BANKING AND FINANCE

Public consultation on an EU framework for simple, transparent and standardised securitisation

Fields marked with * are mandatory.

Introduction

This consultation represents a first step towards a possible initiative on creating an EU framework for simple, transparent and standardised securitisation. Its aim is to gather information and views from stakeholders on the current functioning of European securitisation markets and how the EU legal framework can be improved to create a sustainable market for high-quality securitisation. On the basis of the feedback received, the Commission will reflect further on how to reach that objective.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-securitisation-consultation@ec.europa.eu.

More information:

- on this consultation
- on the consultation document
- on the protection of personal data regime for this consultation

1. Information about you

*Are you replying as:

- ○ a private individual
- ◉ an organisation or a company
- ○ a public authority or an international organisation

*Name of your organisation:

Association Française de la Gestion financière (AFG)

Contact email address:

The information you provide here is for administrative purposes only and will not be published

@ d.charles-peronne@afg.asso.fr

*Is your organisation included in the Transparency Register?
(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?)

- ◉ Yes
- ○ No

*If so, please indicate your Register ID number:

5975679180-97

*Type of organisation:

- ○ Academic institution
- ○ Consultancy, law firm
- ◉ Industry association
- ○ Non-governmental organisation
- ○ Trade union
- ○ Company, SME, micro-enterprise, sole trader
- ○ Consumer organisation
- ○ Media
- ○ Think tank
- ○ Other

*Where are you based and/or where do you carry out your activity?

- ○ Austria
- ○ Belgium
- ○ Bulgaria
- ○ Croatia
- ○ Cyprus

- ○ Czech Republic
- ○ Denmark
- ○ Estonia
- ○ Finland
- ◉ France
- ○ Germany
- ○ Greece
- ○ Hungary
- ○ Iceland
- ○ Ireland
- ○ Italy
- ○ Latvia
- ○ Liechtenstein
- ○ Lithuania
- ○ Luxembourg
- ○ Malta
- ○ Norway
- ○ Poland
- ○ Portugal
- ○ Romania
- ○ Slovakia
- ○ Slovenia
- ○ Spain
- ○ Sweden
- ○ Switzerland
- ○ The Netherlands
- ○ United Kingdom
- ○ Other country

*What is your role in securitisation markets?

- ○ Issuers / originators
- ○ Investors / potential investors
- ○ Services providers (infrastructures, ancillary services providers, ...)
- ◉ Other

*Please specify what other role you have in securitisation markets:

asset management

*Field of activity or sector (*if applicable*):

at least 1 choice(s)

- ☐ Academia / research

- ☐ Accounting
- ☐ Auditing
- ☐ Banking
- ☐ Credit rating
- ☐ Insurance
- ☐ Pension provision
- ☑ Investment management (e.g. hedge funds, private equity funds, venture capital funds, money market funds, securities)
- ☐ Market infrastructure operation (e.g. CCPs, CSDs, Stock exchanges)
- ☐ Social entrepreneurship
- ☐ Other
- ☐ Not applicable

Important

notice on the publication of responses

*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?
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- ◉ Yes, I agree to my response being published under the name I indicate (*name of your organisation/company/public authority or your name if your reply as an individual*)
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2. Your opinion

2.1 Identification criteria for qualifying securitisation instruments

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 1:

A.

Do the identification criteria need further refinements to reflect developments taking place at EU and international levels? If so, what adjustments need to be made?

Generally speaking, the identification criteria need some important adjustments.

In particular, in order to ensure a worldwide consistency of securitization regulation, we think that the European approach should follow the criteria proposed by the Basel Committee and IOSCO in its December 2014 document on criteria for identifying simple, transparent and comparable securitisations.

This position proposed by regulators is interesting from at least a dual perspective:

- It is a worldwide position, and would thus ensure a consistency for players from any part of the globe;
- It is a position expressed jointly by bank regulators and securities regulators.

The foundation criteria have been recognized through previous high level analysis and we generally agree with them though we have some doubt about the standardization criteria.

The Commission could also take on board many of the requirements which have been identifed when elaborating the quality labels such as the PCS , which is already used by many actors when looking for high quality securitization.

The question of standardization should not only be considered at the SPV level but also at the loan level (see Q16). Key problems of harmonization also remain when considering the disparity in borrowers' legal protection or in the field of insolvency or mortgage execution.

Conversely, we do not think that synthetic securitization should be a priori excluded because, as such, it does not increase the risk for investors and it may provide better returns which is key in the present context.

B. What criteria should apply for all qualifying securitisations ("foundation criteria")?

The European Commission should stick to the principle-based definition proposed by the Basel Committee and IOSCO, to avoid any deviation from this global standard, and should not set further requirements which wou ld both break this will of global consistency and harm European origina tors, investors and issuers as compared to their non-European counterpa rts - especially today as the European securitization market is recover ing.

In particular:

- As long as a securitisation transaction complies with the Qua lifying criteria, the capital charges of senior and non-senior tranches issued by such a Qualifying transaction should be determined such as to avoid a huge gap between senior Qualifying ABS and non-senior Qualifyin g ABS as it is currently the case under the current SII rules;
- No differentiation should be made among investors, being eith er banks or non-banks, regarding the definition of Qualifying securitis ations and the treatment of such Qualifying securitisations .

Some other aspects provide higher safety and quality such as:

- The ban of embedded maturity transformation,
- Introduction of cash flow models to investors based on loan l evel data,
- Existence or not of rating triggers which imply provision of collateral or of third party guarantee or of replacement,
- The proportion of privately pre-placed securities and publicl y offered securities and the part of securities retained by a member of the Originator Group,
- Description of processes and standards applied in servicing t he Underlying assets,
- Rating by two agencies,
- Third party review of underlying assets,
- A significant outstanding amount of each tranche of securitie s,
- Asset specific eligibility criteria differentiated by types (Auto loans & lease, Auto fleet leases, Consumer loans, Credit card rec eivables, Non-Auto leases, Residential mortgage, SME Loans).

2.2

Identification criteria for short term instruments

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 2:

A.

To what extent should criteria identifying simple, transparent, and standardised short-term securitisation instruments be developed? What criteria would be relevant?

Short term securitization instruments are keys to provide corporations with a diversified source of funding. The usual construction of such operations involves a first transfer to a special purpose vehicle, which itself issues the funding instrument (such as commercial paper or "billets de trésorerie") on the capital markets. This two-step approach is needed to group receivables into a single issuing vehicle, thereby increasing the size of the overall issuance program and increasing its attractiveness to investors. Today, these programs usually rely on a liquidity line provided by a financial institution that covers at least 100% of the commercial paper outstanding. A lot of these liquidity lines are fully supported ie give to the ABCP the same characteristics of short term covered bonds and should therefore benefit with the same prudential requirements.

For a long time, regulations have categorized this type of transactions as non-qualifying securitization because the two-step transfer/issuance process facially qualifies them as "re-securitization". This is unfortunately a very short-sighted statement.

Because of its major role in financing economic growth and facilitating trade (accounts receivables, auto loans, etc…), this type of securitization should not be relegated into "non-STS" and specific criteria should be developed.

These criteria could include:

- Limitation on the maturity of the underlying assets in order to avoid maturity mismatch;
- Transparency on the support provided by the financial institution(s);
- And, also, some transparency on the underlying assets. Many participants argue that, because the number of lines is so large (several hundreds of thousands) and because they can vary frequently (even daily) any report on the underlying assets is useless. We disagree. We believe it is always important to inform investors and there is always a way. One could recommend, for example, to provide a breakdown by remaining maturity, by location of debtors, etc… and to provide performance data. Of course the financial support reduces the direct relevance of thi

s information but we believe the investor should be aware of what the u nderlying exposure is. Regulatory obligations pertaining to reporting f ormats are welcome.

B. Are there any additional considerations that should be taken into account for short-term securitisations?

Short term securitizations most often involve full support by a financi al institution. In this context the investor's exposure is to the finan cial institution which is 100% at risk and the concept of retention has no interest. Provided the securitization is fully supported, these stru ctures should require no additional retention.
But we think that it is not a priority for the moment.

2.3 Risk retention requirements for qualifying securitisation

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 3:

A. Are there elements of the current rules on risk retention that should be adjusted for qualifying instruments?

Yes, some elements of the current rules on risk retention should be adj usted for qualifying instruments.

The current "skin-in-the-game" rule in the CRR requires that a 5% reten tion shall be held by an entity qualifying either as "sponsor", "initia tor" or "original lender". Those definitions are quite complex and part icularly restrictive for asset managers. In practice the original lende r status is not possible for regulatory reasons for asset managers and the initiator status only available to asset manager which has in its g roup a related entity complying with CRR definition. Thus in our view, an asset manager should be qualified as sponsor. Indeed the concept of sponsor would normally fit the role of a management company setting-up and managing a securitization vehicle. However this qualification of sp onsor is only available to credit institutions, financial institutions

and investment firms within the MiFID framework. Management companies (AIF and/or UCITS) are excluded from such definition. This situation creates a competitive imbalance for asset managers.

In our view this exclusion is not justified and such definition of "sponsor" in the CRR should be amended in order to cover all types of management companies.

In addition, regarding managed CLOs, we consider that by nature, they should not be considered as being part of originated structures but as management structures, and therefore the retention rule is not meaningful for CLOs and should not be applied. The Loan Market Association (LMA) has recently issued a position illustrating this fact.

Let us mention that the document "Global Developments in Securitisation Regulation" issued by IOSCO in November 2012 recommends that an exemption for risk retention be considered for managed CLOs.

B. For qualifying securitisation instruments, should responsibility for verifying risk retention requirements remain with investors (i.e. taking an "indirect approach")? Should the onus only be on originators? If so, how can it be ensured that investors continue to exercise proper due diligence?

Regarding the entity taking the responsibility for verifying risk retention requirements, we think that the onus should only be on originators. There are at least two reasons for this:

- in the US, the onus is on originators only. Once again, for the sake of global consistency, the EU should align its approach on the US approach;
- in practice, the obligation of monitoring of risk retention requirements by investors contributes to the blocking of the secondary market of the relevant instruments. This critical issue leads to the reduction of the universe of potential investments in Europe. Conversely, there should always be in the legal documentation a latitude for investors to investigate on this point and, when necessary, to give mandate to a third party in this prospect.

Conversely, there will always be in the legal documentation the right for investors to investigate on this point (due diligence).

We do not consider that additional rules are needed but rather that the current indirect approach should be replaced by a direct approach.

2.4

Compliance with criteria for qualifying securitisation

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 4:

A.

How can proper implementation and enforcement of EU criteria for qualifying instruments be ensured?

AFG supports the idea that the establishment of a clear set of eligibility criteria will facilitate the re-start of an EU securitization market since it will facilitate the investors' assessment and comparison of the main features of a securitization transaction.

B.

How could the procedures be defined in terms of scope and process?

The implementation of EU criteria for qualifying securitization instruments can be based on the following principles:

- the language used to describe qualifying securitizations should be as neutral as possible. The use of the term "qualifying securitization" should be preferable to the more broadly used term "high quality securitization". This would preserve the ability of regulators and market participants to quickly and easily distinguish between qualifying securitizations and others, which is the key policy driver behind the suggestion.

- a transaction-based approach would be preferable to a tranche-based approach (as the tranche-based approach implies that the purpose of qualification is to reduce or eliminate risk). One of the chief virtues of the transaction-based approach to qualifying securitization is the focus on transparency and the ability to understand and model risk. The badge of "qualifying securitization" ought to represent a belief that risks are capable of being modelled reliably by the targeted investor base using the information made available to them. It should not be used as a substitute for proper due diligence and credit analysis.

- as much as possible the certification/qualifying securitizations criteria shall be clear and precise easily triggering a yes or no answer.

- the certification process of qualifying securitizations shoul d be timely. The categorization process should not delay the overall is suance process and it should be clear at the beginning of the securitiz ation process for any securities whether a securitization will be a qua lifying securitization or not.

Two options are available to implement and enforce the label of 'qualif ying securitizations': i) certification by a third party (including a r egulator or a market body) or ii) self-certification:

i. Certification by a third party: the regulatory authorities coul d play a supervisory role in determining the criteria for a qualifying securitization and then appoint one or more independent bodies to issue certifications. The infrastructure Prime Collateralised Securities (PC S) already has in place for certifying compliance with PCS criteria cou ld readily be adapted to the proposed criteria for qualifying securitiz ation. But clearly the fact of not benefiting from this labelling certi fication or licensing system should not prevent other types of securiti sations from continuing to be marketed and invested.

ii. Self-certification: it seems to us that the measures recently t aken by the AFG could be duplicated, adjusted or at least serve as a st arting point to promote qualifying securitizations at the EU level.
In December 2014, AFG established and made public its code of good cond uct aiming at promoting a simple, transparent and sound securitization. The AFG code of good conduct comprise a list of objective criteria such as:

- the soundness of the legal framework (bankruptcy remoteness, tr ue sale, validity and enforceability of limited recourse provisions);
- the absence of retail placement;
- the fact that assets result from the direct financing of the ec onomy, no repackaging securitization nor derivatives (other than for th e purpose of hedging the assets);
- the standardization of the periodical information available to investors (with identification of the key information to be provided in the reports);
- the periodical valuation of the securities based on a methodolo gy disclosed to investors in order to allow a certain level of liquidit y (in particular when securities are neither listed, nor rated);
- the governance rules allowing the supervision of the investors (advisory board, consultation of investors);
- the absence of leverage.

The compliance with the AFG code of good conduct is subject to self-cer tification by the investment manager which is itself subject to supervi sion. We do not consider that a public entity or an independent private organization shall take responsibility for certifying such compliance. It would have the effect of shifting the responsibility to a third part

y while we believe that such responsibility shall remain, first, with t he investment manager and then, second, with the investors (who are dee med sophisticated and therefore capable of challenging the self-certifi cation).

In any case, to avoid "fire-sales" or other distortions of the market, transitional relief should be required for existing transactions.

C. To what extent should risk features be part of this compliance monitoring?

Finally, risk features should not be part of the compliance monitoring provided that they are not part of the Qualifying criteria under the pr inciple based approach.

2.5

Elements for a harmonised EU securitisation structure

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 5:

A. What impact would further standardisation in the structuring process have on the development of EU securitisation markets?

Creating an EU securitization vehicle seems an over ambitious and lengt hy process given the target. We believe that what really matters for in vestors is the legal soundness of the structure used for the securitiza tion transaction (whether governed by a domestic law or an EU regulatio n) and that this legal soundness shall be part of, and detailed in, the set of eligibility criteria (see Question 4 above).

B. Would a harmonised and/or optional EU-wide initiative provide more legal clarity and comparability for investors? What would be the benefits of such an initiative for originators?

see 5.C below

C.

If pursued, what aspects should be covered by this initiative (e.g. the legal form of securitisation vehicles; the modalities to transfer assets; the rights and subordination rules for noteholders)?

It seems to us that the measures taken in France following the subprime crisis to strengthen the French securitization market can be a source of inspiration:

France passed in June 2008 a new legislation on securitization (just one year after the beginning of the US sub-prime market crisis) aiming at rendering the French securitization framework safer and more transparent.

The French securitization legislation provides investors with express legal comfort on the following aspects:

- Legal form: the bankruptcy remoteness of the French securitization vehicle is stated by statute;
- Transfer of assets: the French legislation specifies the conditions for a true sale, the enforceability of the assignment vis-à-vis third parties and vis-à-vis the assigned debtors;
- Recognition of limited recourse provisions: the French legislation expressly recognizes the validity and enforceability of cash flow allocations among creditors and of the limitation of creditors' rights up to the available assets.

The criteria that will be eventually adopted by the EU should be broad and principles-based (but nevertheless ensure the legal soundness of the structure) in order to allow for appropriate implementation in each of the various jurisdictions in the EU ultimately allowing the enforceable pan-European securitizations.

An EU Directive or Regulation setting out the "qualifying securitization" requirements triggering legal security for the qualified securitization vehicles/products and its investors should facilitate cross-borders investments within the EU. Any existing EU-based securitization vehicle / regime could then be eligible to this qualifying securitization status and benefit from this new European regulatory and legal framework on the basis of the mutual recognition principle.

D. If created, should this structure act as a necessary condition within the eligibility criteria for qualifying securitisations?

see 5.C above.

2.6

Standardisation, transparency and information disclosure

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 6:

A.

For qualifying securitisations, what is the right balance between investors receiving the optimal amount and quality of information (in terms of comparability, reliability, and timeliness), and streamlining disclosure obligations for issuers/originators?

Regarding standardization, transparency and information disclosure, it appears that the US approach works well while the EU approach is too mu ch fragmented for the moment.

Some EU initiatives are already positive but should be extended. For in stance, at the level of the ECB the existence of the European DataWareh ouse (ED) is very helpful.

The ED is the first centralized European platform for uploading and dow nloading ABS loan level data (LLD). ED as a market initiative aims to i ncrease transparency and restore investor confidence in the ABS market. By accessing ED data, market participants are able to analyze underlyin g portfolios in a more efficient way and compare portfolios on a system atic basis including performance trends. In the past, investors had to rely on aggregated data which was preconfigured by issuers and arranger s.

But we think that for the future, all issuers could make use of it. And it could cover not only first-tier securitizations, but all securitizat ions.

However, it should not mean that securitizations should be obliged to b e referred to on such data platforms. Some securitizations should still be allowed to be marketed and invested although they may not be referre d to on these platforms.

B. What areas would benefit from further standardisation and transparency, and how can the existing disclosure obligations be improved?

See 6.A above

C. To what extent should disclosure requirements be adjusted – especially for loan-level data – to reflect differences and specificities across asset classes, while still preserving adequate transparency for investors to be able to make their own credit assessments?

See 6.A above

Question 7:

A. What alternatives to credit ratings could be used, in order to mitigate the impact of the country ceilings employed in rating methodologies and to allow investors to make their own assessments of creditworthiness?

If an issue is rated A in a country rated A, one does not know if the A rating is due to the country ceiling or to the deal features themselves. And in countries rated below AAA, some arrangers may be tempted to reduce the intrinsic quality of a securitization since a higher rating is not attainable anyway.

For the sake of transparency, comparability between securitised products, and to fit with historical rating agency methodology, we believe it would be useful to have, in addition to the rating (eventually constrained by country ceiling) the ratings of the issue.

We think credit ratings should remain as an indication of specific characteristics of securitization; they should not be the sole criterion, but they should remain among the criteria.

B. Would the publication by credit rating agencies of uncapped ratings (for securitisation instruments subject to sovereign ceilings) improve clarity for investors?

Yes. See 7A. This publication would let investors know if a given rating has been lowered to the country ceiling limitation or if the deal itself is so rated due to intrinsic reasons which would limit the rating regardless of the country rating.

2.7

Secondary markets, infrastructures and ancillary services

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 8:

A.

For qualifying securitisations, is there a need to further develop market infrastructure?

AFG members do not see specific need if above criteria are sufficiently defined (see Q1)

B.

What should be done to support ancillary services? Should the swaps collateralisation requirements be adjusted for securitisation vehicles issuing qualifying securitisation instruments?

Some replacement provisions should be specified in case of default of a n ancillary service provider. It could be useful to specify cash collat eral obligation with margin calls for swaps.

C.

What else could be done to support the functioning of the secondary market?

A majority of investors in securitizations are buy & hold investors. Li sting requirements should not imply the need of an active secondary mar ket which would be impossible to achieve due to the lake of market make rs in Europe for securitization SPVs. At present most SPVs have a size which is very far from what is needed for an active secondary market.

Regarding improving the functioning of the secondary market, as already mentioned previously (see our answer to Question 3), we think that, in practice, the obligation of ongoing monitoring of risk retention requir ements by investors contributes to the blocking of the secondary market of the relevant instruments. This critical issue leads to the reduction of the universe of potential investments in Europe. Therefore, we think that the onus of this risk retention requirement monitoring should be o

nly on originators.

A more liquid secondary market would limit cases of balance sheet volat ility and thus increase the attractiveness of securitisation. Price vol atility could also be reduced via the implementation of an effective ma rket making and of specific liquidity crisis solutions, or even via a "last recourse buyer" with specific programs (such as the asset purchas e program in the US or the program on European Covered Bonds

2.8

Prudential treatment for banks and investment firms

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 9:

With regard to the capital requirements for banks and investment firms, do you think that the existing provisions in the Capital Requirements Regulation adequately reflect the risks attached to securitised instruments?

AFG agrees with the French Banking Association (FBF)'s comment : A bett er treatment for senior tranches of securitisation under Solvency 2 and CRR still needs to be granted. CRR should review the capital charge for securitisation exposures for banks to avoid a penalizing situation comp ared with the direct detention of the sold assets.

Question 10:

If changes to EU bank capital requirements were made, do you think that the recent BCBS recommendations on the review of the securitisation framework constitute a good baseline? What would be the potential impacts on EU securitisation markets?

AFG agrees with the French Banking Association (FBF)'s comment : The Re vised Securitisation Framework was published in December 2014 in order to address a number of weaknesses of the existing Basel II framework wi

th the aim to provide developments such as (i) a higher risk management approach with the priority given to the available information at the le vel of the bank thus reducing reliance on external rating by giving the priority to the SEC-IRBA approach (ii) a higher risk sensitivity approa ch with the incorporation of additional risk drivers such as maturity o r tranche thickness (iii) a more appropriate calibration of capital req uirement based on the level of quality of underlying pool.
However even if such evolutions would seem to be appropriate, we think that further steps should be taken to adjust the current regulatory tre atment to the underlying risks attached to securitised instruments.

Indeed the new framework considerably increases the regulatory capital weightings given to all securitisation positions held by banks, whether they result from active investments made by the banks or are residual t ranches kept by the banks after securitising some of their loan portfol ios. The new weightings include surcharges of up to 150% on securitisat ion positions compared with the same non-securitised underlying loans, as well as higher RWA floors on the most senior tranches.

Such massive surcharges make it even less likely than today that banks will use securitisation as a technique to transfer risk on their portfo lios to increase their lending capacity, as the residual positions (whi ch they must retain or cannot sell economically in the market) will be very costly. They will also reduce banks' appetite to use securitisatio n as a technique to provide secured financing to clients (e.g. purchase of Trade receivables) or to invest their excess liquidity in other bank s' issues.

The surcharges designed by the Basel Committee were largely based on th e abysmal performance of US subprime portfolios from 2006-2008. It is k ey for the revival of the European market that securitisation surcharge s (for banks, but also for other investors like insurance companies) be drastically reduced: the weightings should mainly reflect the risk of t he underlying loans if a securitisation is deemed high-quality, with on ly a modest surcharge for model risk.

Through the concept of "high quality securitisation", where the underly ing risks can be assessed with more confidence, a more favorable pruden tial treatment must be considered (e.g reduction in Leverage Ratio for banks as well as a reduction in capital charge for insurers and bankers must be considered as crucia). In particular the calibration of capital for retail transactions remains particularly punitive with a capital su rcharge of up to 150% in IRB mode and 100% in SA mode.

Even though the SEC-IRBA approach is at the top of the hierarchy, few i nvestors will be able to use this approach. This will still lead to a "de facto" use of ratings and the issues identified by the EBA regardin g overreliance on ratings will not be solved.

Question 11:

How should rules on capital requirements for securitisation exposures differentiate between qualifying securitisations and other securitisation instruments?

Qualifying securitisations should attract reasonably conservative capital surcharge and their capital should not be dependent on external ratings

As the FBF, we propose to replace the capital mapping based on ratings by a mapping based on the risk of the tranche. This may be achieved by expressig the tranche attachment and detachment points as a pool capital multiple. In other words, the RBA table is replaced for qualifying securitisations by a table based on pool capital multiple. This is called the Pool Capital Multiplier Approach (PCMA).The PCMA is a simple proposal that can revive the European market for qualifying securitisations. The PCMA enables to remove reliance on rating agencies for capital. If it is appropriately calibrated, it can incentive both originators and institutional investors to participate in the market. If it is enforced as early as January 2016, it will provide the necessary certainty that is needed to revive the market (for more details on PCMA, see the French Banking Association's reply).

Question 12:

Given the particular circumstances of the EU markets, could there be merit in advancing work at the EU level alongside international work?

AFG shares the FBF's position: the EU should firstly and immediately solve the regulatory problem that impedes the use of securitisation as marketable instruments due to the disproportionate regulatory cost compared to the risk weight of the underlying asset pool. This specific problem should be solved in the very short term for STS securitisations. Then EU should closely monitor the performance of international works to ensure consistency within the EU regulatory framework. As you may know the Basel Committee will consider how to incorporate the 'high quality securitisation' concept into the Revised Securitisation Framework during the year 2015.

2.9

Prudential treatment of non-bank investors

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 13:

Are there wider structural barriers preventing long-term institutional investors from participating in this market? If so, how should these be tackled?

Both regulatory barriers and non-regulatory barriers prevent long-term institutional investors from participating in the market

As already mentioned, the sectorial regulations of long-term institutional investors harm the development of their participation in the market:

- Solvency I eligibility rules for securitization schemes are different from a country to another
- Solvency II pillar 1 capital need is based on external rating and duration features and type 1 / type 2 complex distinctions (see question 14)

Non regulatory barriers are also dissuasive

- institutional investors are facing difficulties to assess credit risk on individual transactions
- alignment of interest with other investors has to be improved

Question 14:

A. For insurers investing in qualifying securitised products, how could the regulatory treatment of securitisation be refined to improve risk sensitivity? For example, should capital requirements increase less sharply with duration

Regarding insurance companies, AFG and FFSA members consider that the approach of Solvency 2 should be adjusted:

- non-senior instruments should not be excluded from Type 1 securitisations;

- more generally, we think that the definition of Type 1 securitisations is too restrictive compared to the Basel Committee/IOSCO document;
- Type 1 transactions capital treatment should converge toward other credit risk SCR calculation parameters

B. Should there be specific treatment for investments in non-senior tranches of qualifying securitisation transactions versus non-qualifying transactions?

the difference of calibration in capital charges between qualifying instruments and non-qualifying ones seems disproportionate and not justified.

Question 15:

A. How could the institutional investor base for EU securitisation be expanded?

Regarding the potential adjustments of other EU regulatory frameworks such as UCITS or AIFMD, we consider that - apart from the requirement of risk retention rule monitoring, the onus of which should be on originators only in order to develop the secondary market further - no change is needed in the UCITS and the AIFM Directives, as long as the investment in securitized instruments remains compatible with the investment rules of these two directives (in particular the liquidity rules).

B. To support qualifying securitisations, are adjustments needed to other EU regulatory frameworks (e.g. UCITS, AIFMD)? If yes, please specify.

see 15A above

2.10

Role of securitisation for SMEs

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 16:

A.

What additional steps could be taken to specifically develop SME securitisation?

The development of European SME securitization depends upon the development of the European securitisation market. Most of the improvements discussed elsewhere in the European Commission paper and in our answer apply as well to the SME securitisation sectors.

However, some standardization at loan level (maturity, type of amortization and of interest rates) could favor the development of SME securitization.
The provision of centralized information about SME could help, at least when developed at national level.

B. Have there been unaddressed market failures surrounding SME securitisation, and how best could these be tackled?

As already identified, transparency of the loan characteristics and standardization of these loans are critical.

C.

How can further standardisation of underlying assets/loans and securitisation structures be achieved, in order to reduce the costs of issuance and investment?

A set of standards for each type of underlying assets (e.g. those promoted by the PCS initiative) should probably be taken on board by the Commission . They have been adopted by a large number of actors.

D.

Would more standardisation of loan level information, collection and dissemination of comparable credit information on SMEs promote further investment in these instruments?

See 16.A. above

2.11

Miscellaneous

Please refer to the corresponding section of the consultation document to read some context information before answering the questions.

Question 17:

To what extent would a single EU securitisation instrument applicable to all financial sectors (insurance, asset management, banks) contribute to the development of the EU's securitisation markets? Which issues should be covered in such an instrument?

AFG members suggest to urgently harmonize regulatory definitions of securitisations typologies and to converge towards the Basel Committee/IOSCO document recommendations.
Solvency II definitions are in particular non convergent and too restrictive for insurance investors.

Question 18:

A. For qualifying securitisation, what else could be done to encourage the further development of sustainable EU securitisation markets?

no reply on this question

B. In relation to the table in Annex 2 are there any other changes to securitisation requirements across the various aspects of EU legislation that would increase effectiveness or consistency?

No reply on this question.

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

Useful links

Consultation details (http://ec.europa.eu/finance/consultations/2015/securitisation/index_en.htm)

Consultation document
(http://ec.europa.eu/finance/consultations/2015/securitisation/docs/consultation-document_en.pdf)

Specific privacy statement
(http://ec.europa.eu/finance/consultations/2015/securitisation/docs/privacy-statement_en.pdf)

More on the Transparency register
(http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

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