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Response to the European Commission' targeted consultation on the functioning of the EU securitisation framework

The Leibniz Institute for Financial Research SAFE ("Sustainable Architecture for Finance in Europe"), hereinafter referred to as "**SAFE**" welcomes the European Commission (EC)'s targeted consultation on the functioning of the EU securitisation framework. In particular, the response focuses on EC's question on how securitisation for green transition financing could be further improved.

The response to the consultation using the prescribed template (attached) draws heavily on the SAFE White Paper No. 100 "Vehicle identifiers: the key to jump-starting the European Green Auto ABS market?" and the SAFE Working Paper No. 433 "Reforming EU Car Labels: How To Achieve Consumer-Friendly Transparency?". The underlying response to the EC's targeted consultation and this letter are the sole responsibility of the undersigned.

SAFE is dedicated to interdisciplinary research on financial markets and their participants in Europe as well as to research-based, independent policy advice. In the area of sustainable finance, the institute is spearheading a number of projects aimed at improving transparency in financial markets with regard to sustainability indicators.

The "Green Auto Securitisation" project aims to provide insights for the design of future green auto policies and their impact on the risk management of European financial institutions, thereby supporting the financing of low-emission vehicles (LEVs) through bank lending. The project is based on an empirical analysis of securitised auto loans and leases (Auto ABS) in terms of sustainability-related data, vehicle fundamentals and credit risks. Within the project, SAFE researchers will analyse and define transparent sustainability factors and develop standardised methodologies for defining green financial products in the automotive industry. The project is part of the funding measure "Climate Protection and Finance" (KlimFi) of the Federal Ministry of Education and Research (BMBF).

In order to jump-start the green Auto ABS market, the current lack of standardised sustainability-related vehicle information needs to be addressed. One solution would be to adjust the European

Securities and Markets Authority's Auto ABS loan and lease level disclosure template by requiring to report two vehicle identifiers, the Type Approval Number (TAN) and the Type-Variant-Version Code (TVV). These would allow the integration of loan-level data with sustainability-related vehicle information from ancillary sources. In particular, the European Environment Agency's Datahub "Monitoring of CO₂ emissions from passenger cars Regulation (EU) 2019/631" is a suitable source to obtaining cost-efficiently vehicle CO₂ emissions data.

While acknowledging certain challenges, the combined use of TAN and TVV is the optimal solution to allow all stakeholders to comprehensively assess the environmental characteristics of securitised exposure pools in terms of data protection, matching accuracy, and cost-effectiveness. This proposal is described in more detail in the response to question 12.8 of the targeted consultation.

Sincerely,

A handwritten signature in black ink, appearing to read "Louisa Plass". The signature is written in a cursive style with a long horizontal stroke at the end.

(Deputy Scientific Director, Leibniz Institute for Financial Research SAFE, Full Professor and Chair of Law and Finance at Goethe University Frankfurt)