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VERBAND DEUTSCHER PFANDBRIEFBANKEN E.V. BERLIN

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Dr. La / sk

Transparency of Structured Finance Products

AZ ZKA: 413-IOSCO

AZ BVR: 413-WP-AUFIOS

Dear Mr Tanzer,

Please find enclosed our comments to IOSCO's consultation paper. We are grateful for the opportunity to comment on this important issue. If you have any questions, please feel free to contact Mr Diedrich Lange.

Yours sincerely,

on behalf of the Zentraler Kreditausschuss
Bundesverband der Deutschen
Volksbanken und Raiffeisenbanken e.V. BVR
National Association of German Cooperative Banks



Gerhard Hofmann



by proxy

Dr. Diedrich Lange

Enclosure

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Response to the Consultation Report on Transparency of Structured Finance Products Technical Committee of the International Organization of Securities Commissions

November 2009

* The ZKA is the joint committee operated by the central associations of the German banking industry. These associations are the *Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR)*, for the cooperative banks, the *Bundesverband deutscher Banken (BdB)*, for the private commercial banks, the *Bundesverband Öffentlicher Banken Deutschlands (VÖB)*, for the public-sector banks, the *Deutscher Sparkassen- und Giroverband (DSGV)*, for the savings banks financial group, and the *Verband deutscher Pfandbriefbanken (VdP)*, for the mortgage banks. Collectively, they represent more than 2,200 banks.

SUMMARY

- The Zentraler Kreditausschuss ZKA welcomes the IOSCO Consultation Report “Transparency of Structured Finance Products” as well-balanced approach to enhance market transparency in some of the envisaged parts of the relevant markets of structured finance products,
- but doubts that an easy road to solution is given because of the manifold problems and complex aspects of market transparency in these difficult markets;
- in addition ZKA thinks that a harmonized approach will be unavoidable against the background of the G-20 resolution.

ZKA welcomes the opportunity to comment on the Consultation Report on Transparency of Structured Finance Products. We would like to refer to our comments dated 30 January 2009 pertaining to the previous consultation round which we enclose once more for your convenience. In our opinion, the German banking industry's sceptical stance on obligatory transparency measures in the field of structured finance products becomes evident. The ZKA shares the view of IOSCO that "*a lack of post-trade information is not widely regarded as being a direct cause of the difficulties experienced by the SFPs market*". We also concur with the view of IOSCO that "*there are divergent views on the possible benefits and drawbacks of a post-trade transparency regime for SFPs*". More often than not, structured finance products will lack comparability; hence, post-trade transparency will hardly offer any value added. Rather, especially as regards less liquid securities, there is concern over a potential continued decline of liquidity, as sellers will have to worry that the published price level might induce the market to assume that the seller is facing liquidity constraints. Price announcements might also promote herd behaviour.

Although IOSCO's present Consultation Report does not accommodate all issues that have been raised previously by ZKA, it does reflect most of these concerns expressed. The proposal that national jurisdictions shall accommodate existing market conditions and shall endeavour to introduce at least in parts incremental market transparency measures for some particularly appropriate market segments or product areas is a reflection of the heterogeneity of markets and products and of the fact that a standardised transparency regime would incur more costs than benefits. In this context, we especially support the balanced presentation of the pros and cons regarding the introduction of TRACE as well as the reference to the high costs of introducing market transparency systems which may not only be due to system implementation costs, but also due to opportunity costs. Summing up SFPs tend to be traded in such conditions that transaction prices do not constitute a valuable source of information, thus making any post trade information on SFPs irrelevant.

In view of the diverging buy side and sell side interests, we believe that this consultation report is appropriate for the current stage of the discussions. Nevertheless, it is our understanding that, based on the G-20 resolutions, the European Commission and other legislative bodies are aiming for a coordinated approach so that those initiatives to strengthen the markets will eventually result in convergence during the national efforts.