Bank was convinced – and please allow me to quote from the letter of intent signed by former President of the European Central Bank Mr. Jean-Claude Trichet – “that this initiative would facilitate investment and support transparency, integrity and restore confidence in the European structured finance markets as well as aid the simplification of data processes in the industry by ensuring investor access to comprehensive and standardised information across the European ABS market.”

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There are three groups from the European investor and central banking community that I would like to thank specifically for their contribution during the creation of the European DataWarehouse:

Firstly, the members of the technical working groups for the ABS loan level initiative. In these technical working groups dozens of subject matter experts from all over Europe came together and jointly developed the reporting templates that are being used today by more than 250 issuers in Europe to collect loan level information for the different asset classes. Everyone who has been involved in these working groups or in similar initiatives knows that defining reporting requirements is never a trivial task. The members of the working groups had to decide which bit of information was relevant and should be reported, which piece of information would be nice to have and which piece of information would not be relevant. Understanding whether the relevant information was or actually could be made available. Check if the required information might infringe any European data protection standards and last but not least manage the delicate balance between the requests for information and the cost these requests would incur. As a result, the working groups produced the design for the first six different data templates that comprise from 88 up to 433 individual loan attributes and have established the market standard for collecting loan level data. Thank you very much for your invaluable contribution.

Secondly, I want to thank those seventeen institutions who decided to become shareholders of the European DataWarehouse. As you all know this prestigious group comprises large European banks, leading rating agencies, industry associations and consulting firms. Without their contribution, we would not be standing here today. And this contribution has not only been limited to the funds that were provided to found and establish the European DataWarehouse's operations but also comprises the support and provision of subject matter expertise for the ongoing growth and success of the firm. Thank you very much for your invaluable contribution.

And thirdly, I would like to especially thank the representatives of the European Central Bank and the national central banks that have supported the initiative in such excellent way through all the years. Thank you very much for your invaluable contribution.

Let me finish my speech by risking a small glimpse into the future of the European DataWarehouse and at the ten-year anniversary in 2022 we will be able to see if I was right or wrong.

As you all know just a few weeks ago, the European Parliament, the EU Council and the EU Commission have reached a long-awaited compromise on the new EU-wide standards for simple, transparent and standardised (STS) securitisations. A

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cornerstone in this new framework that – so we all hope – will revitalise the European securitisation market will be transparency.

To encourage market transparency the new compromise text calls for a framework of data repositories to collect relevant reports, primarily on underlying exposures in securitisations. Such data repositories should be authorised and supervised by ESMA – the European Securities and Markets Authority – and are to comply with strict requirements. In specifying the details of such reporting tasks, ESMA will ensure that the information required to be reported to such repositories will be based on existing templates for disclosures of such information.

It is my strong belief that the European DataWarehouse will become the leading data repository under the new STS framework and will continue to provide the same level of service to the wider European securitisation market like it has done so successfully in the past five years for the European ABS market.

Another area where I am sure the European DataWarehouse can play a part is the European Non-Performing-Loan crisis where it will be able to contribute to a solution by leveraging its experience and proven infrastructure.

As Vítor Constâncio, Vice-President of the ECB, said at an event on the non-performing loans crisis in February 2017: “Standardised data on individual assets could be stored on a centralised platform at European level, which would combine exposures from multiple banks and vouch for quality of the data. This would allow investors to carry out a due diligence at low cost. Bespoke portfolios could be constructed in line with the mandates and objectives of individual investors.”

With this small glimpse into the future of the European DataWarehouse I would like to conclude my short speech and once again thank all of you that are here today and those that have contributed in so many ways in the past five years to the success of the European DataWarehouse. As I mentioned at the beginning of my speech who would have thought that this initiative would turn out to be so successful.

Thank you very much.

José Manuel González-Páramo