



# ASF Evening Series

## Regulatory Initiatives in Securitisation



**ASIC**

Australian Securities &  
Investments Commission

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# Overview

- IOSCO Task Force on Unregulated Markets and Products – Timeline
- IOSCO Standing Committees – Focus on Structured Finance Products
- Recent Deals in Australia – Signs of life
- Key Securitisation Recommendations of the IOSCO Task Force
- Retention of a long-term economic exposure – Different approaches
- Distinguishing characteristics of the Australian market – Tailored approach

# IOSCO Task Force on Unregulated Markets and Products - Timeline

- Task Force mandate
- Consultation Report - 5 May 2009
- Australian Industry Consultation - 14 May 2009
- Global Industry Consultation - 29 May 2009
- Final Report - 4 September 2009

# IOSCO Standing Committees – Focus on Structured Finance Products

- SC1 Multinational Disclosure and Accounting
  - Disclosure principles for public offerings of ABS
- SC2 Regulation of Secondary Markets
  - Post-trade transparency for structured finance products (SFPs)
- SC3 Regulation of Market Intermediaries
  - Sell-side due diligence and investor suitability of SFPs
- SC 5 Investment Management
  - Buy-side due diligence for SFPs
- SC 6 Credit Rating Agencies
  - Greater international oversight
- Further work
  - IOSCO Securitisation Committee – global coordination

# Recent Deals in Australia – Signs of life

- CMBS – Macquarie Countrywide Series 3 - \$265m
  - RMBS – ME Bank, SMHL Securitisation Fund 2009-2 - \$1.26bn
  - RMBS – Suncorp, Apollo Series 2009-1 Trust - \$1.478bn
  - ABS – CNH Capital Aus Receivables Trust Series 2009-1 - \$352m
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- Supply overhang
  - Demand
    - structural issues
    - liquidity

# Key Securitisation Recommendations

- Enhanced disclosure and transparency
  - ASF's Project RESTART
  - ESF's Transparency Initiatives
  - AuSF's Best Practice Guidelines
- Investor suitability
  - AuSF's Best Practice Guidelines
- Retention of a long-term economic exposure

# Retention of a long-term economic exposure

## – Different approaches

- Principled approach
  - Consider economic and regulatory features of the local market
  - Risk sensitive and have regard to the underlying quality of the collateral
  - Consider the impact of increased capital charges, accounting de-recognition treatment and legal true sale issues
- EU
  - Restriction on regulated credit institutions (buy-side)
  - Retain a material net economic interest not less than 5%
- US
  - Restriction on creditors that make residential mortgage loans (sell-side)
  - Non-qualified mortgage loans (non-prime loans)
  - Creditor retains at least 5% of the credit risk

# Distinguishing characteristics of the Australian market – Tailored approach

- Originators retain management of the mortgage
- Originate-and-finance vs originate-to-distribute
- Full recourse
- Relatively conservative underwriting criteria
- Lenders mortgage insurance
- This has led to:
  - Only 2-4% of the market is non-conforming
  - Lower rates of default
  - Less broker fraud