
Press release

AFME welcomes central banks' call for fair ABS rules

11 April 2014

The Association for Financial Markets in Europe (AFME) welcomes the joint paper on reviving securitisation by the European Central Bank (ECB) and the Bank of England (BoE), published today.

The paper says that concerted action, involving a range of policymakers and regulators, is needed to increase issuance of asset-backed securities (ABS). AFME has long argued that securitisation has the potential to unlock the funding needed for Europe's economic recovery. This joint paper outlines the practical steps needed to revive Europe's securitisation market.

"Although policymakers at a senior level have been saying encouraging words about the economic benefits that Europe's securitisation sector can bring, it is clear that time is running out for the positive regulatory signals needed on Liquidity Coverage Ratio and Solvency II. Europe risks sending mixed signals to the market," commented Simon Lewis, AFME's Chief Executive.

Actions needed

AFME believes that the following measures are needed to boost securitisation in Europe:

- Recalibration of risk-weightings for European high-quality ABS;
- Lower capital charges for insurers holding asset-backed securities (ABS) under the Solvency II proposals, which are calibrated to levels sufficient to attract actual investment by insurers compared to other instruments of comparable quality;
- Greater co-ordination between regulators within Europe and internationally;
- A level playing field for securitisation – e.g. disclosure requirements – compared to other forms of fixed income instruments;
- Inclusion of a wider range of high-quality securitisations as high-quality liquid assets (HQLA) in the Liquidity Capital Ratio (LCR) – not just RMBS, but also securitisations backed by "real economy" assets, including credit cards, consumer loans, SME, auto loans and certain other high quality assets.

-ENDS-

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Notes:

1. 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 as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, www.afme.eu
2. The joint paper from the Bank of England and the European Central Bank can be found at: <http://www.bankofengland.co.uk/publications/Pages/news/2014/070.aspx>
3. Follow us on Twitter @news_from_afme

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