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## Comments on question 5.5 (Annex 1) -- AIMA and ACC's<sup>1</sup> response to the European Commission's targeted consultation on the functioning of the EU securitisation framework

*Q5.5: To ensure that investors and supervisors have sufficient access to information under Article 7, please select your preferred option below.*

*Option 1:*

- *Streamline the current disclosure templates for public securitisations*
- *Introduce a simplified template for private securitisations and require private securitisations to report to securitisation repositories (this reporting will not be public).*

*Option 2:*

- *Remove the distinction between public and private securitisations.*
- *Introduce principles-based disclosure for investors without a prescribed template.*
- *Replace the current disclosure templates with a simplified prescribed template that fits the needs of competent authorities with a reduced scope/reduced number of fields than the current templates.*

*Option 3: No change to the existing regime under Article 7.*

It is hard to fully endorse either options 1 or 2 without further clarity on what this would entail in practice and what the impact would be on our members. We have decided not to select any of the options presented. While Options 1 and 2 could work in theory, we believe that each presents

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<sup>1</sup> The Alternative Credit Council (ACC) is a global body that represents asset management firms in the private credit and direct lending space. It currently represents 250 members that manage over \$1tn of private credit assets. The ACC is an affiliate of AIMA and is governed by its own board which ultimately reports to the AIMA Council. ACC members provide an important source of funding to the economy. They provide finance to mid-market corporates, SMEs, commercial and residential real estate developments, infrastructure as well the trade and receivables business. The ACC's core objectives are to provide guidance on policy and regulatory matters, support wider advocacy and educational efforts and generate industry research with the view to strengthening the sector's sustainability and wider economic and financial benefits. Alternative credit, private debt or direct lending funds have grown substantially in recent years and are becoming a key segment of the asset management industry. The ACC seeks to explain the value of private credit by highlighting the sector's wider economic and financial stability benefits.

Alternative Credit Council (ACC)

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significant challenges as currently formulated and have preferred to highlight this in this separate annex.

We believe that it is necessary for policymakers to consider many factors when weighing up the most appropriate means to improve the reporting requirements. The first is the welcome recognition in both options 1 and 2 that the reporting requirements for all forms of securitisation need to be materially improved.

We agree that there is value in looking at means by which reporting templates for public securitisations can be streamlined and introduce a simplified template for private securitisations. However, we would caution against any requirement for the private securitisations to report to securitisation repositories. This would potentially impose additional burdens on transactions and it is unclear what benefits this would provide. Mandating the use of securitisation repositories for private securitisations would place EU investors at a competitive advantage as the extra expense would deter non-EU originators from marketing their deals to EU investors. Similarly, there is a risk under option 1 that by simplifying reporting obligations, more transactions would come within the scope of the public definition. Without clarity on how far any reporting obligations might be streamlined it is hard to say with certainty whether this would in practice represent any reduction in reporting burdens.

With respect to option 2, there is some attraction in removing distinctions between public and private, and introducing principles-based disclosure for investors but again uncertainty would remain as to whether the disclosure template for regulators would be sufficiently simple to facilitate a net reduction in reporting burdens. While we would generally be supportive of getting rid of the prescribed templates, this would need to be considered alongside the degree to which any “principles-based disclosure” requirements might generate additional uncertainty or complexities for originators/sponsors.

This suggests that further consideration should be given to each of these options and further details explored so that our members can provide more considered views on which offers the best means to reduce reporting burdens in a proportionate manner.

In addition to these comments on options 1 and 2 we would ask that consideration is given to removing the requirement to produce a transaction summary. Such documents can typically run up to 50 pages or more and producing them has evolved into a significant workstream in any private securitisation transaction. As a practical matter, investors often receive it only at a very advanced stage of the transaction and in many cases do not review the information contained within it or place reliance on it. We think this requirement should therefore be removed or significantly amended.

Lastly, we believe that it would be positive for policymakers to clarify that EU investors are allowed to delegate the obligations of Article 5 to non-EU institutional investors, as well as allowing non-EU investors (e.g., UK managers) to delegate compliance to EU-based institutional investors.