

MEMO# 28981

May 14, 2015

Response to EC Consultation on an EU Framework for Simple, Transparent and Standardised Securitisation

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TO: FIXED-INCOME ADVISORY COMMITTEE No. 12-15
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 18-15 RE: RESPONSE TO EC
CONSULTATION ON AN EU FRAMEWORK FOR SIMPLE, TRANSPARENT AND STANDARDISED
SECURITISATION

On May 11th we submitted a response to the European Commission (“EC”) consultation on an EU framework for simple, transparent and standardised securitisations (the “Consultation”). [\[1\]](#) A copy of our submission is attached.

The Consultation follows an announcement in the Commission’s 2015 Work Programme stating that it would develop an EU framework for high-quality securitization, without repeating the mistakes made before the financial crisis. The EC recognizes that, in contrast to the U.S. market, the European market for securitisations has been subdued and lists a number of key factors that are limiting sustainable recovery. The EC is, therefore, beginning work on an EU securitization framework that will seek to:

- restart markets on a more sustainable basis, so that simple, transparent and standardised securitisation can act as an effective funding channel to the economy;
- allow for efficient and effective risk transfers to a broad set of institutional investors as well as banks;
- allow securitisation to function as an effective funding mechanism for some non-banks as well as banks; and
- protect investors and manage systemic risk by avoiding a resurgence of the flawed “originate to distribute” models.

The Consultation asks a number of questions about the identification criteria for securitisations that would meet the conditions of being transparent, simple, and standardised (“qualifying securitisations”). In our response we:

- support the development of an EU framework and stress the need to have consistency in the identification of and criteria for standardised securitisations at a European and

international level;

- recommend that it is made clear that the failure of any adopted criteria to capture a particular securitisation is not intended to reflect on the merits of that securitisation as a potential investment for particular investors;
- state that it would be appropriate to remove any requirement for investors to verify that the originator has met its risk retention requirements for qualifying securitisations because, by definition, a securitisation instrument will qualify as such only if it fulfills the risk retention requirement; and
- support the Commission's consideration of a standardised securitisation structure.

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[Attachment](#)

endnotes

[1] The Consultation is available at http://ec.europa.eu/finance/consultations/2015/securitisation/docs/consultation-document_en.pdf.

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