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Secretariat of the Basel Committee
on Banking Supervision (BCBS)
Bank for International Settlements
CH-4002 Basel, Switzerland

Dear Basel Committee members:

Re: CBA[1] Comments on the BCBS consultative document:
"Capital treatment of simple, transparent and comparable short-term securitisations"

We appreciate the opportunity to review the BCBS's consultative document, *"Capital treatment of simple, transparent and comparable* [STC] *short-term securitisations."* We are, in concept, supportive of the BCBS adding additional guidance and requirements under the ABCP STC criteria for purposes of providing a greater understanding of what is required to obtain the preferential capital treatment.[2]

However, we are concerned that the specific additional guidance and requirements included in the short-term STC capital framework, in many cases, will make it even more difficult for ABCP conduits to comply with the framework. Based on preliminary discussions with our stakeholders, we expect that the proposed short-term STC classification will not have a meaningful impact on Canadian investors or on their demand for ABCP. Accordingly, the primary concern of our stakeholders is the supply of ABCP and specifically whether the new capital requirements, as potentially modified by the capital treatment for STC short-term securitizations, will restrict the supply of ABCP due to their negative impact on the cost of securitization transactions to sellers and sponsors. In particular, our comments focus primarily on sponsors.

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[1] The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals. www.cba.ca.

[2] The CBA previously supported lower risk weights during the "*Revisions to the Securitization Framework*" consultation. We continue to believe that securitization positions, particularly in light of the broader regulatory revisions, are being penalized in terms of required regulatory capital. We request that the BCBS reconsider the broader risk weights so that securitizations are not treated punitively relative to other products and so that the higher quality assets and originators are not driven out of the securitization market. In the absence of such an effort, we strongly encourage the BCBS to ensure that the implementation of the STC criteria discussed herein will be implementable and generate a result that is consistent with the stated goals.

From a sponsor's perspective, it is important to ensure that the short-term STC criteria are appropriate in order to benefit from the proposed preferential capital treatment and not to further curtail the supply of ABCP by increasing the cost of ABCP transactions. To the extent that sponsors are able to achieve the beneficial capital treatment under the ABCP STC framework, this will assist in maintaining ABCP transactions as a cost effective form of financing, thereby maintaining and potentially growing the market.

We have provided our comments on some key issues below, and offer responses to the five questions posed in the consultative document. Detailed feedback on the proposed STC criteria and additional guidance are provided in the appendix.

Satisfying the short-term STC capital criteria – use of Alternative Approach 2

We strongly support the application of alternative approach 2 in determining compliance with the short-term STC capital criteria because it allows for the preferred capital treatment on a transaction-by-transaction basis, and for sponsors providing partial support to ABCP holders. We feel the "all or nothing" approach of the other two alternative approaches is too punitive, and does not recognize that it will be very difficult for every transaction in a multi-seller ABCP conduit to meet the STC criteria for the preferred capital treatment.

Alternative approach 2 is no more complex than current global practices in determining capital and reporting exposures. We also note that, from a capital perspective, a transaction-level approach is more risk sensitive, and that contagion risk is addressed by the liquidity facilities. Another benefit is that the implementation of alternative approach 2 would incentivize sponsors to fund STC compliant transactions within its ABCP programs due to the STC capital treatment. In contrast, the baseline approach and alternative approach 1 (i.e. "all or nothing" approaches) would not incentivize banks pursuing STC compliant transactions for their ABCP conduits, since if even one transaction within the ABCP conduit does not meet the STC criteria, the entire conduit and hence every transaction in the conduit, would not qualify for the STC capital treatment.

For more information, please see our response to question 2 below.

Additional guidance and requirements

We believe that much of the additional guidance and additional requirements added by the BCBS to the short-term STC criteria for regulatory capital relief are too prescriptive and will limit the ability and desire of sponsors to meet these requirements for the preferred capital treatment. We believe a broader, principles-based approach to the short-term STC criteria would be more practical for investors and sponsors, and would create a greater potential for the short-term STC framework to have the intended impact.

To the extent that prescriptive details need to be included, we believe it is more appropriate for those details to be determined by national regulators to ensure that the features of that jurisdiction's securitization market are reflected. As such, it is important that the BCBS framework is drafted with broad enough language to allow for this level of national discretion. Please see the attached detailed comments for examples of where we believe the additional criteria are too prescriptive and may be problematic from a compliance perspective.

Responses to Questions in the Consultative Document

Definition of short-term STC criteria for regulatory capital purposes

Q1. Do respondents agree with the insertion of the additional guidance and requirements in Annex 1, which enables the short-term STC criteria to be adapted for regulatory capital purposes? Are there any other guidance and requirements for regulatory capital purposes which respondents would consider necessary to support the development of STC short-term securitisations?

We are supportive of adding additional guidance and requirements to provide greater clarity and certainty for the application of the preferred capital treatment. However, as a general comment, we believe the additional guidance and requirements are too prescriptive and further limit the ability and desire of market participants to enter into short-term STC compliant securitizations. We believe a broader, more principled approach to the criteria and the additional guidance and requirements would be beneficial for investors and sponsors, and would better position the short-term STC framework to have the intended impact.

We also appreciate the approach that the BCBS is taking with respect to the full support criterion by permitting capital relief for a sponsor even if a conduit's liquidity support allows defaulted assets to be netted out of the liquidity support (i.e. partial support). However, we disagree that this should be limited to sponsors. The full support requirement is inconsistent with the requirements under the ABS STC criteria, and inconsistent with the goal of encouraging investors to perform their own due diligence. That is, the goal should be the same as under the ABS criteria, the goal is the same to provide sufficient information to an investor to perform its own due diligence to assess the risk of the investment, but there is still the risk that the underlying assets will not perform and the investor may incur a loss. Whereas under the ABCP criteria, the full support criterion would remove this risk. We believe it is inconsistent to seek to remove investor risk under one framework but not the other. As well, if you have full support, what is the incentive for investors in ABCP to do any due diligence at all? As investors will look to the bank sponsor to make them whole, investors will just view the ABCP as bank-sponsor credit risk. If an investor is satisfied with the risk and the short-term STC criteria are otherwise met, an investor should be able to apply the preferential STC capital treatment regardless of full support.

Satisfying the short-term STC capital criteria

Question 2: What are respondents' views on the baseline and alternative approaches being considered by the Committee?

We support adoption of alternative approach 2 on the basis that it does not require compliance with the full support criterion and allows a sponsor to qualify for the STC capital treatment on a transaction-by-transaction basis applying only the transaction level STC criteria. This recognizes that, within a multi-seller ABCP conduit, it may not be possible to have every transaction meet the short-term STC requirements, but a sponsor should receive the STC capital treatment for those transactions that do. This approach is very relevant to our business since transactions are independent of each other and there is variability across asset classes, deal structures and terms within a single, multi-asset, multi-seller ABCP conduit.

We also agree with the BCBS that alternative approach 2 is more risk sensitive and the individual transactions of the sponsor can be capitalized accordingly. Under the alternative approach 2, each individual transaction is qualified for short-term STC and, as identified in the consultative document, we expect this to provide a greater incentive to structure short-term STC-compliant transactions to achieve the preferred capital treatment and keep pricing lower.

We believe that the baseline approach of requiring STC compliance at both the conduit level and transaction level (i.e. an "all or nothing" approach) is too simplistic and restrictive and is extremely unlikely to be met given the different asset classes that generally populate an ABCP conduit.

We also disagree with the use of alternative approach 1 for determining satisfaction of the short-term STC capital criteria for purposes of applying the STC capital treatment. This is based on, among other things, the inclusion of both the full support criterion and the requirement that each transaction in a conduit satisfy the ABCP STC at the conduit and transaction level.

Question 3: What are respondents' views regarding the requirement that the support required by Criterion B7 has to be provided by a single entity and the consequences of a subsequent replacement of this entity?

Although we believe it to be the case in Canada that nearly all, if not all, liquidity support provided to ABCP conduits is provided exclusively by the sponsoring entity, this is not a requirement. We believe the short-term STC framework should be flexible on this point. To the extent that a sponsor has retained a third party to provide all or a portion of the required support for an ABCP conduit (by either choice or requirement), we do not think this should preclude the sponsor from applying the preferential capital treatment if all of the short-term STC criteria are otherwise met.

Liquidity agreements typically will provide for, or contemplate, multiple or replacement liquidity providers. Typically, these additional or replacement providers would need to meet certain pre-set criteria including suitable ratings requirements, which is similar to that required under the Canadian securities commissions' short-term securitized product prospectus exemption. As such, we are of the view that having multiple or replacement providers should not affect the STC classification.

<u>Determining compliance with the short-term STC capital criteria</u>
Q4. What are respondents' views on the options being considered by the Committee for determining STC compliance?

We are supportive of the first alternative for determining compliance; that is, each investor and sponsor makes its own determination. We are of the view that the party that benefits from the short-term STC capital treatment should make the determination (i.e. for the notes issued by the ABCP conduit, the investors should make their own assessment), and for other exposures such as the liquidity facility, the sponsor should make the assessment on a transaction-by-transaction basis. We believe that the required disclosure and representations under the short-term STC framework will provide investors with sufficient information to make their own determination. We believe this is consistent with how parties make any capital determination – they consider the nature of the exposure or investment and determine the applicable capital treatment.

Sponsors have an incentive to provide sufficient information to ensure sufficient demand from investors. We believe that a sponsor should make a general statement of intent and that this, coupled with the disclosure required under the short-term STC framework, is sufficient information for investors to make their own assessment as to whether securities purchased meet the short-term STC requirements for STC capital treatment. There is no need for dual attestation and compliance assessments.

We believe the goal should be an approach that is the most practical and least burdensome. The success of the short-term STC framework will be dependent upon the benefit of the alternative capital treatment being sufficient to justify the additional administrative costs incurred to meet the criteria.

Other bank exposures to an ABCP structure

Question 5: Do respondents have any comments on or concerns over the proposed capital treatment?

We agree that the capital treatment for short-term STC should be consistent with that for ABS STC. We do not have any other comments or concerns with the proposed capital treatment other than the concerns previously mentioned in this document and on the criteria for identifying short-term STC compliant securitizations.

We thank you for taking our comments into consideration and look forward to future discussions on these issues.

Sincerely,

Enclosure: CBA detailed comments

cc:
Joanne Marsden, Director, Policy Performance & Capital Analysis & Reporting, OSFI
Catherine Girouard, Managing Director, Bank Capital, OSFI
Matthew Gordon, Senior Analyst, Capital Division, OSFI

CBA Comments on BCBS Consultative Document
Capital treatment for simple, transparent and comparable short-term securitisations

CBA Members' Comments, Requests for Clarification, and Recommendations	
3. SATISFYING THE SHORT-TERM STC CAPITAL CRITERIA *(pages 2 - 4)*	
1	Although we disagree with the full support criterion under the proposed short-term STC criteria, we are pleased that the BCBS is considering allowing banks to apply the STC capital treatment to partially supported transactions. We believe this reflects the accepted global standard of liquidity support and the short-term STC framework should apply this. Our principal objection to the full support criterion is that it is inconsistent with the approach that the BCBS and IOSCO have taken with the ABS STC framework and the stated objectives of the short-term STC framework. With respect to the ABS STC framework, although it has the same stated objectives to assist investors with their due diligence but not replace the need for investors to do their own due diligence, there is no similar requirement that investors have a guaranteed repayment by the issuer in order to meet the ABS STC requirements. The BCBS' and IOSCO's objective is to provide investors with sufficient information and transparency for investors to properly asses the risk of an investment in ABS, and we see no reason why the same approach should not apply to an investment in ABCP, especially given the BCBS' and IOSCO's stated objective that each framework be the same.
4. DETERMINING COMPLIANCE WITH THE SHORT-TERM STC CAPITAL CRITERIA *(page 5)*	
5. CAPITAL TREATMENT *(pages 6 – 7)*	
2	We are supportive of revising the revised securitization framework to include short-term securitization exposures that meet the short-term STC criteria in the STC alternative capital framework. We are also supportive of the goal of trying to minimize the operational burden of calculating the alternative capital treatment for these exposures and being consistent with the process for ABS STC qualifying exposures.

CBA Members' Comments, Requests for Clarification, and Recommendations		
Notes issued by an ABCP conduit *(page 6)*		
3	We are supportive of short-term securitization exposures held by investors that meet the short-term STC criteria receiving the same capital treatment as ABS STC compliant investments.	
Other bank exposures to an ABCP structure *(page 7)*		
4	Same comment as above, supportive of proposed equivalent capital treatment as ABS STC compliant exposures.	
6. NEXT STEPS *(page 7)*		
5	Canadian banks will follow implementation guidelines set by national regulators, inclusive of finalization of the STC framework.	
ANNEX 1 *(pages 8 – 23)* **Criteria for identifying simple, transparent and comparable (STC) short-term securitisations**		
Terms and definitions *(page 8)*		
6	For comments on the criteria themselves, see our comments in response to the IOSCO-BCBS consultative document, *"Criteria for Identifying simple, transparent and comparable short-term securitisations".* We generally agree with the definitions set out in the consultative document, with the following suggestions largely to make clear that two-step transactions qualify for ABCP STC compliance and the related STC capital treatment. For example, where an ABCP conduit acquires an indirect interest in the underlying securitized assets, either through the purchase of a secured note from, or the provision of a secured loan or other form of funding to, a seller-sponsored intermediary special purpose vehicle (SPV).	

CBA Members' Comments, Requests for Clarification, and Recommendations		
	▪ For "assets / asset pool", we would revise the end to read "*the ABCP conduit holds a direct or indirect ownership or beneficial interest"*; ▪ For "transaction", we would add "*note purchase*" as another type after "*secured loan*" and before "*etc*." ▪ For "seller", we would revise part (ii) to read "*transferred those assets or an interest in those assets through a transaction to the ABCP conduit*"; and ▪ For "Sponsor", consider "*The sponsor of an ABCP conduit, including any affiliate of the sponsor responsible for managing and administering the ABCP conduit.*" Certain of the reps and warranties being requested should come from the administrator of the ABCP conduit, which is often an affiliate of the sponsor, not necessarily from the "sponsor." Depending on whether any criteria related to ratings are added, additional definitions may be required.	
A. Asset risk *(pages 9 – 15)*		
#1 Nature of assets		
7	Repayment of the securitization exposure should mainly rely on the principal and interest proceeds from securitized assets. Partial reliance on refinancing or resale of the asset securing the exposure may occur, provided that refinancing is sufficiently distributed within the pool and residual values on which the transaction relies are sufficiently low and the reliance on refinancing is thus not substantial. Within the Canadian ABCP conduit market, the guidance on "homogeneity" will materially limit the impact of the short-term STC framework, as certain popular asset classes in the Canadian market rely to a "substantial" degree on the refinancing or resale of the underlying assets for repayment of the related securitization exposure (e.g. leases, mortgages and auto rental transactions). Given the popularity of these assets in securitization markets, we believe the BCBS should remove this aspect of the guidance, or use wording that makes it clear that assets such as auto leases, mortgages with balloon refinance amounts, and auto rental assets would be included. The homogeneity criteria specific to reliance on refinancing may preclude mortgages and retail lease transactions from meeting the STC criteria, which we do not think should be the case.	

CBA Members' Comments, Requests for Clarification, and Recommendations		
	Similar to our comments on the IOSCO-BCBS criteria for STC short-term securitizations consultative document, the "homogeneity" requirement appears to preclude auto loans and auto leases (both are auto asset class) from being included in one transaction that could qualify for STC, which is problematic as they are often together in one underlying transaction.	
8	If the BCBS does not remove this requirement from the Homogeneity guidance, it is one more reason that the framework should allow a transaction-by-transaction assessment to give the sponsor some potential benefit from the short-term STC framework. If not removed, or if a transaction-by-transaction approach is not applied, we do not see Canadian sponsors or investors receiving any significant benefit from the framework, as we believe each Canadian conduit will have an issue complying with this guidance as currently structured. Even if a transaction-by-transaction assessment is permitted and the homogeneity requirement is not adjusted to permit balloon refinancing assets and closed-end leases, a significant portion of the assets funded in the Canadian ABCP marketplace will not be eligible to receive STC treatment. These transactions would likely end up being charged higher pricing due to the higher capital requirements, which may, in turn, reduce the originations of those types of products and credit provided to end consumers.	
#2 Asset performance history		
9	For every transaction, the conduit receives historical portfolio information for a time period long enough to permit meaningful evaluation by the sponsor. An additional requirement for capital purposes, this performance history must be no shorter than a period of seven years for non-retail exposures. For retail exposures, the minimum performance history is five years. The time period of historical portfolio performance required by the sponsor to perform meaningful evaluation differs by asset class and structure. For trade receivable transactions, the amount of credit enhancement dynamically adjusts monthly based on rolling 12-month historical actual performance. This feature in all trade receivable transactions and some other revolving structures places less importance on long periods of historical data at closing because required loss coverage is recalculated monthly based on the actual composition and most recent performance of the underlying assets. Revolving transactions also include eligibility criteria requiring monthly retesting of the credit quality of the portfolio (removes defaulted receivables and other credit/legal risk receivables from the eligible balance for funding) and portfolio triggers that supplement the amount of credit enhancement.	

CBA Members' Comments, Requests for Clarification, and Recommendations	
	In addition, this prescriptive time period will limit the ability of new sellers and asset classes to access the ABCP market. Proposal: We would propose leaving the requirement as written, *"For every transaction, the conduit receives historical portfolio information for a time period long enough to permit meaningful evaluation by the sponsor"*, without the broadly defined 5 and 7 year requirement. Again, to the extent this requirement is retained, it is another reason why compliance for a sponsor should be based on a transaction-by-transaction analysis.
#3 Payment status	
10	The sponsor should take reasonable steps to ensure that the credit claims or receivables underlying each individual transaction are not, at the time of acquisition of the interests to be financed by the conduit, in default or delinquent or subject to a material increase in expected losses or of enforcement actions. Additional requirements include: (i) no obligor insolvency or debt restructuring process in the 3 years prior to origination date; (ii) no adverse credit history on public credit registry; (iii) no credit assessment by an external credit assessment institution or credit score indicating significant risk of default; and (iv) no dispute between obligor and lender. This criterion is reasonable in principle, but the additional requirements raise a number of compliance issues, in particular around the requirement for obligors not to be recorded on a public credit registry or to be persons with an adverse credit history, and not to have a credit assessment by an external institution or credit score indicating a significant risk of default. Generally, any asset that is in default or has an insolvent obligor is ineligible for securitization transactions. However, certain conduit transactions, such as credit card and trade receivable transactions, sometimes acquire ALL receivables of an originator (delinquent and sometimes defaulted) for ease of administration, especially in a revolving funding structure where assets are being added on a daily basis; however, the securitization transaction does NOT give any value to defaulted receivables (assets are sold for zero value but the securitization does get the benefit of any collections received). This criterion, as written, will further limit transactions (and, accordingly, conduits) that are able to meet the short-term STC requirements.

CBA Members' Comments, Requests for Clarification, and Recommendations		
	The list of specific additional requirements are not realistic to apply to any transactions in ABCP conduits: Issue 1: For non-retail portfolios, sellers do not track and the on-going eligibility criteria never speaks to past bankruptcy status of the underlying obligors but only to the present bankruptcy status and typically does not include any language referencing "adverse credit history". Issue 2: What does "significant risk of default" mean? Even highly rated prime portfolios and diverse portfolios of trade receivables will have a small permitted basket of subprime/below investment grade obligors. We feel this requirement, being based on an individual obligor, will also negatively impact the effect of the short-term STC framework, as many transactions rely on both a minimum weighted average credit score and a minimum obligor credit score for eligibility. We note that the minimum weighted average score allows the individual score to be lower and potentially at a level that the BCBS may consider a significant risk. We would suggest amending this criterion to be on a pool basis or completely remove it based on the other requirements of the short-term STC framework. Issue 3: Some transactions may require one payment (handsets) but not all auto deals or consumer loans require the first payment to have been made, and it is not a requirement for a Student Loan deal given that loans are financed while the underlying borrower is in school/grace periods. All loss data is analyzed using historical payment defaults against every milestone on the payment curve (i.e. first payment, 23rd payment, last payment, and so on) – thus any impact of defaults for customers who do not make a payment are factored into the expected loss calculations. It also defeats in many purposes the intention of a warehouse (i.e. fund/aggregate collateral before it can be conveyed to the capital markets). Issue 4: The requirements outlined in the four bullets are not currently monitored, and we are unsure if this level of information is even available. For example, the requirements to check public registries and that the obligor has not been a subject of bankruptcy in the last 3 years is not something that we typically see. We are also not sure the public registry requirement is reasonably possible to satisfy given the number of obligors underlying most securitization transactions. Proposed Language: 1. Requirement for STC should be *"delinquent and defaulted receivables can be acquired but an institution cannot fund or advance against defaulted receivables."* 2. Propose to guide STC eligible deals *"to be facilities where there is not a material amount of high credit risk obligors"*.	

CBA Members' Comments, Requests for Clarification, and Recommendations	
	3. When referring to disputes between obligors and lenders, add the word "currently" in the phrase "*currently subject to a dispute between the obligor and lender*". 4. We also believe the on-going assessment requirement, no more than 45 days in advance of additions of assets, will be difficult to comply with for revolving transactions, again, further limiting the impact of the short-term STC framework. At a minimum, we request that the assessment of these conditions should be carried out by the original seller or sponsor no earlier than "60" days prior to acquisition (change from 45 days).
#4 Consistency of underwriting	
11	We believe that providing investors with the material selection criteria applied when selecting a seller, is overly burdensome and would not provide great value to the investor. A general description of what the sponsor looks for in evaluating a potential seller should be sufficient. Under the "*Additional requirement for capital purposes*", ▪ "*sound and prudent*" underwriting criteria – who determines this? Seller? Sponsor?
#5 Asset selection and transfer	
12	It would be helpful to receive clarity on whether the required opinion must specifically go to compliance with the short-term STC criteria, or is it enough for a sponsor to receive a true sale opinion and determine for itself that the criterion has been satisfied. We believe it will be difficult to get law firms to opine on STC compliance. Footnote #19 – request that this section be reworded. Active selection may occur in some instances such as warehouse facilities from which assets are being pulled out for a term transaction, new additions during a commitment period, etc.

CBA Members' Comments, Requests for Clarification, and Recommendations	
#6 Initial and ongoing data	
13	Again, we believe the additional guidance / requirements go beyond what is needed and will further limit the potential impact of the STC framework. We believe the current level of disclosure provided by monthly reports as required under Canadian securities laws is sufficient. We believe the additional requirement to provide investors with status and definitions or relevant triggers on an on-going basis would create administrative and burdensome costs given the large amount of information required. We believe that in implementing this criterion, regulators should tailor the criterion to current practices and legal requirements, thereby achieving the purpose of the criterion, while limiting the administrative and cost burden on originators/sponsors. Under the "*Additional requirement for capital purposes*": ▪ Is this additional requirement only for investors in the ABCP? (i.e. not meeting these requirements will not affect the STC compliance of the sponsor.) ▪ Not all the data items under the first bullet may be applicable for each transaction. Would instead prefer to keep this more generic and say information relevant to the transaction should be provided ▪ Information on the second bullet is available to the sponsor under the servicer report, but is not disclosed in those details in the investor report
B. Structural risk *(pages 15 – 21)*	
#7 Full Support	
14	Although our preference is the application of alternative approach 2, as outlined above, failing that, we agree with the BCBS applying the baseline approach to this criterion for purposes of the STC capital treatment for sponsors. However, alternative approach 2 is preferred for its transaction-by-transaction methodology.

CBA Members' Comments, Requests for Clarification, and Recommendations	
	In Canada, under liquidity facility agreements, sponsors are not required to collateralize their commitments in cash. Regulators should tailor this criterion to current legal agreement requirements. Under the "*Additional requirement for capital purposes*", Under the terms of the liquidity facility, for the second bullet, we suggest rewording to say, "*collateralize any obligations maturing beyond the expiry date of the liquidity facility*".
#8 Redemption cash flow	
15	Sponsor should ensure that the assets do not need to be refinanced over a short period of time in order to repay the conduit, unless the asset pool is sufficiently granular, has sufficiently distributed repayment profiles, and repayment does not rely on the drawing of an external liquidity facility. Please see our comments above on the "Homogeneity" guidance under "A1: Nature of Assets". Additional clarity on what the BCBS considers "sufficient" would be helpful.
#9 Currency and interest rate asset and liability mismatches	
16	Another instance where the additional requirement has the potential to limit the impact of the short-term STC framework. While we agree with the clarification that a hedge need not be perfect, we would like clarity on who would provide, and who would receive, the additional disclosure. If this is meant to be provided by sponsors to external investors, we feel the additional disclosure requirement is onerous and unnecessary.
#10 Payment priorities and observability	
17	No additional comments beyond those provided in the CBA detailed comments to the IOSCO-BCBS consultation paper, "*Criteria for identifying simple, transparent and comparable short-term securitisations*".

CBA Members' Comments, Requests for Clarification, and Recommendations	
#11 Voting and enforcement rights	
18	No additional comments beyond those provided in the CBA detailed comments to the IOSCO-BCBS consultation paper, "*Criteria for identifying simple, transparent and comparable short-term securitisations*".
#12 Documentation disclosure and legal review	
19	No additional comments beyond those provided in the CBA detailed comments to the IOSCO-BCBS consultation paper, "*Criteria for identifying simple, transparent and comparable short-term securitisations*".
#13 Alignment of interest	
20	No additional comments beyond those provided in the CBA detailed comments to the IOSCO-BCBS consultation paper, "*Criteria for identifying simple, transparent and comparable short-term securitisations*".
#14 Cap on maturity transformation	
21	No additional comments beyond those provided in the CBA detailed comments to the IOSCO-BCBS consultation paper, "*Criteria for identifying simple, transparent and comparable short-term securitisations*".
C. Fiduciary and servicer risk *(pages 21 – 22)*	
#15 Financial institutions	
22	No comments.

CBA Members' Comments, Requests for Clarification, and Recommendations	
#16 Fiduciary and contractual responsibilities	
23	Under the "*Additional requirement for capital purposes*", ▪ *"third-party review for sellers"* – currently we require annual audit procedures be performed on each transaction, but this is focused on the assets funded under the transaction and the servicer reporting. The "strong systems etc." is part of the due diligence process by the sponsor and, in many cases, also by the rating agencies. Please confirm in the text if the combination of these two is sufficient? If not, this will introduce an additional burden/cost on sellers.
#17 Transparency to investors	
24	No additional comments beyond those provided in the CBA detailed comments to the IOSCO-BCBS consultation paper, "*Criteria for identifying simple, transparent and comparable short-term securitisations*".
D. Additional criteria for capital purposes *(pages 22 – 23)*	
#18 Credit risk of underlying exposures	
25	As of date of asset acquisition, the underlying exposures have to meet the conditions under the Standardized Approach for credit risk. After account is taken of any eligible credit risk mitigation, exposures are assigned a risk weight equal to or smaller than: (i) 40% on a value-weighted average exposure basis for the portfolio where the exposures are loans secured by residential mortgages or fully guaranteed residential loans; (ii) 50% on an individual exposure basis where the exposure is a loan secured by a commercial mortgage; (iii) 75% on an individual exposure where the exposure is a retail exposure; or (iv) 100% on an individual exposure basis for any other exposure.

CBA Members' Comments, Requests for Clarification, and Recommendations	
	Using the Standardized Approach as the measure for credit risk of the underlying exposures could eliminate high credit quality transactions that would otherwise qualify for STC. For example, a trade receivable facility could be structured to a high credit quality with a diversified portfolio of obligors with various credit ratings. The transaction includes concentration limits based on each obligor's credit quality and the actual level of credit enhancement limiting the amount of the lower credit quality obligors' receivable balance to be included in the Eligible portfolio for funding. However, when applying the Standardized Approach to underlying obligors, a trade portfolio having one BB rated obligor in the portfolio, would not comply (BB obligors require greater than 100%). We understand that the rates listed above are subject to recalibration based on the current standardized approach for the revised securitization framework; however, we ask that the BCBS consider applying a risk-weight cap of 100% for trade receivables exposures below BB- due to our concerns noted in the above example.
#19 Granularity of the pool	
26	Rationale – we disagree with the rationale that, just by defining granularity at 1%, it mitigates concentration risk. Concentration risk can be, and is, in most deals mitigated by appropriate credit enhancement mechanics. While a max concentration of 1% is appropriate for retail pools, this would not work for many wholesale pools including fleet lease deals and dealer floorplan transactions. These deals mitigate concentration risk via credit enhancement and, in fact, these transactions have exhibited near zero loss rates through multiple credit cycles. In this criterion, it indicates that at conduit level, the exposure to any single obligor should not be greater than 1% of the aggregate exposure value of all exposures in the programme. It should be clarified whether "programme" is intended to refer to the ABCP conduit programme as a whole (i.e. all the transactions in the ABCP conduit), or if it is intended to refer to the specific transaction in the conduit only. The latter would be preclude most transactions backed by wholesale assets from achieving STC compliance, while the former may pose challenges from a calculation perspective and hence would be difficult to affirm compliance.