

MEMO# 29200

July 27, 2015

BCBS and IOSCO Issue Final Criteria for Identifying Simple, Transparent and Comparable Securitisations

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TO:

FIXED-INCOME ADVISORY COMMITTEE No. 25-15
ICI GLOBAL REGULATED FUNDS COMMITTEE No. 41-15
INTERNATIONAL MEMBERS No. 27-15
INVESTMENT ADVISER MEMBERS No. 18-15
MONEY MARKET FUNDS ADVISORY COMMITTEE No. 27-15
MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 19-15
SEC RULES MEMBERS No. 47-15

RE:

BCBS AND IOSCO ISSUE FINAL CRITERIA FOR IDENTIFYING SIMPLE, TRANSPARENT AND COMPARABLE SECURITISATIONS

On July 23, the Basel Committee on Banking Supervision (“BCBS”) and the International Organization of Securities Commissions (“IOSCO”) issued final criteria for identifying simple, transparent and comparable (“STC”) securitisations (“Final Criteria”). [\[1\]](#) In December 2014, BCBS and IOSCO published for consultation 14 criteria (“Proposed Criteria”) to identify certain features of STC securitisations. [\[2\]](#) BCBS and IOSCO state that respondents were broadly supportive of the Proposed Criteria, but that respondents raised a number of technical concerns where they believed that they were too prescriptive and granular. The January comment letter submitted by ICI Global raised a number of these concerns. [\[3\]](#) In issuing the Final Criteria, BCBS and IOSCO explain that they have attempted to strike the right balance in the level of detail for global criteria that can be applied to all asset types and across jurisdictions. The Final Criteria could have added significance, because we understand that BCBS is considering how to incorporate STC-related criteria into the securitisation capital framework to strengthen banks’ capital standards. [\[4\]](#)

The Final Criteria, like the Proposed Criteria, consist of 14 elements. BCBS and IOSCO have

not included “additional considerations” as part of the criteria, as they did in the Proposed Criteria. They have also omitted from the Final Criteria certain elements that were jurisdiction-specific. For example, ICI Global had objected to inclusion in criteria 12 (which relates to alignment of interest) of an “additional consideration” that parties with a fiduciary responsibility to investors review and confirm that the originator or sponsor retain a material economic exposure to the securitisation. We commented that this consideration reflected requirements that do not apply in certain jurisdictions, such as the United States. BCBS and IOSCO appeared to recognize this concern and omitted that language.

BCBS and IOSCO had requested comment on whether they should adopt separate STC criteria for short-term securitisations. ICI Global had recommended that BCBS and IOSCO not develop additional criteria for asset-backed commercial paper (“ABCP”) and other short-term securitisations due to the unnecessary complexity we believe it would create, while other commenters supported the development of such criteria. BCBS and IOSCO did not adopt additional criteria for short-term securitisations at this time, but state that they will consider whether, and how, to take such work forward.

As in the Proposed Criteria, BCBS and IOSCO emphasize in the Final Criteria that the purpose of the criteria is not to serve as a substitute for investors’ due diligence, but to identify and assist in the financial industry’s development of STC structures. BCBS and IOSCO also state that the Final Criteria apply only to term securitisations and are non-exhaustive and non-binding.

Sarah A. Bessin
Associate General Counsel

endnotes

[1] BCBS and IOSCO, Criteria for identifying simple, transparent and comparable securitisations (July 2015), available at <https://www.bis.org/bcbs/publ/d332.pdf>.

[2] BCBS and IOSCO, Criteria for identifying simple, transparent and comparable securitisations (Dec. 2014), available at <http://www.bis.org/bcbs/publ/d304.pdf>.

[3] See Letter to Mr. Wayne Byres, Secretary General, BCBS, Bank of International Settlements, and Mr. David Wright, Secretary General IOSCO, from Dan Waters, Managing Director, ICI Global, dated Jan. 30, 2015, available at <https://www.iciglobal.org/pdf/28693.pdf>.

[4] See BCBS, Basel III Document, Revisions to the securitisation framework, available at <http://www.bis.org/bcbs/publ/d303.pdf>.