BNP PARIBAS

EBA Consultation on draft RTS on the determination by originator institutions of the exposure value of SES in securitisations form

INTRODUCTION TO CONSULTATION RESPONSES

As a major and internationally active European bank, BNP Paribas welcomes the opportunity to answer to the EBA consultation on "technical standards to help originator institutions determine the exposure value of synthetic excess spread in securitisations". Indeed, securitisation is an area where we feel that significant steps need to be made on the European regulatory front to allow for an effective playing field to exist and develop. Securitisation is abundantly mentioned as a relevant lever to broaden access to financing resources and as a useful tool allowing banks to efficiently manage and allocate their capital and liquidity resources for the benefit of the financing of the economy; however, the fact is that the European securitisation framework and associated prudential treatments tend to evolve in a restrictive manner which in practice penalizes the development of the securitisation activities at various levels.

The object of the present consultation is a good example of a potentially damaging approach to an efficient structuring solution. Indeed, Synthetic Excess Spread ("SES") is a technical feature of some "on-balance sheet" securitizations which is currently especially used by the European Investment Fund ("EIF") in the structuring synthetic transactions aiming at covering securitised pools of SME financing. An overconservative prudential treatment of the SES would in most cases jeopardize the economics of synthetic securitisations where it is needed, in particular those promoted by the EIF, with the consequence that this type of transactions could no longer happen.

We call for the EBA, within the remit and constraints of its mandate, to carefully balance the costs and benefits of the proposed technical standards on SES. As it stands, we warn against the risk to achieve an overprotective regulatory treatment, satisfactory from a conceptual point of view, but ultimately applicable to an empty set of transactions. We are convinced that a balanced approach, supported by strong technical considerations (as the analysis that has been pragmatically developed by the ECB on recent examples of on balance-sheet securitisations featuring SES) is the appropriate way to frame the risk related to SES exposure without endangering the very existence of such transactions. This would be a right step in the direction of creating a regulatory framework for securitisation which is both safe and not antagonistic to the development of a sound securitisation market.

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