Global ABS 2016

Richard Hopkin's introductory remarks for Global ABS 2016

Barcelona, 14 June 2016

Thank you, Jade. It is a real pleasure to work with you and your colleagues at IMN.

As Europe's leading trade association in securitisation, all of us at AFME are greatly encouraged to see over three thousand of you here, supporting this event.

Why do you do come?

You come because this market matters to you and your firms. Securitisation is a business and like all businesses it would not survive if it did not add value to the real economy. It does this:

- by providing funding that otherwise would not exist;
- by providing risk transfer to enable our banks to recycle capital and lend more; and
- by providing issuing and investment opportunities to broaden and deepen our capital markets.

So thank you in particular:

- to AFME's leadership;
- to all our members - especially those most engaged with our work and specifically law firms Clifford Chance, Allen & Overy and Mayer Brown without whom we would get a lot less done;
- to our generous sponsors and contributors to our programme; and
- to all my colleagues at AFME for helping make this event happen.

A year ago we were all talking about "qualifying securitisation", lamenting the Basel and Solvency II capital rules, and waiting with interest to hear more details of Commissioner Jonathan Hill's plans for Capital Markets Union, and the role of securitisation within that. How much progress has been made?

The answer is quite a lot.

Indeed, I would go so far as to say that we have won the policy argument. After many years of being shunned because of our industry's association with the US sub-prime mortgage crisis, securitisation is now seen by nearly all policymakers and regulators as part of the solution.

Not part of the problem.

This is a major shift, and we should not underestimate its significance. I can assure you that making progress is much easier when you share a set of goals with the European Commission and the European Council. Rather than opposing them.

I am sure you are all frequent flyers. If we were on a plane together I would say we have a strong tail wind. I look forward to hearing more from our first keynote speaker Almoro Rubin de Cervin of the Commission who will address us shortly.

Having said that, there is turbulence ahead. And while we can say we have won the policy argument, we still have a lot of work to do on the political front.

I am sure you will all have seen last week's draft proposals from the European Parliament. Many MEPs do not believe that reviving securitisation is a good idea.

Particular concerns include proposals for 20% risk retention, restrictions on what kinds of firms can issue and invest, and poorly calibrated additional disclosure obligations - including investor name give-up.

This is all very frustrating, especially when, to take just one example, the existing 5% risk retention requirement was extensively debated in 2008/9, and has been reviewed several times since by the European Banking Authority. Who found no reason to make any changes.

Why propose such an increase for a market that is performing? Dr Paul Tang, the MEP leading the STS proposals through the Parliament, will be here on Thursday so we will have a chance to ask him ourselves.

So what should we do to navigate through this turbulent political flight path?

First, we should stay calm: this kind of debate is not unusual in European law-making.

Second, we should base our arguments on the evidence. There is simply no evidence that Europe needs 20% risk retention, or investor name give up, or poorly calibrated disclosure that investors neither need nor want and which risks customer and commercial confidentiality. Last night, at the Public Hearing in Brussels on the STS proposals, I was encouraged that Commissioner Jonathan Hill made that very point.

"I have a touching faith in the power of evidence and reason," he said. "We need to make a sensible argument why 5 percent is a realistic and well-based percentage."

Third, as much as we can, we should speak with one voice. To that end I was pleased that earlier this year AFME was able to agree joint positions with key buy side associations such as EFAMA and Insurance Europe, as well as other associations and bodies such as PCS, the Dutch Securitisation Association, the ICMA and many others. This is a powerful and broadly based coalition.

Fourth and last we should stay positive. I know it is not easy. It is a long hard slog. And every month that passes sees more people and firms leave our market, with severe consequences in terms of loss of institutional and intellectual capital. We are running out of fuel.

But we have come this far.

We are at 30,000 feet and about to begin our final approach.

We can see our final destination, through the turbulence.

What we need now are strong nerves, clear vision and a firm hand on the controls.

With your help, and the navigational support of all the Commission, the Council, the ECB and many other policymakers, I am sure we will land safely.

When we do, we will refuel and take off again, so that our market will once more deliver funding for Europe's consumers and businesses, help restore growth in Europe, and strengthen our capital markets.

Richard Hopkin is Head of Fixed Income at AFME.