Polish Bank Association

Comments:

Please find enclosed the comments of the Polish Bank Association regarding some issues (recitals) in securitisation framework.

As far as question 1 (p. 7) is concern, in our view the approach is correct and adequately reflects the nature of the individual tranches and risks of the transaction.
We made this assessment from the point of view of the bank applying the standardized approach for calculating risk-weighted exposure.
Banks using the method of external credit assessment may be of different opinion.

regards
Boleslaw Meluch
Adviser to the Management Board
Polish Bank Association

Recital 22)

The definition of "maturity" excludes the possibility of using the expected maturity including, inter alia, prepayments or defaults. Such an approach may result in applying n the method of external ratings excessively long maturit~~i~~es in comparison to the actual repayment profile of the tranche (the problem has already been indicated to the Committee by the banks in relation to the first version of the document)~~.~~

Recital 23)

The definition of "maturity" refers to the weighted average maturity of the contractual cash flows of the tranche~~s~~ or the final legal maturity of the tranche without reference to the maturity of the assets being securitized. In accordance with further provisions concerning revolving, maturity should be calculated in relation to the longest possible maturity of assets that can be added to the pool during the revolving period. Generally, the final legal maturity is longer than the maturity of the assets in the pool and assets that can be added to the pool. Why then there is a different approach used for determining the “maturity” for tranches with revolving?

Recital. 31-34)

These regulations will introduce obligation to performdue diligence in accordance with the described rules. The failure to perform proper due diligence is strongly penalized, even if other requirements for applying IRBA (Internal Ratings Based Approach), ERBA (External Ratings Based Approach) or SA (Standardised Approach) that enable reducuction of risk weights are met. Desirable, however, will be to determine who bears the obligation to provide the data for the due diligence and in what form? Would all required data be available on the platform established in accordance with the CRA 3 and maintained by the Authority?

Recital 43-47)

The proposed hierarchy of methods privileges IRBA method, which is based on a complex methodology and internal models of banks. This can cause discrepancies in calculation of the capital requirement by banks for the same exposures and entails higher operational risks. So far, supervisors

have been privileging in the hierarchy the methodologically simplest method - the method of external ratings.

Recital 52-56)

During consultations in the Polish sector the following questions to this part of the project have been reported:

Using the same symbols in the formula for calculating "p" and "RW" may cause some confusion. Do the parameters "A" and "D" in the formula for calculating "p" and "RW" refer to "Attachment Point (A)" and Detachment Point (D) "or to the values provided in the table? In connection with the resignation from dual ratings in ERBA method, are there any plans to adjust the provisions of the CRA 3? If in accordance with the CRA 3 double rating will be required, what are the rules for selecting the rating for the ERBA method?

Recital 60 & 79)

The proposed approach penalizes secure transaction structures and high quality of the underlying assets (higher risk weights for high rated tranches in ERBA and fixed floor for all risk weights, regardless of the credit enhancement applied etc.).

Recital 61)

Please note that the imposition of the “tranche thickness” parameter only on non-senior tranches may significantly affect the structure of the transaction (tranches distribution).