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Date: 01/10/2021 17:44:46

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

Lukas

* Surname

Bornemann

* Email (this won't be published)

l.bornemann@ebf.eu

* Organisation name

255 character(s) maximum

European Banking Federation

* Organisation size

- Micro (1 to 9 employees)
- (selected) 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
- (x) 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	Guadeloupe	Nauru	Switzerland
Bosnia and Herzegovina	Guam	Nepal	Syria
Botswana	Guatemala	Netherlands	Taiwan
Bouvet Island	Guernsey	New Caledonia	Tajikistan
Brazil	Guinea	New Zealand	Tanzania
British Indian Ocean Territory	Guinea-Bissau	Nicaragua	Thailand
British Virgin Islands	Guyana	Niger	The Gambia
Brunei	Haiti	Nigeria	Timor-Leste
Bulgaria	Heard Island and McDonald Islands	Niue	Togo
Burkina Faso	Honduras	Norfolk Island	Tokelau
Burundi	Hong Kong	Northern Mariana Islands	Tonga
Cambodia	Hungary	North Korea	Trinidad and Tobago
Cameroon	Iceland	North Macedonia	Tunisia
Canada	India	Norway	Turkey
Cape Verde	Indonesia	Oman	Turkmenistan
Cayman Islands	Iran	Pakistan	Turks and Caicos Islands
Central African Republic	Iraq	Palau	Tuvalu
Chad	Ireland	Palestine	Uganda
Chile	Isle of Man	Panama	Ukraine
China	Israel	Papua New Guinea	United Arab Emirates
Christmas Island	Italy	Paraguay	United Kingdom
Clipperton	Jamaica	Peru	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
- [x] Banking
- [ ] Credit rating agencies
- [ ] 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

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

* Contribution publication privacy settings

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.

☑ I agree with the personal data protection provisions

Consultation questions

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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.

We consider that the regulatory framework could be improved in line with the CMU HLF report to accomplish the above objectives. Adjusting the p-factor, would provide further incentives to securitise and lower regulatory costs, thus, increasing overall volume of issuances, and improving access to credit and contributing to the emergence of an EU securitisation market. Upgrading the HQLA eligibility of securitisations, having more targeted disclosures at least for private securitisations (and potentially public ones), and making the SRT process more efficient would have a similar effect. Importantly, if the regulatory framework does not set the right incentives, banks will not engage in securitisations and the framework will miss its purpose. Also, the discussion about the review of the securitisation framework coincides with the implementation of Basel III. Because the output floor is calibrated based on the standardised approach, further attention should be paid to this topic to avoid that the reform efforts for securitisation are not undermined. Also, the treatment of NPE securitisations, which was addressed in the CMRP, should be further reviewed. In fact, the recently introduced amendments to the CRR (i) do not go far enough in incentivising originators to securitise their distressed portfolios and at the same enhancing market capacity to absorb high amounts of NPE portfolios (as it was suggested in the 2019 EBA Opinion on NPE securitisations) and (ii) to a certain extent penalise the securitisation of certain asset classes (namely UTPs) where the NRPPD is in reality lower than the 50% threshold established in the CRR. A further revision of the framework is therefore warranted.

More specifically:

Improving access to credit: the securitisation market has not shown any meaningful growth since the introduction of the SECR. While admittedly Covid-19 and monetary policy have played an important role in this development, it is hard to argue that the SECR improved access to credit yet. Reasons for that (in addition to what has been mentioned above) may be the following:

- Costs and governance required for securitisation remain too high for some SMEs, particularly disclosure requirements;
- SMEs traditionally finance themselves via private warehouse transactions with banks when using securitisation, before targeting a capital markets exit – punitive RWs for bank financers
- Access to funding at competitive rate for corporates, via trade receivables securitisation, has been somehow limited by some differentiations between STS criteria for ABCP vs non-ABCP trade receivables transactions and between their RW rules (as per art. 243).

Widening the investor base:

One of the key limiting factors regarding the objective to increase the investor base is the capital treatment for insurers under Solvency II. To also incentivise the wider participation of insurers in securitisation transactions, this would be one of the key areas to review.

Widening the issuer base: We have seen new issuers entering the market, especially start-ups, finance companies, fintechs and other parties without access to central bank money and/or the covered bond market. However, this trend already existed before 2019. The SECR should have reopened the market for legacy issuers (larger banks) by offering a competitive product, but even with the limited benefits of STS, securitisation is still not at a level playing field with other wholesale funding products. There is potential for new issuers using securitisation for capital market purposes, but the synthetic STS amendments are relatively new and a better workable SRT regime is still in the development phase, so it is not yet possible to see a trend.

Facilitating the monitoring of possible risks: Investors in securitisation have effective processes for due-diligence and monitoring ever since. While it is true that the detailed SECR-specification leads to more harmonised provisioning of data and information, it also increases the costs for investors. Investors have to allocate extensive resources just to collect and merge all required information, which in turn also introduces additional challenges for the monitoring of possible risks.

Integrated EU securitisation market: Although the objective of the SECR is to contribute to the integration of EU securitisation markets, we consider that the limited progress regarding the widening of the investor base through the current SECR, inhibits any actual integration of the EU securitisation market. Besides, other elements of the CMU plan (like harmonisation of insolvency legislation) have to be completed before market integration really can take off. It is also important to note that the already achieved harmonisation has been helpful in reducing complexity, compliance costs due to prescriptive requirements (i.e. requirements for private securitisations as part of the ESMA templates) remain high. More guidance and clarity could be useful.

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.

As mentioned above, regulatory costs due to capital non-neutrality is an important factor and concretely results in selling a higher portion of the first loss piece to obtain relief of capital in the lifetime of the transaction compared to the previous CRR text (so called Supervisory Formula Approach). Even if not needed from a credit perspective, the sale of a higher portion of junior risk to investors to obtain capital relief makes such transactions much more expensive for the originator. Another example are synthetic securitisations where the operational costs have been raised due to the additional reporting templates, but also SRT where uncertainty about the outcome and the delivery date of the SRT test/assessment play a role. For issuers, additional costs are also related to adjustments in the reporting systems (in order to produce the new data templates and standardised investor reports), additional compliance activities and IT (for example the setting up of the IT platform to populate the templates, which can be even more demanding for some types of securitisations due to specific requirements). For STS additional costs will be incurred in order to deliver the STS specific information. A rough estimate for these costs related to reporting combined is an amount of € 1 mln per issuer.
Aside from the abovementioned, there are also additional costs per transaction (repository fees, STS verification fees, cash flow model expenses), which should amount to some € 50.000 per transaction.
For investors, the main costs will be additional due diligence costs per transaction. For STS transactions, the due diligence will be relatively easy compared to bespoke non-STS transactions.
The additional costs for investors that had already a strict due diligence policy before the SECR were anyway relatively low.

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.

The feedback from EBF members largely indicates that their number of issuances for private securitisation has not increased. However, there seems to be a general misconception that after the application of the SECR, private securitisations have partly replaced public transactions (with often the implied suggestion that issuers use the private route to circumvent reporting requirements).

From some members we have also heard that their issuances of private securitisations have decreased due to a reduced efficiency of the current framework in comparison to the previous framework. Reasons for that are the more restrictive capital treatment and the increase in capital non-neutrality. Consequently, as explained above, this requires issuers to sell a larger part of the first loss piece to obtain reasonable and stable capital relief, which in turn increases the costs for those transactions. In addition, at least some EBF members have experienced a decrease in demand from their clients in the private securitisation business as they themselves issued less assets during the Covid health crisis.

Considering private client funding, there are two important considerations

1. The number of private transactions is artificially inflated due to the way these transactions are reported to ESMA

Many ABCP transactions that were already in place before non-STS transactions have been changed into STS-compliant transactions in 2019 and 2020. There is an incentive for banks to do so to get the capital benefit on the portion that they finance through their conduit. These transactions are typically large, syndicated deals with 3 or 4 participating banks.

As part of that process, each ABCP bank has to post an STS notification to ESMA for the portion that it finances through their conduit. As a result, the same transaction can be subject to 3 or 4 different STS notifications on the ESMA website. There is no such duplication for term/public deals where only one notification is performed by the originator per transaction.

When market data is published, no correction is performed to take this duplication into account. Market data analysts simply to count the number of STS notifications on the ESMA website. For instance, the latest market data published by PCS shows the following figures: 172 ABCP v. 86 Term. (2020 full – Total); 29 ABCP v. 27 Term. (2021 YTD – Total).

It would be natural to assume when looking at these figures that the majority of STS transactions were private ABCP ones in 2020 and that in H1 2021, the market has become more balanced between ABCP and

public transactions.
However, we estimate that the number of STS ABCP transactions posted in 2020 needs to be divided by 2.5 to take into account that most of these notifications are for the same transaction as explained above. So with this correction, the estimated number of ABCP STS transactions in 2020 is equal to 172/2.5 = 69. This is actually lower than the 86 notifications for term/public deals.
The fact that there are less ABCP STS transactions in H1 2021 on the ESMA website is also consistent with the fact that the conversion to STS of existing ABCP deals mostly occurred in 2019 and 2020 and there is less of a remaining stock to convert this year.

2. Private financing is a first step towards future public issuance
Private financings are often extended in situations where financing through the public ABS market is not initially feasible. This includes, e.g.:
- Emerging companies such as innovative fintechs or growing specialised lenders originating mortgages, consumer/car loans/leasing, that do not yet have sufficient track record and volume of assets to do a public ABS issuance. In that case, banks are taking the risk of funding the asset growth through private warehouse lines. Once the balance of originated assets is large enough and the company is ready, there is a public market issuance that refinances the private bank financing. There is a real incentive for such companies to go for a public issuance as it means usually cheaper cost of funding than in the private market.
- Acquisitions of asset portfolios or origination companies by typically private equity groups. Such acquisitions require private funding given both the confidentiality involved and the time sensitive nature of the acquisitions. Once the acquisition is done, there is often a refinancing in the public market given again the incentive for the acquired being to benefit from a cheaper cost of funding in the ABS market.

Private financings act thus as the first step to facilitate a future public issuance. Most of the new originators that have entered the public ABS market in recent years were first privately financed through banks. Once they have access to the public market, they continue to do so. So, to allow a vibrant and diverse public ABS market, it is necessary to encourage as well the private market by adjusting disclosure and capital requirements.

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?

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

Please explain your answer to question 2.3:

5000 character(s) maximum

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

Although we are not a supervisor, the experience from our members is that supervisors should have sufficient information to fulfil their duties. After all, ESMA Templates are excessively detailed. Furthermore, in the context of private securitisation originated for risk transfer purposes, the supervisors receive further disclosure of the transaction details as foreseen in the Public guidance on the recognition of significant credit risk transfer.
In addition, the supervisors receive COREP templates, which also include useful information on securitisation and should enable supervisors to carry out their supervisory duties in a satisfactory manner.
Lastly, a distinction should be made between disclosure and supervisory requirements: disclosure templates should not be specified according to supervision needs.
On a different note, we would like to recall that disclosure requirements and reporting requirements serve different purposes and should be kept distinct from each other. Reporting should be tailored based on the type of institutions, on the specificities of the products and the needs of supervisors.

We also want to remind that banks providing securitisation financing to their clients do so as part of a banking relationship. This relationship entails close contact with the clients/originator, regular dialog with management, access to detailed information as well as the development of a wider relationship to offer other types of financings or services. Being the ones taking the risk on private financing, banks thus conduct thorough due diligence before accepting a new transaction. As part of such diligence banks have access to all the information that they think is relevant to perform a thorough risk assessment. Such risk assessment is carried out both initially and also on an ongoing basis through quarterly risk monitoring and annual reviews. This information can be provided to supervisors as part of reviews or anytime on demand.

Question 2.4:

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

- (x) 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.

In addition, investors in private securitisations (which are highly sophisticated) carry out their own extensive due diligence and receive bespoke reporting, which better suits their requirements and is not based on the requirements of the ESMA templates. The Art 7 disclosure should cover the due diligence requirements under Art 5.3.a (risk) and b (structural features). The requirements of Art 5.3.c (STS) can be fulfilled with the help of the STS verification (which is to be made available as per Art 7). Overall, we do not see the need to further strengthen the transparency requirements for the originator.

More specifically, considering private client funding:
We would first like to emphasize that investors in private and in public transactions have different roles, take on different risks and do not have the same access to information.
Banks providing securitisation financing to their clients do so as part of banking relationship. This relationship entails close contact with the clients/originator, regular dialog with management, access to detailed information as well as the development of a wider relationship to offer other types of financings or services. Being the ones taking the risk on private financings, banks thus conduct thorough due diligence to get comfortable before accepting a new transaction. As part of such diligence banks have access to all the information that they think is relevant to perform a thorough risk assessment. This involves, among others:
- Carrying out due diligence on the originator and the servicer including requesting third-party audits;
- Analyzing the evolution in the underwriting criteria of the originator and the credit quality of the obligors;
- Studying the asset pool composition, recent trends and historical defaults, recoveries and delinquencies;
- Examining legal and regulatory risks associated with the obligors contracts;
- Checking the collateral valuation history and methodology for secured receivables such a mortgages;
- Calculating the contractual asset cash flows to derive the pool and financing amortisation profile;
- Stress testing the assets cash flows and ensuring that the securitisation financing facility can withstand severe losses scenarios which are typically quantified to be consistent with the A or AA stress scenarios used by rating agencies;
- Independent analysis by the internal Risk function of the bank of all the above information and any additional information with intense question and answers and a formal Credit Committee process before entering into a new transaction.

So in practice, banks view the originators as clients and view themselves as helping clients getting access to cheaper securitisation funding compared to unsecured financing. However, in the regulations, banks are simply classified as an “investor” at the same level as an ABS investor in a public transaction, with no close relationship with the originator, no ongoing access to the originator’s management and no involvement in the structuring of the deal.
For these reasons, we believe that:
- Investors in private transactions, as well as sponsors, have access to enough information, which is due to the very nature of the origination process.
- There should be a distinction in the regulation between investors in private and in public transactions as they encompass very different roles and risks. This should be done by exempting private securitisations from the obligation to provide ESMA templates

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

- [x] No
- [ ] Don’t know / no opinion / not applicable

Please explain your answer to question 2.5:

5000 character(s) maximum

The templates as prescribed in the RTSs and ITSs (usually referred to as the “ESMA templates”) are in our view not very useful.
We have several issues with these templates:
- the underlying exposure templates contain many fields that cannot be filled; since all fields are mandatory, the only solution is to use “ND”. However, ND is not really contributing to transparency, and ND1-4 will have to be gradually phased out, which will lead to reporting problems.
- while the underlying exposure templates for asset classes like RMBS or Auto ABS have been designed with mortgages and car loans in mind, for many other asset classes the templates are not suited to the specifics of the asset classes (with Corporate/SME as a striking example) or non-existing (trade receivables). So for many asset classes it is almost impossible to squeeze the data in the rather artificial categories as described in the templates.
- the Investor report and significant events templates are one-size-fits-all reports that have to cover a wide range of securitisations with different characteristics.
- According to our observation, standardized templates are more useful for large public deals but less so for private SRT deals with their different characteristics and a limited number of specialized junior investors.
- In the securitisation private market, market participants strive to fill adequately ESMA templates but the information they contain is not really used in practice to detect, assess and monitor risk so this is considered as an unnecessary and costly burden. In practice, banks/investors rely more on the reports they design with their clients / originators to assess, detect and monitor the risk they take in private transactions than on ESMA templates.
- For on-balance sheet securitisation, ESMA templates are not meaningful for private deals like synthetic securitisations that involve a small number of specialized junior-level investors, some of which may not even be relevant “institutional investors” in-scope of SECR and, therefore, such investors will not even be required to verify that the synthetic securitisation complies with Article 7 transparency requirement. Instead, such investors will simply ignore reporting made available under Article 7 (even though the EU originator will nevertheless be required to go into great lengths and expense of preparing Article 7 reporting) and will instead be focusing on (and expecting) much more tailored to the deal disclosures and reporting.

On a side note, it is important, in our view, that private transactions remain exempt to make information available to registered repositories. Repositories indeed entail significant rigidity as controls are mostly performed on the format of the data fields rather than on the substance of the data provided. Removing the exemption would further add to the constraints on the private market.

Question 2.6:

Does the definition of private securitisation need adjustments?

- [ ] Yes
- [x] 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
- (x) No
- ( ) Don't know / no opinion / not applicable

Please explain your answer to question 3.1:

5000 character(s) maximum

The regime is not proportionate in comparison to regimes applicable to any other capital markets product, a more level playing field would be important.
For example, the SECR requires, for STS transactions, that the originator and the sponsor provides to potential investors, historical data on static and dynamic default and loss performance data of receivables substantially like those to be securitised for a minimum period of 5 years. Perhaps a reduction to a period of 3 years might be more proportionate, at least for trade receivables, and thus ensuring a more balanced approach between the costs associated and the added value.
The comprehensiveness of the disclosures does not give more clarity but draws away attention from what is truly relevant. This is confirmed by feedback from investors who would prefer a more targeted regime, instead of large quantities of data, which have to be subject to due diligence.
Overall, the focus should be on information that is really useful for investors. The following proposals would be appropriate:
- alignment with the disclosures in the covered bond framework (also for level playing field reasons)
- an exemption to private transactions where the investor is directly involved in deciding the fields that are reported by the originator (guarantees that the investor has all the necessary information to perform due diligence, this is the case particularly for bilateral private transactions)
- an exemption for private transactions without a third-party investor, as also suggested by the ESAs Joint Report,

The recommendation of the ESAs report to register all private securitisation in a securitisation repository is not helpful, due to the obligation to use ESMA templates, which are incompatible with the bespoke reporting in bilateral transactions, which already has the required information for investors and CAs.
To improve the framework we suggest that only public securitisations use the ESMA templates, and ESMA should be encouraged to (a) differentiate disclosure requirements for public securitisations and for private cash and synthetic securitisations; (b) establish the principle of proportionality in the application of disclosure and due diligence requirements; and (c) allow permanently for long–term use of ND (no data available) fields and for a transition period for the reduction, if practically achievable, of ND fields. Such flexibility may be achieved through issuing an interpretative communication specifying that the disclosure requirements developed under Articles 7.3 and 7.4 of Regulation (EU) 2017/2402 will apply only to securitisations with a prospectus drawn up in compliance with Directive 2003/71/EC. The originator, sponsor and SSPE of a securitisation without a prospectus drawn up in compliance with Directive 2003/71/EC shall provide information under Article 7 (1) (a) of Regulation (EU) 2017/2402 required by the investor(s) in such

securitisation and deemed by such investors sufficient to perform due diligence on the securitisation exposures proportionate with its risk profile.

Regarding the specific due diligence requirements in Article 5 (1), we would like to point out the following two points:
Regarding Art. 5 (1)(d), to check that the 5% risk retention requirement is met by third party originators, sponsors or original lenders, an equivalence regime should be introduced, to allow an EU-regulated investor to hold a securitisation position in a third-country securitisation as long as prudential and supervisory standards are deemed equivalent.
Regarding Art. 5(1)(e), which requires the reporting in the form of ESMA templates. The ESA opinion seemed to recently imply that, while not necessarily having received the ESMA templates, EU regulated investors in third-country securitisations receive the same information as required by the ESMA template for their due diligence obligation proportionate to the risk profile of the securitisation exposure. However, this is an issue for the EU banks entering into third country securitisations, as third country sell-side parties are not going to provide the same information if it is not used in its business. Therefore, this represents an existential issue for the non-EU securitisation lending businesses of EU lenders, as it creates a competitive disadvantage. We would recommend applying proportionality regarding due diligence and disclosure in line with the Final Report of the High-Level Forum on the Capital Markets Union. Consequently, the requirement to use ESMA templates should only apply to EU originators, sponsors and SSPEs. For non-EU originators, sponsors or SSPEs, they should only make available asset level data (where applicable) that allows the investor to do their due diligence, but not the ESMA templates.

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 do carry out due diligence, but it differs per investor how they have organised this for securitisation positions. At the same time, the type of transaction also plays a role.
What we understand is that they often do not analyse loan level data themselves, but use third parties (Bloomberg, Intex) to analyse the data in a standardised way. For the STS criteria, the investors do rely on STS verification supplemented by their own analysis on specific sensitive issues. Relevant information would be historical loss data analysis as a characteristic of the credit portfolio, but also bank-specific information, like underwriting standards, servicing policy, retention, etc.).
For private transactions, as previously explained, banks that provide securitisation financing to their clients do so as part of a banking relationship. This relationship entails close contact with the clients/originator, regular dialogue with management, access to detailed information as well as the development of a wider relationship to offer other types of financings or services. Being the ones taking the risk on private financings, banks thus conduct thorough due diligence before accepting a new transaction. As part of such diligence banks have access to all the information that they think is relevant to perform a thorough risk assessment.
Concerning synthetic securitisation: the due diligence performed by specialized credit investors in junior tranches covers the dynamics of the underlying credit portfolio (historical analysis, concentrations, behaviour in crisis, etc) as well as originating bank-specific features (Underwriting standards, servicing policy, retention, etc). Due diligence varies depending on asset class and specific risk profile of each securitised portfolio.
In addition to insight into the originator's credit process, investors need information on the loans that allow to monitor, benchmark and assess portfolio future risk/return performance, i.e.:
- the jump-to-default and the severity risks of the largest concentrations per name, and
- the overall portfolio risk/return dynamics based on economic scenarios tailored to the securitised loans.
Generally, detailed loan-by-loan data is e.g. not relevant at all for granular portfolios.

Moreover, the format of the information has also to be carefully discussed to protect confidentiality.
All information is nice to have, but what investors really need to know is usually a subset of the bulk they get through repositories. Again, it differs per investor what they really see as important

Question 3.3:

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

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

Please explain your answer to question 3.3:

5000 character(s) maximum

It is not very useful for asset classes like trade receivables or credit cards (high turnover). It is more useful for corporate/ exposures or asset-based finance (infrastructure/project finance), but not with the current templates that are designed for retail assets rather than corporate exposures.
Further explanation why loan-by loan information is not useful with regard to trade receivables is the following: They are very short in term, mostly 45 days or less, they do not bear interest, and the originators are not in the business of creating and managing credit risk. The originators make products or provide services and the credit risk associated with the trade receivables is ancillary to their core activity and ordinary course of business, hence there is no bank-like credit analysis or credit rating by the originator for these receivables (which is not to say that there is no analysis at all). Oftentimes they are insured by a trade credit insurer. The obligors are often small or medium sized companies and therefore, particularly in Europe, without public rating.
The disclosure regime could also be simplified by removing the obligation to provide loan by loan information for transactions with thousands of contracts including auto loans and leases. This would markedly reduce the effort of creating and providing this information from an originators perspective. Furthermore, this would also reduce the effort from an investor's perspective, given that they usually do not require or use the loan level data at all.

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

For highly granular deals or fast revolving assets like credit cards and trade receivables or auto-loans the information is not useful, while for assets with a long life, like mortgages, it can be useful.

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

This question relates to the fundamental issue of risk-taking and the type of information needed by investors derives logically from the nature of the risk they take.
By definition, investors in senior tranches do not wish to take on much risk. If loans are adequately structured and if investors know their clients well, the risk is actually extremely limited. As an illustration, despite the significant shock of the Covid-19 crisis, some members report that their private transactions did not suffer any losses and there were very few downgrades. For this type of investors, loan-by-loan information is not relevant. Up to a certain level, defaults on the underlying assets are expected and the issue is not to know which loans defaulted, but rather whether aggregate losses are in line with expectations or whether they threaten the senior tranche.
On the contrary, loan-by-loan information is useful to investors in junior tranches as any default in the underlying portfolio of assets triggers a loss. This is also true, albeit to a lesser extent, to investors in mezzanine tranches.
To conclude, we firmly believe that the level of due diligence and, consequently, the type of information needed depend on the tranche the investor is investing in, and that such distinction should be reflected in the regulation.

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

Synthetic or true sale are just techniques. The level of due diligence/disclosure depends on the risk position an investor takes, not the technique of transferring the risk.

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

The EBF considers the disclosures under article 7 as adequate for public transactions. However, we also understand that specialized/private investors should be able to define which data they need as long, they comply with article 5 on investors' due diligence requirements. This will not only be more efficient for banks and investors but also for supervisors.

Question 3.8:

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

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

Please explain your answer to question 3.8:

5000 character(s) maximum

There are data fields in the templates that are not very useful (see Q 3.9)

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

- Annex 2 (RMBS) as an example of an underlying exposures template:
  - o RREL47-57: all fields about interest rate resets and especially “revision margin” and “index” fields; this could be 1-2 fields
  - o RREL59-64: all fields about prepayments; could be just 1 field: prepayments Y/N; it is not clear if investors may draw any useful information from the other fields.
  - o Specific fields like Resident (RREL10), Customer Type (RREL15; is it very relevant to know if a client is new or existent?), Origination Channel (RREL26), Insurance or Investment Provider (RREL79), Energy Performance Certificate Provider Name (RREC11), Guarantor Type (RREC23)
  - o are all nice to have not need to know

- Annex 12 (Investor Report):
  - o IVSS30-37: risk weights, PD, LGD: internal information where an investor is not supposed to rely on
  - o IVSS38-44: 7 arrears buckets is a bit excessive

- Annex 14 (Significant Events):
  - o SESS17-24: 7 fields about swaps; that could be 1 or 2
  - o SESP 1-9: 9 fields per counterparty; only few counterparties are relevant

- Additional examples for Corporate/SME exposures
  - o “Obligor Basel III Segment” vs “Enterprise Size”: this is the same type of classification, it is unclear if it is useful to have 2 different fields with potentially conflicting results;
  - o “Revenue”, “Total Debt”, “EBITDA”, “Enterprise Value”, “Free Cashflow”, “Date of Financials”: this is too detailed to have on a borrower by borrower basis for large securitisation pools. Also from an investor point of view it will not be straightforward to draw any practical conclusions if this information is provided for a large number of borrowers;
  - o NACE Industry Code: is the level of details required really useful for investors and analysts?

- Format of the reports: where the Repository is not required for private transactions, reports should be made available to investors in “excel” format as opposed to “xml”

A longer-term dialogue with ESMA is probably necessary to streamline the templates.

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

Please explain your answer to question 3.10:

5000 character(s) maximum

See also our answer on Q 3.1: the current regime is very detailed; the focus should shift to what is really important rather than providing lots of nice to have information.
More specifically, considering securitisation lending, banks qualify as “investor” under SECR but are acting as a bank providing financing, hence our suggestion:
As stated above, for private transactions should be exempted from disclosure templates. Indeed the critical information is currently diluted and may thus not be given the required attention. The European Commission could (a) encourage ESMA to differentiate disclosure requirements for public securitisations and for private cash and synthetic securitisations; (b) establish the principle of proportionality in the application of disclosure and due diligence requirements (and hence remove the need for ESMA templates for private securitisations); and (c) allow for long–term use of ND (no data available) fields and for a transition period for the reduction of ND fields, where this is practically possible to achieve.
The disclosure regime could also be simplified by removing the obligation to provide loan by loan information for transactions with thousands of contracts including auto loans and leases. This would markedly reduce the effort of creating and providing this information from an originators perspective. Furthermore, this would also reduce the effort from an investor’s perspective, given that they usually do not require or use the loan level data at all.
An additional issue that we have identified is the very strict upload/rejection criteria. Even with very small deviations, the whole information upload is rejected, i.e. banks need to provide the LEI for involved counterparties. If the legal name of that entity from the LEI database differs from what has been used by the data provider (even if it is only one letter), the whole upload is rejected. We would rather suggest to use a ticket-system as it was used for the ECB Loan Level Data.

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?

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

Please explain your answer to question 4.1:

5000 character(s) maximum

We refer the ESAs' Opinion on the Jurisdictional Scope of Application of the SECR. This Opinion shows that a clarification is necessary. It needs to take into account that the EU cannot impose detailed standards on other countries, particularly the most important securitisation issuers like the US.
Regarding problems arising from a lack in clarity regarding the jurisdictional scope, EBF members have experienced problems in particular regarding the question as to whether EU institutional investors are required to verify whether the third country originator and sponsor comply, in respect of a given securitization transaction, with the transparency requirements (article 7 of the SECR).
While there is an explicit reference to a securitisation party being "established in a third country" in paragraphs (b) and (d) of article 5(1), which creates specific verification duties on EU-located institutional investors as regards third country-located originators or original lenders and sponsors on, respectively, credit granting standards and risk retention, there is not such a clarification in paragraph (e) of article 5(1). As a result, the question as to whether EU- institutional investors have to conduct due diligence on compliance by non-EU sponsors and originators of such transparency and disclosure obligations remained open. The absence of a clear provision in the SECR addressing this question prompted market participants to form their own view on this point.
In our view, the common interpretation in the market is that because article 7 SECR is not directly applicable to non-EU entities, then article 5(1)(e) would not require EU institutional investors to verify compliance with such article 7 (while EU investors are still required to conduct due diligence on the non-EU securitization position as per articles 5.3 and 5.4 for example).
The opposite approach would otherwise have the following two consequences:
First, if non-EU entities would have to apply article 7 in full, they will be subject to disclosures using ESMA templates while they can be subject in their home country to other transparency requirements. In such a case, the SECR would have not only an extraterritorial application, but would also potentially conflict with non-EU rules having the same subject-matter. This was not stated as an objective of the SECR.
Second, a requirement for EU institutional investors to verify that non-EU sponsors and originators are in strict compliance with article 7 transparency and disclosure obligations will prevent EU institutions (including where they act as investor, but also as underwriter, market maker, warehouse lender, or securitization swap counterparty) from holding non-EU securitization positions, because non-EU sponsors and originators most likely will not provide ESMA-templates-based disclosure. Excluding EU institutions from the international securitization markets was not the intention of the SECR too. Losing access to third-country markets (notably US and UK) would severely undermine the capacity of EU financial players to maintain a viable securitisation business.
In addition, we would recommend that the definition of sponsors is amended such that it clarifies that third country entities can also be sponsors. Specifically, Article 2(5) should be amended as follows: "'Sponsor' means a credit institution, whether located in the Union or not, as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013, or an investment firm, whether located in the Union or not, as defined in point (1) of Article 4(1) of Directive 2014/65/EU other than an originator, that: […]"

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

As long as there are EU entities in a transaction that can be held accountable for meeting the SECR requirements (for example, EU investors report all of their investments to their supervisors, so the supervision of EU investors is already assured, regardless of the origin of the transaction), we do not see a need to impose an additional burden on the non-EU entities involved in the same transaction.

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

Please explain your answer to question 4.3 A):

5000 character(s) maximum

In our view the Risk Retention can be held by a non-EU entity. EU-based sell-side entities as well as investors remain responsible for ensuring that the transaction meets the SECR requirements.

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

Please explain your answer to question 4.3 B):

5000 character(s) maximum

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 (selected)
- Don’t know / no opinion / not applicable

Please explain your answer to question 4.3 C):

5000 character(s) maximum

Similar to the above explanations for other parts of SECR, removing the responsibilities from the appropriate entity to that which is located in the EU will not help strengthen the legislative framework and likely add uncertainty and complexity to the framework.

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 (selected)
- Don’t know / no opinion / not applicable

Please explain your answer to question 4.3 D):

5000 character(s) maximum

Sponsors (especially of ABCP programmes) are not involved in the granting of credits, so we do not see the relevance of including them in Art 5(1)(b).

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?

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

Please explain your answer to question 4.4:

5000 character(s) maximum

As stated in our response to question 3.1, we consider that for originators, sponsors or SSPEs located in a third country, enough data should be made available to the investor to carry out their due diligence, but there should not be an obligation to provide all data under article 7 in the form of ESMA templates.

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?

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

Please explain your answer to question 4.5:

5000 character(s) maximum

This would increase protection for those investing in AIFs marketed by non-EU AIFMs in the Union. It could also be relevant for level-playing field reasons.

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** (selected)
- Don’t know / no opinion / not applicable

Please explain your answer to question 4.6:

5000 character(s) maximum

The threshold regime of the SECR should follow the AIFMD. The AIFMD should be leading. We see no reason why AIFMs investing in securitisations are any different from AIFMs not investing in securitisations.

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** (selected)
- 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

It causes higher reporting efforts from an originators perspective. It prohibits a level playing field for investors given the fact that a given transaction can be treated as being STS-eligible on the one hand (e.g. in the UK) but being not STS-eligible on the other hand (e.g. in the EU) or vice versa. This again leads to different requirements on the required regulatory capital, which in turn leads to different pricing requirements from EU /Non-EU investors. In addition, capital requirements for securitisation positions that the bank holds from entities of our group based in UK increased, resulting in higher risk weights higher coupon required to keep yield stable.

Question 5.2:

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

- (selected) 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

STS intends to provide transparency and standardisation. If a transaction meets the equivalent of all the STS rules of the SECR, there should not be a reason to exclude it for jurisdictional reasons. So, we would propose to delete the second sub-paragraph of Art 18. Alternatively, the legislator could require that only the SSPE is established in the European Union, thus removing this requirement for the originator and the sponsor.

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?

- (selected) 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

STS is not about jurisdiction, but about transparency and standardisation. So any jurisdiction with equivalent requirements for transparency and standardisation should be eligible for STS qualification under the SECR.

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

An equivalence regime would be beneficial, because it appears easy to apply. But also recognitions or endorsement could be an applicable mechanism if an equivalence mechanism would not be available. However, to prevent "STS-shopping", the requirements should be strict. See answer to question 5.2.

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

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?

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

Describe the use you have made of it?

5000 character(s) maximum

From an investors’ standpoint, the information on environmental performance is valuable to measure their own share of ESG investments as well as to assess the ESG-related risks of their exposures.

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

While noting the challenges and limitations linked to lack of data availability as elaborated under 6.2 in the additional documentation, a sound environmental disclosure cannot be separated from a DNSH (Do no Significant Harm) analysis – based always on the presumption that additional reporting requirements should not be mandatory in the case of traditional securitisation. A compartmentalised analysis of climate risks is likely to prove a futile exercise. Ideally any mitigation strategy should be assessed based on specific KPIs, but also taking into account repercussions on other ESG factors. As a result we believe that any meaningful disclosure should ideally both a) cover environmental matters and b) include a DNSH analysis. The two should not be regarded as mutually exclusive.
This is notwithstanding specificities on when a certain type of disclosure may be more useful: asset-level disclosures may call for information linked to environmental performance, while information on adverse impact is better measured at company level.
The suitability of the information/approach also depends on the type of exposures: in the case of exposures from ESG-oriented businesses, it is more relevant to assess precisely the contribution to ESG objectives; for “brown” businesses, the question is more about how their adverse impact on environmental objectives may induce higher risk.

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
- [x] 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
- [ ] RMBS
- [ ] 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

> A multiplicity of structures apply. Commercial benefit from back- book transactions linked to a) extending new loans and b) to be shared with customers

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

A multiplicity of different frameworks should be avoided, in order to ensure simplicity and promote the mitigation of green-washing.There is no need for a separate sustainable securitisation standard, and should be just like any other capital markets product - subject to the use of proceeds rules of the proposed EU Green Bond Standard .Articulating additional requirements for securitisations would serve to curtail the securitisation market, but will not help to develop the green bond markets, nor assist in meeting the goals of the European Green Deal.
Specifically, regulation should focus on refining and clarifying existing standards based on the feedback from their application (the EU Taxonomy, for example, has already been designed to align with the EU environmental objectives and net zero carbon commitments). The use of transitional periods during which less than 100% of green assets would be accepted in a green / ESG structure, as well as exceptions to accommodate less than 100% green assets in a transaction to allow for a build up of green assets on lenders' balance sheets, should also be considered, with safeguards to prevent these transitional measures being used for greenwashing. In the context of these elaborations, limitations linked to data availability should be taken into account.
Drawing on the example of the development of the regulatory framework for green bonds, there needs to be an initial period during which the market develops "bottom up" structuring and disclosure solutions before effective and well-functioning mandatory rules can be put into place. This is also true of standards based on use of proceeds rather than underlying assets.

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

We do not see what benefits this might bring. Introducing a system of limited licensed banks is unnecessary: it would introduce complexity and could lead to the concentration of risks in the financial system. The current framework of SSPEs developed in each jurisdiction functions properly.

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

We have noticed that certain Competent Authorities will review the appropriateness of STS for every transaction notified to them, while in other jurisdictions STS reviews are part of the overall review of an institution and consequently performed more randomly.

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

As requested by the JC Report, we think the Commission should provide clearer overall guidance to promote a pragmatic approach. Detailed technical guidance is unlikely to be helpful. Also, overall overly detailed guidance would increase cost of compliance and thus contradict the goal of widening the investor base.

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

As long as the RTS on risk retention is still to be implemented, we lack the knowledge as to what works and what does not.

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

We see it as the task of ESMA to coordinate the supervision with the Competent Authorities.

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

Art 9 requires the credit granting standards for securitised exposures and other exposures to be the same; we consider this requirement sufficiently clear and do not think that there should be further guidance, which would only add to complexity

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

For private transactions issues addressed in Q 2.1-2.6 should first be answered, before guidelines can be issued

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

What is needed is to centralize the supervision of the interpretation of STS criteria under one body that does not have to consult with all the individual Competent Authorities. As it works now, any interpretation question raised with EBA through the official Q&A route, has to be opined on by all Competent Authorities which implies that an answer takes at least one year to come back, which makes the framework very difficult to work with. Many transactions do not get done or do not get STS, because of this long processing time of Q&A’s.

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

All relevant issues have been addressed in the answers on Q 8.4.

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 for the p-factor are not proportionate for four reasons (for more information see the attached file):
1. Banks that are originators or sponsors have privileged knowledge of the underlying exposures and hence are much less exposed to model risk
Aside from the in-depth knowledge on the underlying assets, which comes with the role as the originator, the bank structures or is actively involved in the structuring of the assets. Moreover, the bank can continuously update the SEC-IRBA input parameters. Lastly, as explained below, any deterioration in the credit quality of the underlying exposures would automatically be visible in the securitisation position. The same is true for sponsors who rely on internal credit expertise.

2. Agency risk does not apply for a large part of securitisation transactions,
Agency risk arises from the multiple relationships within a securitisation transaction. There is thus close to zero agency risk with synthetic securitisations where the seller, the servicer, and the buyer are the originating bank. There is also very limited agency risk in the private market of banks funding their clients through securitisation as they have direct access to information to perform due diligence, intimate knowledge of the structure and models, and do not rely on rating agencies.

3. Model risk has been mitigated through various supervisory and regulatory initiatives
Due to the ECB's TRIM and the EBA's IRB Repair programme in recent years, we consider that model risk has been significantly reduced, which no longer reflects the BCBS calibrations from 2012 and 2014 for the p-factor. Also, as part of the SRT, competent authorities review the modelling of transactions.

4. The output floor will further raise capital requirements
The output floor from the Basel III package will amplify the capital non-neutrality as the output floor will be applied to the RWA calculation of the underlying assets in the retained tranches, and from the application of the SEC-SA. This will affect all originated transactions treated with SEC-IRBA aimed at relief capital with the purpose of enlarging the lending capacity of the bank as well as the SRT market for IRB portfolios. We expect that this would exacerbate existing challenges for securitisations.

Based on the above we consider that agency and model risk has been significantly mitigated and several safeguards have been introduced that, i.e. allow the monitoring of securitisation transaction (for example,

COREP C13 and C14 reporting requirements). Consequently, this should be reflected in an adjustment of the p-factor and in our view it is no longer justified that a securitisation attracts much higher capital requirements that a credit portfolio held directly on the balance sheet.
Based on CRR, SEC-IRBA more than doubles the overall capital requirements while SEC-SA can provide even RWA requirements that lead to triple the final capital needs. Consequently, we strongly argue to recalibrate such RW formulas (but also the mapping of rating/RW of SEC-ERBA needs to be adjusted) by reducing the level of the so called “p” factor, which is the main reason for this effect. This would also be justified considering that the “p”-factor is designed to reflect agency and modelling risk in securitisations. However, STS is also designed to reduce/eliminate agency risk. So, for STS transactions we would suggest a (p) factor of max. 0.25 and for non-STS transactions of max. 0,5 under SEC-SA. This could at least partially offset the impact of the output floor.
Regarding SEC-ERBA, we suggest adopting for non-STS the current mapping foreseen for STS while calibrating a new mapping for STS transactions.

For NPE securitisations it should be implemented, as suggested also by the EBA’s Opinion, an ad hoc parametrization of SEC-IRBA and SEC-SA formulas able to provide more meaningful and risk-sensitive risk weighted assets.

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

Please explain your answer to question 9.2:

5000 character(s) maximum

This should be aligned with capital floor levels on similar products/structures in order to ensure a level playing field.
We would welcome if the European Commission would adopt the recommendations of EU’s High-level Forum (HLF) on Capital Markets Union (CMU) for Articles 259-262 of EU 2017/2401 and introduce a 7% RW floor for SEC-IRBA and SEC-SA in case of STS securitisations. Likewise, the risk-weight tables of Articles 263-264 applying in the SEC-ERBA should be reduced in line with the changes described above and a 7% risk weight would be warranted for AAA rated senior securitisation tranches in line with the capital treatment of covered bonds as it was the case for all AAA senior securitisation tranches in the past for IRB banks before the implementation of the recent securitisation package.
Recalibration of risk weights for senior tranches for originator and sponsor institutions: In addition, we believe that the retained senior securitisation tranches should benefit from further changes to the preferential “STS” risk weighted formula. Originator and sponsors already have a very good knowledge of the underlying assets and risks involved and such adjustments would better account for this knowledge. This would also ensure a level playing field between EU and US banks, whereby the latter still benefit from the Supervisory Formula Approach (SFA) under the IRB approach, which was present in the previous version of the framework in the EU, under the IRBA approach compared to the more conservative SEC-IRBA methodology now being used in the EU. To address this issue, we would recommend introducing at least for originators,

but we suggest also for sponsor institutions, a 7% RW floor for non-STS senior tranches treated with SEC-IRBA/SEC-SA/SEC-ERBA and (IAA) as it was in the previous framework (so called SFA formula). Despite any changes to the RW floors for STS and non-STS securitisation, policymakers should also take into account the impact of the output floor in the Final Basel III standards, which has the potential to lead to a significant increase of RWs for IRB approaches through the standardised approach. Therefore, the discussion on the Basel implementation will have a significant impact on the EU securitisation framework.

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

Generally, we do not see a viable alternative for the p-factor. However, as stated under Q 9.1.b, the fact that model risk has been substantially mitigated and that a number of securitisation transactions are not exposed to agency risk makes the case for a significant reduction in the levels of the “p” factors.
With regard to externally rated transactions the actual risk, in particular, of STS-securitisation positions should be taken into account based on the observed actual defaults and losses of securitisation positions that include agency and model risk (validation and recalibration based on the actual risks).

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

The maturity has a floor of 1 year and a cap of 5 years. However, the EBA guidelines on the determination of the WAM are rather conservative in their assumptions for transactions with a maturity somewhere in between 1 and 5 years, the maturity to be applied in the framework may lead to relatively high capital charges. To give another example: the WAM calculation often leads to outcomes not aligned with standard market practices for calculating the true maturity of a tranche.

Moreover, the exclusion of a prepayment assumption from the WAM calculation for synthetics remains at odds with the true risk of a synthetic tranche – there is no clear rationale for this divergence between synthetic and traditional structures, with no valid reasons provided in the final EBA WAM guidelines.
As an example, the industry expects an increase in the issuance of synthetic securitisations linked to residential mortgages, particularly following the introduction of the Finalisation of Basel III. Residential mortgages are an asset class with a clear and well understood prepayment behaviour, with significant historical data to back up any assumptions. That is why we do not understand why prepayments are excluded from synthetic securitisations.
The treatment of revolving periods is also unnecessarily conservative, introducing modelling difficulties whilst making the final WAM numbers harder to interpret, resulting in a potential misunderstanding of the true risk of a tranche. We are supportive of reverting this treatment to the logic included in the original WAM consultation paper.

Further, it appears sensible to consider divergent WAM calculation frameworks for originators and investors. As a risk mitigant/hedging tool, SRT transactions for banks should, all else being equal, be viewed more favourably when they offer a longer protection period. However, the current rules would penalise this greater maturity. Other equivalent hedging tools (e.g. CDS) are already treated more favourably by the CRR when being executed for longer periods.

Question 10.2:

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

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

Please explain your answer to question 10.2:

5000 character(s) maximum

It is justified to consider maturity in the framework, as long the guidelines used for the determination of the WAM are in line with market practice; the current guidelines are designed for the purpose of restricting synthetic securitisation rather than the intention to reflect market reality.
A significant reduction of the p-factor as recommended in answers to the questions of section 9 would mechanically address the issues resulting from the way the maturity is considered in the current securitisation framework.

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?

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

Please explain your answer to question 11.1 (a):

5000 character(s) maximum

It is essential for the success of STS that a level playing field is provided in the context of the LCR. Level 2A would still not bring securitisations at the level of covered bonds, but would at least partially bridge the gap.

LCR: As initially envisaged by the Commission, the STS label should have provided an "upside" in terms of LCR recognition for STS securitisations, rather than create a "downside" for the non-STS market segment. Unfortunately, we found ourselves in the second scenario. Senior STS tranches have been then classified as Level 2b assets, with an associated 25%/35% discount, whereas covered bonds may qualify as high as HQLA level 1 assets ("extremely high quality") or level 2A ("high quality") while non-STS positions were fully disallowed from LCR. Furthermore, eligible ABS securitisation positions were then required to be assigned a credit assessment of the highest quality of assets (Credit Quality Step (CQS) 1 – AAA rating) issued by a nominated External Credit Assessment Institution (ECAI) on the basis of Article 264 of Regulation (EU) 2017 /2401 and no longer based on Articles 251 (Standardized Risk Weights) or 261 (Rating Based approach) of the previous version of the CRR which provided a minimum AA- requirement. As a consequence, the treatment of securitisations in the liquidity coverage ratio is considered to be rather penalizing and not reflective of the actual characteristics of highly rated securitisations. In order to make it easier for banks to hold securitisations and to make securitisations more attractive, we would propose to align the regulatory treatment of securitisation tranches in the liquidity framework with that of covered bonds. The current treatment of securitisation does not sufficiently recognise improvements in the regulatory framework as well the performance of securitisations during the financial crisis of 2008/2009 in comparison to similar asset classes. Consequently, as a first step, senior STS tranches with an AA- rating (equivalent to Covered Bonds) should be allowed to be treated as high quality liquid assets of the highest level (Level 1) and those tranches could be considered in the liquidity coverage ratio (LCR), with haircuts similar to those that apply to covered bonds. The calibration of the eligibility criteria for level 2A and 2B should be done in a similar fashion allowing A- STS notes to qualify as Level 2A and non-STS AA- positions to be considered, as it was in the past before the introduction of the STS label, 2B eligible assets. It could also be considered to extend the eligibility to a wider set of STS tranches, i.e. tranches with a BBB- rating, for the level 2B.

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

The concentration risk of Level 2A assets should not be different between asset categories, so the same concentration risk should apply to covered bonds and securitisations.
Liquidity of STS securitisations during the 2020 crisis (the only crisis since STS started) has been extremely good. In the 2008 crisis liquidity for all capital markets instruments was bad. Those instruments that benefitted from central bank purchase programmes (like covered bonds) looked more liquid than those that did not have central bank support (like securitisations), but that difference was obviously artificial.

Question 11.2 (a):

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

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

Please explain your answer to question 11.2 (a):

5000 character(s) maximum

Given the availability of 100% liquidity back-up lines provided by banks, ABCP should be similarly treated as bank paper. ABCP programmes in Europe are structured with fully supported liquidity lines which makes them very much like ‘short term covered bonds’. Covered bonds are qualifying for LCR purpose so the rule should also apply to ABCP.
The target that is pursued by all sponsor of ABCP programs in Europe is to expand the investor base. This expansion is has been quite successful in the US: US investors are well educated about ABCP and they a multi seller fully supported ABCP. Therefore, ABCP programs issuing USCP can expand their US investor basis regularly. Main investors are Money Market Funds, Separate Managed Accounts, Banks, Corporates, Municipalities, etc. and these investors are confident when they invest in ABCP issued by ABCP programs sponsored by European banks.
In Europe, the situation is different. European investor base for ABCP is made up of Money Market Funds (up to 70%). The remaining part is made up of Banks, Corporates, Supras, etc. Some big investors do not want to buy ABCP even if multisellers and fully supported for multiple reasons (complex regulation, lack of education i.e. confusion with other 2007-2008 securitisation products, lack of attractiveness of yield…).
One of the main reasons for European investors (mainly banks) that perfectly understand ABCP not to buy it, even if they are comfortable with the risk, is the fact that ABCP do not qualify for the LCR and they are not eligible as collateral to Eurosystem.
This is a situation that is very difficult to explain to such European investors and that prevent them to invest in fully supported European ABCP program whose purpose is to fund the working capital of European companies in line with the strategy of their sponsoring banks. However, it is very important that ABCP programmes sponsored by European banks can increase their ABCP placement with European investors in ECP and NeuCP so that the European investors base financing European economy be expanded.
An appropriate measure to ensure the growth of the European investor base for European ABCP is to make ABCP qualify for the LCR. It will enable ABCP programs to attract banks investors and increase European ABCP liquidity on the market by attracting other investors. Moreover, this eligibility of ABCP to LCR would create the missing “business case” to trigger the need for an STS label at program level as mentioned in the ESA JC report (article 44) § 129 page 55. Indeed, if an ABCP Programme qualifies as level 2B assets for LCR purposes, it should qualify as level 2A asset for LCR purpose if it is STS.
If this were to happen, the investor base of ABCP Programs would expand for the benefit of the sellers meaning better yield and market protection in case of liquidity disruption.

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

Yes, such ABCP should be issued by ABCP programmes with fully supported liquidity provided by their sponsor banks. In fact, eligibility of ABCP as level 2B or 2A assets for LCR purposes is needed to expand the European investors base of ABCP especially with bank investors. Regarding the liquidity performance of ABCP, we can say that it is very good since Q3 2020 due to the current monetary policy of ECB and FED. During Covid 19 market tensions in March 2020, ABCP liquidity was hurt due to the situation of its main investors in Europe (MMF) which faced final investors departures to invest in government assets. ABCP Programs faced a reduction of the maturity of their CPs between 1 day to 1 week and an increase of the spreads requested by investors to purchase the CPs. Unlike the FED that made ABCP eligible to its Commercial Paper Funding Facility ('CPFF') mid-March 2020 which improved very quickly the liquidity of ABCP in USCP format, the ECB decided that ABCP should remain ineligible for the Eurosystem and its Pandemic Emergency Purchase Program (PEPP). This situation resulted in some banks drawing their liquidity lines provided to their sponsored conduits while other purchased the CPs issued by their sponsored conduits. Due to the direct support provided by the FED to ABCP, US ABCP market recovered much more quickly (probably 1 month) than European ABCP markets.

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

Please explain your answer to question 12.1:

5000 character(s) maximum

We would like to stress out the strong reservations that we have on the PBA and CRT tests as proposed by the EBA. In our view, the PBA test should be abandoned and the CRT test, if implemented, should be reviewed to ensure sensible allocation of the LTEL and UL.

Concerning the PBA test, we believe that it is not useful and should not be implemented. The PBA test aims to ensure that at least 50% of the unexpected loss ("UL") of the underlying exposures is transferred to third parties i.e. that the mezzanine tranche sold is thick enough. We deem this requirement unnecessary as institutions use SRT securitisation to release a minimum amount of RWA, which would not be achieved if the mezzanine tranche is too thin. We are able to quantitatively illustrate on a synthetic securitisation, where only the mezzanine tranche is transferred (very common situation for synthetic securitisation), that a too thin mezzanine tranche either does not create any RWA relief, though a small part of the UL is transferred, or generates a non-significant amount of RWA relief with thus no interest for the originating bank to mobilize internal and external resources (lawyer, servicer) and pay the cost to investors, for such a limited risk transfer and capital benefit. Please see the annex for quantitative examples.

The Weight Averaged Approach (WAM) approach to model cash flows and finally allocate LTEL and UL to tranches is too standardised in order to compute the CRT and PBA test. Our concern, however, is not about the recommendations from the EBA report on SRT themselves, but about their application to the self-assessment process. Application of the WAM guidelines is not always appropriate because a zero prepayment is unfeasible when structuring the transaction to determine the effective cost of that transaction. Therefore, there should be more flexibility given in the self-assessment process, which should not necessarily be based on the guidelines but also leverage on an institution's own assumptions.
Regarding the allocation of UL, the main concern is linked to the need to estimate in a standardised way the Unexpected Loss (UL):
a. RWA multiplied by 8% in a cashflow model is very simplistic;
b. The inception 1 Year UL applied at the last payment date (also considering options) is not calibrated on the correct amount, nor included in the cashflow model in a proper timeline.

We therefore suggest that:
1. For transactions with sequential amortisation and for which only the evenly loaded scenario is applied (i) UL should be calculated proportionally to the amortisation plan, and not based on the initial portfolio amount only, and (ii) it should materialize proportionally, in the cash flow model, during the life of the transaction and not as an add-on to the last payment.
2. For transactions with pro-rata amortisation and for which the back-loaded scenario is applied, we suggest modifying such scenario requiring that 2/3 of LTEL plus UL occurs proportionally in the last 1/3 of the securitisation life, while 1/3 of LTEL plus UL occurs proportionally in the first 2/3 of the securitisation life.

To be noted, even with this smoother allocation of the LTEL and UL, the back-loaded scenario would remain very conservative.

Finally, we reiterate the need to have the SRT/CRT tests calculated at inception only and not throughout the lifetime of transactions.
In addition, we would also suggest to keep the following in mind regarding NPE securitisations:
In case of NPE transactions, the application of the WAM model based on internal IRB parameters (in particular, related to LGDs and recovery process length), as proposed in the EBA Report, would not work. Internal model parameters are not necessarily representative of the servicer recovery performances. Applying an internal LGD and average recovery time as an estimator for the recovery performances of the servicer is not always a good proxy. Consequently, the application of the adverse/stressed scenario based on UL computed as RWA multiplied by 8% is not effective. Instead, in our view, EBA should follow in a simplified way the approach of rating agencies by requiring, for example, the application of a % linear cut to collections and considering such cuts as a form of Unexpected Loss. Then, such "reduced" collections should be input into the cashflow model to estimate which notes would be impacted and which ones will absorb such Unexpected Losses (the assumption is that WAM does not work properly and, consequently a

more realistic and case by case approach should be applied, particularly for NPEs).

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

Regarding the notion of positive incentive and its interpretation as proposed by the EBA, we come to a different conclusion to the one in the EBA report. The EBA suggests that the concept of positive incentive provided for in article 238 (to which article 252 refers), would be created by the time call. As stated in article 238, the notion of "positive incentive" exists when the credit protection arrangement provides for an incentive – like an increase in the premium – at a certain time. That the economics of the transaction deteriorate because of the amortization of the portfolio, or the improvement of its credit quality does not constitute a positive incentive since this positive incentive does not exist, for example, if the credit quality deteriorates. It is therefore proposed that the SRT are adjusted to reflect this.
Thus, we would recommend also specify in article 252 CRR that the maturity of the credit protection is the legal one, not the exercise date of the time call.

Moreover, we would like to explain why time calls are used in synthetic securitisation. From inception, the economics of a transaction mechanically deteriorates due to the maturity-effect of the underlying assets, independently of the amortization profile and of the evolution of the credit quality of these assets. Indeed, as time goes on, the maturity of the underlying assets decreases and so does the risk-weighting (and capital needs), while the cost of protection remains stable: as a result, the efficacy of the transaction deteriorates to a point where it makes sense to exercise a call.
To be noted, although this mechanical deterioration of the economics of the transaction could seem compensated by a potential increase in the credit risk of the underlying assets (such increase would drive the capital requirements up), the originator of the transaction is not incentivized to exercise a call since it is more likely to benefit from the credit protection.
These mechanics are an inherent feature of synthetic securitisation and it should be distinguished from a "positive incentive" to call the transaction as per CRR Article 238 according to which: "Where there is an option to terminate the protection which is at the discretion of the protection buyer and the terms of the arrangement at origination of the protection contain a positive incentive for the institution to call the transaction before contractual maturity, an institution shall take the maturity of the protection to be the time to the earliest date at which that option may be exercised; otherwise the institution may consider that such an option does not affect the maturity of the protection." In our view, a "positive incentive" exists when the transaction exhibits specific features such as a margin step-up, but the existence of a call option does not entail a "positive incentive" by itself.
This is all the more important that originators cannot afford to have the time call date being considered as the maturity of the credit protection due to the extreme conservatism of CRR Article 252: the maturity mismatch set out in this article is so punitive that it destroys the economics of a transaction.
As a result of the above, we urge the regulators not to consider that the mere existence of a time call in a transaction entails a "positive incentive" but to restrict such notion to the existence of specific features that actually provide an incentive to call, such as a margin step-up.

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

While we welcome EBA's willingness to differentiate between "simple" and "complex" transactions, the first category benefitting from a supposedly preferential assessment process, we regret that these efforts have led to the definition of numerous "structural features" and related "safe harbours", which has introduced more complexity in the SRT framework and threatens to considerably lengthen the assessment process.
Indeed, if EBA's recommendations are fully implemented, this could lead to lengthening the SRT assessment process, in particular for more standardised transactions. This is mainly driven by two reasons:
- The content of the preliminary notice as foreseen in the EBA Report seems to be more detailed than the current one. Banks' submissions are currently quite detailed and standardised therefore it is worrying that the EBA Report recommends additional information in the preliminary notice. In particular, the suggestion that the preliminary notice should include information like (i) economic value of the tranches (e.g. sale price or accounting value), (ii) for synthetic securitisations, coupon to be paid and (iii) servicing, management, and additional collection fees, is concerning as some of this information may not be known at the time of the initial JST notification. Therefore, clarifying these requirements would be helpful to avoid potential delays in reviewing them.
- The fact that structural review (thus implying two more months of assessment) seems to be the more probable path. We are concerned that the wording of this requirement, if not fine-tuned, will lead to a scenario where almost any minor deviation or variation in structure from previously approved structures will lead some regulators to trigger an additional 2-month review period.

We do support a fast-track approach, but contrary to the EBA proposal we would like to see all transactions that would meet the fast-track being clearly defined (repeat transactions, transactions that do not contain any new or non-standard features) in order to avoid the 3 months waiting period for these fast-track transactions.
A more standardised treatment would also serve the alignment of supervisory practices across jurisdictions.
We believe that transactions similar to previously validated transactions ("repeat deals") should benefit from a quick assessment process: a maximum of 1 month seems a reasonable target in this case. One month seems enough time to determine whether a transaction is "simple" or not, i.e. in line with standard market practices and without exotic features. Upon such determination, the Competent Authority should be able to grant a non-objection.
Furthermore, the possibility to "stop the clock" and further delay the assessment should be permitted only in clearly defined cases. We are therefore concerned by the proposal which would permit to postpone the assessment process at any time when - as prescribed in the EBA report - "any additional information, documentation or clarification from the originator or other transaction parties" is requested.

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

Regarding the set of information to be provided, we believe that should be clarified that the following data should be provided only in draft format (or not provided at all if not available) in the Preliminary Notice:

- economic value of the tranches (e.g., sale price or accounting value); and
- for synthetic securitisations, coupon to be paid.
- Servicing, management, and additional collection fees.

Some of this information may not be known at the time of the initial JST notification.

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

Please explain your answer to question 13.3:

5000 character(s) maximum

An ex-ante review risks the loss of the SRT few months after having structured the deal. We would only suggest instead a simplified, not mandatory pre-assessment, as it is approximately foreseen in the EBA report with the fast track. If such assessment is not made by the regulator (because probably it thinks the deal is standardized and simple), it should be a sort of "silent consent". Otherwise, if made, a formal ok to the transaction is needed (refer to EBA report "confirmation of non-objection").

Our experience to date has been that there is a tendency for the ECB to adopt an overly conservative approach to SRT assessments, and there is a significant risk that, in the absence of a presumption to the contrary, the ECB is likely to assume that a structural features review is required in almost all cases.

In our view, transactions should benefit from a simplified process if:

- They do not include any of the identified structural features, or
- They include identified structural features but with safeguards ("safe harbours" or otherwise) that have already been validated in previous transactions.

Based on such clear rules, we deem that one month is sufficient to assess whether a transaction needs a structural review or not. We fear that there would be a high risk that a detailed "structural review" would actually lock the issuance process, given the shared experience by banks that the approach adopted by Competent authorities is excessively restrictive.

Question 13.4:

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

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

Please explain your answer to question 13.4:

5000 character(s) maximum

If the rules and criteria determining a standard transaction are sufficiently clear and met by the issuer, we see no reason why an ex-ante review would be needed. If EBA could develop guidelines for what makes a transaction standard, this could be helpful. It is essential for a good functioning of any capital market segment, that review periods (and especially 3 months periods) are as much as possible avoided, because they seriously affect the economic viability of transactions in markets where prices vary by the day (if not the hour).

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

Please explain your answer to question 14.1:

5000 character(s) maximum

We disagree with:

- Regarding point 212, we do not agree with the proposal of weighting the UL transfer depending on the subordination of the relevant tranches to which the UL is allocated. This approach seems incoherent with the reasoning of the overall EBA Report, and the PBA tests proposed. We agree indeed with the logic foreseen in the so-called self-assessment according to UL allocation on tranches should be model (even if, as stated to 12.1, we disagree with the assumptions made by EBA to allocate such UL in the cash flow model).
- the concept of the EEVES
- Referring to paragraph 217 regarding the full deduction method: Originators using the full deduction method pursuant to point b) of Article 244 (1) CRR still have to fulfill all the requirements of Article 244 (4) CRR, because it is stated in paragraph of Article 244 CRR that in addition to the requirements set out in paragraphs 1, 2 and 3, all of the following conditions listed in paragraph 4 shall be met. Thus, there is no need for an amendment of the rule text in this regard.
- In any case, additional requirements should be refrained from, which implicitly could force institutions using the full deduction method through supervisory requirements to have to prove a significant and commensurate risk transfer analogous to point a) of Article 244 (1) CRR with the tests, such as SRT-, CRT- and PBA-test proposed by the EBA. It is important that a simple but conservative method for capital relief continues to be available without creating additional hurdles. However, we have no objections to a notification requirement that the credit institution uses the full deduction method. Yet, this notification requirement should be kept as streamlined as possible and fit for purpose.

Furthermore, we suggest the following review of CRR:

- In the context of securitisations, it should be possible to allow different forms of coverage/credit enhancement for noteholders (or lenders) in a SPV and to align and update this with current market practices, other than, as is in the current CRR text only allowing the provision of a guarantee directly on the securitisation position. We would recommend to account for situations in which credit risk mitigation (funded and unfunded) is provided directly to an SPV to cover the credit risk (usually first loss risk) of the securitized portfolio. This would address the issue that while a noteholder in reality can benefit from this protection in case of a default (due to pass through to the noteholder), the noteholder cannot use this benefit for the computation of RWA and a commensurate capital relief, because the SPV is the one formally entitled to the benefits according to article 213 CRR. To remedy this situation, we would suggest following legislative amendments:

o Regarding Article 213, it should be specified amongst the conditions for recognition of credit risk mitigation that the credit protection is feasible directly or via a bankruptcy remote SPE

o Therefore, para. 7(b) and 8 of Article 249 should clarify that the “protected portion” of a securitisation position also includes the part which is assisted by eligible credit risk mitigation covering the SPV’s securitized portfolio.

o Those amendments would allow the noteholder to benefit from the credit protection for the purposes of the RWA computation and the additional credit protection. This would be justified where noteholders (or lenders) can benefit from the credit protection from an economic point of view in case the portfolio incurs losses.

- It is not clear in Regulation EU 2019/630 whether underlying portfolios of synthetic securitisation for which the originator has achieved SRT as per article 245 are in or out of scope of the minimum loss coverage requirement for non-performing exposures. It is not foreseen an explicit exclusion of underlying portfolio of synthetic securitisations for which SRT has been recognized even if it would be coherent with the rest of the framework on provisioning. When the conditions of article 245 are fulfilled, the portfolio, even if still on the balance-sheet of the originator, is no more subject to regulatory capital computation, EL and RWA, being substituted by the RWA of the tranches. The provision by which SRT is allowing the originator to exclude from the capital requirement the underlying portfolio EL (also any eventual shortfall) and RWA should be explicitly extended also to the minimum loss coverage. This would be also coherent with the fact that synthetic securitized pools are not subject to credit risk adjustments in case the first loss piece (FLP) coverage provided by protection sellers is sufficiently thick. A clarification reference should be added in Article 245 specifying that the underlying portfolio is excluded from the scope of this minimum loss coverage requirement

Please see also the responses to the other questions on SRT for further comments on the EBA report on SRT.

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)?

- (x) 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?

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

Please explain your answer to question 15.2:

5000 character(s) maximum

Insurance companies will look for an appropriate profitability of their investments. This needs a good level of revenue and a reasonable level of required own funds. However, capital charges for securitization in Solvency II appear already very high, notably in comparison with equally rated corporate or covered bonds. If this level of capital is corrected, insurers will be able to look for the securitization investments with returns commensurate to their risk appetite. This presupposes that the prohibitive capital requirements are lowered significantly to the level of capital requirements of banks. Different capital requirements are only justified if the risks are also different. But this is not the case.
Furthermore the following is useful to understand the obstacles faced by the securitisation market: As highlighted by analysts for several years now*, European Insurance Equity Handbook data make it clear that EU investors' participation to the securitisation market is "well below their potential and appetite for yield", as structured assets account for not more than 2% of the overall investment mix. The conservatism of Solvency II capital requirements for securitisation, in comparison with the ones for similar exposures or relative to US NAIC's capital charges, may explain such low investment levels.
Indeed, the current Solvency II rules are punitive from a capital perspective; it is much more attractive for insurance companies to invest in a whole loan portfolio than in the AAA tranche of a securitisation of similar loan collateral.

* source: Bank of America Global Research, Structured Finance Europe, European SF Weekly, Languid Summer Market, 26 July 2021.

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
- (selected) 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

As a trade organisation we do not have access to internal models.
We do however not see any rationale for the fact that the spread risk on senior STS positions is higher than the spread risk on loans or bonds. Therefore, senior securitisations should be aligned with the capital treatment of bond exposures under Article 176 of EU Regulation 2015/35. Having said this, we see some potential for a general re-calibration using more recent data since the introduction of the STS-regime.
Furthermore, Solvency II requires the backing of the spread risk. This implies that price losses would have to be realised in the event of extreme market stress for these securities. Due to the amortisation profile, however, the securities are often held until maturity (buy-and-hold approach). Thus, analogously to the banking book, only the default risk and not the spread risk should be backed with equity in such a case. The CRR differentiates here for credit institutions between banking and trading book and only requires capital backing for spread risk in the trading book.

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

For a 5-year CQS 0 non-senior STS the spread risk is >3x the spread risk on a 5-year CQS 0 loan or bond. This is a highly unrealistic multiple.

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

For a 5-year CQS 0 non-STS securitisation position the spread risk is >13x the spread risk on a 5-year CQS 0 loan or bond. This is a highly unrealistic multiple.

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

Regulation should avoid being too complex through the introduction of too many refinements. In the case of mezzanine versus junior tranches, the rating could a priori be enough to differentiate between different levels of risks.

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

This question can only be answered if there is an indication of the applicable spread risks. At current spread risk levels senior and non-senior tranches are unattractive investments from a spread risk point of view anyway. Differentiation is not going to solve this problem

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

d5f05b29-aebd-4e31-a659-d91f16954ba3/EBF_045351_-_Annex_EBF_response_EC_securitisation_consultation.pdf

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_e

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)

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