

General Comments

Targeted consultation on the functioning of the EU securitisation framework

The Verband der Automobilindustrie e.V. (VDA) represents the leading companies of the automotive industry including their financial services companies – the so called Captives – in Germany.

The majority of new passenger cars registered in the European Union are either financed or leased. The captives are an indispensable partner of motor vehicle manufacturers in the marketing of passenger and commercial vehicles.

Furthermore, the Captives are a major source of funding for the automotive industry in Europe, providing finance to dealers and consumers and facilitating the sale of vehicles across the EU.

The Captives rely heavily on the securitisation of auto loans and leases to fund themselves and thus to ensure the financing and leasing of motorcars produced by the car manufacturers. Securitisations allow captives to diversify their refinancing: Auto ABS is an alternative funding source to customer deposits and corporate bonds. They offer good protection against market volatilities and contribute to achieve future economic growth.

Auto-ABS transactions are generally structured in a very simple, robust and transparent way. They are secured both by the sold receivables and by the related vehicles themselves. The high quality of securitisation transactions reflects the high quality of the standards applied to lending and loan processing.

Within the ABS segment Auto-ABS is a high quality asset class. Investors particularly appreciate the low risk and high liquidity of public ABS. Auto-ABS have the lowest spread of all ABS segments due to the perception as simple, standardised, transparent high quality securitisations. Even during the financial crisis, European Auto ABS proved to be extremely crisis-resistant and did not cause investors to suffer any losses.

In the past, the VDA has constructively supported the EU's regulation of the securitisation market in the past and thus, we are glad to participate in the EU Commissions' targeted consultation on the functioning of the EU securitisation framework.

First of all, we welcome the EU Commissions' initiative to assess to what extend the original policy objectives – namely supporting the EU securitisation market – have been achieved or if there is a necessity for further adjustments.

Compared to the US securitisation market, the European securitisation market has always been safe for investors. From our point of view, there was no need for a revival of a safer securitisation market. Also, we argue that there has never been a stigma towards investors in Auto ABS. Therefore, we do not see the need to reduce a stigma. However, we are aware that the situation might be different for investors in securitisations other than Auto ABS.

In assessing the overall goal of the regulation framework, however, we would like to point out that for ABS, regulatory requirements are still less favourable than for comparable products such as covered bonds or even riskier products such as corporate bonds.

The aim of the current assessment should be to:

- Reduce capital requirements for Auto-ABS: As part of the STS-regulation, capital requirements for European securitisation have been raised. At the same time, the implementation of the Basel requirements lead to lower capital requirements for US

securitisation, further penalising the high-quality securitisation particularly in the European Auto-ABS market although there have not been any losses or defaults in this segment.

- We would furthermore strictly encourage a revision of the LCR treatment of Auto ABS bonds, as these are less favourable compared to other instruments (e.g. Covered Bonds), despite the strong regulation and the excellent performance of European Auto ABS securitisations.
- Improve deal economics particularly by reducing operational costs.
- Single Source of Truth: We advocate for abolishing double and triple reporting requirements to different authorities (ECB, ESMA ...).
- Discontinuation of loan-level-data: As to our knowledge, the European Data Warehouse is hardly used by investors (or authorities for that matter).
- Legal certainty.
- Maintaining the third party verification.

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