AFME supports proposed SEC rules on securitisation to increase transparency, but recommends level playing field

Proposed new rules on the offering, disclosure and reporting for asset-backed securities provide welcome improvements in transparency and disclosure but introduce inequalities that may deter the distribution of global securitisations into the US at time when every economy is seeking funding, says the Association for Financial Markets in Europe (AFME).

In its response to the US Securities and Exchange Commission’s (SEC) ‘proposed rule for revisions to Regulation AB’, AFME gives its support to the move to greater transparency which will help to restore investor confidence in the global securitisation market.

However, it warns that significant issues remain for European issuers since the proposals focus on US-originated transactions and, in general, do not acknowledge non-US transaction structures.

Among AFME’s concerns for European issuers are:

- Without flexibility to reflect local non-US parties, regulations, transaction structures and product types, many European participants are likely to struggle to comply with the new rules, resulting in an uneven playing field.

- Inconsistencies between European and US regulations raise the cost of the compliance burden. For example, risk retention requirements are not the same, and the limited use of 3rd party servicers in the European market makes compliance with reporting requirements more difficult.

- Compliance with the SEC’s proposed disclosure and reporting requirements could result in legal conflict in non-US jurisdictions. For example, compliance by foreign issuers could conflict with bank secrecy laws and/or data protection laws in Europe. Compliance burdens for specific products such as mortgage master trusts and ABCP should be reviewed.

- The SEC’s definition of “structured finance product” does not differentiate between covered bonds and asset-backed securities. Covered bonds are different products and should not be subject to the new Rules.

Rick Watson, Managing Director, AFME comments, “We support the SEC’s move towards greater transparency and disclosure but raising finance is now done on a global level and it is critical to create a level playing field for US and non-US issuers.

“Prior to the financial crisis, up to 25% of total issuance of European originated securitisations was eligible to be offered in the US and we urge the SEC to take account of the global nature of securitisation distribution.”
Notes to Editors

AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks, key regional banks, brokers, law firms, investors and other financial market participants.

AFME was formed on 1 November 2009 from the merger of LIBA (the London Investment Banking Association) and the European operations of SIFMA (the Securities Industry and Financial Markets Association). AFME participates in a global alliance with SIFMA in the US, and the ASIFMA (Asia Securities Industry and Financial Markets Association) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.AFME.eu.

For further information, contact:

James White, AFME   Tel: +44 20 7743 9367
Mob: +44 7825 081686
Email: james.white@afme.eu