

October 2, 2017

Board of the International Organization
Of Securities Commissions (IOSCO)
C/ Oquendo 12
28006 Madrid
Spain

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

Dear Basel Committee members:

**Re: CBA¹ Comments on the IOSCO-BCBS consultative document:
“Criteria for identifying simple, transparent and comparable short-term securitisations”**

We appreciate the opportunity to review the IOSCO-BCBS's consultative document, “Criteria for identifying simple, transparent and comparable (STC) short-term securitisations.” We support the development of a separate asset-backed commercial paper short-term securitization (ABCP STC) framework that recognizes the fundamental differences between short-term securitizations and term asset-backed securitization (ABS) transactions, and affords a preferential capital treatment to transactions that meet the requirements of the ABCP STC framework consistent with the ABS STC treatment. We feel this supports the overall goal of IOSCO-BCBS to strengthen securitization markets through increasing the number of securitization transactions that meet STC requirements. In the Canadian context, the concern is more related to the supply of ABCP to investors as opposed to demand for ABCP. As a result, determining the right STC criteria and capital incentives, for ABCP sponsors in particular, will be key to determining capital and pricing for ABCP programs that will not be so punitive that it restricts the supply of ABCP, and hence the use and availability of ABCP as a funding source for asset originators.

As currently proposed, a large number of current ABCP programs would not comply with the criteria. Moreover, many of the proposed criteria create an excessive burden, particularly on

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.

sponsors, or fail to appreciate the nature of the assets being securitized in ABCP conduits in certain jurisdictions. We believe that a more principles-based approach, which would allow for some degree of tailoring for features of programs that may exist in different jurisdictions, would be preferable. National regulators should be allowed to develop reasonable interpretations that reflect market practice. While our preference is for the proposed criteria to accommodate existing and future programs in a flexible way rather than using a one-size-fits-all 'template', at the very least there should be a reasonable transition period for existing programs to allow them to make any necessary changes to become compliant.

We agree with the IOSCO-BCBS's objective of bringing greater consistency and transparency to securitization transactions and structures in order to assist market participants (i.e. investors, originators and sponsors) to consistently evaluate the risks of securitization transactions. However, we are disappointed that the objectives do not go beyond assisting with an easier assessment of risk. We would hope that the ultimate objective is to promote and maintain the securitization industry as a sustainable source of consumer and commercial financing, leading to a viable, risk-adjusted and economical source of funding for asset originators, and ultimately to increase investor participation (both in number of investors and size of investments) by providing investors with an attractive investment opportunity.

In addition, we feel the objective of the ABCP STC framework should be to work with existing structures and regulatory frameworks, which have already been adjusted to reflect the lessons of the financial crisis applicable to their ABCP market. On a voluntary basis, sponsors made a number of changes to structures and disclosures in order to meet increased investor expectations and requirements post-financial crisis. In certain jurisdictions, this process was supplemented by regulatory reform in the form of new securities laws related to ABCP conduits. These securities law reforms were developed in consultation with a broad spectrum of market participants and codified many of the voluntary changes. Although there may be a few areas for improvement, we feel that it is important not to require the development of a completely new structure that ignores the existing regulatory framework and work done by market participants to comply with it following the financial crisis. Instead, we believe the criteria should be broad enough to allow national discretion for harmonization of the STC classification with existing securitization frameworks.

We have provided our comments on some key issues below, and offer responses to the ten questions posed in the consultative document. We have also provided detailed feedback on the proposed STC short-term criteria in the appendix.

Nature and level of support of conduit

We disagree with the proposed requirement that the commercial paper issued by the ABCP conduit must be fully supported in order to be STC compliant. In Canada, very few ABCP transactions are fully supported. This has not been required by investors to participate in the ABCP market, nor have securities regulators required it. Market demand for ABCP is not currently constrained, so requiring transactions to be fully supported would not be expected to have any material impact on demand or pricing for ABCP. When evaluating the risk from the sponsor's perspective, we do not believe it is necessary or appropriate for the sponsor to be fully accountable to investors in order to treat its exposures as STC compliant.

Given that the stated objective of the ABS and the ABCP frameworks is to provide investors with sufficient information and transparency to assess the risk of investment, we believe the level of support required for each type of transaction should be consistent.

Role of the Sponsor

We generally agree with the characterization of the sponsor and the role the sponsor plays; however, we believe certain of the proposed representations and warranties of the sponsor are too onerous and go beyond what is appropriate. As an example, we do not believe it should be up to the sponsor to report how the ABCP STC requirements are met. We believe sponsors should make this determination for purposes of their own capital decision-making, but that investors should be responsible for their own capital assessment as they do with any other investment that they make.

Responses to Questions in the Consultative Document

General Questions

Q1. Do respondents agree with the short-term STC criteria set out in the Annex? In particular, are the criteria clear enough to allow for the development of STC short-term securitisations by the financial industry?

While there are certain criteria that we are supportive of, our overall reaction is that we disagree with the extent of the proposed criteria. We note that the disclosure, information and structural aspects of Canadian ABCP programs were significantly enhanced in recent years by Canadian securities regulators and voluntary improvements by sponsors. In each case, these changes were developed through substantive discussions and consultations with market participants, including investors. As such, we feel the short-term STC criteria should be flexible enough to recognize the work done in local jurisdictions to address concerns regarding securitizations that came out of the financial crisis, rather than seeking to create a completely new set of criteria for STC compliant transactions that may not reflect market demands. We believe the ABCP STC criteria should be more principles-based and provide sufficient flexibility to allow national discretion as to how the criteria should be applied in each respective jurisdiction, rather than developing new criteria in isolation from what is currently in place.

In particular, we object to the full support criterion for the reasons noted above and the proposed maturity cap criterion, which we believe will greatly diminish the potential impact of the short-term STC requirements in certain jurisdictions. With respect to the additional disclosure requirements and representations and warranties, generally we feel they are excessively onerous for sponsors and go beyond what is required, although additional clarity on what is envisioned would assist us in determining which ones may be reasonable.

Q2. Which additional criteria would respondents consider necessary, if any, and what additional provisions would be useful or necessary to support the use of the short-term STC criteria? Are there particular criteria that could hinder the development of sustainable securitisation markets due, for example, to the cost of their implementation?

We do not believe any additional criteria are necessary. As mentioned in the previous question and our detailed responses in the Annex below, certain criteria could be problematic to the development of short-term STC compliant securitization conduits and transactions if left unchanged. Our feeling is that there are already too many criteria, and this concern is compounded by the additional guidance and requirements proposed in the related BCBS consultation document on capital treatment for short-term STC compliant transactions. In

particular, we feel the full support and maturity cap criteria are not appropriate and will greatly limit the potential impact of the short-term STC criteria, at least in a market such as Canada where full support is not common in ABCP programs and assets tend to be longer dated. As well, certain of the additional disclosure and representation and warranty requirements may limit the ability to comply with the short-term STC framework, but we will need a greater understanding of what is expected to make that final determination.

Q3. Do respondents find the split of short-term STC criteria between conduit level and transaction level appropriate? And if not, which criterion does not appear appropriate?

We are generally in agreement with the approach the BCBS and IOSCO have taken to dividing criteria between the conduit level and transaction level; however, we are concerned that some of the additional disclosure requirements being contemplated for the sponsor may be costly and administratively burdensome. More clarity as to what type of disclosure requirements are being envisioned would be helpful in making this assessment, especially clarity on whether what is envisioned is a general statement by the sponsor versus transaction-by-transaction disclosures, which again will be excessively burdensome.

We also feel certain of the required representations and warranties are not appropriate. Again, more clarity on what is contemplated would be helpful. If transaction-by-transaction comfort is contemplated, this will again be difficult and burdensome for a sponsor to provide. An example of representations and warranties that we find troublesome are those under “*Payment Status*” (criterion #3). In certain revolving transactions, all assets are securitized and therefore may include delinquent or defaulted assets that will be excluded from the borrowing base or if the assets are realized upon. In these instances, the required representation and warranty is inappropriate. In addition, the need to represent and warrant that the securitized assets are not subject to a material increase in expected losses or enforcement actions will be difficult because of its predictive nature.

Q4. Do respondents agree that the right balance has been achieved in the short-term STC criteria between the level of transparency needed by investors exposed to commercial paper issued by STC ABCP conduits and the need to protect the “private” nature of the underlying transactions financed by such STC ABCP conduits?

We are pleased that the BCBS and IOSCO recognize and seek to maintain the confidential nature of the transactions funded in ABCP conduits.

Specific Questions

Terms and definitions

Q5. Do respondents agree with the proposed definitions in the Annex, in particular for “transactions”? Are there any other key terms that need to be defined?

We generally agree with the definitions set out in the consultative document, with the following suggestions largely to make clear that two-step transactions where an ABCP conduit acquires an indirect interest in the underlying securitized assets (e.g. either through the purchase of a secured note or the provision of a secured loan from or to an intervening seller SPV), may still qualify for short-term STC compliance and the related capital treatment:

- 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 requested should come from the administrator of the ABCP conduit, not necessarily from the “sponsor”. The administrator is generally an affiliate of the sponsor.

Criterion: A. Asset risk – 1. Nature of assets

Q6. Do respondents agree with the way the criterion deals with re-securitisation concerns?

We agree with the exclusion of re-securitizations.

Criterion A1 should make it clear that two-step structures, where the ABCP conduit buys a secured note (rated or not) from a seller sponsored intermediary SPV into which the seller has sold or otherwise isolated the securitized assets securing the note from the assets of the seller, are permitted. This is consistent with the BCBS Consultative Document on the Capital Treatment for STC Short-term securitizations (see page 10 under “*Conduit should not be composed of ‘securitization exposures’*”).

Criterion: B. Structural risk – 7. Full support

Q7. Do respondents agree that STC short-term securitisations should be fully supported and that the criterion related to such support is appropriate?

As discussed above, we do not agree that STC short-term securitizations need to be fully supported. We believe that partial support where defaulted assets are not covered is appropriate. This is the standard in the Canadian market, with no indication that having partially supported transactions has any limiting effect on demand for ABCP in Canada. Partially supported transactions are permitted under Canadian securities laws and by the Canadian regulators.

Criterion: B. Structural risk – 10. Payment priorities and observability

Q8. Do respondents agree that the level of transparency to be provided via disclosure regarding payment priorities and observability is appropriate? Do respondents believe that additional disclosure is needed (eg breach of triggers)? If so, please specify the disclosure.

We are generally in agreement with this provision as proposed at a conduit level; however, we do not believe any additional disclosure is required at a transaction level. It seems impractical to provide summary cash flows and waterfall for each transaction in a conduit. In addition, it is not clear what benefits this would provide to investors.

This position is contingent upon, in the case of transaction waterfalls for example, the provision of an indicative waterfall, which is similar to the current practice in ABCP conduit Information Memoranda. We suggest this is the case based on the use of the word “*summary*” in the criterion. We would appreciate clarity on the intent, as we believe making the waterfall for each transaction in an ABCP conduit available to investors would be an unnecessary amount of detail and administratively burdensome.

Criterion: B. Structural risk – 14. Cap on maturity transformation

Q9. Do respondents agree that the proposed methodology to calculate the average maturity of the transactions funded by the ABCP conduit is appropriate? Do respondents agree that the limit on maturity transformation should be set at a value between one and three years?

We do not believe that it is necessary to include a cap on maturity transformation. ABCP conduits will have an asset-liability maturity mismatch. The purpose of the liquidity facilities is to mitigate the risk associated with this maturity mismatch. The liquidity agreements have minimum required standards to ensure that they provide protection to the ABCP conduit. Canadian conduits typically provide permanent financing for customers, not just warehousing. As long as the liquidity facilities meet these requirements and continue to be in place, and there is adequate disclosure in the ABCP conduit offering documents of the details of the liquidity facilities (providers and terms), this should be sufficient to address any sponsor or investor considerations related to the maturity mismatch. The ABCP conduits cannot issue ABCP with a tenor longer than the term of the liquidity support agreements in place. There should not be any additional maturity transformation caps needed as long as there is appropriate liquidity support in place for the ABCP issued by the conduit. The proposed restriction could have an adverse impact on the use of ABCP in situations where (1) the ABCP market is used for full term financing of term assets as opposed to warehouse financing for a term takeout; and (2) the majority of the ABCP market is comprised of medium-term assets that have maturities greater than 3 years.

In certain jurisdictions where the market is small and the number of originations is likewise smaller, access to the ABS term market may be more limited and/or more expensive than ABCP financing. By imposing a maturity cap, this may limit the ability of originators of certain assets to fund through ABCP and, as a result, could have an adverse impact on those originators, and the amount and price at which credit is provided to obligors / consumers by those originators.

Criterion: C. Fiduciary and servicer risk – 16. Fiduciary and contractual responsibilities

Q10. Do respondents agree that the fiduciary and contractual responsibilities of the sponsor and other parties are adequately defined? Is the level of transparency and disclosure about these responsibilities (representations and warranties, procedures, policies etc) to be provided to investors sufficient?

We agree with the description, feel it largely reflects what is currently in practice, and do not believe anything further is required.

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

Sincerely,



Enclosure: CBA detailed comments

cc:

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Matthew Gordon, Senior Analyst, Capital Division, OSFI

CBA Comments on IOSCO-BCBS Consultative Document

Criteria for identifying simple, transparent and comparable short-term securitisations

CBA Members' Comments, Requests for Clarification, and Recommendations		
INTRODUCTION <i>(page 1)</i>		
OBJECTIVES OF THE SHORT-TERM STC CRITERIA <i>(pages 1 - 2)</i>		
1	As with the ABS STC, we feel the objective and actual effect of the short-term STC is too heavily weighted in favour of investors. We believe that the proposed short-term STC criteria will make it extremely difficult for sponsors to satisfy the criteria, and, as a result, the benefit to investors and the ABCP market in general that IOSCO-BCBS is looking for will not be achieved, as few if any ABCP conduits will qualify as short-term STC compliant. While we recognize that the preferential capital treatment provided by short-term STC compliance is meant to provide an incentive and benefit to sponsors, if sponsors cannot meet the short-term STC criteria, neither these benefits nor the overall objective of the framework will be realized.	
SCOPE OF THE SHORT-TERM STC CRITERIA <i>(page 2)</i>		
2	We generally agree with the proposed scope of the short-term STC set out in the consultative document. Focussing application to ABCP conduit transactions is appropriate, as these transactions involve substantially the same assets and structures as the term ABS transactions intended to benefit from the ABS STC. In addition, the proposed scope of application is in line with limitations put in place by Canadian securities regulators for prospectus exempt issuances of ABCP in Canada. However, we do think the scope should be expanded to include bank funded securitization transactions that otherwise meet the transaction level short-term STC criteria to permit the funding bank to apply the STC capital treatment. We also agree that the focus on the characteristics of the ABCP conduit and underlying transactions is appropriate and consistent with the ABS STC framework. The inherent risk in the purchased security is based on the conduit structure and underlying transactions, so it is appropriate that this is the focus. Regulation of the characteristics of the ABCP itself is	

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	properly the jurisdiction of local securities regulators. We also agree that it is appropriate to not exclude single-seller ABCP conduit issuers from the scope of the short-term STC framework. However, as the proposed short-term STC framework pertains to the sponsor, we question the all-or-nothing approach to compliance. While we are pleased to see this requirement is being questioned in one of the alternative approaches being considered by the BCBS for capital relief to sponsors, we question the need for every transaction in an ABCP conduit to be STC compliant in order for the conduit to be short-term STC compliant. We believe a sponsor should be eligible for the STC capital treatment on a transaction-by-transaction basis.	
DESIGN OF THE SHORT-TERM STC CRITERIA (pages 2 - 6)		
1. Transaction-level and conduit-level criteria (pages 3 - 4)		
3	As the inherent risk in the ABCP arises through both the conduit structure and the underlying transactions within the conduit, we broadly agree it is appropriate for the short-term STC framework to bifurcate these risks and target criteria specific to each. It is noted that, at a transaction level, the sponsor should ensure that sellers apply a consistent underwriting standard between the assets transferred to the transactions and those retained on balance sheet. We believe that this should not be a consistent underwriting standard, but rather should say that the sponsor ensures that sellers do not apply a <u>lower</u> underwriting standard for the assets transferred to the transaction versus those retained on balance sheet (i.e. there should be no negative selection bias). We believe that positive selection should be permitted (e.g. if an originator underwrites both prime and subprime assets and we want to securitize the prime only, we should be able to). Similarly, at the conduit level, the consistent underwriting standards should be for each transaction and not for all of the transactions in the conduits collectively. If there are multi-seller, multi-asset conduits, there may be differences between the assets and underwriting standards from different sellers. We believe that the requirement should be that the sponsor has taken steps to verify that the assets in each transaction financed by the conduit are subject to no negative selection bias.	

CBA Members' Comments, Requests for Clarification, and Recommendations		
2. Role of Sponsor (page 4)		
4	We generally agree with the characterization of the sponsor and the role the sponsor plays; however, we believe certain of the proposed representations and warranties of the sponsor are too onerous and go beyond what is reasonably necessary or appropriate. We believe the definition of sponsor should include affiliates. Generally, the sponsor does provide liquidity or credit support to the conduit, but often times an affiliate of the sponsor administers the conduit and performs the conduit's responsibilities in favour of investors. Based on this structure, we believe the BCBS' and IOSCO's concept of the role of the sponsor is consistent with ABCP conduit transactions in Canada, although we would suggest the definition of sponsor be revised as suggested below to make this clear. Additionally, for any reporting to investors, we do not believe that it should be up to the sponsor to report how the STC criteria are met. We believe sponsors and investors should each make their own determination of whether their exposure is short-term STC compliant. We believe with the proposed disclosure under the short-term STC framework, an investor will have sufficient information to make its own determination and that a sponsor should not have the further responsibility. Sponsors will make their own determination, but should not be responsible for justifying to investors the sponsor's analysis/interpretation of these criteria.	
3. Nature and level of support desirable (page 4)		
5	We do not believe that partially supported structures should be precluded from being STC compliant. We note that the BCBS is proposing that partially supported conduits will be eligible for sponsors to receive preferred capital treatment under the capital framework, but not for investor purposes. This is inconsistent with the approach that the BCBS and IOSCO have taken with the ABS STC 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 due diligence, there is no similar requirement that investors have a guaranteed repayment by the issuer in order to meet the ABS STC requirements. If the BCBS' and IOSCO's objective is to provide investors with sufficient	

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	information and transparency for investors to properly assess the risk of an investment in ABS, we see no reason why the same approach should not apply to an investment in ABCP. The Canadian market predominantly consists of partially support structures and, to our knowledge, we are not aware of any adverse impact on investor demand or pricing from having this type of structure. The challenge in the ABCP market in Canada is largely one of supply of ABCP, not demand for the paper. By forcing the market towards fully supported structures (either directly to meet the STC criteria, or indirectly through the higher capital costs if banks did not convert their liquidity facilities), this may result in higher pricing charged by the banks to sellers participating in the ABCP transactions, which would further reduce the supply of ABCP in the market.	
6	The Majority of the Canadian bank-sponsored conduits' liquidity support would not be considered fully supported based on this definition. As a result, Canadian ABCP will not be STC compliant. This may negatively impact investors; however, from a sponsor's perspective, its exposures to the conduit may still qualify as STC if all other criteria (other than full support) are met.	
4. Confidentiality and disclosure (page 4)		
7	We are supportive of the BCBS' and IOSCO's approach to confidentiality and disclosure. Given the confidential nature of individual transactions funded in an ABCP conduit, the sponsor (or, if applicable, an affiliate of the sponsor administering the ABCP conduit) is in the best position, and is the logical party, to provide disclosure to investors regarding the structure of the ABCP conduit and the nature, and performance, of the transactions funded by it. Where a conduit is fully supported (e.g. in the US), the sponsor is providing a guarantee of payment to the investors. We question whether there needs to be a requirement for the sponsor to have any accountability to the investors over and above the payment guarantee.	

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5. Re-securitisation (page 5)		
8	We agree with the BCBS' and IOSCO's exclusion of re-securitizations. Criteria A1 should make it clear that two-step structures are permitted where the ABCP conduit (or a bank funder) buys a securitization note (rated or not) from, or extends a loan or other form of funding to, a seller sponsored intermediary SPV that has purchased or otherwise acquired the underlying securitized assets from the seller. This is consistent with the BCBS Consultative Document on the Capital Treatment for STC Short-term securitizations – see page 10 under “<i>Conduit should not be composed of 'securitization exposures'</i>”. To reflect this, for “<i>assets / asset pool</i>”, we suggest revising the end to read, “<i>the ABCP conduit holds a direct or indirect ownership or beneficial interest</i>”.	
6. Cap on maturity transformation (page 5)		
9	We do not believe that an explicit cap on maturity transformation is necessary or appropriate. The asset-liability mismatch in the ABCP conduits is mitigated through the liquidity facilities. As long as the liquidity facilities are in place to cover the term of any ABCP that is outstanding, that should be sufficient to protect investors. Such a maturity cap or maturity limit is especially problematic in Canada, where the conduit industry generally funds longer dated assets rather than trade receivables, which make up a very small part of the Canadian conduit market (approximately 5% of the Canadian conduit market according to DBRS). Furthermore, unlike other jurisdictions (such as the United States) where the conduits fund term assets on a warehouse basis, in Canada, ABCP conduits are often used to fund assets for their full term. Approximately 70% of the asset classes funded in the Canadian conduit market are long-term assets. Each of the assets within these classes will generally have a term of between 3 and 8 years, with 5 years being a general average. A proposed weighted average maturity limit of 1 to 3 years would likely mean no Canadian ABCP conduit would meet the proposed short-term STC requirements. We also question the value of a maturity cap to an investor. The term of their investment will be between 1 and 365 days, so whether a conduit has a maturity profile of 1 or 5 years, we do not believe an investor receives any substantive protection from this criterion, especially in light of the fact that a conduit will not issue ABCP with a term longer than its liquidity support.	

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7. Different stakeholders / key parties (page 6)		
10	No comments.	
ANNEX (pages 8 – 16)		
Terms and definitions (page 8)		
Criteria (pages 8 – 16)		
A. Asset risk (pages 8 – 11)		
#1 Nature of assets		
11	The description of credit claims or receivables could be read to exclude standard asset classes, such as closed end retail leases, operating equipment leases, daily rental securitizations, as well as insured and conventional Canadian mortgages due to the residual value exposure of the leases and the refinancing mechanism of five-year term mortgages in Canada. These asset classes collectively comprise a significant portion of the Canadian securitization market. Financial Institutions (FIs) have considerable experience associated with residual value and refinancing and their associated cash flow. Clarity that these types of assets would fit within this criterion would be helpful. The requirement for cash flows underlying a transaction to be homogenous at the transaction level is too restrictive and does not reflect transactions commonly entered into in the market. A couple of examples include having transactions for one seller that contain both loans and leases, or having a trade receivables transaction where there are multiple currencies (hedged) involved. These types of transactions are often done because it is more convenient and efficient for sellers to combine in one deal rather than have separate deals, which would increase the costs of financing the assets. FIs that are providing liquidity and/or credit facilities to these transactions have sufficient information to assess expected losses and put in place any necessary protection such as cross currency hedges. We believe that the BCBS and IOSCO should follow a	

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	more principles based approach to homogeneity and not prescriptively preclude mixed asset types, currency and interest rates at the transaction level, particularly since this appears to be permitted at a conduit level. Would the BCBS and IOSCO please clarify the language for “conduit level”? It implies that an individual transaction that is originated in different legal systems (which would be the case in Canada (i.e. Quebec vs the rest of Canada)) would not be homogeneous. As noted above, we recommend including clarifying language similar to that included in the related BCBS capital consultation document making clear that two-step structures utilizing a seller-sponsored intermediary SPV issuing a securitized note to, or receiving a loan or other form of funding from, an ABCP conduit or a bank funder, are within the scope of the short-term STC framework and the STC capital treatment. Finally, additional clarity on what is expected from a compliance perspective would be helpful. We believe a general statement in the offering document for an ABCP conduit should be able to satisfy this criterion, and would not be a material change to what is currently provided. We appreciate that the BCBS and IOSCO recognize that ABCP conduits generally contain different asset types and that homogeneity should be evaluated at a transaction level.	
#2 Asset performance history		
12	We believe the data disclosure criterion under this criterion is too onerous for sponsors, particularly the access requirement. We believe the performance disclosure required under Canadian securities laws for conduit monthly reporting is sufficient at the conduit level. This was developed through an extensive consultative process between Canadian securities regulators and market participants. This level of information should not be provided for ABCP investors, as it will likely cause anonymity and confidentiality issues. We do not have any concerns with the level of information that sellers are required to provide to sponsors at a transaction level.	

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#3 Payment status		
13	The sponsor should not be making the representation to investors. These are not the sponsor's assets and the sponsor is not the originator or servicer, so it is not appropriate for the sponsor to do an asset-by-asset level of diligence and represent to this detail in respect of the assets. Typically, eligibility criteria require that the assets not be delinquent or in default, and the sponsor relies on the reps and warranties of the seller to confirm this. The representation should be the seller's responsibility, and sponsors should only be required to disclose that they have received representations from sellers with respect to this criterion. More clarity on what the expectation is for this criterion is needed.	
#4 Consistency of underwriting		
14	This criterion is largely reasonable and consistent with current practice. It should be sufficient for a sponsor to represent and warrant that it has conducted a due diligence examination of a seller's underwriting practice and will hold sellers to a certain standard. We believe that providing investors with the material selection criteria applied when selecting seller is overly burdensome and would not provide great value to the investor. Sponsors assess each potential seller for suitability (and can make a general statement in this regard), but there are no bright line tests that are applied. Sponsors cannot definitively ensure that sellers disclose the timing and purpose of changes to underwriting standards. Sponsors can ask sellers to covenant to limit changes to the criteria and to disclose such changes to the sponsor if outside of pre agreed limits (apply a materiality standard). Sponsors have no ability to compel sellers to meet the test of "ensure that sellers disclose" the changes. As previously noted, the consistent underwriting standards at a conduit level should be changed to a no negative selection bias standard. This should be permitted if there is positive selection of assets in the conduit that is beneficial to both the investor and the sponsor. We propose that IOSCO-BCBS add the word "material" in front of changes in the last sentence for clarification. It would not be practical or necessary for sellers to give sponsors notice of all changes, just material ones.	

CBA Members' Comments, Requests for Clarification, and Recommendations		
#5 Asset selection and transfer		
15	As a practical matter, sponsors rely on representations, warranties and covenants to ensure that assets satisfy eligibility criteria and that they are not “cherry” picked. It is impractical for sponsors to physically test individual receivables to ensure that these criteria are met. In addition, there should be clarity on what is meant by actively managed. This should not preclude removals or repurchases of assets; otherwise, this would limit the ability of ABCP conduits to be used as a warehouse for term take-out transactions. This should allow future additions of assets (even if it not a revolving transaction, but rather a pool of amortizing assets) after the closing date assuming they meet the eligibility criteria and there is no negative selection bias. Additionally, the language in the second paragraph references full support only. It should be changed to “<i>funding to any given transaction or to the conduit</i>” to allow partially supported conduits to be included. Sponsors cannot definitively ensure that transactions effect a true sale and meet all of the items listed in Criteria 4 related to enforceability and being beyond reach of creditors of the seller. Sponsors can only structure a transaction with the characteristics described and rely on a legal opinion as the nature of the sale, which in and of itself can only reasonably opine on what a bankruptcy court should conclude and is not definitive.	
#6 Initial and ongoing data		
16	We are unclear what sufficient aggregate data means, however, we feel confident that what is currently provided in Canada is sufficient. We believe the monthly servicer reports required by Canadian securities laws should be sufficient to meet this criterion. If anything greater is envisioned, we think this will be too onerous and will limit impact of short-term STC framework.	

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B. Structural risk (pages 12 – 15)	
#7 Full support	
17	We disagree with full support requirement for reasons stated above. The vast majority of Canadian ABCP conduits are partially supported. The Global Style Liquidity agreements do not support defaulted assets (i.e. that are not covered by the available credit enhancement). There is no information that the use of partially supported transactions has any limiting effect on the demand for ABCP in Canada and partially supported transactions are permitted under Canadian securities laws. In looking at the additional requirements under the Capital companion consultative document issued by the BCBS, we suggest the alternatives available for non-renewal of a liquidity facility by a sponsor should be expanded beyond cash collateralization to include finding an acceptable replacement liquidity provider. In addition, we suggest changing the cash collateralization requirement wording to require that if the sponsor does not renew its funding commitment, that it shall collateralize its commitment to the conduit in cash at the expiration of the liquidity facility, instead of at least 30 days prior to the expiration of the liquidity facility.
#8 Redemption cash flow	
18	This criterion will be an issue for certain asset classes in the Canadian market and is an example of why compliance, at least from a sponsor's perspective, should be measured on a transaction-by-transaction basis. We are interested in knowing what the BCBS and IOSCO consider to be "sufficient" for granularity and timing purposes. Generally, we believe liquidity support should be considered and this criterion removed, as one of the fundamental reasons behind liquidity support is timely repayment of investors. The requirement to limit refinancing risk could exclude standard asset classes such as closed-end retail leases, operating equipment leases, daily rental securitizations, as well as insured and conventional Canadian mortgages due to the residual value exposure of the leases and the refinancing mechanism of five-year term mortgages in Canada. These types of asset

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	classes have been standard in the Canadian market for decades and, as such, the cash flows associated with residual value and refinancing have considerable history backed by a significant body of analysis on which FIs are able to rely.	
#9 Currency and interest rate asset and liability mismatches		
19	No comments.	
#10 Payment priorities and observability		
20	We believe that making the transaction-specific waterfalls available is an unnecessary amount of detail and administratively burdensome, and it is not clear what specific benefit this would provide to investors. An indicative waterfall structure provided by the sponsor at the conduit level should be sufficient to satisfy this criterion. The criterion states that any triggers breached between payment dates should be disclosed to sponsors on a timely basis. How will transactions that are payable and tested on a monthly basis be treated?	
#11 Voting and enforcement rights		
21	We would like additional clarification on the nature of the voting rights BCBS-IOSCO is contemplating upon a seller insolvency. We suggest IOSCO and the BCBS add the word “and” in the paragraph below. The ability for the sponsor to act directly against the obligor only occurs when the seller/servicer is in default. <i>“For each transaction, the sponsor should ensure that, in particular upon insolvency of the seller <u>“and”</u> or where the obligor is in default on its obligations, all voting and enforcement rights related to credit claims or receivables are, if applicable:...”</i>	

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#12 Documentation disclosure and legal review		
22	We believe what is currently provided in Canada under the Information Memoranda for ABCP as required by Canadian securities laws is, and should be, sufficient to meet this criterion. We suggest that IOSCO and BCBS review this disclosure.	
#13 Alignment of interest		
23	We believe the description required to be included in the Information Memoranda for ABCP as required by Canadian securities laws is, and should be, sufficient to meet this criterion.	
#14 Cap on maturity transformation		
24	We do not believe that it is necessary to include a cap on maturity transformation. ABCP conduits will have an asset-liability maturity mismatch. The purpose of the liquidity facilities is to mitigate the risk associated with this maturity mismatch. The liquidity agreements have a minimum required standard to ensure that they provide protection to the ABCP conduit, including, in Canada, requirements set out in securities regulations. As long as the liquidity facilities meet these requirements and continue to be in place, and there is adequate disclosure in the ABCP conduit offering documents of the details of the liquidity facilities (providers and terms), this should be sufficient to address any sponsor or investor considerations related to the maturity mismatch. Such a cap could severely restrict the use of ABCP as a funding tool for many originators in Canada. In the ABCP market in Canada (1) ABCP is generally used for full term financing of assets as opposed to warehouse financing for a term takeout; and (2) the majority of the ABCP market is comprised of medium term assets that may have maturities greater than 3 years (generally between three and eight years in many cases). A cap on maturity transformation may preclude the ability for those assets to be funded in the ABCP market, or will make it more unlikely for ABCP conduits funding those assets to be STC compliant. As Canadian originations tend to be smaller, access to the term market is more limited, or in other cases, more expensive than ABCP financing. Limiting the ability of originators of certain assets to fund through ABCP as a result of this maturity cap (or to charge them punitively due to less favourable capital treatment as a result of the sponsor not meeting	

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	the STC criteria) could have an adverse impact on those originators, the amount and price at which credit is provided to obligors by those originators, and the size of the ABCP market as a whole.	
C. Fiduciary and servicer risk (pages 15 – 16)		
#15 Financial institution		
25	No comments.	
#16 Fiduciary and contractual responsibilities		
26	No comments.	
#17 Transparency to investors		
27	We believe the sponsor should make a general statement of intent and provide sufficient disclosures to allow investors to make their own assessment as to whether securities purchased meet the STC requirements. We suggest modifying the language as shown below in quotes: To enhance transparency and visibility over all receipts, payments and ledger entries at all times, the sponsor should ensure that for all transactions the performance reports include “a key performance data standard for a particular asset class”.	