

AMUNDI'S ANSWER TO THE BCBS CONSULTATION ON
CAPITAL TREATMENT FOR
"SIMPLE, TRANSPARENT AND COMPARABLE" SECURITISATIONS

(February 5th, 2016)

Amundi is the leading European Asset manager : with more than 950 billion € under management, it ranks among the top ten in the world. It is a listed company since November 2015 and it serves a diversified range of clients, retail and institutional, through its presence in more than 30 countries.

In answering this consultation paper Amundi intends to highlight those points where she, as an end client representing the buy side, has specific views. We do not feel like to answer all the questions raised in the document and will focus on what is important from our standpoint.

Basically, Amundi believes that:

- The benefit of securitization to finance the economy is unquestionable;
- The current weightings and capital requirements for securitisations in the banking (Basel rules) and insurance (Solvency 2) prudential regulations are over-restrictive and penalizing;
- Consistence, convergence and harmonization of the approach towards securitisations on both prudential frameworks should prevail;
- The route towards a better calibration for simple, transparent and comparable securitisations has to rapidly bring concrete results to fix a stable framework that will allow investors to envision investing with serenity.

When reading the Consultation Paper, Amundi gets the impression that on one hand the idea to build on the preceding work on STC or SST (Simple Standardised and Transparent) securitisations is appropriate and on the other hand that the result as proposed is not convincing.

- (1) We do not agree with the fact to add supplementary requirements for STC securitisations to be eligible to an adequate regulatory prudential framework. We think that the existence of 2 categories of Securitizations, STC and non-STC, is sufficient and that there is **no relevance in splitting further between Standard-STC and capital-ratio-eligible-STC** securitisations. The standard STC label would simply be useless and bring confusion far from helping promoters or investors. The architecture of the different types of securitisations in the regulations will not be legible if there is an accumulation of subcategories without any practical impact.

We are disappointed that BCBS wants to go further than the BCBS-IOSCO principles when defining STC securitisations. It looks like gold-plating on international standards to the detriment of the countries that strictly apply the Basel rules. Practically, when looking at the details, there is not much to modify to have a single STC definition if we include most of the clarifications suggested in the consultation paper as comments and interpretations of the IOSCO BSBC criteria.

- (2) We agree with the acknowledgement in footnote 5 page 3 that short term securitisations can be STC despite the fact that **ABCP** are not yet considered as eligible to this label. We do hope, as mentioned page 3, that further investigations will lead to the conclusion that the structure of many ABCPs should enable them to benefit from the STC designation and, because of their low level of risk, of a more favorable capital requirement.
- (3) In our experience, once introduced in a specific area of regulation a definition tends to be referred to in other areas. We fear that it might occur with STC securitisations. For example, regulators could think of limiting the access of UCITS to securitisations to STC instruments, or introducing specific ratios for non STC ones. Hence, we are very concerned both by the restrictive approach taken when requiring supplementary conditions for the definition of STC securitisations for regulatory capital purposes and the exclusion of ABCPs from the scope.
- (4) About the question of “determining compliance”, Amundi suggests that the **option should be kept open for the originator either to self-assess the STC criteria or to ask a third party to make it**. In some instances investors, especially retail, will prefer a third party to make the designation. In other instances, investors taking a large stake of the deal will favour a direct contact with the originator/promoter to check the compliance on each criterion. They would in that instance prefer not to bear the cost of an external audit.

In any case investors conduct diligences before investing and they include the validation of some of the criteria. We believe that it is important that investors could rely on labels such as PCS and declarations made by the promoter for criteria, especially where it depends on the internal organization and procedures or the selection of servicers the promoter contracted with. Investors are not in a situation to inquire on the details of contractual terms.

We furthermore agree that a certification by an Authority would be, if helpful and easy for stakeholders to refer to, counterproductive: costly and possibly misleading.

- (5) With regard to additional guidance provided in annex 1, Amundi finds it helpful to illustrate what could represent relevant items. We believe that it should be included in the common corpus of IOSCO BCBS criteria.

About asset risk, we agree with the list of criteria that explain how homogeneity could be addressed. We regret that “exotic derivatives” are not better defined but are happy that the proposed mention clarifies an important point.

When considering payment status, we agree that a clarification on credit impaired borrowers is helpful. We nevertheless find it not very effective to refer to “credit score

indicating a significant risk of default". A precision indicating that it does not put a limit to Investment Grade ratings only should be added.

The clarification on what is meant by "initial offering" under B11 is welcomed. Amundi also agrees with the other two guidances on C13 for third party review and C14 about "income and disbursements".

We eventually wonder why BCBS did not **introduce a guidance under B12** to illustrate what types of structures and/or percentage of retention would constitute, in one situation but not as a general rule, a "financial incentive" that aligns interests.

- (6) Out of the 4 new requirements suggested under the existing 14 criteria, Amundi totally agrees with the last 3: consistency of origination procedures under A4, legal opinion under A5 and appropriate mitigation under B8. We believe that this last one would be more appropriately considered as a guidance than a requirement as it is a clarification on a definition without any specific direct obligation. From a practical as well as an intellectual point of view, we do not share the introduction of a requirement for experience under A2. Experience is not a proxy for competence and experience is opposite to innovation which has to be encouraged for its positive economic results. **We suggest to delete this requirement for experience, page 14.**

- (7) Turning to the new criteria D15 to D17, Amundi is happy with the last two and considers that they could be introduced as an interpretation of existing IOSCO BCBS criteria.

D17's rationale is a clear reference to the alignment of interest (B12) and the incentive for different parties, originator and servicer, to make sure that the securitization is a global success.

The clear definition of granularity under D16 is helpful and simple to apply. It could be seen as an addition to granular pools as mentioned in principle A6.

D15 should not in our view be considered as a criterion for the designation of STC securitisations. It is a preliminary to apply the modified capital requirement under banking regulation. **It should be part of annex 2 calculations** in our view. It is important to have a unique definition of STC instruments that applies transversally and does not cross refer to Banking regulation. We do not agree with the idea to have STC and STC for regulatory capital purposes as separate categories.

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