
Press release

AFME comments on Commission's SBBS proposal

24 May 2018

Commenting on the European Commission's proposals for Sovereign Bond-Backed Securities (SBBS), announced today, **Victoria Webster, Director of Fixed Income at AFME**, said:

"AFME supports continuing discussion regarding the creation of a European "safe asset". At the same time, we believe that a number of essential criteria to successfully develop a market for SBBS have not yet been met. In order for such instruments to be workable, more analysis by a variety of market participants is needed.

"We therefore encourage EU legislators to consider further consultations with Debt Management Offices, Primary Dealers and investors before deciding to progress this initiative further."

In particular, some elements that would need to be taken into account are

- (i) demand, as investors can already build portfolios replicating what would be the underlying portfolios of SBBS, with the ability to shift risk more easily than if they were holding tranches of SBBS, and
- (ii) its structure, as the fixed blend of national bonds and the high contagion risks between the bloc's countries without risk-sharing measures are likely, therefore trust in SBBS will be lowest when they are most needed in times of crisis.

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About AFME:

AFME (Association for Financial Markets in Europe) advocates for deep and integrated European capital markets which serve the needs of companies and investors, supporting economic growth and benefiting society. AFME is the voice of all Europe's wholesale financial markets, providing expertise across a broad range of regulatory and capital markets issues. AFME aims to act as a bridge between market participants and policy makers across Europe, drawing on its strong and long-standing relationships, its technical knowledge and fact-based work. 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. Follow us on Twitter @AFME_EU