

European Securities and Markets Authority
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SUBMITTED ONLINE AT www.esma.europa.eu

31 March 2025

Re: European Securities and Markets Authority Consultation Paper of 13 February 2025

On behalf of the Loan Market Association (the “LMA”), we welcome the opportunity to respond to the European Securities and Markets Authority (“ESMA”) consultation paper of 13 February 2025 (the “Consultation Paper”). The continuing engagement of ESMA with market participants on issues related to the securitisation market and, in particular, collateralised loan obligations (“CLOs”), is greatly appreciated.

Our representations in respect of the Consultation Paper are limited to managed CLOs as opposed to other securitisations, in the hope that we can engage in productive dialogue with ESMA in relation to that asset class.

During its history, the LMA has played a key role in developing standard form documentation for documenting syndicated loans and forms of documentation and practices for secondary market trading in syndicated loans. Our work has contributed to widening and deepening the syndicated loan market in EMEA, reducing barriers to accessing capital, and increasing liquidity of assets for investors.

Please note that references in this section to CLOs only include CLOs which primarily invest in the United Kingdom (“UK”) and European Union (“EU”) leveraged loans.

About us: The LMA was established in 1996 and is headquartered in London. Our key objective is improving liquidity, efficiency and transparency in the primary and secondary loan markets in Europe, the Middle East and Africa (“EMEA”). By establishing sound, widely accepted market practice, we seek to promote loans as one of the key debt products available to borrowers across the region. Our membership has grown steadily and currently stands at over 880 organisations covering 69 countries, comprising commercial and investment banks, institutional investors, law firms, service providers, rating agencies and regulatory and governmental bodies. The LMA’s overall mission is to act as the authoritative voice of the EMEA loan markets vis à vis lenders, borrowers, regulators and other members of the loan ecosystem.

We would welcome the opportunity to discuss this response with you and provide a further update of the market in order to highlight the ongoing positive performance of CLOs. The LMA would equally be pleased to provide additional information on the CLO market following the closure of this consultation.

If you would like to discuss this response further, please contact Hannah Vanstone of the Loan Market Association (hannah.vanstone@lma.eu.com).

Yours faithfully

Scott McMunn
CEO, Loan Market Association

Annex 1
REPLY FORM

Reply form

Consultation Paper on the revision of the disclosure framework for private securitisation under Article 7 of the Securitisation Regulation

Responding to this paper

ESMA invites comments on all matters in the Consultation Paper and in particular on the specific questions in this reply form. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **31 March 2025**.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in this reply form.
- Please do not remove tags of the type <ESMA_QUESTION_VALID_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA_VALID_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA_VALID_ABCD.

- Upload the Word reply form containing your responses to ESMA’s website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input - Consultations’.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to

documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and heading '[Data protection](#)'..

I. General information about respondent

Name of the company / organisation	Loan Market Association
Activity	Associations, professional bodies, industry representatives
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Europe

II. Questions

Q1 Do you agree with the proposed approach to disclosing information on private securitisations? If not, please specify any alternative approaches you would recommend, including their advantages and potential drawbacks.

The LMA welcomes ESMA's general approach to template reform as set out in the Consultation Paper and supports the implementation of a simplified template for reporting of private securitisations in the short-term, ahead of the outcome of the Commission's broader Securitisation Regulation review.

As set out in the LMA's response to ESMA's previous consultation on this topic of December 2023, we believe that a simplified template should be made rapidly available for CLO reporting, in order to provide relief for CLOs from the unduly onerous reporting burden under the current regime.

It is the LMA's view that the current reporting regime is not proportionate, in that it imposes additional costs and operational burdens on CLO managers, issuers and trustees due to the time and effort required to gather the data and prepare the reports, as well as the additional cost associated with the appointment of service providers to assist with such tasks.

CLO's limited access to ESMA's simplified template

At the same time, CLO investors do not in practice typically access, and need, the current reporting templates, preferring instead to utilise the tailored CLO reporting package required under the CLO documentation.

However, despite being in agreement with ESMA's general approach, the LMA strongly objects to ESMA's proposed implementation approach that it sets out in the Consultation Paper.

Most importantly, ESMA has proposed that the simplified template should only be made available for transactions where each sell-side entity is established in the EU. This is an issue for European CLOs as very few will meet this requirement due to almost all having at least one non-EU-established sell-side party.

Accordingly, the simplified template as it has been proposed in the Consultation Paper would have no practical application for European CLOs. Given the size of the European CLO market (CLOs constituting private securitisations under current rules) and the onerous burden of CLO reporting under the current regime, the LMA does not consider this outcome to be consistent with the purpose of ESMA's proposal as set out in the Consultation Paper (nor the Commission's objectives). The simplified template should enhance proportionality and usefulness of data for proper due diligence, as well as to streamline information sharing processes generally for private securitisations in Europe. Therefore, the LMA believes that ESMA should make simplified templates more accessible to CLO managers.

Concerns regarding ESMA's one size fits all approach

The LMA would like to also air concerns in relation to the "fit" of the proposed streamlined template to European CLOs.

Firstly, under the current proposal, quarterly investor reports will still need to be prepared based on the full "public" template. We believe that such a requirement may undermine the streamlining objective, as such reporting is unnecessary for CLO investors given the tailored quarterly investor reporting already required under the CLO documentation. Therefore, the LMA proposes to remove such a requirement due to its duplicative nature.

Secondly, whilst the purpose of the proposed streamlined template is to replace the existing loan template for quarterly reporting, the current proposal still requires the full set of information in relation to the loan portfolio applicable to public securitisations to be made available upon request. This will effectively mean that the existing degree of information-gathering in relation to the CLO portfolio will need to be maintained by CLOs, in order to be able to respond to any such request.

Thirdly, whilst the basis for the streamlined template is the ECB/SSM template, we believe that the proposed template does not represent a simple redaction of the current loan reporting template as it requires certain data to be aggregated in different ways. We also note that this template has been enriched under the proposal with the inclusion of various new fields. CLOs would therefore need to gather further information (as well as aggregate existing information in new ways) in order to complete the proposed new template. The LMA considers that these new requirements will likely contribute to an increase rather than a decrease in the burden of reporting for CLOs.

Lastly, the LMA believes that the quarterly reporting frequency should not be applicable to the streamlined template. It is our view that it is not consistent with the Consultation Paper's streamlining objective to ensure only that supervisory authorities have access to essential data needed for effective oversight (as opposed to enhancing investor due diligence). Instead we believe that a one-off template containing all essential supervisory information provided shortly after CLO closing with *ad hoc* updates as required for

significant changes should be sufficient to serve such purpose. On the other hand, CLO investors already obtain all the ongoing information they require in relation to the portfolio on a monthly basis through the tailored reports required under the CLO documentation. Being, universally, sophisticated investors, CLO investors can agree contractually with issuers and sponsors the extent of transaction reporting that will enable them to monitor and evaluate their positions on an ongoing basis.

Q2 Do you agree with the proposed scope of application, which requires all of the originators, sponsors, original lenders and SSPEs to be established in the Union? Alternatively, do you see any merit in applying the new template when at least the originator and sponsor are established in the Union? Please provide specific examples where the application of the proposed scope might present practical challenges.

The LMA strongly disagrees with the scope of application. As mentioned above, under the current proposal virtually all European CLOs will be outside scope and will therefore not benefit from the streamlining proposed. Such an outcome for European CLOs is not, in the LMA's view, consistent with the Consultation Paper's stated purpose of streamlining reporting for private securitisations in Europe.

Q3 Do you agree that the simplified template should be made available in CSV format, or should ESMA adopt a more flexible approach proposing a machine-readable format to be determined by the CA? Please specify which alternative format(s) you would recommend and provide your rationale.

The LMA agrees that CSV format provides more flexibility which is particularly important in the context of CLOs.

Q4 Do you agree with the disclosure frequency proposed in the Consultation Paper? Please provide your rationale.

As mentioned above, the LMA does not consider it necessary to maintain the quarterly reporting requirement in relation to the new template. Instead, there should be a one-off obligation to prepare and deliver the template shortly after CLO closing, with additional reporting required only in relation to material changes.

Q6 Do you consider the use of ND Options in the template for private securitisations to be useful? Please provide your rationale.

In the LMA's view, ND options are particularly important for CLOs as the nature of the collateral involved necessitates their use. If information that was essentially unavailable was nevertheless required to be provided, this may lead to compliance issues and inaccurate information being included.

Q8 Do you agree with the fields proposed in Table 2? If not, please suggest any changes to the Table's structure and provide the rationale for your proposed modifications.

The LMA considers these fields to be appropriate but notes the point mentioned in relation to its answers to questions 1 and 4 regarding frequency of reporting and the requirement that any *ad hoc* reporting of material changes be limited to the information necessary to convey (i.e. not a replication of the entire template).

Q11 ESMA is not aware of significant issues with the current disclosure framework for ABCP transactions. Do you agree with maintaining this approach (i.e., Annex 11), or do you consider that disclosure via the simplified template would be more appropriate for ABCP transactions? Please provide your rationale.

The proposed simplified template for ABCP transactions is not relevant for CLOs.

Q15 Do you agree with the fields on the underlying exposures proposed in Table 7? If not, please suggest any changes to the Table's structure and provide the rationale for your proposed modifications.

As mentioned in our answer to Q1, the LMA does not consider the proposed level of detail on underlying exposures to be warranted for the objective of streamlining the template for private securitisations to meet supervisory need. CLO investors will already obtain sufficient loan-level (as well as stratified portfolio) information on a monthly basis through the tailored reporting requirements in the CLO documents. Any further required information should therefore be based strictly on supervisory need.

Q17 ESMA proposes the inclusion of fields to capture information on underlying assets to be reported at an aggregated level. Some of this information is also included in the Investor Report for non-ABCP transactions. Do you agree that such information should be provided in both the template for private securitisations and the Investor Report for non-ABCP transactions? Alternatively, would you support introducing the option to flag such fields as 'not applicable' in the Investor Report when used in the context of private securitisations? Please provide your views.

The LMA considers that sufficient aggregated information in relation to CLO portfolios is already provided to investors through the tailored CLO reports required by the CLO documentation. This includes information as to portfolio concentrations and diversity, as well as important indications of portfolio credit quality (weighted average recovery rate and rating), duration (weighted average life), and performance (weighted average spread and coupon). In the LMA's view, the inclusion of stratified (i.e. portfolio – level) reporting in the streamlined template would increase the burden of CLO reporting for no benefit to CLO investors (or supervisory authorities).

Q22 Do you agree with the inclusion of the proposed fields related to risk retention, considering that this information is already covered in the investor reports? Please provide your rationale for agreeing or disagreeing.

The LMA believes that the inclusion of the proposed fields related to risk retention would require too much information which would be contradictory to the streamlining objective.

In addition, these would inadvertently introduce additional disclosure requirements for CLOs. Currently, CLOs are not required to answer reporting questions on the “role of the originator” or provide the level of detail in relation to the retention hold that the proposal seems to require. Risk retention compliance is already the subject of detailed disclosure in the CLO offering document and provisions in the contractual documentation all of which are available to (and are already subject to extensive due diligence by) CLO investors.

Q23 If you agree with the inclusion of risk retention fields (Question 21), do you also agree with the specific fields proposed in Table 8? If not, please suggest any changes to the structure or content of Table 8, along with the rationale for your proposed modifications.

Please see above answer in relation to Q22.

Q24 Do you agree with the fields proposed for the position level information in Table 9? If not, please suggest any changes to the Table’s structure and provide the rationale for your proposed modifications.

The LMA believes that a CLO should not report the retention holder’s share of each class of CLO liabilities in respect of which it is holding retention in excess of the required retention hold. The degree to which a CLO manager/originator is investing in a CLO beyond its regulatory retention requirement is also considered to be commercially sensitive information for the parties concerned. We also believe that this information would not be required for supervisory purposes.

Q26 Do you foresee any operational challenges or implications arising from the implementation of the simplified template for EU private securitisations? If so, please describe the challenges you anticipate and suggest any measures that could mitigate them.

Please see the comments at Q1 in relation to the information required to be reported on and the frequency of such reporting.

Q27 What are the projected implementation costs for sell-side parties for transitioning to the simplified template for private securitisations, and how do these compare to the reduction of reporting burden?

The LMA believes that the reporting burden for CLOs may not be significantly decreased (and may in fact actually be increased) due to the factors outlined in our answers above, which may not therefore compare favourably with the additional costs associated with adjusting information systems in order to move to the new reporting regime.

Q28 To what extent does the simplified disclosure framework for private securitisation improve the usefulness of information for investors while maintaining their ability to perform due diligence?

The LMA believes that investors in CLOs have always obtained sufficient information through the set of existing tailored reports which are prepared on a monthly and quarterly

basis, in relation to the underlying portfolio, the transaction structure and cash flows. Accordingly, the LMA does not consider that either the existing templates or the streamlined template proposed contribute meaningfully to investor due diligence. The usefulness to investors of any streamlining lies instead in the potential time and cost savings on the sell-side (in relation to which please see the comments above).

Q29 Does in your view the introduction of the simplified template enhance the effectiveness of supervisory oversight without imposing disproportionate costs on market participants?

Unless the scope of application is remedied as mentioned above such that European CLOs fall within the proposed regime, such objective will not be achieved in the LMA's view as disproportionate costs will be imposed on CLOs (a major source of private securitisation supply).

Assuming that such remedy occurs, with a view to meeting its simplification objectives, the LMA believes that ESMA should focus its streamlining efforts to meet its supervisory need. However, we believe that there is a risk that ESMA's reporting proposal would inadvertently increase reporting requirements rather than reduce the volume of information that is required to be gathered, analysed and published by CLO managers, increasing the time and costs associated with the reporting of CLOs to the potential detriment of supervisory oversight effectiveness.

Unless the issues mentioned in this response can be adequately addressed, the LMA's preference would be to retain the current template reporting regime pending the outcome of the Commission's broader Securitisation Regulation review.