



**Association for Financial Markets in Europe**

## CMU mid-term review

22 June 2017

Pablo Portugal, Director, Advocacy, AFME  
Robert van Geffen, Director, Policy, AFME

- CMU Mid-Term Review
- Brexit
- EMU

- STS Securitisation
- Prospectus Regulation
- EuVECA Regulation
- Solvency II calibrations
- Insolvency reform proposal

- Pan-European Personal Pension Products
- Conflict of laws
- EU framework for covered bonds

Other forthcoming (non-legislative) actions:

- Amendments to the Delegated Regulation supplementing Solvency II
- Recommendations on private placements
- Roadmap for removing barriers to the post trade market infrastructure
- Code of Conduct to simplify withholding tax procedures
- Communication on corporate bond markets

1. Effective supervision by the ESAs
2. Enhance proportionality of rules to support IPOs
3. Review of prudential treatment of investment firms
4. FinTech
5. Non-Performing Loans
6. Sustainable investment
7. Cross-border distribution and supervision of UCITS and AIFs
8. Guidance on cross-border investment within the EU
9. Promote building local and regional capital markets across the EU



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## Latest securitisation update

22 June 2017

Richard Hopkin, Managing Director, Fixed Income, AFME  
Anna Bak, Manager, Securitisation, AFME

## The three components of the new securitisation framework

- A new Securitisation Regulation (SR) which will:
  - Set common core rules for all securitisations
  - Provide specific provisions for STS securitisations
  - Amend relevant sectoral laws: i.e. AIFMD, UCITS, CRA3, EMIR
- A comprehensive amendment of the Capital Requirements Regulation (CRR)
  - Implements the new framework for general capital treatment of securitisation (both STS and Non-STS)
  - Introduces the preferential treatment for STS Securitisation
- Amendments to Solvency 2 and LCR to adjust existing calibrations and make other necessary revisions (the review process has not started yet)

- Defines the concept of Simple, Transparent and Standardised (STS) securitisation
  - Sets criteria for both ABS and ABCP securitisations
- Aims to create consistency across a number of sectoral legislations
  - Risk Retention
  - Regulatory Due Diligence
  - Transparency
- Applies to all European securitisations and to all EU institutional investors investing in securitisation and to originators, original lenders, sponsors and SPVs



- The capital calibrations remain conservative with the floors of 10% for STS Securitisation and 15% for non-STS Securitisation
- The new hierarchy of approaches :
  - Internal Ratings Based Approach (SEC- IRBA)
  - Standardised approach (SEC-SA)
  - External Ratings Based Approach (SEC-ERBA)
  - *Additional conditions when applying SEC-ERBA instead of SEC-SA and an exception for auto loans, auto leases and equipment leases*
- Mandate for the EBA RTS to detail how institutions can use the calculation method for capital requirements for purchased receivables (including how to use proxy data)
- Certain synthetic SME securitisations can get STS treatment under certain conditions

- Risk Retention
  - Remains at 5%
  - ESRB to publish report every 3 years on financial stability
  - “Cherry picking” sanctions-intent threshold
- Parties to Securitisation
  - No geographic restrictions on investors or investments
  - Restrictions on marketing to retail investors
- Third Party Verification Agents
  - Regulated to assist in interpretation
  - Issuer liability preserved
- Ban on Re-securitisation
  - With Grandfathering and carve-outs for ABCP/others

- Transparency
  - Regulated Data Depositories
  - Limited to Public Transactions
  - No Reporting of Investor Positions
- CRR Hierarchy of Approaches (for calculating capital)
  - Inversion Agreed with Conditions
  - SEC-IRBA/SEC-SA/SEC-ERBA
  - Carve-out for Auto Loans and Leases
  - Limited to More Senior Tranches
- Grandfathering
  - Finalising Technical Issues
  - Delay in Implementation
- Third Country Equivalence Regime Not Included:
  - Considered too Political in Light of Brexit

- Secondary legislation is crucial to a good result
- Timing
- Grandfathering
- Solvency II
- Mitigation of harsher aspects of the new capital regime
- Looking again at the CRR
- Disclosure and the new data repository
- EMIR and securitisation swaps



The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.

**London**

Level 39  
25 Canada Square  
London EC3V 9DH  
United Kingdom

+44 (0)2 0382 82700

**Brussels**

Rue de la Loi 82  
1040 Brussels  
Belgium

+32 (0)2 788 3971

**Frankfurt**

Skyper Villa  
Taunusanlage 1  
60329 Frankfurt am Main  
Germany

+49 (0)69 5050 60 590

**[www.afme.eu](http://www.afme.eu)**