



## European Banking Industry Committee

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European Banking Federation (EBF) • European Savings Banks Group (ESBG) • European Association of Cooperative Banks (EACB) European Mortgage Federation (EMF) • European Federation of Building Societies (EFBS)  
European Federation of Finance House Associations (Eurofinas)/European Federation of Leasing Company Associations (Leaseurope)  
European Association of Public Banks (EAPB)

Mr. Elemer Tertak  
DG Internal Market  
European Commission  
B - 1049 Brussels

Brussels 18 July 2008

***Re: EBIC Comments on the European Commission's proposal addressing incentives in the originate-to-distribute business model within the framework of the review of the Capital Requirements Directive (CRD)***

Dear Mr. Tertak,

With this letter, the European Banking Industry Committee (EBIC) would like to express its serious concerns in relation to the new approach proposed by the European Commission regarding incentives in the originate-to-distribute model, which would impose a prohibition for European credit institutions to invest in obligations where the originator or sponsor/arranger fails to retain a 10% "net economic interest" in positions having the same risk profile.

EBIC is of the opinion that the proposal made by the Commission is inadequate, as it fails to promote the right incentives for the operation of the originate-to-distribute model – its stated objective. Specifically, the proposed alignment of the interests of the originator with the ones of the investor does, in our opinion, not have the potential of bringing about changes in the risk management behaviour of any of these two categories of market participants.

EBIC also believes that the proposed prohibition to invest in certain instruments constitutes a disproportionate and undue intervention in the investment policy of banks, seriously limiting their investment possibilities and thus business opportunities. The proposed measure would also negatively affect an important source of funding for credit institutions, which would in turn restrain the availability of liquidity in the markets.

The Commission's proposal would distort the level playing field between EU credit institutions and banks from third countries, which would not be subject to similar investment limitations. It would also provide an incentive for EU originators to place their securitised exposures outside the European market, which would be put at a significant disadvantage compared to other markets. For this reason, EBIC believes that provisions relating to securitisation should be designed at international level and that the work of the Commission should not anticipate the conclusions of the Basel Committee.

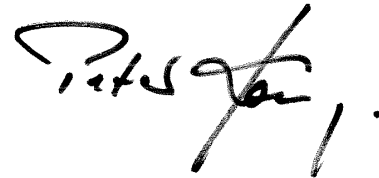
For more detailed comments on the Commission's proposal, we would like to refer to the responses submitted directly to the Commission by the individual EBIC Associations.

EBIC stands ready to discuss this matter further with you and the EBIC Secretariat remains at your disposal for any questions you may have in relation to this issue.

Yours sincerely,



Giuseppe Zadra  
Chair EBIC



Peter Konesny  
Chair EBIC Working Group on  
Supervisory Practices