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FRENCH BANKING FEDERATION RESPONSE TO BCBS AND IOSCO ON d414 **CONSULTATIVE DOCUMENT**

Criteria for identifying simple, transparent and comparable short-term **securitisations**

I- General comments

The French Banking Federation (FBF) represents the interests of the banking industry in France. Its membership is composed of all credit institutions authorised as banks and doing business in France, i.e. more than 390 commercial, cooperative and mutual banks. FBF member banks have more than 38,000 permanent branches in France. They employ 370,000 people in France and around the world, and service 48 million customers.

The FBF welcomes the opportunity to share its comments on the BCBS's and IOSCO's consultative document on the criteria for identifying simple, transparent and comparable short-term securitisations.

The FBF reiterates its support to a stable and resilient global financial system, while facilitating economic growth. To this end, we welcome the fact that BCBS and IOSCO recognize the useful role of ABCP conduits in funding the economy. The simple, transparent and comparable securitisations criteria will help the development of ABCP structures and will benefit the economy.

Please find below our main comments and our detailed feedback to the BCBS consultative document.

General questions

Q1. Do respondents agree with the short-term STC criteria set out in the Annex? In particular, are the criteria clear enough to allow for the development of STC short-term securitisations by the financial industry?

Criterion A2 (asset performance history): The asset performance history of 5 years for retail exposures and 7 years for non-retail exposures is too long and would be difficult to obtain (eg due to recent portfolio or change in the recent years of the IT system / data base). We suggest a period 5 years, except for trade receivables and other short term receivables for which the historical period shall be of three years.

Criterion B14. As ABCP are often used to finance consumer loans, auto loans and auto leases, that can have maturities above 3 years, we believe the cap on the weighted average maturity of assets

should be at 3 years or longer. A cap below 3 years would be problematic for the securitisations of these asset classes.

Criterion B10: extension options at the hand of the investors (ie exercisable by the investors) should be authorized.

Criterion B11: The requirement that the sponsor must ensure that “all voting and enforcement rights related to the credit claims or receivables are, if applicable: [i] transferred to the conduit; and [ii] clearly defined under all circumstances” would be difficult to achieve in practice. Wording has to be adjusted to take into account that rights in relation to underlying assets may be transferred to intermediate asset purchasing companies rather than the ABCP issuing entity. Indeed in ABCP transactions, it is customary to have the sellers transfer the assets to SPVs and then this SPV issues notes or undivided interests that are purchased by ABCP conduits.

Q2. Which additional criteria would respondents consider necessary, if any, and what additional provisions would be useful or necessary to support the use of the short-term STC criteria? Are there particular criteria that could hinder the development of sustainable securitisation markets due, for example, to the cost of their implementation?

No comment.

Q3. Do respondents find the split of short-term STC criteria between conduit level and transaction level appropriate? And if not, which criterion does not appear appropriate?

We support the approach where a bank’s exposure at the transaction level is STC if all transaction level criteria for this particular transaction are met.

We do not support the alternative approach where if one transaction does not comply with the STC criteria, none of the transaction-level exposures in the conduit qualify as STC. From the sponsor’s point of view, this does not seem justified. And as the BCBS consultation correctly points out, with this approach, if there were one non-compliant transaction in the conduit, the sponsor would lose all incentive to produce STC compliant transactions.

Q4. Do respondents agree that the right balance has been achieved in the short-term STC criteria between the level of transparency needed by investors exposed to commercial paper issued by STC ABCP conduits and the need to protect the “private” nature of the underlying transactions financed by such STC ABCP conduits?

No comment.

Specific questions

Terms and definitions

Q5. Do respondents agree with the proposed definitions in the Annex, in particular for “transactions”?

Are there any other key terms that need to be defined?

Definition of Seller (see below) is not accurate because a Seller usually transfer its assets to intermediate entities that issues notes that are purchased by the ABCP conduit. There is no direct sale of assets from the seller to the conduit.

In this respect Graph 1 page 3 - 'Schematic illustration of an ABCP conduit structure' is not accurate also as there is no direct transfer from Sellers to ABCP conduits.

Seller A party that (i) concluded (in its capacity as original lender) the original agreement that created the obligations or potential obligations (under a credit claim or a receivable) of an obligor, and (ii) transferred those assets through a transaction to the ABCP conduit.

Criterion: A. Asset risk – 1. Nature of assets

Q6. Do respondents agree with the way the criterion deals with re-securitisation concerns?

We have no objection to this criterion.

Criterion: B. Structural risk – 7. Full support

Q7. Do respondents agree that STC short-term securitisations should be fully supported and that the criterion related to such support is appropriate?

We have no objection to the criteria that STC short-term securitisations should be fully supported. However, since investors benefit from full credit and liquidity support, we believe the constraints regarding fiduciary and contractual obligations (criterion C16) could be loosened.

Criterion: B. Structural risk – 10. Payment priorities and observability

Q8. Do respondents agree that the level of transparency to be provided via disclosure regarding payment priorities and observability is appropriate? Do respondents believe that additional disclosure is needed (eg breach of triggers)? If so, please specify the disclosure.

We suggest following amendment: "The commercial paper issued by the ABCP programme should not include extension options exercisable by the issuer". Indeed extension option exercisable by the investor should be authorised as they are equivalent to subscribing a new ABCP.

Criterion: B. Structural risk – 14. Cap on maturity transformation

Q9. Do respondents agree that the proposed methodology to calculate the average maturity of the transactions funded by the ABCP conduit is appropriate? Do respondents agree that the limit on maturity transformation should be set at a value between one and three years?

We believe the limit on the WAL should be 3 years or longer, so it does not create an impediment for consumer loan, auto loan and auto lease securitisation programmes.

More generally, we question the need for a cap on maturity transformation, as transformation risk is managed by the sponsor banks providing the liquidity lines to the conduits as part of their specific and own Asset Liability Management and regulatory liquidity ratios.

Criterion: C. Fiduciary and servicer risk – 16. Fiduciary and contractual responsibilities

Q10. Do respondents agree that the fiduciary and contractual responsibilities of the sponsor and other parties are adequately defined? Is the level of transparency and disclosure about these

responsibilities (representations and warranties, procedures, policies etc) to be provided to investors sufficient?

Since investors benefit from full credit and liquidity support from the sponsor bank, we believe the constraints regarding fiduciary and contractual obligations (criterion C16) could be loosened. As an example, we do not understand the rationale to provide investors a summary of waterfall for each transaction funded in the conduit. It is a very burdensome request as some multiseller conduits are funding more than 100 transactions for the bank clients. ABCP conduits are providing monthly investors reports to investors which already give them enough data on the underlying assets.