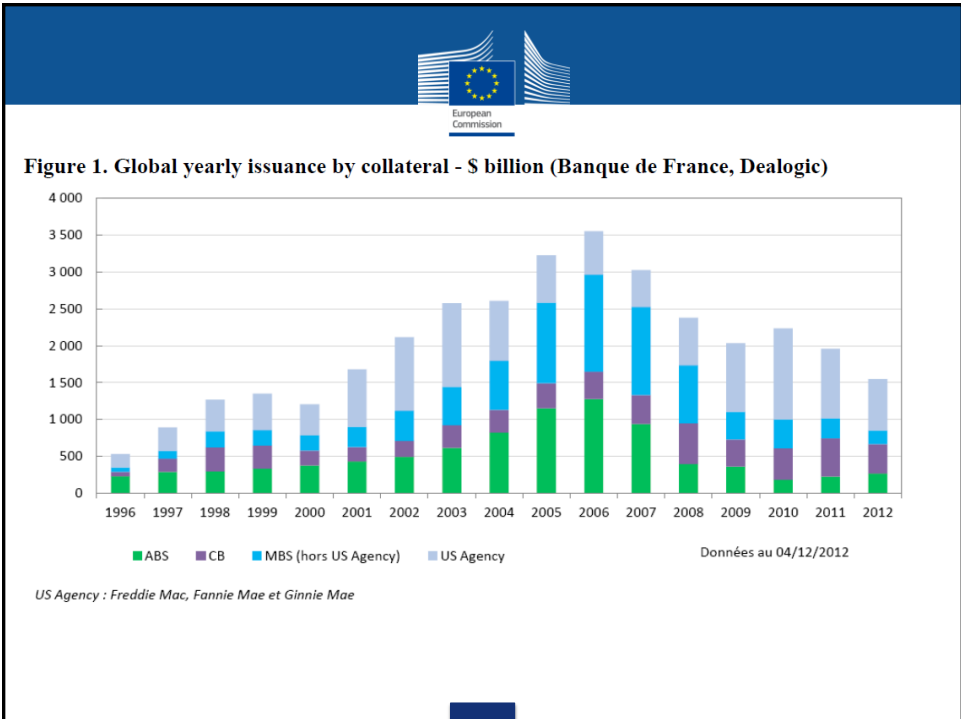


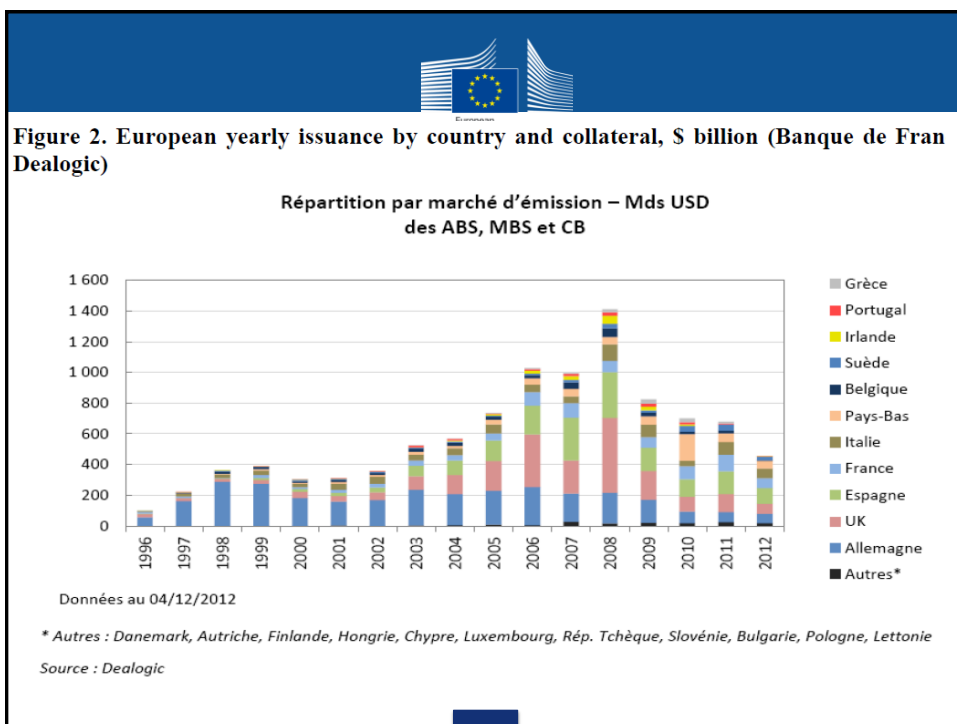
Securitisation as a means to fill the financing gap

Miguel de la Mano*

Head of Unit, Analysis of financial market issues

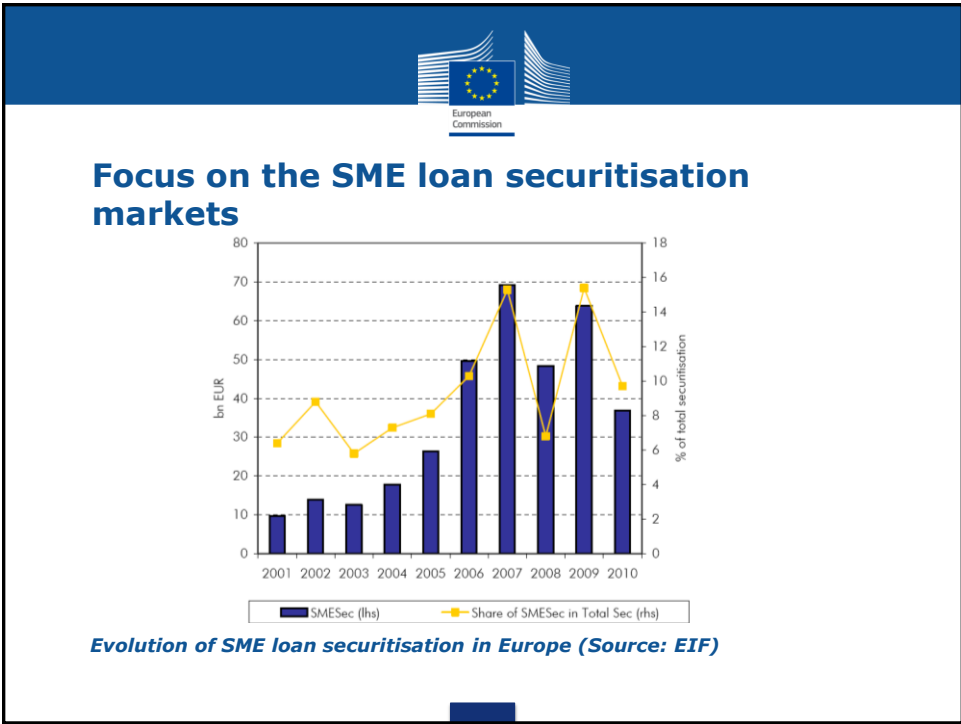
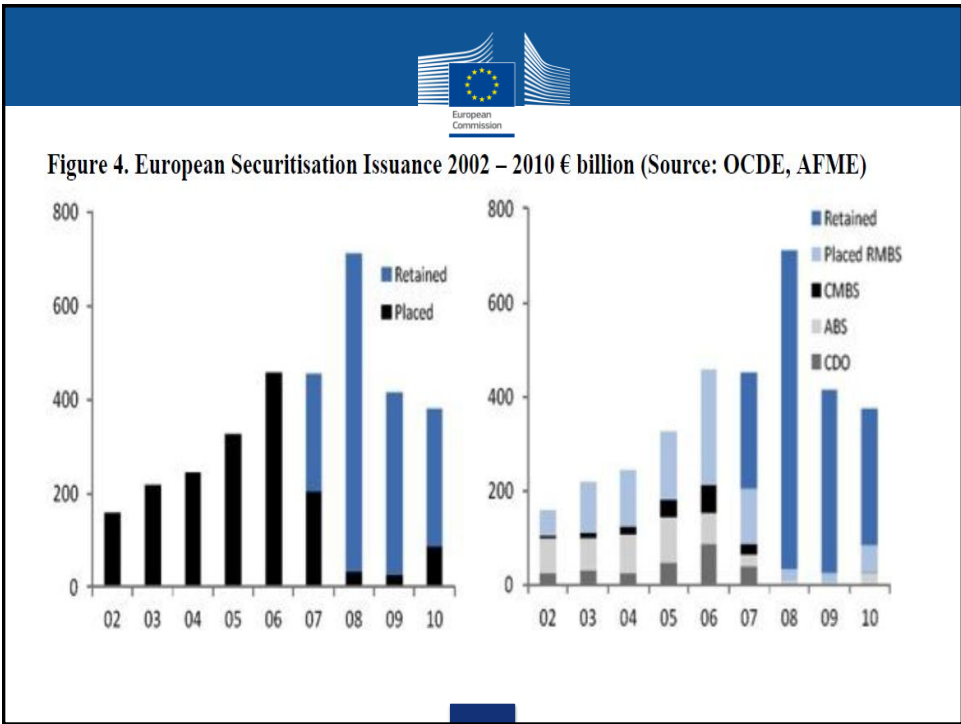
- I would like to thank **Clotilde Durand** for her assistance in preparing this presentation and **Stephane Fekir** for drafting the Securitisation Market Monitoring Report on which this presentation heavily relies.
- The views expressed are my own and do not necessarily reflect those of DG MARKT or the European Commission. All errors are my own.

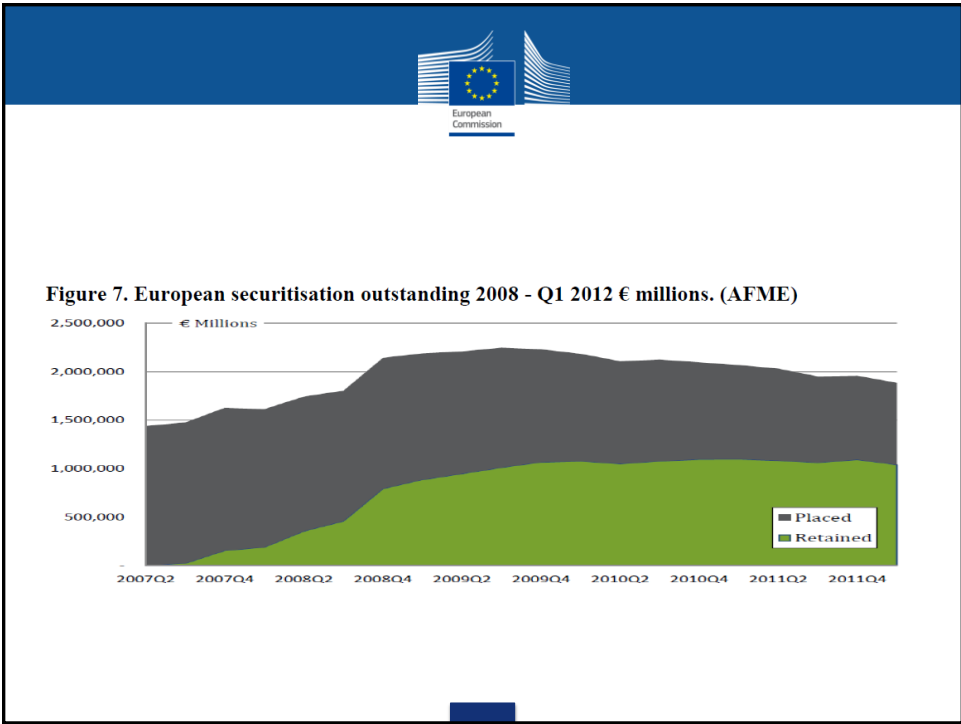
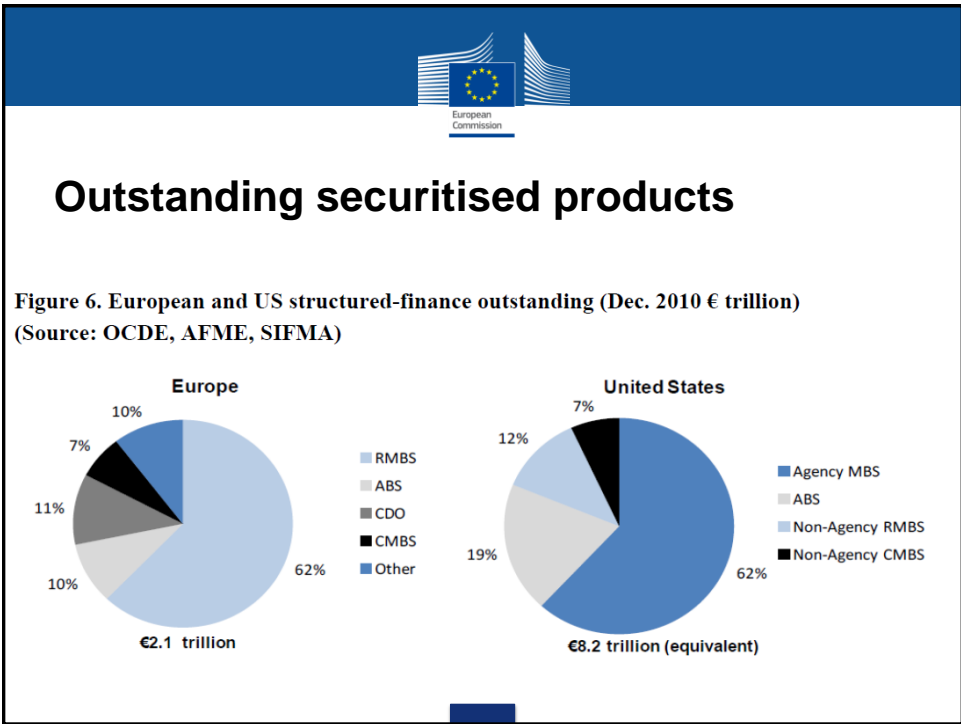


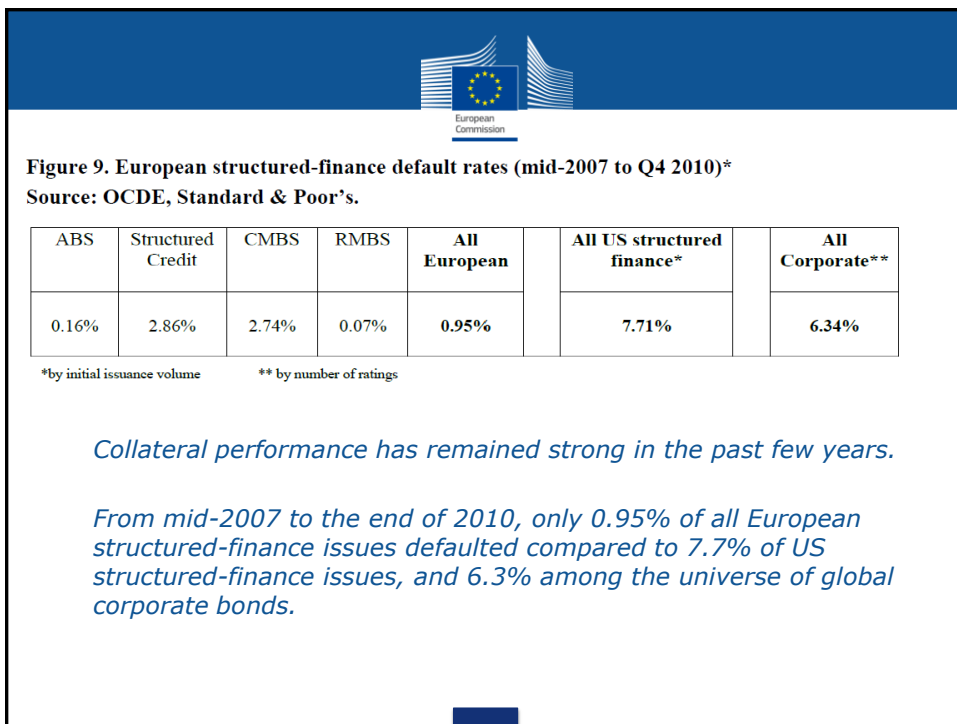
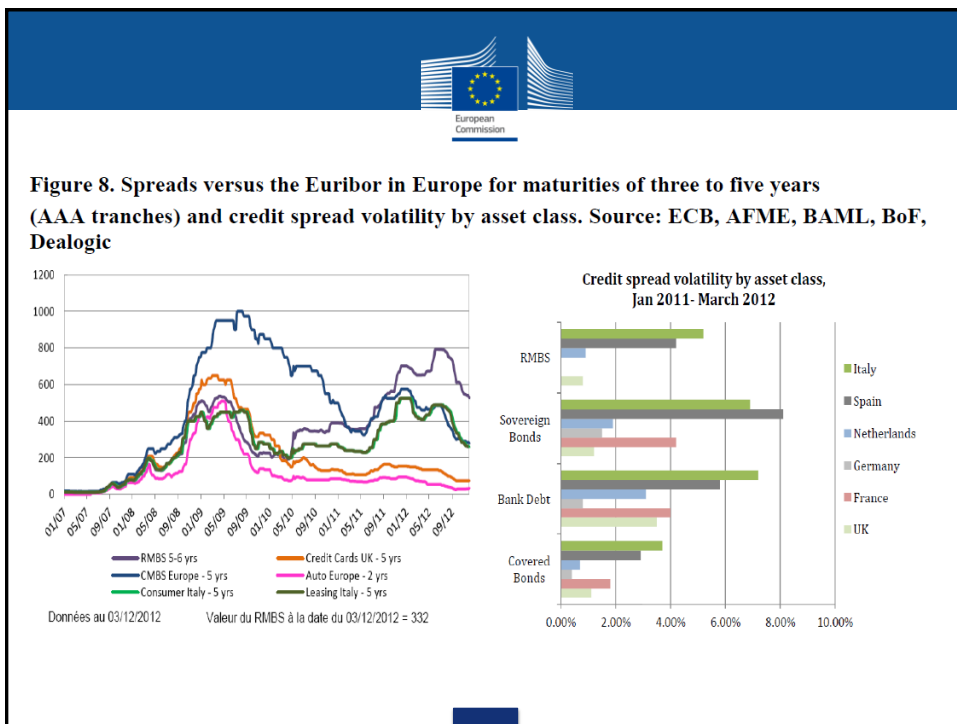



**What happened?
Structural flaws of securitisation**

- *Misalignments of incentives*
- *Lack of transparency*
- *Complexity and limited transparency led to an overreliance on ratings*










European Commission

Securitisation as a tool for enhancing financial intermediation

Figure 11. Nonfinancial Corporate Debt Outstanding.

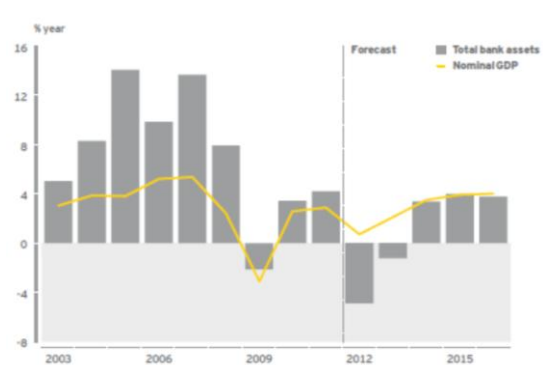
Nonfinancial Corporate Debt Outstanding					
US\$ billions					
	U.S.*	Euro area & U.K.†	China§	Japan§	Total
Nonfinancial corp. bonds	5,434	1,726	852	1,154	9,166
Bank loans & other advances	6,082	9,682	9,243	6,279	31,286
Total nonfinancial corp. debt (excl. securitized loans)	11,515	11,408	10,095	7,433	40,451
GDP (2011)	15,321	14,776	6,988	5,855	42,940

*Source: Federal Reserve Flow of Funds for Nonfinancial Businesses (March 2012), U.S. Bureau of Economic Analysis. †Source: European Central Bank, Eurostat Bank of England, ONS Blue Book 2011. §Source: For bonds, AsianBondsOnline; for loans, International Monetary Fund (IMF); For GDP, IMF's World Economic Outlook estimate.

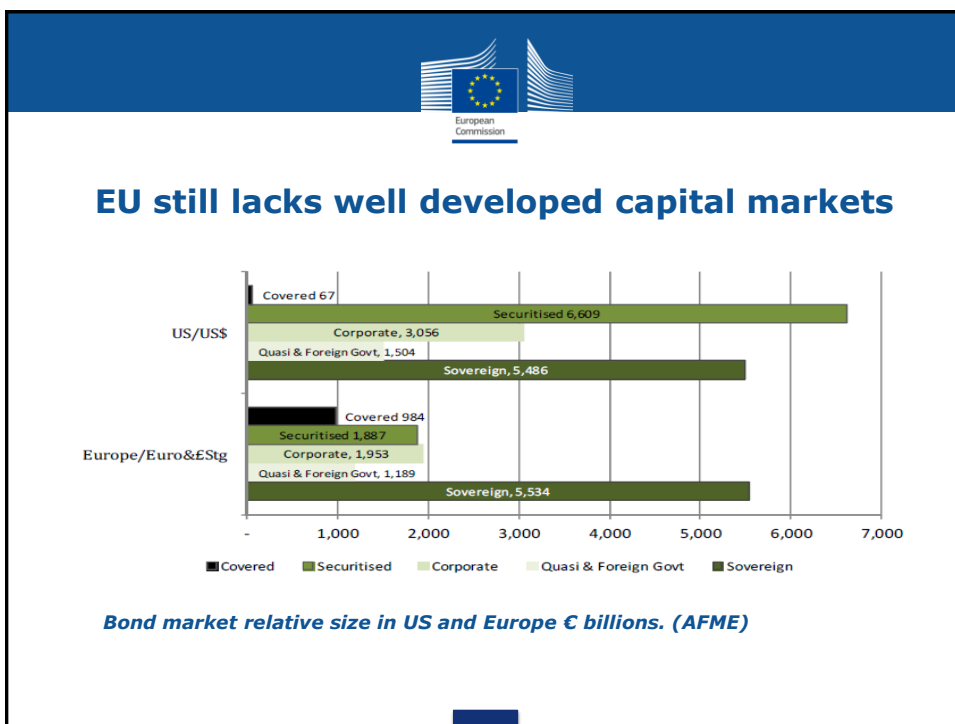


European Commission


Bank deleveraging in Europe



Eurozone banking sector assets and GDP (AFME, Ernst & Young)



-
- ### Measures implemented to enhance the recovery of securitisation markets
- **Risk retention measures**
 - Risk retention rate in CRD II
 - Basel III requirements for resecuritisations
 - **Transparency**
 - ABS loan-level initiative by the ECB
 - MIFID
 - **New regulations on credit rating agencies**



Barriers remain in the short term

<i>On the demand side</i>	<i>On the supply side</i>
<ul style="list-style-type: none">• Loss of investor's confidence• Uncertain economic environment	<ul style="list-style-type: none">• Impact of regulatory reforms

Competition of covered bonds



The main requirements for securitisation being useful as a tool for financing are:

- **enhanced confidence, access and eligibility for institutional investors;**
- **aligned incentives in both sides through a clear regulatory stance;**
- **institutional framework; and**
- **standardization and transparency**



How to enhance securitisation in the long-term?

- ***Restore the inteconnection between supply and demand:***
 - Encourage investors' supply: simplicity, transparency
 - Permit originators to perform non-retained securitisation activities

 - ***Specific requirements for SMEs***
 - European Commission's Green Paper "Long-term financing of the European economy"
- *Shift towards a more market orientated economy***