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Public Comment on the Consultative Report on Global Developments in Securitization Regulation

Dear Mr. Pinkowski,

BVI[1] appreciates the opportunity to present its views on the consultative report on the Global Developments in Securitization Regulation.

Our members welcome the initiative made by the G-20, the FSB and IOSCO to improve and strengthen the oversight and regulation of the securitization market. We support the idea to sustain the transparency regime in the securitization market enabling the investors to make better informed investment decisions.

We think that the transparency regime for the securitization market should be carefully calibrated in order not to harm the renewed growth in the market which in turn would diminish the returns of long term investors, thereby having detrimental effects on the pension and long term savings of millions of investors.

We would like to make the following specific comments:

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[1] BVI Bundesverband Investment and Asset Management represents the interests of the German investment fund and asset management industry. Its 82 members currently handle assets of EUR 1.8 trillion in both investment funds and mandates. BVI`s members directly and indirectly manage the capital of 50 million private clients in 21 million households. For more information, please visit www.bvi.de.

- ***Proposals:***

TFUMP proposes that it monitors industry experience and views on the impact of the differences it has identified in regulatory approach between jurisdictions (e.g., the US and the EU).

Issue One:
TFUMP foreshadows that should industry feedback and experience point to the envisaged impacts emerging it will consider developing appropriate regulatory responses and mechanisms to address those differences.

BVI shares the assessment that different regulations on retention requirements across the globe may lead to a distortion of competition and shall be avoided as much as possible.

IOSCO should develop a globally harmonized framework on the exemption approach for the risk retention requirements in order to arrive at a level playing field enabling investors worldwide to invest in securitization products of their choice without having to restrict their investment decisions geographically.

We would like to mention that our members when investing in ABS look beyond the risk retention requirement, and assess the risk profile of the underlying assets, the transparency of the product and the business strategy of the originator in order to come up with an opinion on the creditworthiness of the securitization product.

Our members welcome the approach to provide for exemptions from the risk retention requirements for specific issues that satisfy certain underwriting criteria. We think that the underwriting criteria (e.g. ABS products collateralized by high quality assets and of very low credit risk) suggested by IOSCO are a good starting point. They should be sufficient and conservative enough to justify exemptions for the risk retention requirements. Exceptions from the retention requirement may be also necessary in case of Collateral Loan Obligations (CLO). In CLOs a specialized manager engages in the underwriting process between loan manager and investor. Those specialized CLO managers do not hold loans themselves and may usually not retain 5% of an issue.

We think that another necessary aspect in the assessment the creditworthiness of the securitization product is the interdependence between the securitization program and the business strategy of the originator. It is important that the originator, for example, is able to demonstrate the ability to provide follow up financing of the underlying pool, to execute calls or to administer the securitization program. These abilities would mitigate the need for a high retention requirement.

We believe that high quality, detailed information and data about the securitization product published by the originator, sponsor or original lenders might in practice reduce the reliance on the risk retention requirement from an investor perspective. We think that investors should have the possibility to execute their assessment of an ABS with a high degree of confidence on the risk profile and the credit quality of the underlying cover pool. This would help investors to identify and monitor risks arising from the securitization product without being forced to rely too much on the risk retention requirement.

Consequently, we believe that originators, sponsors or original lenders who are not able to provide a high level of transparency on the securitization product should be required to hold a bigger amount of the securitized instrument under applicable retention rules.

- ***Proposal:***

TFUMP proposes that IOSCO consult (through TFUMP) with investors about their appetite for stress testing information and, if appropriate, provide guidance on the disclosure issuers should be expected to make about stress testing and scenario analysis of pooled assets.

Issue Two:
Please comment on TFUMP's proposal on the disclosure of information about stress testing and scenario analysis.

BVI holds the view that the proposal made by IOSCO to require issuers to provide stress testing and scenario analysis of pooled assets is welcome. The results could be used as a second opinion by investors in order to support their own due diligence on the underlying pool. However, such stress

tests are not sufficient, as the issuer has an interest to provide positive economic stress test results that do not inhibit the placement of the issue.

We think it is therefore more relevant that issuers are required to provide easy access to the key general issuer and cover pool data and other information necessary for the investor to execute own due diligence and in-house analysis. We think that the information should be presented in a timely fashion and all investors should obtain the data via standardized reporting channels.

The detailed information should enable the investors to conduct own stress testing and scenario analysis on the pooled assets, thereby reducing the investor reliance on credit rating agencies.

- ***Proposal:***

TFUMP proposes that IOSCO encourage industry to develop best practice templates and to encourage industry bodies to work with their counterparts in other jurisdictions to ensure consistent and harmonised approaches. IOSCO should consider developing principles to support harmonisation in these approaches.

Issue Three:
Please comment on TFUMP's proposal regarding standardisation of disclosure.

We welcome the idea to improve the transparency regime and the standardization of consistent disclosure templates in the securitization market, and that IOSCO supports an industry-driven standardization process. As the securitization market has become more complex, the investors require more harmonized templates on individual asset classes in order to conduct their own analyses, especially of cover pools and structures.

We are of the opinion that the key principles in terms of transparency applicable to the securitization products across different asset classes should be the same in order to have in general a level playing field in the information areas which are important to the investment decision. Detailed information should then be provided on an asset by asset class basis. We think that the

idea to develop a framework for a standardized approach to disclose the risk/reward profile is not feasible as the risk/reward profiles are definitely different across the various securitization products and can therefore not be harmonized. We think that the investors need to evaluate the risk/reward profile of the different securitization products themselves.

We hope that our suggestions are helpful to IOSCO. We are happy to answer any questions you may have in the context of this matter.

Yours sincerely

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