

**Basel Committee on Banking Supervision
Board of the International Organization of Securities Commissions**

Brussels, 13 February 2015

Re: BCBS/IOSCO consultation on simple, transparent and comparable securitisations

Dear Sir/Madam,

Eurofinas, the voice of consumer credit providers at European level, welcomes the opportunity to respond to the joint Basel Committee on Banking Supervision (BCBS) and Board of the International Organization of Securities Commissions (IOSCO) consultative document on criteria for identifying simple, transparent and comparable securitisations.

Eurofinas brings together associations throughout Europe that represent consumer credit providers. The scope of products covered by Eurofinas members includes all forms of consumer credit products such as personal loans, linked credit, credit cards and store cards. Consumer credit facilitates access to assets and services as diverse as cars, furniture, electronic appliances, education etc. By providing access to finance to individuals and households, consumer credit supports the social and economic well-being of millions of consumers across Europe. It also benefits manufacturers, motor dealers and retailers as a key tool for their sales. It is estimated that together Eurofinas members financed over **321.7 billion Euros worth of new loans** during 2013 with outstandings reaching 827.9 billion Euros at the end of the year.

Eurofinas sees securitisation as a key alternative funding channel to the benefit of the real economy and a valuable tool for risk sharing in the financial system. Against this background we fully support the BCBS/IOSCO's work to identify criteria for simple, transparent and comparable (STC) securitisations.



Question 1 – Objectives

Subject to the observations below, we believe that the proposed criteria can help investors identify simple, transparent and comparable securitisations. We understand and agree with the BCBS/IOSCO that such criteria should not be used as a substitute for investor due diligence. We hope that such an initiative can lead to an enhanced risk-based approach which will both reduce costs for the industry and bring greater investor confidence.

We see sufficient and relevant information on the underlying credit risks and structural features of securitisation as critical to ensure that investors can take sensible decisions. We believe that a review of such standards is currently ongoing at European level. However, it is worth stressing that none of the proposed criteria will turn investors into securitization experts. This should be kept in mind to ensure that proposed criteria are clear, can catch the various market features and do not inhibit new market users.

In particular, definitions should be constructed to ensure that all types of assets are potentially eligible (i.e. not only mortgages, auto loans and credit cards but also the less common other consumer receivables, SME receivables and any other type of future receivables that may become significant in the future).

Similarly, particular attention should be provided to the actual users of securitisation and, in particular, to the smaller users who may be the ones the economy could benefit the most from easier access to lower funding cost.

Question 2 – STC criteria

We agree that the STC criteria set out in the annex of the consultative document can help enhancing the use of simple, transparent and comparable securitisations.

We wish to draw your attention to the following observations:

- **Asset risk**

Nature of the assets - We are concerned by the proposal to only include in the framework those securitisations that are backed by exposures homogeneous in terms of asset type, jurisdiction, currency and legal system under which they are subject. Given the high upfront costs in securitisation, scale is the key most important factor in determining whether a securitisation scheme is commercially viable or not. The proposed framework should therefore not prevent the commercially legitimate combining of receivables. We think this aspect should be further discussed.

Asset selection and transfer - Buy-back of whole sections of a portfolio may be in the best interests of both investors and originators or to the commercial advantage of the borrower. We think that such situations should be taken into account and included in the scope of the framework.

Initial and ongoing data - Not all data fields are commercially and economically relevant to all securitisations. Flexibility is therefore required to define which data is relevant to which type of deal. Also, it is worth stressing that the provision of data at an individual receivable level has to be done in such a way as to preserve the anonymity of identity of individuals. In some cases, it may therefore be necessary to aggregate data to an acceptable level to preserve anonymity and protection of personal data.



At European level, we think that the European Data Warehouse can be considered as an interesting source of information.

Payment status - member jurisdictions should be encouraged to consider those securitisation where no initial payment one payment has been made by the borrower on the underlying exposure for example when there is a delayed start to the repayments (“buy now pay later” product type). The performance of such type of receivable should be taken into account.

Question 3 – short-term securitisation

We think it is premature to assess whether differentiating criteria should be used for Asset-Backed Commercial Paper (ABCP) before the industry has had an opportunity to comment on those. We would welcome a wider discussion on the treatment of ABCPs possibly with a distinct consultation.

Question 4 – Standardisation of documentation

We think standardisation of prospectuses, reports and transaction terms can be supported as long they allow all distinct securitisation features to be taken into account and be presented in an objective manner. We take the view that any changes to existing material should be soundly tested with investors and industry beforehand.

I remain at your disposal, should you be interested in discussing any specific issue. Alternatively feel free to contact my colleague Alexandre Giraud (a.giraud@eurofinas.org - tel: + 32 2 778 05 64).

Yours sincerely,

Tanguy van de Werve
Director General