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Targeted consultation on the functioning of the EU securitisation framework

Fields marked with * are mandatory.

Introduction

In the wake of the global financial crisis engagement in the EU securitisation market has shrunk significantly both on the demand and the supply side. When soundly structured, securitisation can play a positive role in deepening capital markets and freeing up bank balance sheets. In particular, by transforming illiquid assets into tradable securities, securitisation can release bank capital for further lending. It is an important building block of the capital markets union (CMU) as it enables risk transfers to a broad set of institutional investors, allowing them indirectly to finance economic activities, and opens up new investment opportunities.

By enhancing legal clarity via codifying the sectoral rules governing the EU securitisation market in a single regulation, increasing market transparency and putting in place provisions that prevent the re-emergence of the harmful market practices that led to the global financial crisis, the EU aims to revive the EU securitisation market on a more sustainable basis. Furthermore, the introduction of a label for securitisations that are simple, transparent and standardised (STS) helps investors identify high-quality securitisation structures and thus contributes to overcome the stigma that had been attached to the securitisation market.

The EU securitisation framework is applicable since January 2019. The framework consists of the Securitisation Regulation which sets out a general framework for all securitisations in the EU and a specific framework for simple, transparent, and standardised (STS) securitisations as well as prudential requirements for securitisation positions in the Capital Requirements Regulation and in Solvency II.

The framework was complemented on 6 April 2021 in the context of the efforts to help the post-COVID-19 economic recovery by extending the scope of the STS label to on-balance-sheet synthetic securitisations and by addressing regulatory obstacles to securitising non-performing exposures.

In its capital markets union (CMU) action plan published on 24 September 2020 the Commission has committed to review the current regulatory framework for securitisation to enhance banks' credit provision to EU companies, in particular SMEs, to scale-up the securitisation market in the EU. This commitment was echoed in the European Parliament's own initiative report on the CMU, adopted in October 2020, and endorsed by the Council conclusions of December 2020 on the Commission's CMU action plan.

This coincides with the Commission's legal obligation under Article 46 of the Securitisation Regulation to submit a report on the functioning of the Regulation to the European Parliament and to the Council by 1 January 2022. Article 46

lists a number of topics that shall be covered. In addition, the report shall take into account the findings of the report on the functioning and implementation of the regulation by the Joint Committee of the European Supervisory Agencies (ESAs).

In order to deliver on the Commission's commitment in the CMU action plan and in order to prepare the mandated report, this targeted consultation seeks stakeholders' feedback on a broad range of issues. It covers the areas mandated by Article 46 of the Securitisation Regulation, namely

- the effects of the regulation (Section 1)
- private securitisations (Section 2)
- the need for an equivalence regime in the area of STS securitisations (Section 5)
- disclosure of information on environmental performance and sustainability (Section 6) and
- the need for establishing a system of limited licensed banks performing the functions of SSPEs – securitisation special purpose entities (Section 7)

In addition, the questionnaire seeks feedback on a number of additional issues that have been identified and raised by stakeholders and by the Joint Committee of the ESAs as having an impact on the functioning of the securitisation framework. This questionnaire will be followed by a call for advice to the Joint Committee of the ESAs on the appropriateness of the prudential treatment of securitisations.

In view of the technical nature of the issues, the questionnaire is targeted to market participants, including data repositories and rating agencies, industry associations and supervisors. While some questions are general, others are directed towards particular participants in the securitisation market, i.e. issuers or investors, or towards supervisors. Please note that not all questions are relevant for all stakeholders and that you are not expected to reply to every question.

The targeted consultation is available in English only and will be open for **8 weeks and will close on 17 September 2021**.

The consultation will be followed by a roundtable event for which a separate invitation will be issued in due time. The contact details provided in replying to this consultation will be used to send out the invitations to the roundtable.

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-review@ec.europa.eu.

More information on

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

About you

* Language of my contribution

- ( ) Bulgarian
- ( ) Croatian
- ( ) Czech
- ( ) Danish
- ( ) Dutch
- (•) English
- ( ) Estonian
- ( ) Finnish
- ( ) French
- ( ) German
- ( ) Greek
- ( ) Hungarian
- ( ) Irish
- ( ) Italian
- ( ) Latvian
- ( ) Lithuanian
- ( ) Maltese
- ( ) Polish
- ( ) Portuguese
- ( ) Romanian
- ( ) Slovak
- ( ) Slovenian
- ( ) Spanish
- ( ) Swedish

* I am giving my contribution as

- ( ) Academic/research institution
- (•) Business association
- ( ) Company/business organisation
- ( ) Consumer organisation
- ( ) EU citizen

- Environmental organisation
- Non-EU citizen
- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* First name

arthur

* Surname

carabia

* Email (this won't be published)

arthur.carabia@icmagroup.org

* Organisation name

255 character(s) maximum

International Capital Market Association

* Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

Transparency register number

255 character(s) maximum

Check if your organisation is on the transparency register. It's a voluntary database for organisations seeking to influence EU decision-making.

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* Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Djibouti
- Libya
- Saint Martin

- Åland Islands
- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Dominica
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Liechtenstein
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Saint Pierre and Miquelon
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden

- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States

- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena Ascension and Tristan da Cunha
- Saint Kitts and Nevis
- Saint Lucia
- United States Minor Outlying Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
- Wallis and Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

* Field of activity or sector (if applicable)

- [ ] Accounting
- [ ] Auditing
- [ ] Banking
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pension provision
- [x] 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
- [x] Other
- [ ] Not applicable

* Please specify your activity field(s) or sector(s)

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The Commission will publish all contributions to this targeted consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association, 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

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The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

- **Anonymous**
  Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.
- **Public**
  Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

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Consultation questions

1. Effects of the Regulation

Question 1.1:

Has the Securitisation Regulation (SECR) been successful in achieving the following objectives:

	1 (fully agree)	2 (somewhat agree)	3 (neutral)	4 (somewhat disagree)	5 (fully disagree)	Don't know - No opinion - Not applicable
Improving access to credit for the real economy, in particular for SMEs	○	○	◉	○	○	○
Widening the investor base for securitisation products in the EU	○	○	○	◉	○	○
Widening the issuer base for securitisation products	○	○	○	◉	○	○
Providing a clear legal framework for the EU securitisation market	◉	○	○	○	○	○
Facilitating the monitoring of possible risks	◉	○	○	○	○	○
Providing a high level of investor protection	◉	○	○	○	○	○
Emergence of an integrated EU securitisation market	○	◉	○	○	○	○

Question 1.2:

If you answered ‘somewhat disagree’ or ‘fully disagree’ to any of the objectives listed in the previous question, please specify the main obstacles you see to the achievement of that objective.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Regarding the supply side, AFME data shows that European issuance of STS and non-STS securitisation has been declining since the entry application of the SECR (2019: 76; 2020: 61; 2021 Q1: 17 in € bln). This is also valid for the SME segment.

We would like to highlight that the market dynamic is also dependent on the monetary policy context.The necessary deployment of monetary tools by the ECB and the BoE to achieve their objectives in particular in the midst of the COVID-19 pandemic crisis, have indeed reduced any incentive for banks to diversify funding channels such as securitisation.Conversely when central banks will wind down their accommodative monetary policies we expect to to see more issuances.

On the demand side, the investor base in Europe has not increased over the past three years despite the high-level of protection of the SECR. But if issuance levels grow we would expect more investors to enter the market as the higher compliance costs introduced by the SECR would be offset by greater investment opportunities.

We also think that there is merit for regulators to introduce in parallel amendments to the SECR and related prudential rules measures (such as in Solvency 2) to grow the investor base and contribute to the CMU objectives.

Question 1.3:

What has been the impact of the SECR on the cost of issuing / investing in securitisation products (both STS and non-STS)? Can you identify the biggest drivers of the cost change? Please be specific.

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Investors need to evidence their due diligence prior to purchase and evidence their ongoing monitoring and stress tests after purchase. Investors perform due diligence and surveillance anyway, but the need to evidence this creates an additional administrative burden. Some jurisdictions have also taken a strict interpretation of the ability to delegate due diligence within the same group structure under SECR which poses an additional compliance burden.

The main cost impact from the SECR relates to the risk-retention requirement when issuing CLOs. As per Article 6 of the SECR, the originator, sponsor or original lender shall retain a minimal 5% net economic interest in the securitisation. The objective is that the originator keeps on its balance sheet exposure on the securitised assets which makes sense for most securitisations, like residential mortgages, auto loans or credit cards.
However, for managed CLOs, the asset managers does not transfer assets to the CLO, but buys loans in the open market and manages them on the best interest of the investors in the CLO - similarly to a loan or High Yield fund. As such, we consider that the retention obligation should not apply as it is not providing lower risks to investors nor driving any best practices into the CLO management.For asset-managers, this 5% retention requirement on managed CLOs may represent very significant amounts (up to several hundreds of millions €) which need to be held on the balance sheet and funded. This represents a significant burden and cost, and a strong competitive disadvantage compared with, for instance, the US, both when managing and investing in CLO.

2. Private securitisations

The legal framework acknowledges the bilateral and bespoke nature of so-called private securitisations and does not require them to disclose detailed information about the transaction to potential investors in the same way that it does for public securitisations. However, this needs to be balanced against the need to ensure adequate supervision of private transactions, which requires access to sufficient information on the part of supervisors. As a result, the current legal framework requires private securitisations to fill in the same data templates as public securitisations.

Question 2.1:

Are you issuing more private securitisations since the entering into application of the EU securitisation framework?

- Yes, significantly
- Yes, slightly
- No change
- No, it has decreased
- Don’t know / no opinion / not applicable

Question 2.2:

What are the reasons for this development (please explain your answer)?

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Question 2.3:

Do the current rules enable supervisors to get the necessary information to carry out their supervisory duties for the private securitisation market?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 2.4:

Do investors in private securitisations get sufficient information to fulfil their due diligence requirements?

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 2.4:

5000 character(s) maximum

including spaces and line breaks, i.e. stricter than the MS Word characters counting method.

Investors only invest when they are given sufficient information to both satisfy their own investment requirements and to satisfy their obligations under SECR. In most cases investors receive sufficient information to fulfil our due diligence requirements however there are still instances where investors are unable to proceed due to lack of historical performance data.

Question 2.5:

Do you find useful to have information provided in standard templates, as it is currently necessary according to the transparency requirements of Article 7 and the associated regulatory and implementing technical standards?

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 2.5:

5000 character(s) maximum

The information provided in the standard templates is very complete and detailed. While some of it may not be directly of use in certain transactions, it is positive that such complete information is made available to investors. Standard templates are useful because they allow direct comparisons between transactions as well as facilitating data processing software. They also give comfort to new entrants into the securitisation markets that their own due diligence process is sufficient. It does take significant time to develop templates initially, but investors find the consistency the templates provide very helpful in monitoring transactions on an on-going basis. The data templates also ensure a high level of transparency which is necessary for efficient markets to operate and so helps serve the real economy (by optimising the provision of credit to borrowers).

Question 2.6:

Does the definition of private securitisation need adjustments?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not applicable

3. Transparency and Due diligence

The transparency regime in the SECR requires that the originator, sponsor and SSPE of a securitisation make a range of information available to the holders of the position, to competent authorities and, upon request, to potential investors. The information is provided via templates and is intended to enhance the transparency of the securitisation market as well as to facilitate investors' due diligence and the supervision of the market. The following questions aim to find out whether the information that is currently provided to investors is appropriate, sufficient and proportionate for their due diligence purposes and whether any improvements can be made.

Question 3.1:

Do you consider the current due diligence and transparency regime proportionate?

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not applicable

Please explain your answer to question 3.1:

5000 character(s) maximum

Yes, we believe the current regimes to be proportionate to the level of complexity involved in securitisations. The investor reporting requirements ensure a high level of transparency
which is prerequisite for an efficient market to operate. We expect over time data in the Securitisation Repositories will allow a better understanding of collateral performance and leading to a better provision of credit (which will help serve the real economy).

Question 3.2:

What information do investors need? How do investors carry out due diligence before taking up a securitisation position?

5000 character(s) maximum

Investors generally have due diligence needs that are driven by both the asset class they invest in and the nature of the product that they provide to their clients, and each investor has a unique set of requirements accordingly. The level of information needed is that which is sufficient to develop an understanding of likely asset performance in a number of stressed scenarios. It is important to be able to see how risks have been "layered" in a particular transaction – for example in RMBS it is important to understand how many loans with high LTVs are in high-risk property locations because these loans can show very high loss severities in a downturn and are not discernible just by looking at portfolio average LTVs.

But in general investors need information on historical cumulative defaults and recoveries (vintage data), dynamic delinquency data and prepayment data. If the transaction is exposed to residual value risk then residual value performance data are also needed. The historical performance data should ideally cover one full economic cycle. Information on the portfolio stratifications is also required to understand the pool composition (for example, loan/lease sizes, loan/lease purpose, LTVs, interest type & rate and interest rate reversion dates (if there are teaser rates), seasoning, geographical distribution etc.). Investors use this information to establish their expected base case default, recovery, delinquency and prepayment rates. Investors then run stress tests on their base cases and analyse the transaction cash flows in different stress scenarios – this helps determine the investor's credit opinion and their pricing expectation for each tranche being sold.In addition to analysing the data investors also analyse the transaction structure by reviewing the prospectus (and any term sheet and investor presentation). An understanding of the transaction structure is necessary to run appropriate stress tests.

The due diligence is generally based on the information provided by the originator/seller during the marketing phase of a transaction. The information includes amongst other: a prospectus, an investor presentation, a datapack (displaying stratification tables and/or loan-by-loan datatape, and historical performance of the book) and a cash flow model – which analysis is mainly performed using Intex tool (or proprietary cash flow tools when appropriate).The analysis is generally complemented by a meeting with the issuer either in person or through digital means.

The marketing datapack to investors is fairly standardised in the public securitisation space although it may vary per asset class. The information displayed during the marketing phase is generally sufficient to perform the due diligence of the investment. Depending on the nature of the assets, the risk contemplated for the investment, the granularity of the portfolio, some further clarification can be asked to the arrangers and on-site visit may be organised.

Question 3.3:

Is loan-by-loan information disclosure useful for all asset classes?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

If ***Yes***, please specify (multiple choice accepted):

- [x] Auto-loans/leases
- [ ] Trade receivables
- [x] Residential mortgages (RMBS)
- [x] SME loans

- [x] Corporate loanse
- [x] Leases
- [x] Consumer loans
- [ ] Credit-card receivables
- [ ] Other

Please explain your answer to question 3.3:

5000 character(s) maximum

Investor believe that loan level data is important and often essential for some asset classes including Autos, Residential Mortgages, Commercial Mortgages, SME loans, Corporate loans and Consumer loans. For some asset classes the benefit of loan level data is less clear because the loans are very short term in nature and/or very small individual loan sizes. Examples include Credit Cards, and Trade receivables.

Question 3.4:

Is loan-by-loan information disclosure useful for all maturities?

- (•) Yes
- ( ) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 3.4:

5000 character(s) maximum

We believe loan level data are useful for all loan & lease asset classes. For some very short term, or revolving facilities it may be less useful for investors to receive regular loan level data.

Question 3.5:

Does the level of due diligence and, consequently, the type of information needed depend on the tranche the investor is investing in?

- ( ) Yes
- (•) No
- ( ) Don’t know / no opinion / not applicable

Please explain your answer to question 3.5:

5000 character(s) maximum

Overall the same level of due diligence and information requirements apply to the entire transaction regardless of which tranche the investor is investing in. However the stress test for a senior (usually “AAA” rated) tranche would be different to the stress test applied to a junior (often sub-investment grade) tranche. The analysis of an investment in a senior tranche will focus more on the structural features of the transaction ensuring the seniority of the tranche (credit enhancement, waterfall etc.), while the analysis of an investment in a junior tranche will require a very detailed analysis of the underlying pool of assets.

As it stands, investors have sufficient information available to analyse and invest in both junior and senior tranches of securitisations.

Question 3.6:

Does the level of due diligence and, consequently, the type of information needed depend on whether the securitisation is a synthetic or a true-sale one?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 3.6:

5000 character(s) maximum

The information requirements and due diligence performed are identical. A synthetic transaction would have a different transaction structure than a true sale
deal. As with any transaction, the transaction structure must be fully understood so
that appropriate stress tests can be run.The only difference worth mentioning may be in the specific focus on the bank receiving the cash collateral on synthetic securitisations.

Question 3.7:

Are disclosures under Article 7 sufficient for investors?

- ◉ Yes
- ○ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 3.7:

5000 character(s) maximum

yes, Article 7 ensures adequate investor disclosure requirements. It is positive that such complete information is made available to investors.

Question 3.8:

Do you find that there are any unnecessary elements in the information that is disclosed?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not applicable

Please explain your answer to question 3.8:

5000 character(s) maximum

No but we need to avoid situations where some missing data deter or stop some originators from bringing deals to market. In a few instances a little more flexibility could be warranted to fill templates (on the basis of a comply or explain approach), but we would advise to keep the standardised data templates as the standardisation facilitates data analysis. See our response to question 2.5.

Question 3.9:

Can you identify data fields in the current disclosure templates that are not useful? Please explain your answer.

5000 character(s) maximum

Question 3.10:

Can the disclosure regime be simplified without endangering the objective of protecting EU institutional investors and of facilitating supervision of the market in the public interest?

- ○ Yes
- ○ No
- ○ Don't know / no opinion / not applicable

4. Jurisdictional scope

The Joint Committee of the ESAs issued an opinion to the Commission on the jurisdictional scope of the Securitisation Regulation, identifying some elements of the legal text that require clarification. This section of the questionnaire seek feedback on the issues identified by the Joint Committee.

Question 4.1:

Have you experienced problems related to a lack of clarity of the Securitisation Regulation pertaining to its jurisdictional scope?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 4.1:

5000 character(s) maximum

With Brexit, some UK securitisation which were STS became ineligible for this qualification. It reduced the depth of the market for STS securitisations available to EU investors.Given that the SECR was on-shored in the UK, we believe EU investors should continue to be able invest in UK securitisation and vice-versa. This should be allowed as along as EU and UK SECRs remain largely the same in spirit.

Question 4.2:

Where non-EU entities are involved, should additional requirements (such as EU establishment/presence) for those entities be introduced to facilitate the supervision of the transaction?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 4.2:

5000 character(s) maximum

The SECR already provides sufficient protections to ensure a robust securitisation market. It should not be necessary for every entity involved in a securitisation to have an EU presence. Having such a requirement could limit the number of counterparties active in the market (which generally reduces market liquidity).

Question 4.3

In transactions where at least one, but not all sell-side entities (original lender, originator, sponsor or SSPE), is established in the EU:

A) Should only entities established in the EU be eligible (or solely responsible) to fulfil the risk retention requirement under Article 6?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 4.3 A):

5000 character(s) maximum

The risk retention requirements should be focused on the alignment of interests in the securitisation and less on the location of the risk retention holder. It should be possible for entities established outside of the EU to be active in the EU securitisation market, including entities acting as risk retention holder. Opening up the market to non-EU entities means EU investors have access to more investment opportunities while still benefiting from the robust protections of SECR.

B) Should the main obligation of making disclosures under Article 7 be carried out by one of the sell-side parties in the EU? In this case, should the sell-side party(ies) located in a third country be subject to explicit obligations under the securitisation contractual arrangements to provide the necessary information and documents to the party responsible for making disclosures?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 4.3 B):

5000 character(s) maximum

Putting obligations on EU based entities involved in the transaction to ensure compliance by those parties outside the EU would enhance supervisors enforcement capabilities.

C) Should the party or parties located in the EU be solely responsible for ensuring that the “exposures to be securitised” apply the same credit-granting criteria and are subject to the same processes for approving and renewing credits as non-securitised exposures in accordance with Article 9?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 4.3 C):

5000 character(s) maximum

D) Should a reference to sponsors located in a third country be included in the due diligence requirements Article 5(1)(b) of the SECR? How could their adequate supervision be ensured?

- (•) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 4.3 D):

5000 character(s) maximum

It would be helpful to clarify the position regarding third country sponsors and due-diligence although supervision should most likely be enabled as a condition within the prospectus or some other legal document creating enforceable contract allowing supervision.

Question 4.4:

Should the current verification duty for institutional investors laid out in Article 5(1)(e) of the SECR be revised to add more flexibility the framework?

- (•) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 4.4:

5000 character(s) maximum

We think that Article 5(1)(e) should be clarified to limit the verification requirement in relation to the reporting requirements of Article 7 to EU securitisations only (i.e. securitisations with an originator, sponsor or SSPE in the EU).

If you answered ***Yes*** to question 4.4, how can it be ensured that the ultimate objective of protecting EU institutional investors remains intact?

5000 character(s) maximum

Question 4.5:

Should the SECR and the Alternative Investment Fund Managers Directive (AIFMD) be amended to clarify that non-EU AIFMs should comply with the due diligence obligations set out in Article 17 of the AIFMD and Article 5 of the SECR with respect to those AIFs that they manage and/or market in the Union?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 4.5:

5000 character(s) maximum

Yes, we think that non-EU AIFM should only be subject to Article 5 Securitisation Regulation exclusively in respect of the funds they manage or market in the EU. The existing definition of institutional investor in the Securitisation Regulation could be interpreted in broader way and should thus be amended to reflect this intent.

Question 4.6:

Should the SECR be amended to clarify that sub-thresholds AIFMs fall within the definition of institutional investor thereby requiring them to comply with the due diligence requirements under Article 5 of the SECR?

(The Alternative Investment Funds Managers Directive provides for a lighter regime for AIFMs whose AIFs under management fall below certain defined thresholds)

- ( ) Yes
- ( ) No
- (●) Don't know / no opinion / not applicable

Please explain your answer to question 4.6:

5000 character(s) maximum

5. Equivalence

The SECR does not include an equivalence regime and Article 18 of SECR requires that originators, sponsors and SSPE of an STS securitisations are established in the EU. The Commission is tasked to investigate whether an equivalence regime for STS securitisations should be introduced.

Question 5.1:

Has the lack of recognition of non-EU STS securitisation impacted your company?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

If you answered ***Yes***, please provide a brief explanation how was your company affected:

5000 character(s) maximum

With Brexit, some UK securitisation which were STS became ineligible for this qualification. It reduced the depth of the market for STS securitisations available to EU investors.Given that the SECR was on-shored in the UK, we believe EU investors should continue to be able invest in UK securitisation and vice-versa. This should be allowed as along as EU and UK SECRs remain largely the same in spirit.

Question 5.2:

Should non-EU entities be allowed to issue an STS securitisation?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

If you answered ***Yes***, how should the second sub-paragraph of Article 18 (that requires that the originator, sponsor and SSPE involved in a securitisation considered STS shall be established in the Union) be revised?

5000 character(s) maximum

Provided a third country issuer complies with the structuring, transparency and verification requirements inherent in STS, we believe that issuer should be allowed to be considered as STS. This should be available through both equivalence and recognition mechanisms.Article 18 should be modified to reflect this.

Please explain your answer to question 5.2:

5000 character(s) maximum

Question 5.3:

Should securitisations issued by non-EU entities be able to acquire the STS label under EU law?

- ○ Yes, in case the securitisation is issued in a jurisdiction that has a regime declared to be equivalent to the EU STS regime;
- ◉ Yes, in another way, for example by other mechanisms used in financial services legislation like recognition or endorsement;
- ○ No
- ○ Don't know / no opinion / not applicable

Please explain your answer to question 5.3:

5000 character(s) maximum

Provided a third country issuer complies with the structuring, transparency and verification requirements inherent in STS, we believe that issuer should be allowed to be considered as STS. This should be available through both equivalence and recognition mechanisms. Article 18 should be modified to reflect this.

Question 5.4:

Which considerations could be relevant to introducing any of the above mechanisms (e.g. equivalence/recognition/endorsement/other) and which could be the conditions attached to such mechanisms?

5000 character(s) maximum

We would expect equivalence / recognition / endorsement to last the full life of the transaction (or be grand-fathered should rules change) to avoid cliff-risks for investors should the designation be removed

6. Sustainability disclosure

SECR requires that where the underlying loans are residential mortgages or auto loans/leases the available information related to the environmental performance" of the underlying assets is published for STS securitisation. This obligation was amended with the capital markets recovery package by including a derogation, whereby originators may, instead, choose to publish "the available information related to the principal adverse impacts of the assets financed by underlying exposures on sustainability factors". The Commission is asked to investigate whether the requirements in Articles 22(4) [term STS] and 26d(4) [on-balance-sheet STS] about publishing the available information related to the environmental performance of the assets should be extended to securitisation where the underlying exposures are not residential loans or auto loans or leases, with a view to mainstreaming environmental, social and governance disclosure.

Question 6.1:

Are there sufficiently clear parameters to assess the environmental performance of assets other than auto loans or mortgages?

- ○ Yes, for all asset classes
- ◉ Yes, but only for some asset classes
- ○ No
- ○ Don’t know / no opinion / not applicable

Please specify:

1000 character(s) maximum

Priority should given to auto-loans, RMBS and CMBS for which we have identified relevant and readily available data points (see our response to question 6.3). For CLOs we need to wait for the NFRD review (CSRD) and the finalisation of the technical work conducted by EFRAG. Unfortunately personal loans and credit card receivables cannot be precisely assessed.

Question 6.2:

Should publishing information on the environmental performance of the assets financed by residential loans and auto loans and leases be mandatory?

- ◉ Yes, the information is currently available
- ○ Yes, but with a transitional period to ensure the availability of information
- ○ Yes, with a grandfathering arrangement for existing deals
- ○ No
- ○ Don’t know / no opinion / not applicable

Question 6.3:

As an investor, do you find the information on environmental performance of assets valuable?

- ◉ Yes
- ○ No
- ○ Don’t know / no opinion / not applicable

Describe the use you have made of it?

5000 character(s) maximum

The Asset-Backed Securities (ABS) investment universe (which includes mortgage-backed securities, commercial-backed securities, auto loan securitisation, collateralised loan obligations, whole business securitisation), often suffers from a paucity of relevant and standardised ESG information and may not fully benefit from these regulatory
developments.

Unlike the corporate bond market, there are no third-party sources of ESG data for the ABS investment

universe. For example, rating agencies that provide credit assessments on ABS do not typically opine on ESG (unless it materially impacts their credit assessment). Lacking relevant and standardised data can make it difficult for investors to accurately and effectively appraise ESG risks. ABS investors also risk penalties as regulators and clients set more sustainability-related requirements.

In the EU, we are slowly starting to see some improvements with environmental reporting for auto-loans and RMSBS thanks to securitisation regulations. Regulation (EU) 2017/2402 indeed requires originators and sponsors to disclose the available data on the environmental impact of assets underlying STS securitisations. However, it only applies to STS securitisation (30% of the market) and does not require environmental data to be made available for all deals but simply for it to be published if it is readily available. The information published under ESMA's template and/or data loan tapes are therefore inconsistent from one deal to another.

Information on the environmental performance of assets is not only needed to respond to the growing demands from asset owners to evaluate their ESG footprint and it also imperative to allow buy-side to comply with greater new regulatory disclosure requirements (such as SFDR).

Key performance indicators (KPIs) are not a silver bullet but they are essential. They can provide standardised raw information for further analysis by asset managers (i.e., collection of qualitative information and due diligence) to improve comparability of companies' or originators' performance. Adopting KPIs for each sub-asset class can, also facilitate the reporting process and transparency on material sustainability issues to underlying investors.

The characteristics of the asset class should reflect the choice of KPIs. The EU Taxonomy and SFDR reporting guidelines might not always be the most appropriate set of sustainability metrics.

As an example, in securitisation, investors are facing SPVs which typically do not have - or report turnover, capital expenditure or operational expenditure. Furthermore, Co2 emission measurement is not an appropriate KPI for securitisation on credit card or consumer. Investors in securitisation would hence need to use an alternative measure that should need to be detailed by asset type (consumer assets, auto loans, RMBS, CLOs etc.) and the information to be reported by the arranger or the issuer would have to be mandatory and updated on a regular basis.

We believe KPIs for the securitisation industry covering different asset class are achievable and necessary. Metrics can and should be designed that are accessible, of sufficient quality and applicable to different jurisdictions.

In that context, ICMA's Asset Management and Investors Council has set up an ad hoc working group to discuss ESG transparency of Asset-Backed Securities.As a first step the working group (composed of buy-side firms) has issued a statement laying down current challenges for this specific asset class and the buy-side (https://www.icmagroup.org/assets/documents/Regulatory/AMIC/AMIC-statement-ABS-ESG-240621.pdf).

It then issued a discussion paper on auto-loans (https://www.icmagroup.org/assets/documents/Regulatory/AMIC/AMIC-discussion-paper-ESG-auto-loan-ABS-240621.pdf) and is now exploring in this paper ESG KPIs that could be relevant in the context of RMBS/CMBS.

We hope our proposals will help the ESA and the EC develop relevant sustainability indicators for all securitised assets.

Question 6.4:

Do you think it is more useful to publish information on environmental performance or on adverse impact and why?

5000 character(s) maximum

We think both aspects would be useful. For instance, in the context of RMBS having both the EPC and the actual energy consumption data would be helpful.

Question 6.5 (a):

Do you agree that these asset specific disclosures should become part of a general sustainability disclosures regime as EBA is developing?

- (●) Yes
- ( ) No
- ( ) Don't know / no opinion / not applicable

Question 6.5 (b):

Should ESG disclosures be mandatory for (multiple choice accepted):

- [x] securitisation that complies with the EU green bond standard
- [x] RMBS
- [x] auto loans/leases ABS

Question 6.6:

Have you issued or invested in a green or sustainable securitisation? If yes, how was the green/sustainability dimension reflected in the securitisation? (multiple choice accepted)

- [ ] Green or sustainable underlying assets
- [ ] Use of proceeds for green/sustainable projects. If so, please describe how the use of proceeds principle is applied
- [ ] Green/sustainable collateral AND use of proceeds for green/sustainable projects. If so, please describe how the use of proceeds principle is applied
- [x] Other

Please describe:

1000 character(s) maximum

ICMA has created a dedicated working group on green/sustainable securitisation. One difficulty at that moment is that the large bulk of the collateral in securitisation deals are not green. This lead most green

deals to rely on a commitment to finance green loans. Future 'green' assets are expected to be identified in the balance sheet of the originator in order not to be securitised twice. But we would like to highlight that some of our buy-side members do no think that ABS investors should be fully or largely reliant on t 'brown' assets in the context of limited recourse secured debt and that a green deal should be 100% backed by green collateral.

Question 6.7:

According to the Commission proposal for a European green bond standard, a securitisation bond may qualify as EU green bond if the proceeds of the securitisation are used by the issuing special purpose vehicle to purchase the underlying portfolio of Taxonomy-aligned assets. Is there a need to adjust this EuGB approach to better accommodate sustainable securitisations or is there a need for a separate sustainable securitisation standard?

- Yes
- (•) No
- Don't know / no opinion / not applicable

If so, what should be the requirements for a securitisation standard? Please explain your answer:

5000 character(s) maximum

For those who estimate that a green securitisation has to be 100% backed by green collateral, there is no need to amend the EuGB regulation. Others point out that if SPVs can only purchase taxonomy-aligned assets, the lack of eligible assets may limit the power of the securitisation in contributing to the financing of a more sustainable economy and that the EU GB regulation could be adjusted to get the commitment on the use of proceeds at the originator level (and not at the SPV level).

7. A system of limited-licensed banks to perform the functions of SSPEs

SECR has tasked the Commission to investigate if there is there a need to complement the framework on securitisation by establishing a system of limited licensed banks, performing the functions of SSPEs and having the exclusive right to purchase exposures from originators and sell claims backed by the purchased exposures to investors.

Question 7.1:

Would developing a system of limited-licensed banks to perform the functions of SSPEs bring added value to the securitisation framework?

- Yes
- (•) No
- Don't know / no opinion / not applicable

Question 7.2:

If you answered ***Yes*** to question 7.1, please specify what elements should such a system include?

5000 character(s) maximum

The current framework of bankruptcy-remote SSPEs has been shown to work well. Introducing a system of limited licensed banks is unnecessary. We believe such a move would introduce unnecessary complexity and cost and could lead to the concentration of risks in the financial system.

8. Supervision

The Joint Committee of the ESAs' report on the implementation and functioning of the securitisation framework noted some possible shortcomings in the supervision of the market. This section seeks to gather additional feedback in the areas identified by the Joint Committee.

Question 8.1:

Are emerging supervisory practices for securitisation adequate?

- ○ Yes
- ○ No
- ◉ Don't know / no opinion / not applicable

Question 8.2:

Have you observed any divergences in supervisory practices for securitisation?

- ◉ Yes
- ○ No
- ○ Don't know / no opinion / not applicable

Question 8.3:

If you answered ***Yes*** to question 8.2, please explain your answer:

5000 character(s) maximum

Some jurisdictions have taken much stricter interpretations of the ability to delegate due diligence requirements within the same group structure; this means there are additional regulatory hurdles to proving compliance with SECR for any funds domiciled those jurisdictions. It would be useful if there was more consistency between jurisdictions.

Question 8.4

Should the Joint Committee develop detailed guidance (guidelines or regulatory technical standards) for competent authorities on the supervision of any of the following areas:

A) the due diligence requirements for institutional investors (Art 5)

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 8.4 A):

5000 character(s) maximum

B) risk retention requirements (Art 6)

- ◉ Yes
- ○ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 8.4 B):

5000 character(s) maximum

It would be useful to know if the risk retention financing arrangements (repurchase agreements used to finance the risk retention) used by certain risk retention holders comply with the intention of regulators.

C) transparency requirements (Art 7)

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 8.4 C):

5000 character(s) maximum

D) credit granting standards (Art 9)

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 8.4 D):

5000 character(s) maximum

E) private securitisations

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 8.4 E):

5000 character(s) maximum

F) STS requirements (Articles 18 – 26e)

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 8.4 F):

5000 character(s) maximum

Question 8.5:

Are any additional measures necessary to make sure that competent authorities are sufficiently equipped to supervise the market?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 8.5:

5000 character(s) maximum

Question 8.6:

[if you are a supervisor] Do supervisors consider the disclosure requirements (both the content and format) for public securitisations sufficiently useful?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 8.6. In particular, if you answered ***No***, how could they be improved?

5000 character(s) maximum

Question 8.7:

Do supervisors consider the disclosure requirements (both the content and format) for private securitisations sufficiently useful? If not, how could they be improved?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 8.7. In particular, if you answered ***No***, how could they be improved?

5000 character(s) maximum

9. Assessment of non-neutrality correction factors impact

The current regulatory capital framework for securitisations is built on non-neutrality correction factors to capture the agency and model risks prevalent in securitisations. These include

1. the (p) factor, a capital surcharge on the tranches relative to the underlying pool's capital set at a minimum of 0.3 (30% capital surcharge) for SEC-IRBA (Article 259(1) of the CRR) and at 1 for SEC-SA (Article 261(1) of the CRR) (100% capital surcharge)
2. the capital floors, whereby the lowest risk weight that may be assigned to the senior securitisation tranche may not be less than 15% (10% in the case of a simple, transparent and standardised -"STS"- securitisation)

Question 9.1 (a):

In your view, is the capital impact of the current levels of the (p) factor proportionate, having regard to the relative riskiness of each of the tranches in the waterfall, and adequate to capture securitisations' agency and modelling risks?

- ○ Yes
- ◉ No
- ○ Don't know / no opinion / not applicable

Question 9.1 (b):

If you would favour reassessing the current (p) factor levels, please explain why and what alternative levels for (p) you would suggest instead:

5000 character(s) maximum

The current levels of p factor is not adequate and doesn't correspond to the actual risks embedded in ABS positions. We believe this is true for STS and non STS transaction. The STS regime was introduced after the Basel framework to avoid the agency risks from securitisations by meeting all the criteria. However the legislation failed to adapt and maintained a high p factor even when agency risks were removed. A solution is a review of the CRR calibration of the p factor.

Question 9.2:

Are current capital floor levels for the most senior tranches of STS and non-STS securitisations proportionate and adequate, taking into account the capital requirements of comparable capital instruments?

- ○ Yes
- ○ No

- Don’t know / no opinion / not applicable

Question 9.3:

Are there any alternative methods to the (p) factors and the capital floors to capture agency and modelling risk of securitisations that could be regarded as more proportionate?

Please provide evidence to support your responses to the above questions:

5000 character(s) maximum

10. Maturity

With reference to question 9, the level of the maturity of the tranche has an important impact on the calculation of the (p) factor in SEC-IRBA, the look-up table of SEC-ERBA, and indirectly in the calibration of the (p) factor in SEC-SA in order to keep the relative capital charges under the hierarchy of approaches. EBA Guidelines on the determination of the weighted average maturity of the contractual payments due under the tranche have provided a methodology to calculate the maturity of a tranche in a more accurate way, helping to mitigate that impact.

Question 10.1:

Do you think that the impact of the maturity of the tranche is adequate under the current framework?

- Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 10.1:

5000 character(s) maximum

Question 10.2:

Is there an alternative way of considering the maturity of the tranche within the securitisation framework?

- Yes

- ○ No
- ○ Don’t know / no opinion / not applicable

11. Treatment of STS securitisations and asset-backed commercial papers (ABCPs) for the liquidity coverage ratio (LCR)

STS securitisations currently qualify as level 2B assets under the LCR Delegated Act, subject to certain additional requirements laid out therein. If STS securitisations were reclassified as level 2A, up to 40% of a credit institution’s liquidity buffer could be made up of STS securitisations.

ABCPs may qualify as STS securitisations but do not meet the necessary requirements to qualify as liquid assets for LCR-purposes.

Question 11.1 (a):

Should STS securitisations be upgraded to level 2A for LCR purposes?

- ◉ Yes
- ○ No
- ○ Don’t know / no opinion / not applicable

Please explain your answer to question 11.1 (a):

5000 character(s) maximum

Overall the STS framework has been disappointing and its high quality hasn’t been recognised appropriately. The review of the SECR framework should start with the reclassification of senior STS tranches to LEVEL 2A or even 1. Also the maturity cap of 5 years for LCR eligibility should be removed.

Question 11.1 (b):

If you answered ‘yes’ to question 11.1(a), should specific conditions apply to STS securitisations as Level 2A assets to mitigate a potential concentration risk of this type of assets in the liquidity buffer.

Please support your arguments with evidence on the liquidity performance of STS securitisations or parts of the market thereof, providing in particular evidence of the liquidity of the asset in crisis times such as March 2020.

5000 character(s) maximum

Question 11.2 (a):

Should ABCPs qualify as level 2B assets for LCR purposes?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 11.2 (b):

Should specific conditions apply to ABCPs as level 2B assets for LCR purposes. Please support your arguments with evidence on the liquidity performance of ABCPs, providing in particular evidence of the liquidity of the asset in crisis times such as March 2020.

5000 character(s) maximum

12. SRT tests

The recent EBA report on significant risk transfer (SRT) recommended improving the current SRT tests, the specification of the test on the commensurate transfer of risk (CRT test) and the implementation of a new principle-based approach test (PBA test).

The allocation of the lifetime expected losses (LTEL) and the unexpected losses (UL) of the underlying portfolio plays a fundamental role in those tests. In synthetic securitisations in particular, the consideration of optional calls and the application of Article 252 of the CRR on maturity mismatches affect the outcome of the tests. Optional calls shorten the expected life of the deal, reduce the LTEL as a result, and favour the allocation of the UL to the tranches that provide credit enhancement, while, at the same time, such calls may trigger the application of Art. 252 on maturity mismatches, thus increasing the capital charge on the tranches retained by the originator.

Question 12.1:

Do you agree with the allocation of the LTEL and UL to the tranches for the purposes of the SRT, CRT and PBA tests, as recommended in the EBA report?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 12.2:

What are your views on the application of Art. 252 of the CRR on maturity mismatches when a time call, or similar optional feature, is expected to happen during the life of the transaction?

5000 character(s) maximum

13. SRT assessment process

Section 5 of the EBA report on SRT laid out a series of recommendations on a suggested process for assessing SRT and standard documentation to be submitted to the originator's competent authority.

Question 13.1:

What are your views on the EBA-recommended process for the assessment of SRT as fully set out in Section 5 of the EBA report on SRT?

5000 character(s) maximum

Question 13.2:

Do you agree with the standardised list of documents that the EBA report on SRT recommended for submission to the competent authority for SRT assessment purposes?

5000 character(s) maximum

Question 13.3:

Once it has been established that the regulatory quantitative and qualitative criteria are met and transactions are in line with standard market practices, should a systematic ex-ante review be necessary?

- Yes
- No
- Don't know / no opinion / not applicable

Question 13.4:

Should the ex-ante assessment by the Competent Authority be limited to complex transactions?

- Yes
- No
- Don’t know / no opinion / not applicable

14. SRT Amendments to CRR

Section 6 of the EBA report on SRT recommended a set of amendments of the CRR to simplify and improve the current SRT tests.

Question 14.1:

Do you agree with the recommendations on amendments of the CRR as fully laid out in Section 6 of the EBA report on SRT?

- Yes
- No
- Don’t know / no opinion / not applicable

15. Solvency II

Insurance companies allocate only a small portion of their investments to securitisation positions. The Commission would like to know whether Solvency II standard formula capital requirements or other factors cause limited demand by insurance companies.

Question 15.1:

Is there an appetite from insurers to increase their investments in securitisation (whether a senior tranche, mezzanine tranche, or a junior tranche)?

- Yes
- No
- Don’t know / no opinion / not applicable

Question 15.2:

Is there anything preventing an increase in investments in securitisation by insurance companies?

- (•) Yes
- No
- Don’t know / no opinion / not applicable

Please explain your answer to question 15.2:

5000 character(s) maximum

As investors we do see appetite from insurers to increase investments in securitisation however the capital requirements is still too punitive at the moment. Insurance companies represent a big chunk of the investor base in US ABS/CLO transactions, the involvement in the European market would surely increase liquidity and size of the ABS market.

The current regime shows inconsistencies and lack of level playing field for securitisation versus other asset classes:
-Capital charges for securitisation under Solvency II remain generally high compared to other traditional asset classes such as loans or corporate bonds. As an example, a non-senior STS ABS rated single-A is charged 4.6% per year of duration while a corporate bond at the same rating is charged 3x less (single-A corporate bond is charged 1.4% per year of duration). This difference in treatment is even higher for non-STS transactions.
As another example, the capital required to buy a whole pool of mortgages is lower than the one required to buy the senior tranche of a securitisation with identical underlying exposures. This is even more punitive for junior tranches of STS transactions.
-Even within STS transaction, there is an inconsistency of capital treatment between senior STS and non-Senior tranches for a same rating. We believe a credit rating on an investment should already reflect a level of risk whether it is a senior or non-senior tranche. As a result, for a same rating there should not be such a difference in capital treatment between a senior and non-senior STS tranche.
- There are inconsistencies with the capital treatment between a STS RMBS (non-senior) and a covered bond with a same rating.

In our view, this significantly limits appetite of insurance companies, even in STS securitisations, and ultimately hinders the development of securitisation in the EU.

Question 15.3:

Is the current calculation for standard formula capital requirements for spread risk on securitisation positions in Solvency II for the senior tranches of STS securitisations proportionate and commensurate with their risk, taking into account the capital requirements for assets with similar risk characteristics?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please be specific in your reply and, where relevant, provide a comparison, including where appropriate with internal models and their relative impact on the share of securitisation investments:

5000 character(s) maximum

Please see response to question 15.2

Question 15.4:

Is the current calculation for standard formula capital requirements for spread risk on securitisation positions in Solvency II for the non-senior tranches of STS securitisations proportionate and commensurate with their risk, taking into account the capital requirements for assets with similar risk characteristics?

- ○ Yes
- ◉ No
- ○ Don’t know / no opinion / not applicable

Please be specific in your reply and, where relevant, provide a comparison, including where appropriate with internal models and their relative impact on the share of securitisation investments:

5000 character(s) maximum

Please see response to question 15.2

Question 15.5:

Is the current calculation for standard formula capital requirements for spread risk on securitisation positions in Solvency II for non-STS securitisations proportionate and commensurate with their risk, taking into account the capital requirements for assets with similar risk characteristics?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please be specific in your reply and, where relevant, provide a comparison, including where appropriate with internal models and their relative impact on the share of securitisation investments:

5000 character(s) maximum

Question 15.6:

Should Solvency II standard formula capital requirements for spread risk differentiate between mezzanine and junior tranches of STS securitisations?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 15.6:

5000 character(s) maximum

Question 15.7:

Should Solvency II standard formula capital requirements for spread risk differentiate between senior and non-senior tranches of non-STS securitisations?

- ○ Yes
- ○ No
- ◉ Don’t know / no opinion / not applicable

Please explain your answer to question 15.7:

5000 character(s) maximum

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) below. **Please make sure you do not include any personal data in the file you upload if you want to remain anonymous**.

The maximum file size is 1 MB.
You can upload several files.
Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

Useful links

More on this consultation (https://ec.europa.eu/info/publications/finance-consultations-2021-eu-securitisation-framework_en)

Consultation document (https://ec.europa.eu/info/files/2021-eu-securitisation-framework-consultation-document_

More on securitisation (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-markets/securities-markets/securitisation_en)

Specific privacy statement (https://ec.europa.eu/info/files/2021-eu-securitisation-framework-specific-privacy-statement_en)

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

Contact

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