

# Simple, Transparent and Standardised securitisation – full steam ahead?

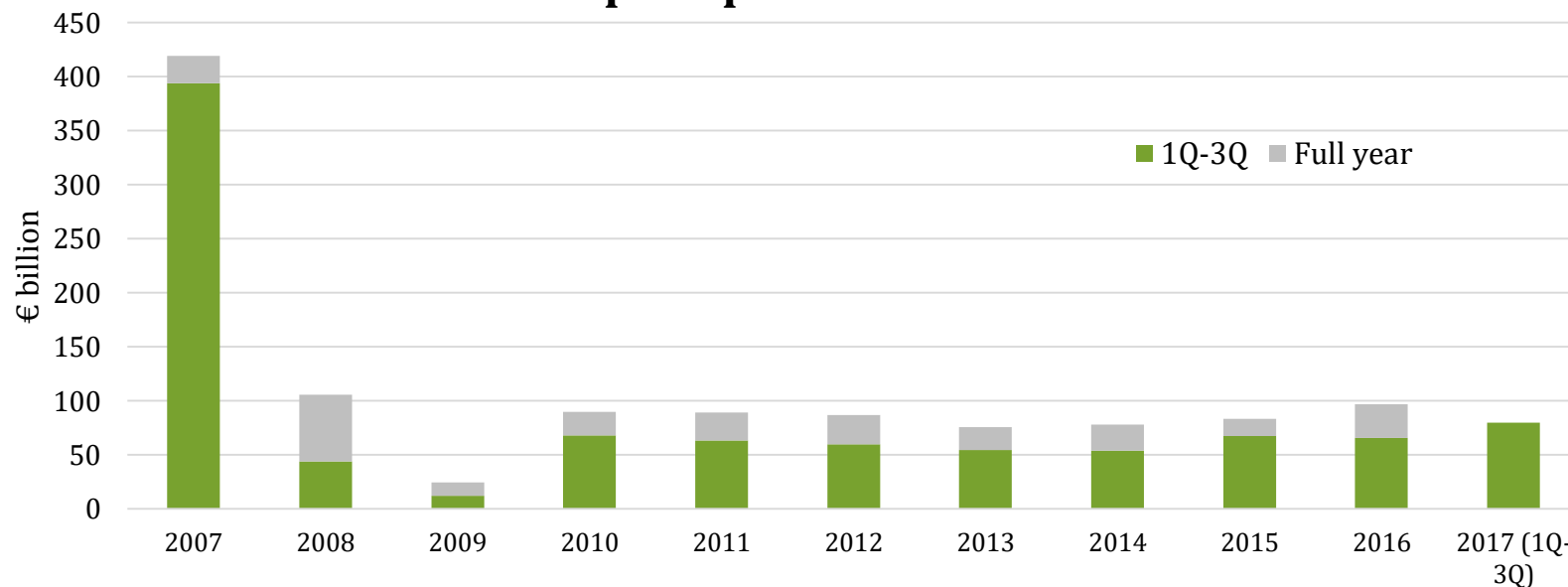
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AFME Members' Briefing

Richard Hopkin, Anna Bak, Alex Hunt, Pablo Portugal

Janet Oram (BlackRock), Rob Ford (24AssetManagement), Harry  
Noutsos (ING)

## European placed issuance



Values in EUR bn	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (1Q-3Q)
European placed	419.2	105.5	24.7	89.8	88.9	87.0	75.9	78.2	83.2	96.7	79.8
European retained	175.7	713.2	399.3	288.1	287.9	170.9	104.8	138.8	133.5	142.1	79.0
European retention (%)	30%	87%	94%	76%	76%	66%	58%	64%	62%	60%	50%
Total European	594.9	818.7	423.9	378.0	376.8	257.8	180.8	217.0	216.6	238.8	158.8
Total US	2,080.5	979.0	1401.7	1225.7	1052.8	1568.5	1517.4	1144.3	1635.4	1796.7	1454.2

- Both the STS Regulation and the CRR Amendment have been published in the Official Journal of the EU on 28 December 2017 and they enter into force on 17 January 2018 (20 days after publication in the OJ)
- The date of application of both the STS Regulation and CRR Amendment is 1 January 2019

- The date of publication of the Level 1 texts fixes in the deadlines for EBA and ESMA to draft the technical standards and guidelines as mandated in the STS Regulation and in the CRR
- The ESAs are due to submit all RTS by either July 2018 (6 months after entry into force) or January 2019 (12 months after entry into force)
- The technical standards will then be approved by the European Commission, and go through an EP/Council scrutiny period, before their finalisation

- Risk retention Good
- Restrictions on originators/issuers Good
- Private transactions Mixed
- Investor name give-up Good
- Adjusted standard for legacy deals Problematic
- Grandfathering for RR, transparency and DD Problematic
- Third country treatment Problematic
- ABCP maturity limitations Good
- Negligence standard Good
- Purchased portfolios and self-certified mortgages Mixed
- Treatment of ABS trading in third countries Ongoing  
(Art. 14 CRR)

- Hierarchy of approaches Good
- Conditions for use of SEC-IRBA Good
- Calculations of RWA Problematic

- More than 30 STS and CRR Level 2 Mandates and Reports, including:
  - Risk Retention RTS - EBA consultation ongoing till 15 March 2018
  - Homogeneity RTS - EBA consultation ongoing till 15 March 2018
  - Disclosure requirements (RTS), Data Repositories (RTS) and Templates (ITS) - ESMA consultation ongoing till 19 March 2018
  - STS Notification (RTS) Templates (ITS) - ESMSA consultation ongoing till 19 March 2018
  - STS Criteria Guidelines - consultation expected soon
  - Purchased receivables/internal models/proxy data (RTS) – consultation expected in Q2 2018

- The EC is revisiting the risk factors for securitisation under the Solvency 2 regime. AFME urges the Commission to pursue a reform that adjusts the prudential framework for securitisation to levels comparable to the treatment of other fixed income instruments, such as covered or corporate bonds
- AFME has undertaken a survey of insurance investors to provide their views on Solvency II and securitisation
- Helpful intervention by the ECB: “An updated calibration should consider the difference in the risk profile and tolerance between insurance companies and banks and the capacity of the STS criteria to capture a lower risk profile in securitisations” (November 2017)



- The Council General Approach now proposes to maintain the status quo i.e. the SSPEs have been removed from the definition of Financial Counterparty in Article 1 (f)
- Helpful intervention by the ECB: “... securitisation derivatives already contain features to mitigate counterparty credit risk. Moreover, the nature of the securitisation derivatives makes it difficult to comply with the margining or clearing obligation” (November 2017)
- This is encouraging news but we will continue to monitor, as the debate on the topic in the European Parliament could be challenging

- Significant Risk Transfer:
  - EBA's Discussion Paper consultation on the SRT closed on 19 December 2017
  - A further round of consultation is expected later this year
  - Revised EBA Guidelines will then emerge
- ESA Review Proposal
  - EC's package proposes that ESMA would become a supervisor of certain prospectuses under Prospectus Regulation
  - As part of a wider AFME position paper, we are not supportive of ESMA taking over the responsibility to directly supervise ABS prospectuses

- Libor/Euribor
  - Following the announcement of the abolition of Libor, AFME is regularly meeting with other trade associations to discuss next steps
  - We are also developing the Model Wording for securitisation bonds terms and conditions to enable a change to an alternative base rate if LIBOR/EURIBOR is no longer available
  - ECB has released a public consultation on developing a euro unsecured overnight interest rate;



# **STS Framework: investors perspective**



# Q&A

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

**London**

39<sup>th</sup> Floor  
25 Canada Square  
London, E14 5LQ  
United Kingdom

Tel: +44 (0)20 3828 2700

**Brussels**

Rue de la Loi 82  
1040 Brussels  
Belgium

Tel: +32 (0)2 788 3971

**Frankfurt**

Skyper Villa  
Taunusanlage 1  
60329 Frankfurt am Mai  
Germany

Tel: +49 (0)69 5050 60 590

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