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UniCredit reply to the BCBS consultation on “Capital treatment for simple, transparent and comparable securitisations”

Introduction

UniCredit has closely followed the work undertaken during the last two years by the Basel Committee on Banking Supervision (BCBS) to review the securitisation framework and has provided its input on the public BCBS consultations of March 2013, March 2014 and December 2014. These led to the release by the BCBS and IOSCO last July 2015 of the “Criteria for or identifying simple, transparent and comparable securitisations”. UniCredit has been following the work undertaken on Simple, Transparent and Standardised STS securitisation by the European competent authorities (European Commission, Council of the EU, European Central Bank and European Banking Authority) to define regulatory, supervisory and operational frameworks for qualifying securitisations.

It is also worth noting that UniCredit has been leading and supporting the Prime Collateralised Securities (PCS) initiative since inception as well as being involved in the European Data Warehouse project, supported by the ECB. The PCS label has *de facto* introduced with increasing market acceptance a qualifying securitisation framework towards best market standards, that has facilitated the debate in EU on the framework for Simple, Transparent and Standardised securitisations and the related capital treatment.

Main Highlights

UniCredit appreciates the initiative undertaken by the BCBS and IOSCO to introduce a differentiated capital framework for simple, transparent and comparable (STC) securitisations. However, **we are concerned about the limited scope of eligible STC, the still relatively high capital requirements proposed for STC specifically, and more in general for securitisations.** In fact, despite some improvements envisaged in the levels of capital attributable to STC exposures, compared to the Revisions to the Securitisation Framework (December 2014), UniCredit continues to contend that capital requirement levels proposed by the Basel Committee are still penalizing for securitisation exposures, particularly considering historical default rates of securitisations, at least for what concerns the European markets.

In our view, the proposed BCBS/IOSCO framework remains, therefore, likely to hamper the economic viability and effectiveness of European securitisation with potential detrimental effects on lending to the real economy. On the other hand, **UniCredit notes with favor the reduction of the capital requirements foreseen for the Simple Transparent and Standardised securitisations** as proposed by the EU Commission and the Council of EU on 30 September and 30 November 2015 respectively.

Against this background, UniCredit would invite the BCBS and IOSCO to consider the following:

- to propose a **less penalizing capital requirements** framework for STC securitisations and;
- **not to exclude a priori asset backed commercial papers (ABCPs) and synthetic securitisations** from the framework for simple, transparent and comparable securitisations.

With reference to the specific regulatory treatment for STC securitisations, UniCredit suggests the following:

- the **risk weight floor** for senior securitisations should be lowered at least to 10% versus the current range proposed by BCBS/IOSCO between 10% and 12%;

- as for the formula-based approaches, namely **SEC-IRBA and SEC-SA**, UniCredit would suggest a rescaling of the p-parameter by a factor of 0.5 as currently incorporated in the European proposal rather than the range proposed by BCBS/IOSCO between 0.6 and 0.8. UniCredit sees no rationale for the higher stated range within the BCBS/IOSCO proposal.
- a rescaling of the risk weights for the External Ratings-Based Approach (**SEC-ERBA**) to conform to the above-mentioned p-parameter of 0.5 with risk weights that achieve an impact similar to the rescaling of the p-parameter in the formula-based approaches.
- the prominent role given to the SEC-IRBA is appreciated. However, the **possibility to use the IRBA** could be enhanced also for those assets which are well-performing but lack required data (e.g. legacy assets issued at a time when data requirements were different compared to current standards). At present, at least 95% of data must be available in order for a bank to apply the IRBA. UniCredit, therefore, suggests the introduction of a waiver/review process for these types of assets and especially for granular pools, instead of switching to the more penalising Standardised Approach. The recourse to a Standardised Approach, in fact, is likely to particularly penalize SMEs and retail lending.

Answers to specific questions

Question 1: Do respondents agree with the rationale for introducing STC criteria into the capital framework? Are there any other aspects that the Committee should consider before introducing STC criteria into the capital framework that are not already reflected in the rationale above?

Answer 1

UniCredit agrees with the rationale for introducing STC criteria into the capital framework but deems it would be appropriate to include into the scope other asset categories such as some well-designed synthetic securitisations (see Annex 1) and Asset Backed Commercial Paper (ABCPs) (see Annex 2).

As for **synthetic securitisations**, based on UniCredit's experience, such a technique can offer significant added value in the bank management of risk and capital. This is evidenced through the positive experience with the so called "Tranched Cover" technique which represents a simple, transparent and valid tool for risk-sharing and credit risk mitigation (see also Annex 1). UniCredit would therefore invite the BCBS and IOSCO to recognize specific types of synthetic securitisations, including Tranched Cover (TC) transactions, as qualifying for incorporation in the STC framework.

In this regard, the EU Commission, in the context of the proposal for the securitisations' regulatory framework, inserted a provision in article 270 of the Capital Requirements Regulation (CRR) recognizing Tranched Cover (TC) relating to the retained senior tranches of SME loan transactions as deserving a capital prudential treatment equivalent to that foreseen for STS (Simple, Transparent and Standardised) securitisations, provided certain criteria are met. In fact, the EU Commission acknowledges that the overarching objective of the securitisation package is to contribute to generate an adequate flow of funding to support economic growth. The new article 270 in the revised CRR targets in particular those securitisations of SME loans where the credit risk related to the mezzanine tranche (and in some cases the junior tranche) is guaranteed by a restricted list of third parties, including in particular the central government or central bank of a Member State, or counter-guaranteed by one of them.

Although we view favorably the provision inserted in Art 270, we nevertheless deem that it should be further improved by following the approach proposed by the EU Council¹ in its general agreement and by the European

¹ The European in December 2015 reached a General Agreement Council to extend the list of eligible guarantors and include so called "promotional entities", which are public sponsored entities that satisfy predefined criteria.

As for **ABCPs**, UniCredit would invite the BCBS and IOSCO to consider for adoption a framework similar to that proposed by **the EU Commission and the Council of the EU in which eligibility criteria for the ABCPs are introduced** (See Annex 2)

Question 2: Do respondents agree that, for the purpose of alternative capital treatment, additional criteria are required? What are respondents' views regarding the additional criteria presented in Annex 1?

Answer 2

Unicredit views on the additional criteria are the following:

A2. Asset performance history

UniCredit already deploys adequate tools and reports on the characteristic of the pool to be securitised. These reports provide potential investors with detailed pool analysis of the time series' performance, with flexibility in sample selection. In this regard, the proposed STS criterion that requires a fixed time period of 5 years for data on retail exposures and 7 years for non-retail exposures, is a matter of concern. We are committed to provide the investors with performance data through the cycle and enable them to properly perform their due diligence. On the other hand, the proposed STC 5/7 years data requirement may be unduly constraining, especially for those cases where firms lack consistent time series over the required period, due to internal model or organisational changes.

Proposal: UniCredit suggests to adopt a 5 year time limit for all asset classes and a waiver for specific cases, properly explained by the originator, such as changes of internal models.

D15. Credit risk of underlying exposures

UniCredit deems that **this criterion is unnecessary since it is intended to tackle fundamental concerns already addressed in the existing Basel Securitisation Framework**, as implemented in national legislation. In fact, all the RWA calculation approaches already adequately account for the riskiness of the portfolio (via "K_IRB", "K_SA" or the external rating in the "ERBA"). Imposing maximum Standardised Approach risk-weights to portfolio exposures overlays an additional capital treatment to the portfolio while not enhancing simplicity, transparency or comparability. Furthermore it is quite difficult to implement it, especially for true sale transactions. It is understandable that prudential regulation prevents credit risk excesses stemming from the underlying assets during the lending phase, when the securitisation technique is deployed. Nevertheless, regulatory limits should take into consideration the diversified and portfolio nature of the risks resulting from the securitisation technique. It is also recalled that the Italian legislation does not foresee the use of the individual risk weight levels or credit score as an eligibility criteria for asset selection especially to avoid cherry picking, a practice to be discouraged as indicated also in this document.

D16. Granularity of the pool

UniCredit understands the logic of the BCBS proposal to limit the concentration of each obligor in the securitized asset pool, hence to reduce the riskiness of the pool as a whole and to facilitate the investor when performing a

² As requested by the EU Commission, on 18 December 2015 the European Banking Authority (EBA) published a report providing its assessment about the synthetic securitisation market. The EBA calls for some amendments which are fully supported by UniCredit as steps in the right direction:

A) amend the criteria determining eligibility for qualifying regulatory capital treatment in order to clarify that not all STS true-sale eligibility criteria proposed by the Commission are suitable and have to be complied with by synthetic securitisations;

B) introduce the eligibility of fully cash-funded credit protection provided by private investors, which further extends the list of eligible guarantors, subject to strong safeguards such as the cash collateral.

creditworthiness statistical analysis.

The threshold of 1% seems reasonable and our bank already applied this criteria on granular pools in recent securitisation transactions.

Nonetheless, it seems worth remarking that from an investor protection perspective, **securitisations on more concentrated pools can be considered of high quality**. This is the case when the originator grants to investors a maximum level of disclosure on products and borrowers with the higher level of concentration. The investor is therefore provided with the necessary information to perform its analysis on an individual exposure basis. In addition, as noted above in the discussion regarding D15, granularity is a factor which is already incorporated in the Basel Securitisation Framework, as implemented in national legislation, and the resulting capital treatment of transactions. Correspondingly, UniCredit questions the applicability of granularity as a measure of simplicity, transparency and comparability.

In any case, the granularity concept has to be adjusted to reflect the specificity of the underlying asset classes. An adjustment of the granularity concept is considered crucial in order not to hamper the possibility to set-up securitizations on corporate or specialized lending portfolios where the legislator cannot apply a one-size fits all approach. In particular, the limit of 1% seems punitive when applied to pools of Corporate exposures that have been historically structured with higher levels of concentrations. This is even more true when considering that the limit is referring to a group of connected clients.

Proposal: UniCredit suggests, to the extent granularity requirements are included within the STC criteria, to introduce a limit of 5% in term of concentration / global exposures towards a group of connected clients when considering SME, Leasing and Corporate counterparties. The concentration limit of 1% shall be applicable to pools of retails exposures.

Moreover we would encourage the BCBS to consider, as it is for some market standards, the possibility of higher thresholds for the exposures of the top 3, 5 or 10 borrowers, provided maximum individual transparency is ensured.

D17. Relationship between the originator and the servicer of the securitised assets

The BCBS requires that these activities are performed by an entity which is part of the same legal entity or an affiliate of the same group as the originator. Based on our experience, the relevance and applicability of this provision depends on the type of servicing activities and on the nature of the securitisation.

Cases applicable to true-sale securitisations

Under normal conditions, this BCBS requirement is relevant for true-sale securitisations. In this technique, assets are sold by the originator and have therefore to be managed by an external entity, unless this entity belongs to the originators' group. In contrast, for synthetic securitisations, securitised assets remain by construction on the originators' balance sheet. Therefore the collection activities as well as ongoing loan management continue to be performed by the originator and the BCBS requirement is satisfied by definition.

However, it is crucial to signal that **Credit Rating Agencies CRAs impose restrictions** (including links to sovereign ratings) and/or require minimum ratings levels for a Servicer to be eligible. This would imply that **a larger number of Originators (banks) would not be able to provide the SPV with servicing services**. The CRA restriction (including the links to sovereign ratings) would exacerbate the unlevel playing field for some countries, regardless the risks of the underlying assets.

Proposal: There is therefore the need to address these impediments and the excessive reliance on the CRAs. **UniCredit suggests** to introduce a carve out for those cases where the Originator cannot be appointed as Servicer because of the CRAs restrictions.

Cases applicable to true-sale and synthetic securitisations

There are some servicing activities which are applicable for both true-sale and synthetic securitisations. These are so called work-out activities in the event of originator's default, which can be carried out by an external specialized credit management company. This is also the case for UniCredit which, for exposures below a certain

nominal amount, decided to entrust an external company with the work-out management activities .

UniCredit, based on the experience with both internal and external services, disagrees with the BCBS proposed requirement of not relying with external services. In our experience, this is proving a more efficient and an effective incentivizing framework. The BCBS pays correct attention to the objective of a stable and close relationship between originator and servicer. This is assumed to be achieved by definition in case the two are the same entity/have same parent entity. In UniCredit experience, these objectives can be effectively achieved also with an external servicer by means of a proper governance and multi-year service level agreement which ties together the two entities and governs their relationship.

UniCredit would also contend that existing retention requirements ensure an alignment of interest between investors and originators. Therefore, D17 appears unnecessary and inconsistent with the rationale of existing retention rules.

Proposal: We would encourage the BCBS not to exclude the possibility for the originator to rely on an external servicer, especially for work-out activities.

Question 3: What are respondents' views on the compliance mechanism and the supervision of compliance presented in this consultative document?

Answer 3

UniCredit understands that the BCBS and IOSCO suggest to have both originator/sponsor and investors determine compliance for STC qualification purposes.

In contrast, UniCredit is of the view that the originator/sponsor should be in a position to **EITHER self-certify the compliance with the STC criteria OR revert to an independent third-party**, which is authorised and regulated by the competent authority. **This is also the position proposed by the Council of the EU** (ref. proposed amendments to articles 14 and 14a in relation to the Proposal for a EU Regulation “**laying down common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation**” (hereinafter the “STS Proposal”))

Specifically, UniCredit would suggest the BCBS and IOSCO to:

- ensure that the inclusion of a **regulated independent third party** is not ruled out. The BCBS / IOSCO could define eligibility criteria for third parties along the same lines as the Council of the EU;
- define a mechanism to **regularly review the eligibility criteria** for STC securitisations and adapt them more flexibly in order to ensure an effective and efficient compliance mechanism;
- create an easily accessible web-based **centralised information point** detailing relevant information on STC compliant securitisations.
- **monitor** the interpretation, guidelines and implementation of the STC eligibility criteria among the different constituencies;
- liaise with the industry participants of the Prime Collateralised Securities (PCS) Association which in EU offers a platform for a structured dialogue between the industry and some authorities to share users' experience and best market practices. PCS could also help in the implementation of proper forms of certification for qualifying securitisations by private and independent third parties.

Question 4: What are respondents' views on the alternative capital requirements for STC securitisation presented in this consultative document?

UniCredit deems that the proposed capital framework moves towards the right direction but it is not yet sufficient to effectively incentivise activity and to ensure a smooth functioning of the securitisation market. In particular, **it is regrettable that the BCBS excludes both synthetic securitisations (and consequently Tranché Cover) (see Annex 1 below) as well as ABCPs (see Annex 2 below) from the STC framework.** ABCPs represent a critical mechanism for short-term financing of corporations and

financial institutions while synthetic securitisations are a critically important tool for banks to manage risk and, therefore, to ultimately perform their primary function of financing the real economy.

Furthermore, UniCredit performed a **simplified economic analysis (see Annex 3) of the impact of the new STS framework in EU and the STC framework proposed by the BCBS and IOSCO**. The main highlights are the following:

- the new BCBS approach proposed for STC is penalising in comparison to the current prudential treatment (senior notes floor proposed at [10-12%] versus current floor of 7% as per Basel III); according to the EU proposed framework, senior note floor is set at 10%;
- “non STC” securitisations remain highly penalised: senior notes floor set at 15%, as in Basel 2014 framework and in the EU Commission proposal for non STS;
- The new framework proposed by the BCBS (STC and non STC) is penalising those structures characterised by replenishment more than those involving static portfolios.

In addition, UniCredit has some **concerns in relation to the applicability of one of the approach used to measure tranche maturity**, that is one of the key parameter to calculate capital requirements.

Specifically according to paragraph 22 of the December 2014 Basel agreement, for risk-based capital purposes, “*tranche maturity (MT) is the tranche’s remaining effective maturity in years and can be measured at the bank’s discretion in either of the following manners:*

(a) as the weighted-average maturity of the contractual cash flows of the tranche, or [...]

(b) on the basis of final legal maturity of the tranche.

In all cases, MT will have a floor of one year and a cap of five years”.

According to the BCBS agreement, condition (a) requires that “*The contractual payments must be unconditional and must not be dependent on the actual performance of the securitised assets. If such unconditional contractual payment dates are not available, the final legal maturity shall be used.*”

In our opinion, option (a) is based on the WAL that is a much more accurate and reliable indicator of the actual duration of the transaction. Hence it is preferable to option (b). However, de facto, in all cases the cash flows depend on the performance of securitised assets according to the securitisation definition. As a consequence option (a) is never applicable.

We suggest to remove the condition of independence of the cash flows with respect to the underlying portfolio. A similar approach to have option a) a viable alternative, is suggested by the European Council to the EU Commission.

Annexes

- Annex 1: Tranching Cover (TC)
- Annex 2: On the inclusion of ABCPs in the STC framework

Annex 1: Tranching Cover (TC)

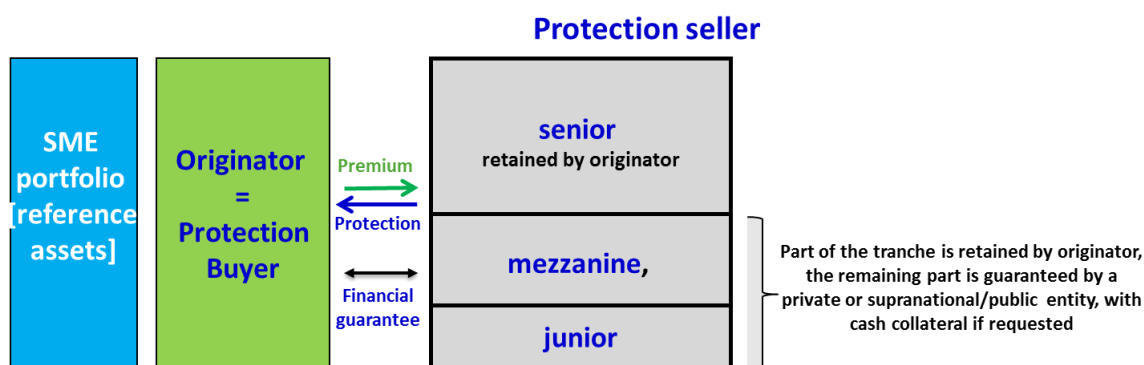
In Tranching Cover (TC), in contrast with other true sale and synthetic securitisations, there is no establishment of any special purpose entity which issues a security. The reference assets remain on the balance sheet of the originator and the risk transfer is achieved through the use of financial guarantees. Part of the **protection is provided by public bodies** or public sponsored entities, or counter-guaranteed by them. Private institutional protection schemes or investors may also participate.

The TC technique can be used to reference both assets existing on the originator's balance sheet or newly originated loans. In this latter case, the public guarantor, whose objective is to promote growth and financing to the real economy, has a valid tool to steer lending as it deems desirable. **Consequently, lending** by the originator bank can be **targeted exclusively to SMEs** with pre-defined eligibility criteria defined by public authorities. In addition, SMEs, thanks to this technique, benefit from a reduced pricing for SMEs in the order of ca 20%/25%.

Similarly to other securitisations there is the **Tranching** mechanism but in TC, the **Tranching** is set-up and **agreed** jointly by the originator bank and the **public guarantor(s)**. The tranching of the reference portfolio is performed using the Supervisory Formula Approach (SFA).

The bank buys protection via a **financial guarantee** and pays a **premium** to the guarantor and/or counter-guarantor. The structure envisages no counterparty risk and 0% risk weight of the bank's exposure to the guarantor (or counter-guarantor) thanks to collateral, in the form of cash provided by the guarantor, or to the creditworthiness of the guarantor itself (e.g. sovereign or supranational entity).

Figure 1 What is a Tranching Cover?



TC can also cover the risk of a new origination portfolio, hence facilitating new securitisations, which, in turn, would provide new lending to the real economy. In the case of new origination portfolio, the underlying loans are granted under certain assumptions (rating distribution, geographical area, sector concentration) pre-agreed between the bank and the "protection provider".

In the new regulatory environment, where capital costs have substantially increased for supervised entities given the additional regulatory requirements, any financial instrument is very "sensitive" to regulatory changes. International financial institutions or standard setters which include or exclude certain forms of synthetic securitisations have therefore the potential of affecting the economic viability and incentives for lenders to deploy new lending and for investors to share aggregated credit risk.

Based on these considerations and the positive experience with the TC technique, UniCredit strongly believes that **synthetic securitisations should not be excluded a priori from the framework for simple, transparent and comparable securitisations**. Rather, UniCredit suggests to identify a **specific** framework where synthetic securitisations ***shall be subject to the following high-level conditions, to be subsequently elaborated into eligibility criteria:***

Simplicity

a. Simple legal framework

STC synthetic securitisations shall be structured without the need of an SPV, using simple structures and contractual frameworks (financial guarantee fully funded or unfunded if the protection provider is a Supranational Entity). For example, “tranching cover” transactions are characterised by features that ensure simplicity of transaction documentation which may consist of one single contract constituted by no more than 20 pages.

b. Simple alignment of interest

STC synthetic securitisations shall be subject to the retention rule, under which the originator, the sponsor or the original lender has explicitly disclosed that it will retain a material net economic interest of at least 5% (the “Requirement for Retention”) all tranches according to current regulation (Regulation (EU) No 575/2013 and Bank of Italy, Circular 285).

c. Portfolio held by the originator

In order to ensure that STC synthetic securitisations are not solely arbitrage products, the reference portfolio shall be held by the originator (with the above mentioned requirement for retention). This is to avoid so called “gaming” and “model optimisation” that also emerged in the re-securitisation segment before the financial crisis.

d. Same asset rules as for true sale

Rules pertaining to the assets being securitised in “true sale” transactions would also apply to assets in synthetic securitisations.

e. Simple cascading of investor losses

STC synthetic securitisations shall deploy a simple and sequential process of amortisation of the tranches. The amortisation should affect firstly the senior tranches and after that, when the senior is repaid, the mezzanine and thereafter the junior.

f. No dependence on rating agencies

HQS synthetic securitisations originated by banks applying the Advanced Internal Rating Approach (AIRB) may perform tranching using the Supervisory Formula Approach set forth by regulation, therefore, eliminating external dependence on credit ratings.

g. No hampering of investors rights and contractual recourse to assets

STC synthetic securitisations shall ensure that investor rights are safeguarded and pre-agreed between the parties; investors shall be granted i) the right to appoint a verification agent, ii) subrogation rights as well as iii) the possibility to have the recourse on assets in case of default of the originator, if these conditions have been *a priori* contractually agreed;

h. Simple recourse to safe guarantees

HQS synthetic securitisations shall ensure that guarantees are provided by protection sellers, so that they may be triggered quickly upon the occurrence of a credit event, which has to be clearly and univocally defined.

i. No counterparty risk

STC synthetic securitisations shall ensure that guarantees provided by protection sellers are fully cash-collateralised and, therefore, bear no counterparty risk from the perspective of the protection buyer (i.e. the bank). Personal guarantees should be provided by Supranational entities.

Transparency

a. Before the execution of the transaction

In order to meet the transparency principle of the STC definition, synthetic securitisations shall include an extensive due diligence during which the bank provides all the engaged counterparties, which have previously signed Non-Disclosure Agreements (NDAs), with a pre-defined minimum set of information regarding:

- the underlying loan portfolio
- detailed information regarding its credit policies and
- detailed information regarding **credit risk parameters**.

b. Following the execution of a transaction

STC synthetic securitisations shall:

- provide detailed investor regular reports which shall contain all information about portfolio performance;
- provide the same data package to the new eligible investor, if current investors/noteholders decide to trade their synthetic securitisation exposures on the secondary market.

Comparability/Standardisation

Since the inception of the **synthetic securitisation market** more than a decade ago, the structural features have moved from the initial phase of a completely bespoke nature (bilateral negotiations between the parties within the limits set by the European regulatory framework) to a more mature phase, also reflecting the market reaction to the financial crisis.

At present, certain structural aspects are widely accepted by market participants and can be deemed as market standard in accordance with industry best practice.

In order to consolidate this market progress towards standardisation, **the transaction documentation of STC synthetic securitisations shall:**

- clearly specify the cascading of investor losses, avoiding mechanisms that prevent charging of losses to most junior tranches;
- clearly define the amortization payment priority, whereby the seniority of the tranches determines the sequential order of payments;
- be written or approved by an external counterparty (i.e. external auditors) in order to manage the potential conflict of interests among all the investors and the originator.

Annex 2: On the inclusion of ABCPs in the STC framework

UniCredit regrets the lack of recognition of short-term securitisations (e.g. ABCP), which are a key and integral part of the securitisation market. Financing of the real economy is the key purpose of ABCP programs, especially with financing of trade receivables and loan / lease receivables .

As above stated in Answer 1, **UniCredit would invite BCBS and IOSCO not to exclude a priori ABCP** (particularly for programs funding e.g. trade and lease / auto receivables etc.).

The relevance of ABCPs for the real economy

The significance of financing the real economy via ABCP can be highlighted by the following key points which were identified in a study by True Sale International (TSI) (“Securitisation of real economy receivables continues to gain importance – convincing volume growth and excellent performance of German transactions“, September 2014). This study was based on information provided by six leading German sponsors of ABCP programs (including UniCredit) and represents approximately two thirds of the market for underlying transactions in ABCP in Germany (the latter amounts to a securitized volume of €12 billion in ABCP programs)³:

- trade receivables financed via ABCP have increased in volumes over the last 4 years by circa 73 percent;
- lease receivables financed via ABCP have increased in volumes over the last 4 years by circa 53 percent;
- disclosed information and empirical analysis in the TSI study for German transactions indicated an outstanding performance of transactions with zero losses for the sponsoring banks and the ABCP investor. The TSI study covered a period between 2010 and 2014.

The limited risks of highly standardised ABCPs today

The following additional points are notable with respect to ABCPs, based in particular on the experience in the German ABCP market: the loss to be expected by investors in the ABCP is reduced due to the increasingly standardised diversification, granularity and security protection per asset class. The higher credit quality of ABCP transactions is empirically verified to result in minimal expected losses for sponsoring banks and investors. The expected losses are generally lower for ABCP transactions when compared to unsecured lending to Seller/Originators (e.g. ratings of underlying transactions in the ABCP programme are according to UniCredit policy above investment grade);

- downward **rating migrations** for ABCP transactions are limited, given the intrinsic portfolio quality and the efficiency of the fundamental structural features and credit enhancement elements ;
- the positive experience with financing of real economy assets , such as Trade Receivables and Loans/Leases via an ABCP programme is predominantly caused by multiple driving factors:
 - **standardised strict eligibility criteria** for the underlying portfolios
 - granularity and typically revolving nature of the assets, which are randomly selected from an even more granular underlying client base of the Originator
 - the portfolios' credit enhancement protections commonly include Originator/Seller retention (same 5% rule as in the case of true-sale securitisation) of a dynamic first loss (i.e. typical standard credit enhancement structure given the fluctuating amount of financing for trade receivable) as well as a significant over collateralisation;
- ABCP programmes with underlying client transactions are the only ones which remain **active in the market**. The continuing client demand for ABCP transactions is another proof of the existing business model Any other kind of ABCP Programme (e.g. arbitrage) has already disappeared or is in wind-down mode.

³ According to Dealogic Data, European ABCP issuance in Q3 2014 was €68.7 billion. On a year on year basis this represents a growth of 27.2 %.



Other benefits of including qualifying ABCPs within the BCBS dedicated framework

UniCredit notes that ABCP transactions are critical for the “real economy”, because they provide entities with limited market access with more favorable financing terms as well as increased diversity of funding sources through economic cycles.

As a result, UniCredit is of the view that the inclusion of qualifying ABCP transactions within a framework for qualifying securitisations is important and the application of criteria for STC securitisations is imperative as it would a) facilitate the continuing development of ABCP as a mean to finance the real economy and b) re-state and ensure the high quality nature of underlying ABCP transactions.

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Please find below the list of the key people involved in this work, whose contribution made possible to coordinate and provide UniCredit answers to this Consultation. Several other experts have been involved alongside the UniCredit Group, but are not listed below.

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