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Summary of European Industry Commitments to the European Commission regarding Transparency in the European Securitisation Market

Preamble

The European financial services industry is aware of the concerns expressed by policy makers and politicians relating to transparency and disclosure in the European securitisation market. All the major trade associations named above are committed to working closely together and with other interested stakeholders to make timely improvements in this area.

The associations are working on three initiatives identified with the European Commission as priorities. Under each of these initiatives, there are a number of different work streams. Different associations will be responsible for delivering the outputs of their particular work streams in accordance with their own areas of specialisation.

The overarching initiatives and the associations responsible for particular work streams within them are listed below.

- 1 CRD Pillar 3 – Securitisation Exposure Reporting: EBF, LIBA, ESBG and EACB;
- 2 Industry Market Data Report: ESF, SIFMA, CMSA and ICMA;
- 3 Investor Information Initiatives: ESF, SIFMA, ICMA, CMSA, EBF, LIBA, ESBG and EACB.

1. CRD Pillar 3 – Securitisation Exposure Reporting

Pillar 3 forms a key part of the Capital Requirements Directive (CRD), bringing market discipline to the fore of financial regulation by implementing comprehensive disclosure requirements.

In order to address current market concerns regarding the transparency of investment firms' and credit institutions' exposures to securitisation, the European industry is undertaking a programme of work with the objective of sound and consistent implementation of the securitisation related CRD disclosure requirements. An assessment of proposed implementation and the information needs of providers of short term liquidity to the market will be carried out.

This work will culminate in the development of EU CRD good practice guidelines on securitisation disclosures to be published for consultation at the end of June 2008. In particular, these guidelines will be designed to ensure:

- that the disclosures are made at a sufficient level of granularity; and
- that the CRD terminology is used consistently.

As a result, clarity and comparability of Pillar 3 securitisation disclosure will be enhanced. The European industry is committed to implementing these guidelines within their upcoming Pillar 3 disclosures. The respective associations will share the guidelines with their members and firms will be strongly encouraged to adopt them.

2. Industry Market Data Report

The European industry is committed to transparency and providing public information on the market. At present, information on the public securitisation markets needs to be collected from a wide variety of sources. In order to assist politicians and policy makers in monitoring the evolution of these markets, the European industry has committed to provide a periodic report on market data, starting in June 2008.

The report, which will be produced on a frequent and regular basis will initially include data that is currently available from existing sources, newly aggregated and will develop over time. The report will provide information in a consolidated format and in some instances may rely on estimates. The aim is to include information on a wide variety of instruments, including ABCP, term ABS, and CDOs. Information will include aggregate data on primary (i.e. new issuance) activity by type and location of investors as well as by region and asset class, and in respect of secondary market activity, summary changes in ratings and spreads. Such aggregate information may differ according to instrument type.

Further work will be undertaken over time by market participants, regulators, and the European Commission to identify information that would be relevant and useful in achieving an appropriate level of transparency in respect of the secondary market for securitisation.

The report will also include a selection of summary data from the US markets.

3. Investor Information Initiatives

The European industry believes that no public securitisation transaction should be sold unless the issuer provides enough regular information for third parties to assess it. Investors not only need upfront disclosure information on each public transaction structure and initial portfolio, but also ongoing data on the performance of the pool assets and information on rating changes. Although generally information is currently available, not all of the information is easily accessible to all market participants. The European industry is committed to increasing transparency to investors in the securitisation markets. This will involve making initial prospectus and ongoing investor pool reports on term public transactions openly accessible. Provision of information is subject to legal and technical feasibility review, including the ability to provide this information without liability, on either future or existing term transactions. Lastly, a working group has been formed to develop, to the extent possible, standardised definitions used in various countries for various products, in order to improve consistency and investor understanding. The European industry believes that these initiatives will improve market transparency and will help in promoting better understanding of transaction structures and performance.

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