



FINANCIAL
STABILITY
BOARD

Public workshop on the evaluation of the effects of the G20 financial regulatory reforms on securitisation

22 August 2024, Virtual, 13:00 – 15:00 CEST

Summary Agenda

Background

On 2 July 2024, the Financial Stability Board (FSB) published a consultation report that presents the preliminary results of, and seeks comments on, its evaluation of the effects of the G20 financial regulatory reforms on securitisation. The evaluation focuses on two sets of reforms: the International Organization of Securities Commissions (IOSCO) minimum retention recommendations and the Basel Committee on Banking Supervision (BCBS) revisions to prudential requirements for banks' securitisation-related exposures. These reforms aimed to address the vulnerabilities in the securitisation market that contributed to the amplification of losses during the 2008 global financial crisis (GFC).

The analysis thus far suggests that the reforms have contributed to the resilience of the securitisation market without strong evidence of material negative side-effects on financing to the economy, though the findings are preliminary and need to be confirmed by additional work. The FSB invites comments on the findings of the consultation report by 2 September 2024.

The objective of this workshop is for officials from FSB member authorities involved in the evaluation to exchange views with industry representatives, academics and other stakeholders on the findings of the consultation report. The workshop, together with written consultation responses, will inform the final evaluation report, which will be published at the end of 2024.

The workshop will be chaired by Benjamin Weigert (Head of Financial Stability, Bundesbank), Chair of the FSB Securitisation Evaluation Group that prepared the consultation report. It is organised in two sessions, reflecting the main securitisation market segments examined in the report – namely, the collateralised debt/loan obligation (CDO/CLO) and the non-government-guaranteed part of the residential mortgage-backed securities (RMBS) market segments. Each session will start with short presentations by a few selected speakers to motivate the ensuing discussion. Workshop participants are encouraged to contribute to the discussion by asking questions and providing views based on their experience and understanding of the topic.

The virtual meeting will be held using Cisco Webex (web-based video call). Information on technical details will be circulated separately. Times for each agenda item are indicative.

1. Introduction (13:00 – 13:10)

John Schindler, FSB Secretary General, will introduce the objectives and agenda of the workshop, including how the evaluation fits in with the FSB's overall work programme.

2. Presentation of the consultation report (13:10 – 13:25)

Benjamin Weigert, Chair of the FSB Securitisation Evaluation Group, will present the key interim findings from the consultation report.

3. Effects on the RMBS market (13:25 – 14:10)

Objectives: To discuss the interim findings on the effects of the reforms on the resilience of the non-agency RMBS market and more generally on housing finance and the redistribution of risks from banks to the non-bank financial intermediation (NBFi) sector.

Issues for discussion:

- How has the resilience of non-RMBS market evolved since the introduction of the post-GFC securitisation reforms and to what extent could that be attributed to the reforms?
- Does the report accurately describe risk retention practices in the non-agency RMBS market before and after the reforms? How has risk retention affected the functioning of the non-agency RMBS market?
- How have banks' role and behaviours changed in the non-agency RMBS market as a result of the BCBS securitisation framework? To what extent has the simple, transparent and comparable (STC) securitisations framework met its objectives?
- What have been the implications of the securitisation reforms on housing finance and the redistribution of risk from banks to the NBFi sector?

4. Effects on the CLO market (14:10 – 14:55)

Objectives: To discuss the interim findings on the effects of the reforms on the resilience of the CLO market and more generally on financing to private (leveraged) non-financial corporates and the redistribution of risks from banks to the NBFi sector.

Issues for discussion:

- How has the resilience of the CLO market evolved since the introduction of the post-GFC securitisation reforms and to what extent could that be attributed to the reforms?
- Does the report accurately describe risk retention practices in the CLO market before and after the reforms? How has risk retention affected the functioning of the CLO market and to what extent does the financing of risk retention deals by third party investors impact the effectiveness of the reforms?

- How have banks' role and behaviours changed in the CLO market as a result of the BCBS securitisation framework?
- What have been the implications of the securitisation reforms on financing to private non-financial corporates and the redistribution of risk from banks to the NBFIs sector?

5. Wrap up and closing remarks (14:55 – 15:00)

Benjamin Weigert will summarise the takeaways from the discussions and describe the next steps of the evaluation.