

## ECB's Paramo: Securitization Market Needs Better Disclosure

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CANNES, France -(Dow Jones)- The European securitization market needs to increase transparency in order to restore investor confidence fully, a senior European Central Bank official said Sunday.

Jose Manuel Gonzalez-Paramo, the Spanish member of the ECB's executive board, told delegates at the Global ABS 2008 conference in Cannes that "the interventions of public authorities cannot substitute the need for the market to enhance disclosure by providing information that will facilitate the assessment of the situation of financial institutions and financial instruments."

Better disclosure "will eventually lead to reinstatement of confidence in the ability of the financial system to manage risks properly," he said.

Gonzalez-Paramo said that "supervisors and central bankers are encouraging and monitoring the market-led initiatives by the European Securitization Forum and other international organizations" to standardize reporting on the pools of assets backing structured finance instruments, "and will evaluate the adequacy of these measures as well as their implementation to assess whether they need to do more."

The European Securitisation Forum is one of the hosts of the conference.

"A sufficiently detailed disclosure of borrower characteristics and the performance of the loans over time would be important to revitalize the market," Gonzalez-Paramo said. "This is also of critical importance to the central banks in the Eurosystem, not only as market watchers but also... in the performance of their task of providing regular refinancing to the banking system against adequate collateral."

Gonzalez-Paramo said that the quality of the documentation underlying issuances, such as pre-sale reports by rating agencies and prospectuses, should be improved.

As well as a lack of transparency regarding structured finance instruments, disclosure of information by financial institutions on their "risk exposures to and valuations of structured products and off-balance sheet vehicles proved to be opaque and very diverse in terms of scope and detail" had contributed to a loss of market confidence.

He said the ECB would continue "assess carefully" the collateral it receives in the form of asset-backed securities posted by banks who borrowed from the ECB, and would make sure its collateral framework rules were strictly enforced.

The ECB would also "study whether there are elements in our collateral framework that may need to be refined to make it even more effective."

Gonzalez-Paramo said that "a side effect of the broad range of assets accepted as collateral [was that] the framework helped us also during the turmoil to address liquidity squeezes in some markets, including the ABS market, as it mitigated refinancing risks for asset classes that had become illiquid."

He said that this had "contributed to financial stability in the euro area."

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