

Revisions to the standardised approach to credit risk

BSA Response to BCBS second CP

10 March 2016

Introduction

The **Building Societies Association** (BSA) represents all 44 UK building societies. Building societies have total assets of over £340 billion and, together with their subsidiaries, hold residential mortgages of over £265 billion, 21% of the total outstanding in the UK. They hold over £245 billion of retail deposits, accounting for 18% of all such deposits in the UK. They employ approximately 40,000 full and part-time staff and operate through approximately 1,550 branches.

The BSA is pleased to respond to this second consultation paper on the revisions to the standardised approach to credit risk (the **2nd CP**). We contributed a detailed response¹ to the first CP, and are pleased to see that some of our suggestions / counter-proposals have been adopted in the 2nd CP. We were also pleased to take part in the global industry round table on 17th February in Basel, where we spoke on a couple of our principal concerns. **While the 2nd CP represents a considerable improvement on the 1st CP, there remain areas of substantial concern, and there is a considerable way still to go before the BCBS arrives at a satisfactory framework to replace the current standardised regime.**

Key points

Our members' prime focus remains housing finance (for owner occupation) so we concentrate on the proposed treatment of **residential real estate**. We have related interests in **credit conversion factors**, **credit risk mitigation**, and also the treatment of **bank exposures** – since our members both take and place funds from/in the wholesale market.

We strongly support the overall objective set² by the G-20 GHOS for the BCBS in this, and related exercises, of not causing a **significant overall increase in the level of capital requirement**. But we doubt whether the calibration in the 2nd CP will achieve this: rather it will push up capital requirements for standardised approach users, and widen (subject to the imposition of any capital floors) the gap with capital requirements derived from IRB approaches.

Many of the SA RWs in the 2nd CP are still far too high. The resulting increase in Pillar 1 RWAs, as well as directly increasing the Pillar 1 capital requirement, also increases the Pillar 2 buffer requirements, as these are based on RWAs. And so far –in the absence of any calibration of IRB capital floors –the widening gap with IRB outcomes has anti-competitive effect by favouring large incumbent banks, and discouraging smaller lenders, including many mutuals, for whom IRB is not a realistic option.

Excessive SA RWs, combined with adverse features such as the insistence on retention of LTV at origination, and the loss of tranching / loan splitting, make this problem most acute in the residential real estate area. Indeed, the effective RWs for high LTV mortgage loans are also far too high in relation to actual risk when compared with the RWs for unsecured retail, SME and corporate portfolios.

The BSA supports the wider and more comprehensive response being submitted by the **European Association of Co-operative Banks**, of which the BSA is a member.

¹ <https://www.bsa.org.uk/information/industry-responses/our-response-to-basel-committee-consultation-on-re>

² GHOS mandate January 2016 : <http://www.bis.org/press/p160111.htm>

Detailed comments

We structure our comments broadly in the sequence of the 2nd CP. Paragraph references in this response are to the full text in Annex 1 to the CP that would replace paragraphs 50 to 210 of the current Basel framework. Abbreviations used in the CP are used in the same way in this response. Recalling the desire expressed by the TFSA at the 17 February hearing to be provided with hard data on loss experiences etc, we have also encouraged our members, where they have robust and suitable data, to provide this to the TFSA by way of a confidential response to the CP.

Exposures to banks

We support the move to permit use of **external credit ratings**. As explained in our previous response, the majority of BSA member societies are unrated, and we sympathise with the BCBS' original objective of reducing mechanistic reliance on ratings as this is something from which our members have suffered. Nevertheless the original proposals would have been massively burdensome. We think the new proposals are a sensible compromise, and the alternative SCRA should work quite well for our unrated members

We understand the reasons for excluding **government support**, but this depends on the cooperation of the ratings agencies. For our members, the main benefit is to exclude assumptions (however incorrect in a world in which resolution via bail-in is the new norm for systemic banks) of government support for the hitherto "too big to fail" banks, and the improved competition that results.

We are broadly happy with the **new SCRA methodology**, which rightly benefits prudent, well-managed and financially strong institutions (such as building societies) where they choose not to spend money on ECRs simply because they have few if any debt securities in issue.

We consider that the preferential risk weight for **short term interbank** exposures with original maturity up to three months is reasonable.

"**Due diligence**" is perhaps the wrong term for what is envisaged in the 2nd CP, as it carries the wrong connotations. Where standardised institutions have access to external credit ratings and at least the summary of the analysis lying behind the final ECR, it cannot be efficient for such typically smaller and less well-resourced institutions to re-perform such analysis for themselves. Nor should the due diligence concept introduce new obligations that overlap with existing well-established credit control practices. BSA members already learned through the financial crisis not to place mechanistic reliance on ratings, but to undertake their own high-level assessments as well – perhaps this is all that is now envisaged in the 2nd CP ? This subject drew extensive comment at the round-table and we encourage the BCBS to take a sensible, practical position in response.

Standardised banks are already subject to **disclosure** obligations from various different sources, including existing Pillar 3, which in aggregate are both burdensome, and even counter-productive, as the sheer volume of disclosures reduces the salience of the most important items. Nor are the detail of such disclosures generally of interest to the principal stakeholders – customers and other depositors in building societies. In short, there is already disclosure overload, so we do not favour any more volume. But there is an important practical question under the SCRA as to whether, and how frequently, the **Grade A / B / C status** of the institution is to be disclosed (by the institution itself) or whether this status is to be determined and periodically updated by each (standardised) counterparty from the institution's underlying Pillar

3 or other disclosures. We are not clear what the 2nd CP envisages here, but any solution needs to be *simple* and *efficient*.

Residential real estate

General observations

This asset class is of critical importance to every one of our members as it constitutes their core business. We reiterate the concerns (already stated in our response to the first CP) that the indicative RWs - even with the modest reductions seen in the second CP – will still unnecessarily drive up capital requirements for standardised mortgage lenders, widen (subject to any proposed capital floors) the gulf with the IRB treatment, and damage housing finance provision especially for first time buyers. Moreover, we think the indicative RWs, combined with the insistence on LTV at origination, and the rejection of the incremental risk view inherent in loan splitting / tranching, make a substantial (possibly the largest, but the second QIS will tell) contribution to the overall capital overshoot that the BCBS is going to have to address to stay within the GHOS mandate.

The BCBS also needs to recall that within the Basel framework, the final RWs will be minima. Individual jurisdictions with highly risky property markets are free to impose higher RWs. What is not acceptable is for the universal minima to be driven by the experience of the worst. The financial crisis was closely related to spectacular problems in the US mortgage and securitisation markets, which were not replicated across Europe. The excessive effective RWs proposed for high LTV may be needed in individual jurisdictions, such as much of the US, where the lender's recourse is limited to the value of the property, but this must not serve as a general global benchmark and damage well-run housing finance markets elsewhere.

We also draw attention to another unforeseen interaction (with IFRS 9) that potentially disadvantages standardised users, but appears not have been acknowledged in the TFSA's published work so far. The issue is admirably and succinctly explained in a recent paper³ from the Bank of England :

IFRS 9 applies (subject to endorsement) from 1 January 2018. Its requirements for expected credit losses are in line with the post-financial crisis calls of many constituents, including the Financial Stability Board. It may however have a disproportionate effect on regulatory capital for those firms who use the standardised approach (SA) to calculate capital against credit risk compared to those who use internal ratings (IRB) approaches. These firms tend to be smaller banks.

Firms which use SA deduct the accounting impairment provision (which is expected to be significantly higher under IFRS 9) without adjustment from core equity tier 1 capital (CET1). Thus, higher provisions will directly reduce CET1. By contrast, banks that have supervisory permission to calculate capital for credit risk using IRB approaches only deduct accounting provisions from CET1 to the extent that they exceed 'regulatory expected loss (EL)', with any excess of provisions over regulatory EL added back to Tier 2 capital, up to a cap.

The financial effect of IFRS 9 is not yet known. However, Bank of England analysis suggests that firms using IRB approaches will be able to have accounting provisions increase substantially before regulatory capital is affected. The CRR rules require that firms using SA approaches, on

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<http://www.bankofengland.co.uk/financialstability/Documents/regframework/detailedanswers010216.pdf> page 9, Example 4

the other hand, see capital reduced on a pound for pound basis as accounting provisions increase

The BSA had suspected from the outset that there were unacknowledged interactions between IFRS 9 and the capital framework, possibly leading to double counting or (at the least) additional impacts. Clearly, this issue can affect any credit portfolio : we mention it under residential real estate as that is where its effect will be most pronounced for our members. We think it is very important that the TFSA remedies the missed opportunity to address this in the 2nd CP and takes full account of the above issue in finalising its proposals.

Revised taxonomy

Affordability assessment

The proper assessment of the affordability to the borrower of a mortgage loan remains the cornerstone of good lending, and was universally practised by BSA members even before it became a recent regulatory requirement in the UK. So we can readily support the inclusion of such an assessment among the entry criteria for the preferential RWs in paragraph 50. The BSA broadly welcomes the dropping of a quantitative DSC metric as proposed in the first CP, but this in no way detracts from the importance of assessing the borrower's ability to service the loan.

Servicing or repayment ?

We raise a minor point of language on paragraph 51. There is some confusion and inconsistency between **repayment** and **servicing** : the narrative tends towards the more holistic concept of "**servicing**" – i.e. meeting all the payment obligations under the loan, both interest and instalments of principal. But the use of the term "**repayment**" can only refer to principal – although usually interest makes up the majority of any regular payment obligation, interest is paid but not **repaid**, so **repayment** cannot refer to any element of interest. So both the bullet point in paragraph 50 and the text in paragraph 51 should refer to **servicing** the loan. This would also make clearer that **interest-only** loans, fully serviced from the borrower's other income, do not fall into the IP-RRE category.

Completion of property

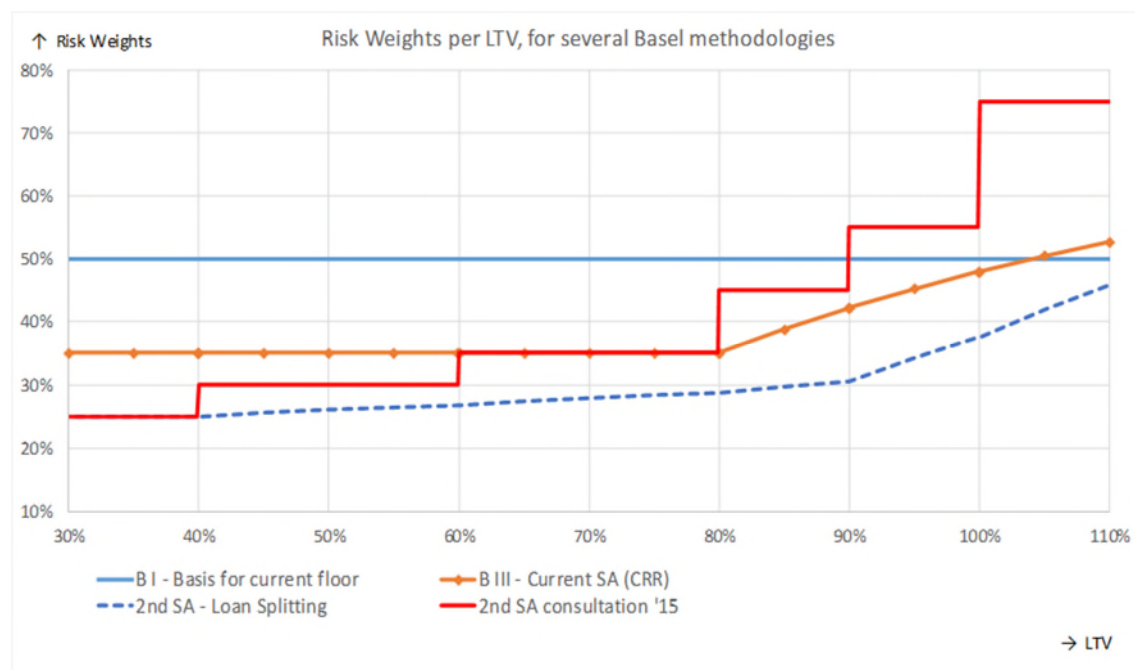
We support the national discretion to exclude one to four family units under construction from the application of the completion criterion in paragraph 50 – self-build, including custom-build, housing is an important lending category for some of our members, and will assume greater importance as a source of new housing – moreover, the enhanced commitment of the borrower in a self-build situation, and other tools such as build-out insurance, satisfactorily mitigate any theoretical completion risks.

Retaining LTV at origination

We repeat the criticism of this approach we made in our response to the first CP. The most obviously perverse and counter-productive result is the inconsistent treatment of the borrower who remains with the original lender at the end of an initial product term of say two or three years, compared with the borrower who moves to another lender. Clearly if the principal is not increased, the risk is the same in both cases – indeed the first lender has better knowledge of the risk, as it has had two or three years' experience of the borrower servicing the loan. No useful risk purpose is served by either pushing the borrower to switch lenders in order to access a loan assessed at the current LTV, or driving the first lender to re-advance and re-document the loan in order to update the LTV: both simply waste frictional costs.

Incremental risk view

We expounded this issue - also described informally as *loan splitting* or *tranching* - at the industry round-table, with support from many other delegates. The 2nd CP is clear (paragraph 54, read with footnote 44) that the whole loan is to be placed in the RW bucket corresponding to the total LTV. This departs from the **incremental risk view**, practised by way of loan splitting or tranching, across the entire European Union under the CRR, and elsewhere – notably Switzerland and South Africa. Moving away from this accepted practice creates both sharp discontinuities – “cliff effects” – at the boundary LTVs, and perverse incentives to supplement a main mortgage loan with top-up high-cost credit. A borrower who needs 82% LTV may find that his standardised lender has to increase the mortgage rate considerably if the loan exceeds 80% LTV even by a few £ or €, so will take only a 80% LTV loan and look to borrow the rest elsewhere, typically a small top up loan at high cost. Overall that borrower is slightly weakened, and the first lender faces slightly greater risk, to no obvious advantage. Whereas tranching (even with fewer RW buckets) generates a smooth and sensible correlation between LTV and RW, avoiding jerky cliff effects, and captures the true risk better. As we have pointed out, the CP’s approach in fact greatly *understates* the risk when applied to a *top-up loan* by a standardised lender. More generally, the incremental risk view makes the framework more risk sensitive, almost effortlessly, without an undue increase in complexity. We illustrate this with the graph below that we put forward on 17th February :



A move to tranching can easily be accommodated as part of the final recalibration of RWs that will be needed anyway.

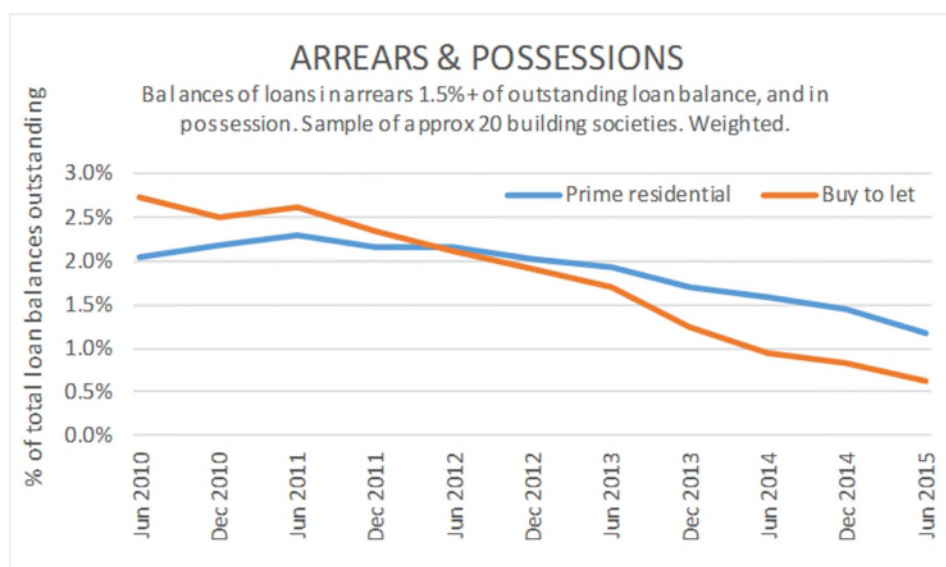
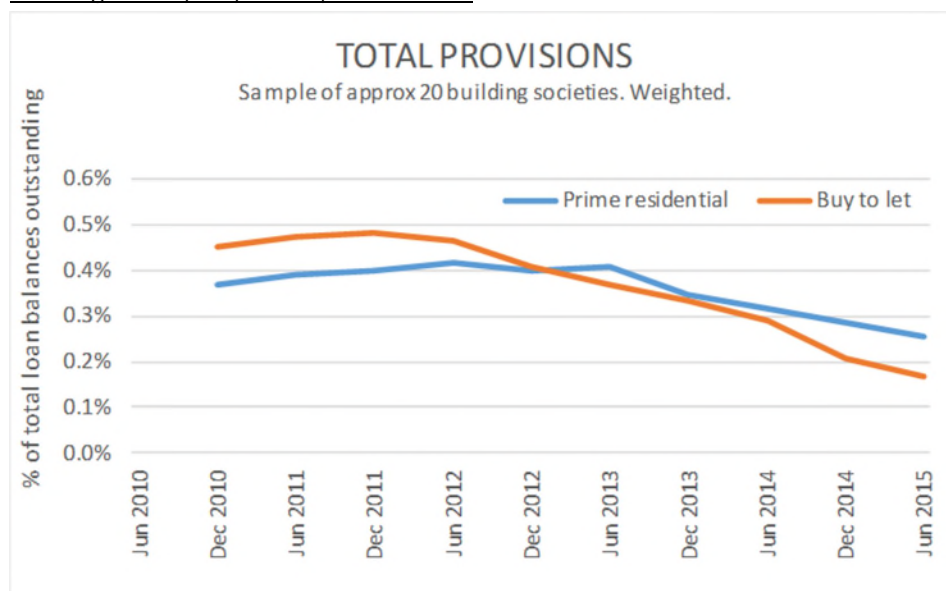
IP-RRE : Buy to let, and social rented housing

BSA members’ primary business is lending for owner-occupation, but many of our members have a modest, prudent and successful sideline in lending to finance rented property - “**buy to let**” lending (BTL). We urged the BCBS in our response to the first CP to treat BTL on the basis of evidence, not prejudice, and we repeat that call now. In the UK, the evidence is clear that prime BTL is no riskier than lending to owner-occupiers. But the RWs proposed in the 2nd CP (Table 10)

are almost at the same levels as those for CRE exposures (Table 12), an altogether riskier asset class.

We showed graphs of supporting aggregate data from our industry on this subject at the 17 February hearing, as part of the overall presentation on BTL by a UK colleague. That presentation provided important analysis and context on the BTL market, which we do not rehearse here. But the two key graphs are reproduced below :

Building society buy to let performance



Individual members have (confidential) data over longer time periods telling the same story. For instance, one large society already contributed a summary of its BTL loss experience over the period since 2000 in a confidential response to the first CP, and will be providing an update in its response to the 2nd CP. Another large society with a presence in BTL has estimated that the capital requirement for this portfolio will **treble**, and that its overall Pillar 1 capital requirement will increase by 15% as a result.

A small building society has shared with us an equivalent experience from its modest but significant BTL portfolio. Over the past ten years, its credit losses from BTL have been minimal (one case), but the RWs proposed in the 2nd CP, together with the loss of loan splitting, will **more than double** the capital requirement for this portfolio. As the society is far too small to contemplate the investment needed for IRB, it is naturally a matter of great concern that the 2nd CP further widens the gulf between SA and IRB RWs – typically for a BTL mortgage below 80% LTV (covering the bulk of this society’s portfolio), the SA RWs proposed by the 2nd CP are between *six and seven times* the average generated from IRB models.

Our second general comment is also relevant here. IP-RRE naturally covers a very wide range of exposure types (IP-RRE is less homogeneous than lending to owner-occupiers) – so it is difficult for SA-RWs to capture each risk. Among IP-RRE exposures that meet the paragraph 50 criteria, some categories – BTL, and also social rented housing – are evidently low risk in certain jurisdictions. We do not expect the SA RWs to capture all such specificities – but the BCBS’ RWs are of course minima. If other IP-RRE categories involve higher risks, these can be captured under Pillar 2. But if the minimum RWs for IP-RRE are calibrated to the risky end, no mitigation is possible for low-risk areas of IP-RRE such as BTL.

We agree with the exclusion (by footnote 50, page 36) of loans secured on **social rented housing** from the IP-RRE treatment, indeed we called for this in our first response. This illustrates one way of dealing appropriately with a very low risk category. **We think the best way to deal with prime BTL is a similar exclusion.**

We also point out a problem of detail with footnote 50. The text reads :

“Also excluded from this treatment are loans to associations or cooperatives of individuals that are regulated under national law and exist with the only purpose of granting its [sic] members the use of a first residence in the property securing the loan.”

However, in the UK, the vast majority of social rented housing (that is not provided by municipalities) is provided by housing associations which are community benefit societies, and not cooperatives. In a fully mutual **housing co-operative**, the tenants are the members, and vice versa. But in a **community benefit** society, usually also a charity, while an individual tenant may become a member, the tenants cannot collectively comprise the whole membership or even a majority of it, because a community benefit society must primarily benefit the wider community, not merely its own members. This is a small but important definitional point. A better formulation would be :

“Also excluded from this treatment are loans to bona fide housing cooperatives of individuals; and not for profit associations providing rented housing [to lower income tenants]; in either case that are regulated under national law.”

Currency mismatches

As explained in our response to the first CP, we agree that loans to borrowers, permanently resident in one country, but **borrowing in the currency of another**, should be subject to some form of additional capital weight. This need was highlighted by revelations about permanent residents of eastern European nations buying local property financed in Swiss Francs. But it is important to distinguish this undoubted risk from the case where expatriate borrowers buy property either (i) for the remainder of the family to live in or (ii) as a BTL investment funded by income from the property, where the security is located in their native country and the loan denominated in the currency of the native currency. While the currency of earning is often different from the currency in which the loan is denominated, the nature of expatriate employment is more transient and often subject to more favourable tax regimes. Accordingly, in response to a currency mismatch stress, the borrower is better able (i) to afford to manage the risk and (ii) return home to work in his/her native country and continue to service the loan.

In conclusion, there should be no add on for currency mismatch loans where (i) the mortgage security is located in the nation of which the individual holds citizenship , and (ii) the currency of the loan is that of the country of which the individual holds citizenship.

ADC finance for housebuilding

As building societies' core business is to finance homes, we are naturally also concerned to encourage an adequate supply of new housing. Building societies do sometimes finance housing development in the private sector as well as in the social housing sector – see above. Our colleague from the British Bankers' Association presented on this topic at the 17th February round-table, and the BSA is therefore pleased to support the general points made :

- Our world needs more higher quality, environmentally friendly homes
- Much of the new stock will be built by local house builders on 'brown field' sites
- Small scale residential housing development is different from commercial real estate
- It should not be in the ADC category but separated out as residential real estate under construction (RRE-UC)

RRE –Transitionals

We repeat, and strongly urge, the proposal made in our response to the first CP, that the revised RWs for residential real estate exposures should apply only to **new mortgage loans** advanced after the implementation date, and not to the existing "back book". We are no longer in the situation, post-crisis, of an urgent need to raise capital levels – indeed, the GHOS mandate to BCBS not to increase the overall capital requirement significantly underlines this. Therefore a more gradual transition to use of the new RWs should be acceptable in prudential / supervisory terms, and will save considerable effort and resource in the data analysis and re-validation needed to allocate the entire "back book" to the new RW buckets. Moreover, we see little merit in re-allocating existing loans to the new LTV buckets using the historic LTV at origination – this serves no useful risk capture purpose. And as we said in our previous response, the administrative burden of re-weighting the "back book" cannot remotely be justified by any immediate but marginal increase in risk sensitivity that might result.

Credit conversion factors

The principal area of relevance to our members is the CCF treatment for mortgage loan commitments. These are presently given a CCF of 20% /50%, according to maturity, which seems not unreasonable. The CP gives an indicative range of 50%-75%. We would oppose any overall increase in the CCF for mortgage commitments – we doubt the justification provided in the 2nd CP applies to mortgage commitments, and any meaningful increase can prove damaging for borrowers: lenders will either explicitly charge, or charge more, for such commitments, or will set shorter expiry dates so the commitments run off quickly. Neither development would be welcome to borrowers moving house – they would simply add to borrower stress, while the actual increase in CCF would have negligible prudential value.

Credit risk mitigation

Mortgage insurance

The BSA affirms that *risk transfer* and *risk spreading* (such as through mortgage insurance) are positive, prudent and desirable features of a residential mortgage lending business. Building societies traditionally insured the highest LTV loans, simply as a prudent risk management measure, even without any capital benefit.

The BSA is therefore particularly keen to ensure that suitable recognition is given to mortgage insurance as a form of credit risk mitigation under the revised framework outlined in the first and second CPs – however, to date, we have received confusing and inconsistent interpretations, including from official sources.

Mortgage insurance is an important risk mitigant widely used in the UK (not only by building societies) to reduce the risk of loss from high LTV lending. The usual method is for the mortgage insurer to provide a top-slice guarantee, providing cover down to an attachment point of 75% or 80% LTV. Because of this element of tranching, capital relief has hitherto been provided by a complex route utilising the securitisation framework.

We noted the following important statement in the 2nd CP– paragraph 52 on page 35 :

Where guarantees or financial collateral which are eligible according to the SA's credit risk mitigation framework are provided, banks may recognise these risk mitigants in their calculation of the real estate exposure amount. Notwithstanding, such eligible guarantees and financial collateral must not be factored into the LTV ratio calculation that will determine the applicable risk weight.

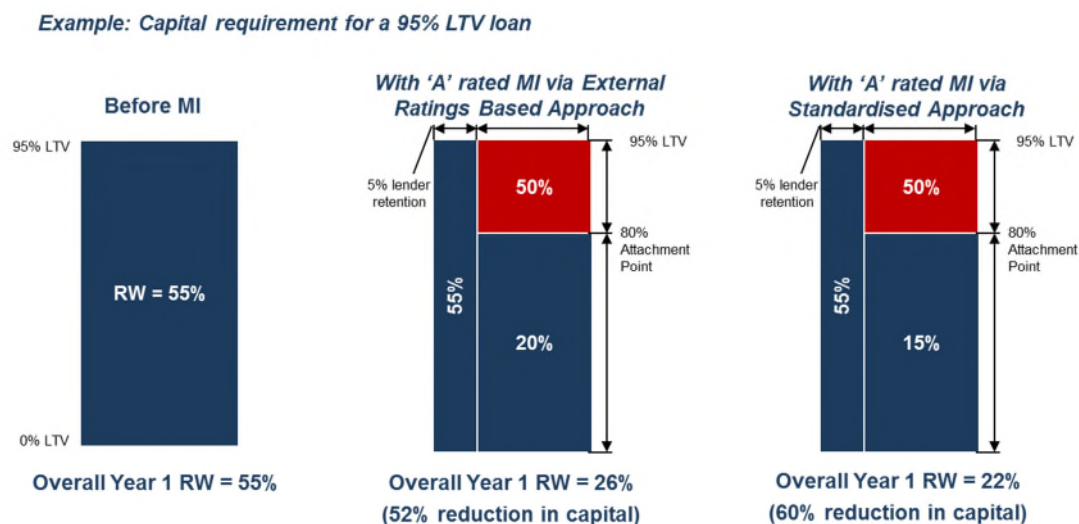
The general statement in the first sentence is encouraging, but we remain unclear exactly how under the terms of the 2nd CP, capital relief is to be ascertained – bearing in mind also that the Basel securitisation framework itself is changing, with the new framework published in December 2014 due to take effect shortly.

Further key statements are now set out at paragraphs 176, 178 and 179 of Annex 1, covering the general RW treatment assuming *pari passu* loss sharing, and the different treatment of tranching cover. If mortgage insurance were to be provided on a *pari passu* basis, paragraphs 176 and 178 seem sufficiently clear : the protected portion carries the RW of the protection provider, while the unprotected portion retains the underlying counterparty risk weight. Applying this to a typical mortgage insurance situation – a loan at 95% LTV, insured down to 80% LTV by a protection provider with a AA- rating – the underlying RW (based on 95% LTV) would be 55% (from Table 9), so the 80% portion would be risk weighted at 55%, while the 15% top slice would be risk weighted at 20% (from Table 8). The average RW would be approx. 49.5%.

However, paragraph 179 makes clear that for tranching cover, which UK mortgage insurance contracts generally provide, the rules in Section IV (Credit risk – securitisation framework) apply. The standardised lender (under the new Dec 2014 framework) has to work down the hierarchy of approaches available to it – i.e. first, external ratings -SEC-ERBA – failing which the standardised approach, SEC-SA. Clearly individual residential loans will not be externally rated in

the way that securitisation positions may be, so the standardised approach, SEC-SA, will be the normal method used.

We illustrate how we think this should be applied by the following diagram, prepared for us by an expert at a BSA Associate :



While the capital relief available by this route can be surprisingly generous (note that SEC-SA assigns a 15% RW floor in such circumstances, and the average RW for the previous example is calculated at 22% - see above) the lender must apply the complicated formulae set out in paragraphs 78 to 87 of the December 2014 revised securitisation framework. So, although this framework significantly enhances the role of, and potential benefits from, credit risk mitigants, particularly on high LTV loans, there are many executional challenges. The securitisation route to calculating capital relief is significantly different from the 'substitution' approach, and may require significant effort for standardised lenders to adopt it. The securitisation framework is generally complex and hence difficult to use especially for smaller lenders. Although the 'standardised approach' i.e. SEC-SA, is relatively simpler than IRB, it is still a challenge for those lenders (like the majority of our members) that have not themselves had any prior experience with securitisations, to understand these nuances.

The current Basel consultation on the 'Simple, Transparent, Comparable' (STC) framework (of December 2015) excludes synthetic transactions from the scope of the STC framework. The consultation states that *"The objective of the Committee and IOSCO when drafting the July 2015 STC criteria was to revitalise sustainable securitisation markets, and this was seen as incompatible with allowing synthetics to qualify as STCs. Nevertheless, the Committee is of the view that synthetic securitisations should not be under the scope of the STC framework for regulatory capital purposes (proposed in this document). All synthetic securitisations will remain subject to capital requirements as determined by the December 2014 framework"*. Unfortunately, mortgage insurance, being treated for these purposes as synthetic securitisation, cannot yield the lower RWs associated with the STC framework.

The securitisation model generally is calibrated for more complex pooled transactions and not plain vanilla single-exposure guarantees such as mortgage insurance. So we suggest at the very least, the STC calibration (as noted above) should be used for such pure risk transfer

guarantees. We urge that the STC risk weights (at least for the senior tranches) should also be applicable to the former where risk transfer is via plain vanilla 'loan by loan' insurance contracts.

Some further simplifications / clarifications are also sought :

- On overall methodology, the SEC-ERBA is not really appropriate, as explained, for loan by loan mortgage insurance, so we suggest in this situation the lender should proceed straight to use the standardised approach, SEC-SA.
- Further clarity would be appreciated on whether the 5% retention requirement for the lender applicable on pooled securitisations would also apply to plain vanilla 'loan-by-loan' insurance contracts or whether the insurer can cover 100% of the first loss on individual loans (bearing in mind that the lender retains "skin in the game" in respect of the 0-80% LTV portion, as shown in the above diagrams).
- Confirmation is also needed that, in the situation of mortgage insurance, the operational requirements for guarantees (paragraph 170 of Annex 1) will continue to allow for a period of 24 months for initial realisation of the property security – as currently provided for within the EU by CRR Article 215

Guarantees shall qualify as eligible unfunded credit protection where all the conditions in Article 213 and all the following conditions are met:

(a) on the qualifying default of or non-payment by the counterparty, the lending institution has the right to pursue, in a timely manner, the guarantor for any monies due under the claim in respect of which the protection is provided and the payment by the guarantor shall not be subject to the lending institution first having to pursue the obligor;

In the case of unfunded credit protection covering residential mortgage loans, the requirements in Article 213(1)(c)(iii) and in the first subparagraph of this point have only to be satisfied within 24 months;

- Finally, we make the general suggestion that, for the benefit of smaller lenders with no prior experience of securitisations, who find using the securitisation treatment difficult to use, the Committee could propose a much simpler (even if less generous) approach for calculating and assigning the mitigated risk weight where mortgage insurance is used.

Conclusion

We welcome the improvements in certain areas between the 1st and 2nd CPs. We appreciated the opportunity for dialogue with the TFSA at the 17th February round-table. While we have provided some risk and loss data in this (public) response, some of our members will be ready to share their own detailed information with TFSA on a confidential basis. The BSA is available to assist the TFSA with any follow-up enquiries on the matters raised in this response.

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The Building Societies Association (BSA) is the voice of the UK's building societies.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the government and parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £330 billion, and account for approximately 20% of both the UK mortgage and savings markets