



## EUROPEAN COMMISSION

Cabinet of Commissioner Charlie McCreevy  
Head of Cabinet

Brussels, 12.06.2009 D/ 001006  
MMU/rf D(2009)

Mr Patrick Amis  
Deputy Secretary General  
CEBS Secretariat  
By email: patrick.amis@c-ebs.org

Dear Mr Amis,

I am following up at the request of Commissioner McCreevy on the call for technical advice from CEBS issued by my services on 5<sup>th</sup> May 2009.

In addition to the points they raise, I would like you to focus on the following very specific issues:

1. The extent to which the alternative choices as to what constitutes a 5 per cent retention – and in particular option c) article 122a, clause 1 of the text adopted on 5<sup>th</sup> May - undermines the alignment of interests between investors and originators/sponsors via the exemption that this option c) provides from exposure of the originator to the securitization structure itself.
2. The option included for the retention to be held by any subsidiary of a financial holding company that is securitizing assets of a number of originators: This option has not been made conditional on a stipulation by the retaining entity within the holding company confirming that it is and will continue to be held for the ultimate account and risk of the holding company or of the originator, sponsor or original lender. In those circumstances what are the implications for the alignment of incentives with the ultimate investors?
3. The extent to which the alignment of incentives is weakened and/or capable of being "gamed" by the extent of the other exemptions listed in Article 122a.2 of the amended text adopted on 6<sup>th</sup> May.

I would be obliged if you could revert on these issues as soon as possible but in any event not later than 30<sup>th</sup> October 2009.

Yours sincerely,

Martin Power