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WORKING DOCUMENT

From:	European Investment Bank
To:	Working Party on Financial Services - Securitisation
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Subject:	Letter from the EIB to the Presidency regarding the amendment to the CRR



Evropská investiční banka
Den Europæiske Investeringsbank
Europäische Investitionsbank
Euroopa Investeerimispank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
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Banco Europeu de Investimento
Európska investičná banka
Evropska investicijska banka
Euroopan investointipankki
Europeiska investeringsbanken

Luxembourg Presidency
Minister of Finance
Pierre Gramegna
3, rue de la Congrégation

L-1352 Luxembourg

11.11.2015

Dear Minister Gramegna,

The EIB Group welcomes the Commission's initiative to build a Capital Markets Union, to develop and broaden the sources of financing, especially for SMEs, and its efforts towards sustainable growth and long term structural changes, through finance and advise where needed.

We see the EIB Group involvement as crucial in helping Europe recover. We are therefore pleased with the recent proposal for a regulatory regime aimed at harmonising the legal framework for securitisation and we are very much encouraged by the intention to recognise simple, transparent and standardised ("STS") securitisations, as we believe such initiatives can indeed contribute to the positive development of this market in Europe.

One of the stated objectives of the proposed draft is to create uniform definitions and regulations across the financial sectors and to harmonise the rules on risk retention, due diligence and disclosure. The outcome should be the moving away from the current sectoral legislation and the creation of unified rules that will address the key challenges that have proven a hindrance in this market over the recent years.

We also noted the proposal of a number of amendments to the CRR, in relation to the implementation of the new regulatory capital treatment for securitisation transactions, together with the necessary proposed changes to reduce capital charges for STS securitisations. We particularly welcome the specific efforts towards certain SME securitisation transactions, as we strongly believe that this sector needs special attention, being one of the main drivers of growth for most European economies.

We are concerned however on the effect that some of the proposed amendments to the CRR may have on the investment behaviour of institutional investors, hence stifling the regeneration of the securitisation market as a successful source of finance and capital re-build for financial institutions.



In the Annex of this letter, we outline our concerns and offer our initial conceptual suggestions for addressing these issues. We would also welcome the opportunity to explain our thoughts and analysis in more detail in a face to face meeting at your convenience.

We are more than aware of the time constraints for the completion of this work and the publication of the proposals and we are therefore prepared to make ourselves available to meet you at short notice if you so desire.

Yours Sincerely,

Dario Scannapieco

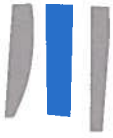
Chairman of the EIF
Vice-President EIB

Román Escolano

Vice-President EIB

Cc: Vice President Katainen and Commissioner Hill

Annex: Suggestions on the Commission's proposal amending Regulation (EU) No 575/2013



ANNEX

Suggestions on the Commission's proposal amending Regulation (EU) No 575/2013

We would specifically like to draw your attention on a couple of aspects together with our corresponding counter-suggestions:

1. The rather heavy continuous reliance on agency ratings, which we believe creates capital allocation distortions (**Article 254**)
 - *We would like to suggest that consideration is given to reverse the proposed order of the SEC-SA and the SEC-ERBA methods used for SME securitisation transactions. SEC-SA should be applied before SEC-ERBA*
2. The rather limiting qualification of senior positions in SME securitisations for STS purposes, which may not create an adequate incentive for institutions to use SME securitisations to promote additional funding for SMEs (**Article 270**)
 - *We would like to suggest that consideration is given to the inclusion of other investors for the non-retained exposures by an originator institution, provided that a MDB, or a central government/bank is also an investor in such securitisation*