AMUNDI'S ANSWER TO FSB'S CONSULTATION ON Standards and Processes for Global Securities Financing Data Collection And Aggregation

(February 12, 2015)

Amundi is a major asset manager ranking first in Europe and in the Top 10 worldwide in the industry with AUM of close to €850 billion worldwide. Located at the heart of the main investment regions in 30 countries, Amundi offers a comprehensive range of products covering all asset classes and major currencies.

Amundi has developed savings solutions to meet the needs of more than 100 million retail clients worldwide and designs innovative, high-performing products for institutional clients which are tailored specifically to their requirements and risk profile.
The Group contributes to funding the economy by orienting savings towards company development.

Amundi uses Efficient Portfolio Management techniques (EPM) with a view to get extra return for its clients-investors and to adjust its cash position in the most secure way. In particular Amundi sees Reverse Repo as a means to obtain a safe return for its cash (counterparty risk being mitigated with the transfer of ownership of collateral received), and enters into securities lending to enhance the performance of its funds (usually receiving collateral, most often cash). Asset managers, except for hedge funds, rarely use Repos nor borrow securities.

As a matter of fact, we are very sorry to see that these transactions are now called Securities Financing Transactions (SFT), a wording that does not reflect the way they are conceived by asset managers. If we participate to the present consultation it is to make it very clear that the asset management industry is extremely closely regulated and supervised and should be exempted from regulations and reporting that apply to entities that use the same techniques for another purpose, i.e. get leverage and re-use the proceeds received. **Consequently, in the asset management industry only Hedge Funds should be included in the scope of any regulation of SFTs.**

In Europe funds are either UCITS or AIFs. UCITS are not entitled to carry an exposure higher than 2 for 1 of capital received, they cannot Repo more than 10% of their assets. Furthermore, they are prevented from using the collateral received, cash or securities or any type of guarantee. They should clearly be out of the scope of the proposed regulation. That should also be the case for most AIFs. There are two categories of AIFs: those who limit their exposure to markets to 3 for 1 of capital received and those that use significant leverage with a possible exposure in excess of 3 for 1. Those AIFs using significant leverage (AIFUSL) are the only ones that can present any risk at a systemic level.

Considering the extensive and diversified reporting done by asset managers under specific regulations such as AIFM or UCITS or under EMIR or MIF that are not specific to the industry, we feel that it is unnecessary to suggest a new type of reporting for SFTs from asset managers, knowing that leveraged AIFUSL are already subject to an specific reporting obligation. More generally, regulators should first consider the numerous data they receive under different reporting obligations and focus on those loopholes or lacks that a proper assessment would have evidenced.

Lastly, we want to stress that reporting should not be a way to introduce new regulation but should remain limited to its role of getting better information in order to ensure financial stability and track systemic risk. For example, when a counterparty reports absence of collateral in a securities lending operation it should not be considered as a delinquent behavior. It is the liberty of the counterparty to decide to suffer heavy capital charge under its prudential regulation and to prefer to conclude, for any business, regulatory or commercial reason, a transaction without the expected risk mitigation stemming from collateral.

We now turn to the specific questions raised in the consultation paper and limit our answers to those where we feel directly involved.

Q2-1. Does the proposed definition of repos provide a practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?
Q2-2. In a later stage, a list of transactions that are economically equivalent to repos may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.

Q2-3. Are the proposed definitions and level of granularity of the data elements described in Tables 2 to 4 appropriate for a consistent collection of data on repo markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for repo rate (in Table 3), collateral residual maturity, haircut and collateral type (in Table 4) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.

Amundi considers that field 3.3 in table 3 does not adequately reference funds. First, we do not think that funds should report EPM transactions; even if they are now called SFTs they do not aim at procuring financing for the funds. They may be reported by the entity that gets leverage from a reverse repo but not by the cash provider. Secondly, we consider that the most relevant distinction would be between leveraged funds such as AIFUSL in Europe and other funds with low leverage.
In item 4.9 we are very surprised to see that the footnote 18 refers to external rating published by CRAs to define Investment grade bonds. We thought that regulators were now required to eliminate any reference to CRA's opinions in their regulations.

Q2-4. Do you see any practical difficulties in reporting the total market value of collateral that has been re-used? Do you have any suggestion for addressing such difficulties?
Q2-5. Do the classifications provided for "market segment – trading" (in Table 3) and "market segment – clearing" (in Table 3 and 4) appropriately reflect relevant structural features of the repo markets? Are there additional structural features of repo markets that should be considered?
Q2-6. Are there additional repo data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.
Q2-7. Does the proposed definition of securities lending provide practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?
Q2-8. In a later stage, a list of transactions that are economically equivalent to securities lending may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.
Q2-9. For securities lending, do you think that an additional table with flow data would add insights into the operations of securities financing markets and assist regulators in their financial stability monitoring?
Q2-10. Are the proposed definitions and level of granularity of data elements as described in Tables 5 to 6 appropriate for consistent collection of data on securities lending markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for securities lending fees or rebate rates (in Table 5), residual maturity (in Table 5), collateral residual maturity and collateral type (in Table 6) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.
Q2-11. Do you foresee any practical difficulties in reporting the total market value of collateral that has been re-used or cash collateral reinvested? Do you have any suggestion for addressing such difficulties?
Q2-12. Do the classifications provided for "market segment – trading" (in Table 5) and "market segment – clearing" (in Table 5 and 6) appropriately reflect relevant structural

features of the securities lending markets? Are there additional structural features of securities lending markets that should be considered?
Q2-13. Are there additional securities lending data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.
Q2-14. Does the proposed definition of margin lending provide practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?
Q2-15. In a later stage, a list of transactions that are economically equivalent to margin lending may be added to the reporting framework (see also Section 6 for details). Which economically equivalent transactions would you suggest for future inclusion? Please provide a definition of such transactions and explain the rationale for inclusion.
Q2-16. Are the proposed definitions of data elements as described in Tables 7 to 9 appropriate for consistent collection of data on margin lending at the national/regional level and for aggregation at the global level? In particular, does the collection of the data elements in table 9, which represents a specific requirement for margin lending, provide relevant information for financial stability purposes? Do you foresee any particular difficulties to reporting the required data elements at the national/regional level?
Q2-17. Are the detailed breakdown of major currencies (in Table 2), sector of the client and bucketing for loan rates (in Table 7), collateral type and bucketing for margin requirements (in Table 8) and funding sources (in Table 9) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.
Q2-18. Is the collection of the data on the customers' short position, in addition to the value of outstanding loans, a necessary metric for assessing the overall clients' exposures and for financial stability purposes? Do you foresee any practical difficulties to report this data element at the national/regional level?
Q2-19. Are there additional data elements in relation to margin lending that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.

Q3-1. Is the data architecture described in Section 3 adequate to support the global securities financing data collection and aggregation? Are there other relevant issues to be considered?

Our general view is that the reporting should be organized at the entity level and not on a transaction by transaction level as the aim is to track systemic risk. In that framework we anticipate that funds would be exempted from reporting, except for leveraged funds. Furthermore, we support the suggestion to introduce thresholds to gather significant information and eliminate reporting numerous, burdensome and irrelevant data. Finally, Amundi is concerned with the risk that the proposed scheme may have a significant cost that would be passed on to the final investor, thus reducing its return.

Q3-2. Do you have any other practical suggestions to reduce any additional reporting burden and improve the consistency of the global data collection?

Thresholds, regulated entities focus, one counterparty reporting (and not both sides), summary tables, entity level reporting, reporting by CCPs… are adequate means to filter data and obtain better quality. Furthermore, a thorough assessment of existing reporting fields and data under different regulations should be made in order to identify existing fields and the way they are populated and to limit the obligation for central data bases to include new items. We insist on the fact that the never ending addition of new reporting requirements creates on one hand a heavy burden on IT and organization teams and on the other hand diminishes their availability to work on other projects that might be of greater efficiency to reduce risk.

Q3-3. Do the proposed measures for minimising double-counting at the global level constitute a practical solution to the problem?
Q3-4. Are there any confidentiality issues that you consider relevant for the global securities financing data collection other than those explained above? If so, please provide any practical suggestions to overcome such issues?

Q4-1. Do the proposed recommendations as set out above adequately support the authorities in deriving meaningful global aggregate data? Are there any other important considerations that should be included?

Amundi considers that the exemption of UCITS and non AIUSL AIFs from the list of reporting entities should not be decided at the local level but should be part of the recommendations issued under FSB's supervision. Identically the level of granularity, at the entity/portfolio level, should be decided at FSB's level.

Q6-1. Are there any relevant practical issue related to the possible extension of the list of data elements to be considered as set out in Section 6?
Q6-2. Are there other data elements in relation to securities financing transactions that you think the FSB should consider for financial stability purposes?
Q6-3. Do you agree that a pilot exercise should be conducted before launching the new reporting framework? If so, are there any practical suggestions that the FSB and national/regional authorities should consider when preparing the pilot exercise?
Q6-4. In your view, what level of aggregation and frequency for the publication of the globally aggregated data on securities financing transactions by the FSB would be useful? Please provide separate answers for repo, securities lending and margin lending if necessary.

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