AFME & IMN Global ABS 2017

Opening remarks by Simon Lewis, CEO, Association for Financial Markets in Europe

Ladies and Gentlemen.

It gives me great pleasure to welcome you all here today on behalf of the Association for Financial Markets in Europe, AFME, and our partners Information Management Network.

It is great to see so many delegates here once again this year. You do not need me to tell you that the European securitisation market has faced difficult challenges in recent years. Yet with over 3,000 registered delegates, including 1,300 issuers and investors, and over 100 sponsors it is clear that this is a gathering that all securitisation professionals value highly.

I hope you will all enjoy, and benefit from, the quality of our keynote and panel discussions, the warm and sunny location and the first-class networking opportunities that Global ABS provides.

I’d like to take this opportunity to thank all our speakers and panellists for their contributions, in particular our keynote speakers Daniel Hannan MEP, Stephanie Flanders, Greg Medcraft and Andrew Lilico. Thank you also to our partners IMN for their longstanding and productive partnership with AFME, and to John Orchard for being here to open the event formally with me.

It is nearly ten years since the financial crisis and the subsequent period when European securitisation was still very much regarded as “guilty by association”, tarred with the same brush as US sub-prime mortgages and the excesses associated with that boom and bust.

A lot has changed in that period. So now may be an appropriate moment to reflect on how AFME has grown, how our work has contributed to helping regulators and policymakers change their minds about securitisation, and the future outlook.

Over the last six years, we have built out our office in Brussels, staffed by a substantial team of experts in European Union procedure and advocacy such that today it is difficult to imagine that we ever existed without it.

We have, more recently, established an office in Frankfurt, to help serve our members by being closer to the European Central Bank and the Single Supervisory Mechanism.

Overall, our staff numbers have grown to close to 80 across our three offices, and I am pleased to say we have achieved this while at the same time containing costs and maintaining our membership levels. In a competitive market in which our members are subject to the ever-present discipline of achieving more, while spending less, we have sought to achieve the same ambition.

We also have responded flexibly and vigorously to the unexpected challenge of Brexit. These circumstances are unprecedented in their scale and complexity. Representing as we do member firms from not just the EU27 and the UK, but also the US, Switzerland and other "third countries", we take a firmly fact-based and pan-European approach, seeking to act as a bridge for conveying market expertise and insight to Europe's policymakers and regulators. In the new, uncertain, politically charged and highly detail-driven process that is Brexit, we have sought to produce evidence on the challenging issues facing our clients, supervisory authorities and wholesale banks.

I encourage you to read our upcoming publication on Brexit in collaboration with BCG, which gives insights from EU28 SMEs, corporates and investors on the implications of a hard Brexit. It will be published later this month and is the product of interviews with 60 businesses and trade associations across EU28 on the expected impact of a hard Brexit on their finances and operations.

Turning now to securitisation, it is easy to forget how negatively this market was viewed just a few short years ago. "Toxic" was a word frequently used of all securitisation products - despite the strong credit and price performance of most European securitisations through and since the financial crisis.

Yet today the policy argument has largely been won. Securitisation is now seen by most policymakers in Europe as part of the solution, not part of the problem.

This new approach is exemplified by the European Commission's proposals for "simple transparent and standardised" securitisation. After long discussions lasting more than 18 months, these proposals reached political agreement last week. Whilst the package is unlikely to meet every single industry concern, we believe it represents a necessary and, we hope, workable compromise and present a good foundation for moving forward with important secondary legislation. No doubt the details of the package will be the subject of much debate over the next three days.

AFME has represented its members in this journey on many fronts.

We have continued to engage constructively with regulators.

We have ensured the industry's voice is heard, and the impact of proposed change is taken into account.

We have spoken up for the industry in the media and at events such as this conference, to demonstrate very visibly the commitment of our members to building a stronger securitisation market in Europe.

We have stayed calm, stuck to the evidence and spoken as much as we can with one voice; agreeing joint positions with key buy side associations such as EFAMA and Insurance Europe, as well as other associations such as the Dutch Securitisation Association and ICMA.

I would like to thank my colleagues Richard Hopkin and Anna Bak for all they have done in this process. Richard has been a key influencer in this industry for many years. His depth of experience, wealth of knowledge and consistent professionalism are of huge value to AFME and our members. I would also like to thank members of AFME's Securitisation Board for their commitment, including the current chair Lynn Maxwell of HSBC from whom you will hear shortly.

As we approach the conclusion of the legislative process for STS our focus must now turn to implementation.

The STS framework has always been a means to an end. The objective is regulatory treatment that better reflects the strong performance of European securitization, particularly for capital and liquidity requirements.

This means that not just the STS framework but also the supporting Level II regulations need to be implemented in a co-ordinated, simultaneous and holistic way. To adopt a piecemeal approach would risk a damaging down-draught on issuance as (for example) higher capital requirements for bank investors would take effect before lower capital requirements for insurers are introduced.

We hear that 1st July 2018 is being penciled in as the implementation date for the new STS framework. While tight, this could be workable. The key concern is that the timetable allows enough time for the important secondary legislative work to be completed.

So in conclusion, there remains much work to do. With your support I am confident we will succeed in achieving a coherent, fact-based and ultimately successful conclusion to the STS discussions. An achievable - if challenging - timetable for implementation, and a satisfactory outcome to Level II regulation, will help ensure the successful launch of the new STS framework and the revival of the wider European securitisation market.

I wish you an enjoyable, informative and fruitful conference here in Barcelona.

I'd now like to hand over to John Orchard, Managing Director, Banking Capital Markets Group at Euromoney Institutional Investor PLC.

Thank you.