

BVI's¹ position on European Commission's targeted consultation on the functioning of the EU securitisation framework

Due Diligence

4.3 COM: Please select your preferred option to ensure that investors are aware of what they are buying and appropriately assess the risks of their investments.

- **Option 1: The requirements should be made more principles-based, proportionate, and less complex;**
- Option 2: The requirements should be made more detailed and prescriptive for legal certainty;
- Option 3: There is no need to change the text of the due diligence requirements;

4.4 COM: Should the text of Article 5(3) be simplified to mandate investors to assess at minimum the risk characteristics and the structural features of the securitisation?

- **Yes**
- No
- Don't know / no opinion / not applicable

Please explain your answer to question 4.4:

BVI: While investors may only purchase products which they understand, the due diligence requirements should be formulated in a more qualitative way in order to reduce unnecessary documentation and bureaucracy. Securitisations are very diverse by nature which should be reflected in the regulation. For example, investors should not be forced to document data which are not relevant from a due diligence perspective and rather focus on substantive aspects. This would create better transparency to auditors and regulators and it would also contribute to create a more level playing field with other asset classes such as corporate or covered bonds (always comparing on a risk adjusted basis).

¹ BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 116 members manage assets of some EUR 4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit www.bvi.de/en.



STS-Standard

7.1 COM: Do you think that the STS label in its current form has the potential to significantly scale up the EU securitisation market?

- Yes
- No

Please explain your answer to question 7.1:

BVI: Limited advantage for investors to select STS (haircuts, capital weights, reliance on label / no simplification of the process....). Nevertheless, certain originators need the STS label due to the harsh treatment of non-STS. A reliance on external verifications of the label along with the entry into the register should be sufficient. An independent due diligence requirement for investors will stay in place in any case. Please note that, in particular under Solvency regulation, we consider the capital treatment of securitisation, whether STS or non-STS, to be unbalanced compared to other asset types of similar quality (risk, liquidity, etc.).