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BY EMAIL: APS120review@apra.gov.au

Mr. Neil Grummitt
General Manager, Policy Development
Policy, Statistics and International Division
Australian Prudential Regulation Authority
GPO Box 9836
SYDNEY NSW 2001

Re: Discussion Paper – Simplifying the prudential approach to securitisation

Dear Mr. Grummitt,

MetLife appreciates the opportunity to comment on the encouraging proposals introduced in your 29 April 2014 Discussion Paper, as they relate to the introduction of Master Trusts as one of the securitisation forms available to market participants in Australia. We believe that an effective framework for Master Trusts will allow Australian issuers to sustainably deepen their global investor base, by creating a sound and versatile investment alternative for investors worldwide.

MetLife is one of the world's leading insurance companies, serving 90 million customers globally. In addition to operations in Australia, MetLife operates in over 40 other countries. A key component of our business model in each of these countries is to identify prudent global investment opportunities to match our insurance liabilities. We manage over \$400 billion of investable assets worldwide, and \$10 billion of these come out of Australia.

One of the key investment sectors that MetLife focuses on is securitisations. As of 30 June 2014, we managed over \$67 billion of securitisation investments worldwide. This investment sector has been central to MetLife's ability to make good on our promise to provide financial security to our customers. As such, we are constantly looking to expand our investments in those parts of the global securitisation market that are sound and long-term sustainable. We believe that Australia is one such market today.

The main limitation we have faced when considering Australian securitisation investments in the past is that transactions are highly rigid in terms of the tenors and currencies they can offer. Our global asset needs, by contrast, have a wide range of tenors and currencies. An effective Master Trust framework can bridge this gap.

With the adequate framework, bonds issued out of master trusts can have very simple structures that address a variety of needs from different types of investors worldwide. For example, one Master Trust can issue senior and subordinated bonds, in short, intermediate, and long tenors, and each of these bond tranches can be denominated in multiple currencies. Given sound fundamental characteristics, this flexibility is invaluable for a global institutional investor like MetLife.

For the reasons noted above, we are very encouraged to see that APRA is proposing the creation of a Master Trust framework in Australia. At the same time, we note that there are two key features critical to the viability of Master Trusts that seem to be absent from the current proposal. Below please find a brief description of our primary concerns.

1. **Scheduled amortization or bullet bond structures are necessary.** In the absence of this kind of structure, it would be highly inefficient and frequently unworkable to swap the collateral cash flows from Australian Dollar into other currencies. Without the ability to consistently issue in multiple currencies, Australian Master Trusts will not realize their potential to develop a deep and sustainable global investor base. We encourage APRA to reconsider the proposed limitations to the amortization of the "Class A seller note" and the prohibition of date-based calls. These two limitations will in many cases prevent the issuance of scheduled amortization or bullet bond structures.
2. **Contingent credit protection mechanisms are critical.** Prudent investors are likely to require protection mechanisms that spring up in case of material unexpected credit events. Because securitisation payment waterfalls are meant to be mechanical rules, contingent provisions such as Early Amortization Triggers are necessary to avoid the unintended disproportionate erosion of investors' economic positions. We encourage APRA to revisit its proposed prohibition of Early Amortization Triggers for Master Trusts. We believe that there are sensible approaches to these triggers that would provide the contingent protection investors will require, without inequitably disadvantaging the position of the Class A seller note holders (i.e. the issuing ADIs).

We thank you for the opportunity to comment on proposed regulation for an initiative that has the potential to be beneficial for current and future participants in the Australian securitisation market. We would welcome any questions you may have regarding the views or recommendations on this comment letter. Please feel free to contact either Francisco Paez of our Investments Department [REDACTED], or Michael Rowe of our Legal and Government Affairs Department [REDACTED].

Very truly yours,



Francisco Paez
Head of ABS and CMBS
Metropolitan Life Insurance Company