

Subject: EMT 895 Ares(2015)5827947 Meeting with AXA IM

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Sent: Wednesday, June 24, 2015 10:07 PM
To: GUERSENT Olivier (FISMA); FOULGER Lee (CAB-HILL); [REDACTED]
Cc: [REDACTED]
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Olivier, Lee,

We met today with **AXA Investment Managers** ([REDACTED]) on the securitisation initiative.

AXA IM is one of the largest EU investors in securitisation and is active on most of the market segments (EU/US - on different asset classes – on all tranches: Investment grade, Mezzanine, Equity). They are investing on behalf of AXA group (under Solvency II rules) and for clients (e.g. asset managers).

They welcome the differentiation approach and support a COM initiative i) to implement STS criteria and ii) to adjust the regulatory framework (i.e. prudential calibrations in insurance esp. for non-senior STS investment). It would help reviving the market even if macro factors (low rates, low supply...) are important impediments.

On the **compliance mechanism**, they are supporting a role for **third-party certifiers** (note that [REDACTED] is Member of the PCS Board). Having an external review of STS criteria would offer additional comfort to investors even for sophisticated investors such as AXA IM. This would not prevent investors to perform their due diligence on the credit risk of the underlying. They were more uncertain on how this 3rd party certification could be organised in practice (e.g. mandatory/optional approach; one or several certifiers; under public oversight or not...).

An important element for them is to **ensure a uniform interpretation of the STS criteria**. Investors should have legal certainty on the STS status of a deal, otherwise they will not invest in (a requalification would be too costly). This is also a necessary condition for the secondary market to develop. A coordination mechanism at EU level should ensure this consistency. Supervisors could be tasked with this role but market participants may also be associated. They mentioned the example of PCS where a "**Market's committee**" made of issuers, investors and service providers is involved in the interpretation of the PCS criteria. In any case, this interpretation process should not add too much delay in the process. A **centralised list of STS products** should also be made available to investors.

Transparency requirements are essential for investors. They emphasized the need for having access to detailed information (loan by loan) on all securitisation instruments. Having all these information disclosed in a standardised format and in

a single location is a great help in their due diligence. In this regard, the establishment of the European Datawarehouse was a good evolution for the market.

They highlighted that reviving **synthetic securitisation** may be useful for specific market segments (e.g. SMEs), but recognised that not enough work has been made and it would be tricky to just pick specific segments. Criteria to differentiate sound synthetics instruments could be developed in the future, and would not be too different from STS. PCS has just started work in this area and it could take time to have a final list of criteria.

