Comments from AXA Investment Managers:

Mr. Tim Pinkowski
General Secretariat
International Organization of Securities Commissions (IOSCO)
Madrid

Dear Sir,

Please find below comments regarding IOSCO consultation on *Global Developments in Securitization Regulation.*

Issue 1 Risk retention requirements

We would like to note that the regulation of investment funds and securitisation products differs significantly between the different countries. Furthermore, when the rules are consistent, the implementation dates are different from a country to another and do not maintain a level playing field or avoid regulatory arbitrage.
It is the case for example for the retention rule related to securitisation assets which is already applied in Europe and is not yet applicable in the US.
(It should be noted that on retention matter European legislation put the burden of the duty on the investors contrary to the US. This type of difference can limit considerably cross border investing)

Furthermore, the combination of the ESMA Final Report on AIF, the EBA Q&A on CRD, the AIFMD and the Commission Delegated Regulation, would allow an AIF acting as an equity retention holder to invest in a Securitisation and would simultaneously render such Securitisation "CRD compliant.

Issue 2 Transparency issues and Stress testing

As an investor, we consider that transparency should not be considered fulfilled by the sole provision of loan by loan data. (It should be reminded that updated loan by loan data were available for US subprime RMBS).

In this regard, we positively view the TFUMP proposal on the disclosure of stress testing and scenario analysis.
Stress testing could take the form of breakeven scenarios; should be stress tested resistance to credit shocks but also expected maturities of the securities.
Stress testing shall be available under different scenarios. The different scenarios shall be properly disclosed.

Transparency shall also encompass loan origination and historical performances of securitized assets.

Issue 3 Standardisation of disclosure

Best practice templates and collaboratively designed standard of disclosure would be a positive change in the market.
Standardisation should encompass not only static data presentation but also dynamic projections (such as stress testing and scenarios).

One field of standardisation to be considered is securitization structure. Standardisation of structural workings and of key legal provisions (as for example roles, responsibilities, warranties of the originators/servicers) could bring added security to investor and improve investor assessment of the asset class.

We remain at your disposal

Best regards

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HEAD OF ABS INVESTMENTS

AXA Structured Finance
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