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EUROCLEAR S.A./N.V.
1 BOULEVARD DU ROI ALBERT II
B-1210 BRUSSELS, BELGIUM

ECB consultation on the provision of ABS loan-level information in the Eurosystem collateral framework

Euroclear response

The Euroclear group is the world's leading provider of domestic and cross-border settlement and related services for bond, equity, fund and derivative transactions. User-owned and user-governed, the Euroclear group includes Euroclear Bank, an international Central Securities Depository (ICSD) based in Brussels, as well as the national Central Securities Depositories (CSDs) Euroclear Belgium, Euroclear Finland, Euroclear France, Euroclear Nederland, Euroclear Sweden and Euroclear UK & Ireland.

We are pleased to be given the opportunity to provide our feedback on the ECB consultation on the provision of ABS loan level information. As recognised Securities Settlement Systems (SSS) eligible for the collateralisation of Eurosystem credit operations, the Euroclear (I)CSDs have a keen interest in a well functioning collateralisation framework, including for asset-backed securities. These instruments form an important part of the securities held in custody by the (I)CSDs.

As providers of market infrastructure services, we have focused solely on question 5 of the consultation paper on the data-handling infrastructure. We believe that the data-handling infrastructure provider(s) should take input from the ABS issuers, other market participants and the Eurosystem on the definition of the required data sets, data standards, update frequency and other operational requirements.

5. Which of the scenarios presented, or combination thereof, would provide the best solution to the market, taking into account considerations such as data consistency and quality, competition, governance, cost, ease of data transmission, etc.?

Apart from the two scenarios presented in the consultation paper, we believe there is a third option. It may be most adequate to collect and handle the loan-level data in the markets in which the ABS securities are issued. Capturing and maintaining the loan-by-loan information in a database maintained by a current market infrastructure such as a securities numbering agency (often operated by a (I)CSD) or a (I)CSD may be the easiest and most efficient approach as it would allow the data-handling infrastructure to benefit from an environment that is already subject to high standards of operational resilience, data consistency and quality, governance, etc, and that is familiar with local data protection rules. Moreover, ABS issuers (and their agents) already provide a substantial set of data to numbering agencies and/or (I)CSDs for holding and processing purposes: they would not need to add communication to a new entity. We hereby refer to the International Securities Market Advisory Group (ISMAG) initiative which aims at streamlining data templates and communication flows for international securities.

We also wish to highlight that (I)CSDs already have proven communication channels towards the Eurosystem in their above-mentioned role as SSSs.

Euroclear is ready to explore with the Eurosystem, ABS issuers, their agents and other market participants if such solution could be acceptable and workable in a



reasonable short time frame. We believe that the set-up of a solution for new ABS securities could prove easier than for existing ones (as more standardised). The Eurosystem may therefore need to consider a transition period for eligibility of existing ABS securities.

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1 BOULEVARD DU ROI ALBERT II
B-1210 BRUSSELS, BELGIUM

For further information, please contact:

Paul Symons +44 (0)20 7849 0034 or paul.symons@euroclear.com

Ilse Peeters +32 (0)2326 2524 or ilse.peeters@euroclear.com