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Internal Market and Services DG

FINANCIAL INSTITUTIONS

Retail issues, consumer policy and payment systems

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TERMS OF REFERENCE

MORTGAGE FUNDING EXPERT GROUP (MFEG)

1. BACKGROUND

Funding instruments in EU mortgage markets are diverse. Specific instruments such as *covered bonds* and *mortgage backed securities* play an important role in a pan-European as well as national context.

As expressed by the Forum Group on Mortgage Credit in particular, the further integration of the EU mortgage markets could be considerably enhanced by the emergence of a pan-European funding market. Pan-European funding mechanisms have the potential to increase sources of funding, deepen the liquidity of the market and more generally allow for the diversification of risk.

Further integration of the *secondary markets* in loan funding should not be treated in isolation. In many respects, the integration of secondary markets is linked to the integration of the *primary market*.

In the Green Paper on Mortgage Credit in the EU of 19 July 2005 (COM (2005) 327), the Commission announced its intention to create an ad hoc working group of stakeholders. This idea was unanimously supported in the responses to the Green Paper consultation.

2. OBJECTIVES OF GROUP

The Expert Group will:

- Identify the barriers to integration for each of the funding models outlined in the Forum Group Report (Retail deposits, Covered Bonds (including Structured Covered Bonds), Residential Mortgage Backed Securities, and Multi-origination platforms). Barriers will be classified according to their origin (commercial practices, technical standards, national/EU legislation etc.).

- Prioritise the barriers identified in terms of their significance to the market.
- Consider and justify possible solutions for each of the barriers identified and make concrete recommendations to the Commission.

The Expert Group will, at the end of its duration, publish a report on its findings. The report will be published on the European Commission internet site.

3. ORGANISATIONAL ASPECTS

3.1. Structure

3.1.1. Expert Group Members

The Expert Group is composed of 18 members, specialised in the fields concerned. Members are appointed in a personal capacity.

Experts have been selected to ensure a broad range of experience as well as geographical and market representation. They have a strong practical experience in mortgage funding mechanisms, and many have cross-border experience. The Commission sought experts from a range of different funding models including RMBS, covered bonds, multi-origination platforms, etc.), from different markets and with different backgrounds (legal and financial in particular).

Members of the Expert Group were selected in 2 ways.

First, interested parties were asked to nominate experts to represent them.

- Consumer (BEUC) and Investor associations (Euroshareholders) were invited to nominate 1 representative each. BEUC did not appoint any expert.
- Lender associations (represented by EBIC) were invited to nominate 6 representatives.
- The mortgage insurance industry (via CEA) was invited to nominate 1 representative.
- The European Securitisation Forum (ESF) was invited to nominate 1 representative.

Second, in the light of this first strand of nominations, the Commission selected additional representatives, in order to ensure the necessary geographical and market representation as well as the required balance of expertise.

Experts are expected to participate directly in all meetings as well as to contribute to the preparatory work for the meetings. Active participation in the group's discussions and the drafting work is vital. Members who are no longer able to contribute effectively to the group's deliberations or who resign may be replaced for the remaining period of their mandate.

3.1.2. Expert Group Observers

In addition to the members, a certain number of observers have been appointed. Observers differ from Expert Group Members in that whereas Members are expected to contribute actively to the discussions, observers fulfil a mainly coordinating role with their federations.

The following organisations currently have observer status:

- EBIC (1 observer)
- European Securitisation Forum (1 observer)
- The European Central Bank (2 observers).

Other organisations may also be offered observer status.

3.1.3. Other

In order to facilitate the distribution of information and to ensure transparency in the Expert Group's proceedings, each association nominating experts (Euroshareholders, EBIC as well as the EBIC member associations, CEA, European Securitisation Forum) will receive copies of all Expert Group correspondence.

It should however be underlined that the receipt of information in this manner does not provide the recipients with any right to attend Expert Group meetings or participate in Expert Group discussions.

3.1.4. European Commission

Representatives from Commission services (DG Internal Market & Services, DG Competition, Economic and Financial Affairs DG) will participate in the meetings.

3.2. Meetings

Meetings will be held on a monthly basis over a period of several months (April to November except August). Experts are expected to participate directly in all meetings as well as to contribute to the preparatory work for the meetings.

Meetings will take place at the premises of the European Commission in Brussels (usually Avenue de Cortenbergh 107) from 10.00-17.00.

3.3. Operation

The Expert Group shall be chaired by the Commission. The Commission will provide secretarial services for the group and possible sub-groups.

In agreement with the Commission, the group may establish sub-groups. These sub-groups shall be set up to examine specific questions on the basis of a clearly defined mandate. They shall be dissolved as soon as their mandate is fulfilled.

3.4. Meeting Expenses

For consumer and investor representatives, the Commission will reimburse travel and subsistence expenses in connection with the activities of the group in accordance with the provisions in force at the Commission.

Members of the group will receive no remuneration for their duties.

3.5. Confidentiality

Information obtained by participating in the group's or sub-group's deliberations may not be divulged if the Commission says that this relates to confidential matters.

Names of the Expert Group members and observers will be published on the European Commission internet site.

The final report of the Expert Group will be published on the European Commission internet site.