



Press Release

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Global Securitization Organizations Offer Immediate, Coordinated Industry Response to the Market Crisis

Identifies Problems, Offers Recommendations, Highlights Importance of Securitization

December 3, 2008, New York, NY, London and Sydney—The Global Joint Initiative to Restore Confidence in the Securitization Markets, including representatives from the global securitization industry, today identified the multiple factors which contributed to the current market crisis, presented the near- and medium-term market outlook and outlined the significant threat to global economic growth if the securitization sector does not recover. In addition, the industry prioritized the areas of focus for the industry response which are likely to have the greatest near-term impact, and offered recommendations to enhance industry practices in the securitization and structured credit markets. The recommendations were issued by the Securities Industry and Financial Markets Association (SIFMA), the American Securitization Forum (ASF), the European Securitisation Forum (ESF) and the Australian Securitisation Forum (AuSF).

“The global securitization industry is firmly committed to developing and implementing practical, action-oriented solutions to restore confidence in the securitization markets,” said Tim Ryan, president and CEO of the Securities Industry and Financial Markets Association. “The recommendations offered today have global reach and impact and are important steps to develop best practices and improve market infrastructure. Taken together with the Term Asset-Backed Securities Loan Facility in the U.S., as well as other government-led initiatives in Europe and Australia to encourage securitization, we hope this will help restart the frozen credit markets.”

The industry groups identified multiple factors as contributing to the current crisis, noting that many of the factors which contributed to the rapid growth in securitization and structured credit over the last several years also left the market particularly vulnerable to any misstep. These factors also contributed to the severity of the crisis and the speed with which the securitization and broader credit markets deteriorated.

These include deteriorating loan underwriting standards, overreliance on credit ratings, growth of complex, highly leveraged positions, misjudgment of liquidity risk, lack of a sense of shared responsibility, and rising losses in the U.S. subprime market which triggered a global crisis in confidence.

At the same time, the industry notes the importance of securitization to the global economy and the importance of its recovery. Market conditions are expected to remain difficult through 2010, which puts at risk the benefits of securitization such as reduced cost and availability of credit and reduces alternatives for investors. Banks may fail to meet \$2 trillion of demand for credit origination over the next three years in the absence of well-functioning securitization markets.

“Securitization is an essential source of funding for consumer and business credit throughout the world,” said George Miller, executive director of the American Securitization Forum. “It has served as an engine of economic growth for forty years. There will be a significant impact on the availability and cost of credit and, more broadly, the global economy if functionality is not restored in this important sector. While not a cure-all, the steps we present today are the key steps to rebuild confidence and improve the securitization market infrastructure.”

The industry groups note that there is no single action or combination of actions the industry can take which will be sufficient to restore the securitization market to a more normal level of functionality, let alone restore it to the level of the last few years. The groups also caution against using the volumes of 2006 and early 2007 as benchmarks for success in returning the markets to health.

However, the Global Joint Initiative has identified 4 priorities for immediate action by the industry. These are: 1) improve disclosure of information on underlying assets for residential mortgage-backed securities; 2) enhance transparency with regard to underwriting and origination practices; 3) restore the credibility of CRAs; and 4) improve confidence in valuations, methodologies and assumptions.

“The speed with which securitization returns and the form it takes are dependent on several factors, many of which are beyond the industry’s control,” said Rick Watson, managing director of the European Securitisation Forum. “Global macroeconomic factors are weighing on the market’s recovery. These recommendations, however, are focused on actions the industry can take immediately or that build on efforts which are already underway to foster market recovery.”

Finally, the Global Joint Initiative offers the following eight recommendations for restoring confidence in the securitization markets:

1. Increase and enhance initial and on-going pool information on US non-agency RMBS and European RMBS into a more easily accessible and more standardized format.
2. Establish core industry-wide market standards of due diligence disclosure and quality assurance practices for RMBS.
3. Strengthen and standardize core representations and warranties as well as repurchase procedures for RMBS.
4. Develop industry-wide standard norms for RMBS servicing duties and evaluating servicer performance.

5. Expand and improve independent, third-party sources of valuations and improve the valuation infrastructure and contribution process for specified types of securitization and structured products.
6. Restore market confidence in the CRAs by enhancing transparency into the CRA process.
7. Establish a Global Securitization Markets Group to report publicly on the state of the market and changes in market practices.
8. Establish and enhance educational programs aimed at directors and executives with oversight over securitized and structured credit groups, as well as at investors with significant exposure to these products.

Working groups of the four industry associations are aligned with every recommendation and several of the recommendations are already being addressed through industry efforts such as ASF Project RESTART, the global SIFMA Credit Rating Agency Task Force, the ESF RMBS Issuer Transparency Principles Project and the AuSF Transparency Task Force. Next steps on a variety of projects have been identified vis a vis the recommendations as well.

“We all recognize the pressing need for the industry to take the lead in immediately implementing the recommendations to begin to restore confidence in the securitization markets,” said Greg Medcraft, executive director of the Australian Securitisation Forum. “There is clearly an urgent need for a global, coordinated industry effort to address the current crisis. While the total solution will involve factors and efforts beyond ours, the industry is dedicated to working on the elements it can control to restore the smooth functioning of the global securitization markets.”

The full survey is available at http://www.sifma.org/capital_markets/docs/Survey-Restoring-confidence-securitization-markets.pdf

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The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

The American Securitization Forum is a broad-based professional forum through which participants in the U.S. securitization market advocate their common interests on important legal, regulatory and market practice issues. ASF members include over 330 firms, including issuers, investors, servicers, financial intermediaries, rating agencies, financial guarantors, legal and accounting firms, and other professional organizations involved in securitization transactions. The ASF also provides information, education and training on a range of securitization market issues and topics through industry

conferences, seminars and similar initiatives. For more information about ASF, its members and activities, please go to www.americansecuritization.com. The ASF is an independent affiliate of the Securities Industry and Financial Markets Association.

The European Securitisation Forum, an affiliate of the Securities Industry and Financial Markets Association is the voice of the securitisation and CDO market place in Europe, with the purpose of promoting efficient growth and continued development of securitisation throughout Europe. Its membership is comprised of over 160 institutions involved with all aspects of the securitisation and CDO business, including issuers, investors, arrangers, rating agencies, legal and accounting advisors, stock exchanges, trustees, data and IT service providers and others.. For more information on ESF please visit www.europeansecuritisation.com.

The ASF is the peak body representing the Australian securitisation industry. ASF represents more than 120 organisations including Australia's leading banks, non-bank mortgage providers, investment managers, ratings agencies and other organisations operating within the sector. The ASF's basic mission is:

Advocacy: To mount principled and focused efforts to improve the long term health and vitality of the securitisation market, and to advance the greater good that securitisation provides to consumers, business and the economy. This is chiefly done by interacting with appropriate governmental, regulatory, accounting, legislative and other policy making bodies.

Consensus: To build consensus within the industry on issues material to the industry.

Education: To inform and educate the securitisation community and related constituencies, and to sponsor high-quality conferences and educational programs.