

AMUNDI'S ANSWER TO BCBS-IOSCO CONSULTATION ON Criteria for identifying simple, transparent and comparable securitisations (February 13, 2015)

Amundi is a major asset manager ranking first in Europe and in the Top 10 worldwide in the industry with AUM of close to €850 billion worldwide. Located at the heart of the main investment regions in 30 countries, Amundi offers a comprehensive range of products covering all asset classes and major currencies. Amundi has developed savings solutions to meet the needs of more than 100 million retail clients worldwide and designs innovative, high-performing products for institutional clients which are tailored specifically to their requirements and risk profile.

Question 1:

Amundi contributes to funding the economy by orienting savings towards company development. It sees securitization as a proper way to develop an alternative to banking intermediation in order to finance the economy. Amundi is both an active investor in securitisations and a manager of securitisation vehicles, such as "Organismes de titrisation" under French law. Our institutional clients are highly concerned that securitization vehicles might be severely penalized when compared to direct holding of bonds or loans in prudential terms under Solvency 2. As asset manager we experience difficulties in convincing the European legislator that securitization of limited average life should be eligible in Money Market Funds. These two examples show that there is a clear necessity to identify trustworthy securitisation and separate it from low quality high risk vehicles.

Amundi, therefore, supports the BCBS / IOSCO initiative to open to consultation their work on simple transparent and comparable securitisations. It is, together with the credit quality of the securitised assets, an essential issue in order to identify quality or high quality transactions. Very sensitive to this issue, Amundi joined PCS which provides a label for securitisations that meet a certain number of objective characteristics. We consider that this is a first step on the road that should lead market participants to renew their confidence in that type of deals. We agree that the proposed criteria are relevant to identify simple, transparent and comparable securitisations.

Question 2 :

We limit our comments on those topics we feel we are legitimate to express a view based on our experience. We will follow the same order of presentation as in the annex of the consultative document where 14 criteria are listed under 3 headings.

- Asset risk :

Amundi supports the concern to offer homogeneous credit claims or receivables, with a relevant performance history, all non-defaulting or showing signs of default, originated with constant standards, truly sold in bulk to the vehicle and without cherry picking and offering data on the underlying loans regularly updated.

On these first 6 criteria, we would like to make three comments.

Criterion 4, consistency of underwriting cannot easily be evidenced ex ante and we think that it should be linked with the requirement for alignment of interests of every participant in the chain: salesman offering credit, credit institution granting the loan, investment bank originating the securitisation,...and end investor. Each participant should keep a share of the risk or submit its remuneration to a claw-back till the end and full repayment of the loan. Otherwise the criterion will be only declarative and difficult to challenge in a litigation.

We agree that criterion 5 will not be met if the transfer of risk is done through a derivative and not through a true sale. However, we consider that non simple securitisations based on derivatives can also be useful in some circumstances and should not be stigmatised per se.

On the initial information provided to the investors under criterion 6, we notice that the review undertaken by the asset management company that sets up and manages the securitisation vehicle under French law is adequate. The asset manager is an appropriate third party independent from the originator able to review the conformity with the eligibility requirements.

- Structural risk :

The following 6 criteria deal with the structure of the securitization. The avoidance of refinancing risk, the hedging of currency and interest risks as well as the payment priorities do not raise questions on our side. We agree that they are important factors to take into consideration and that they must be carefully analysed. We also agree with the fact that voting rights should be, in the best interests of the holders, transferred to senior note holders as is the common practice nowadays.

Under French law, the asset manager will undertake a complete review of the documentation, usually helped by its own, in house or external, counsel. We want to clarify that this represents a review and verification by an “appropriately experienced and independent legal practice” as stated in § 11. The asset manager acts on behalf of the investors and not the originator.

The necessity for participants to the deal to retain “a material net economic exposure” and show a “financial incentive in the performance” of the securitised asset must apply to all the actors in the chain that has led from the initial debtor to the end investor. The level of materiality should be further defined as suggested in § 5.

- Fiduciary and servicer risk :

The experience of the servicer and the ability of trustees to deal with conflicts between different classes of note holders are of paramount importance. It is understood that in the French legal

system the existence of an asset manager fully aware of its fiduciary duty and strictly regulated and supervised helps meeting this criterion. The management company is an AIFM duly authorized and subject to organizational requirements.

We think that in terms of transparency to investors the French requirement that accounts of the securitization vehicle be audited independently does contribute to investors protection. We, hence, suggest that it be required as an element of criterion 14.

Question 3:

Running 150 billion of Money Market Funds, Amundi is very concerned that short term securitisations and ABCPs be attentively considered by the regulators. On one hand we expect those types of securitisations to be assets eligible in the MMFs portfolios and on the other hand we are keen to see official bodies work on the definition of specific criteria that would help identifying those ABCPs that MMFs could hold.

Question 4:

With reference to standardisation of both initial documentation and regular information, Amundi supports the suggestion to increase it and offer a common language at least at the national level. We believe that PCS is encouraging this trend at an international level and we support its work. For loan data, we consider that they are much more useful if offered on a standard electronic format that can easily be worked upon. The stability of the format is of prime importance and this could be the first requirement before thinking of defining the fields of a standard...which might prove a difficult task due to the diversity of transactions.

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