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Mr Roberto Gualtieri
Chair of Committee on Economic
and Monetary Affairs
European Parliament
Rue Wiertz
1047 Brussels

Dear Roberto,

Thank you for your letter of 21 March on issues relating to the Commission's securitisation proposal. The time and effort members have already put into the proposal reflects the important role it will have in supporting Europe's economic recovery.

There is broad consensus among central banks, supervisory authorities and market participants that restarting European securitisation markets on a sustainable basis will help the financial system to support economic growth. It is also the case that regulatory uncertainty is discouraging market participants from returning to these markets.

Putting in place Simple, Transparent and Standardised (STS) securitisations would:

1. directly help banks to free up balance sheets that can be used to grant new credit to companies, most of which are SMEs in the EU;
2. directly fund the wider economy for households (mortgages, credit card lending, etc.) and corporates (trade finance, equipment loans, etc.); and
3. for investors, create a bridge between banks and capital markets, in line with the objectives of the Capital Markets Union, providing additional investment opportunities in sectors that are presently hard for them to access.

The proposals build on the post-crisis protections put in place in the areas of due diligence, risk retention and transparency. No one wants a return to the bad old days of opaque, complex or subprime instruments which caused fire sales, price

drops and illiquidity. This is why the proposed criteria for STS Securitisations are based on comprehensive analysis made by European and international supervisors (EBA, BCBS/IOSCO, ECB and BoE) of soundly structured, transparent and well-performing securitisations. It is also why, for example, we have excluded instruments such as re-securitisations, which featured prominently in the US subprime boom and subsequent crisis. Separating out STS securitisations would allow for a more risk sensitive treatment, which has been carefully calibrated by the EBA and reflects the actual performance of these instruments.

The proposals also contain a robust supervision and sanctioning regime that ensures market participants remain responsible and accountable with strong oversight.

In short, putting these proposals into place will help to provide a more risk-sensitive treatment and a straightforward legal framework to make it easier to issue and invest as well as ensuring financial stability and investor protection.

In the annex you will find our detailed answers to all the questions you submitted and an overview of the key issues you raised. Our answers build on the supporting documents we published with the proposal and the large body of evidence and analysis produced by international institutions (the Basel Committee, IOSCO) and EU and national regulators and central banks (including the EBA, ECB and Bank of England). This extensive and detailed work has been important in shaping our proposal and supporting the swift agreement reached in the Council last year. I hope all these elements will help the European Parliament to take forward its work.

I hope that ECON will, on the basis of the answers to the technical questions, be able to progress rapidly with the securitisation proposal, as the Commission strongly believes that this will help us deliver Europe's top priority: jobs and growth. Every day the framework is not in place is a missed opportunity to support Europe's recovery.

I am fully at your disposal for any further questions you or Committee Members may have.

With best wishes,


JONATHAN HILL