5 February 2016

Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

Dear Sir/Madam,

Consultative Document: Capital treatment for "simple, transparent and comparable" ("STC") securitisations ("Consultative Document')

DBS welcomes the opportunity to respond to the Consultative Document and supports the BCBS' approach to encourage the development of a STC securitisation market. We believe this is a step towards the right direction in re-establishing a well-functioning and prudentially sound securitization market.

We support the preferential regulatory capital treatment afforded to STC securitizations relative to non-STC transactions to reflect the lower risk profile of the former. We suggest that in the interest of consistency across banks, investing banks should not be required to independently assess compliance with the STC criteria. Rather, all banks should rely on the assertion made by the originator/sponsor. The Consultative Document states that "having the originator/sponsor alone designate STC compliance could induce less rigorous due diligence by the investor". We note that due diligence requirements have been specified in *Revisions to the securitisation framework* (December 2014) and these are, in our opinion, sufficient to guard against any lack of rigour on the part of investing banks.

We note that the revised securitisation framework is to be implemented by 2018; however no implementation date has been proposed in the Consultative Document. We would like to suggest that the BCBS clarify the intended implementation date in order to give banks sufficient time to prepare for reporting and adjust business practices, if needed.

Please refer to our detailed responses to the questions in the Consultative Document in the following pages.

We trust that our comments will be useful for the BCBS's further analytical work.

Yours faithfully,

CHNG SOK HUI
CHIEF FINANCIAL OFFICER
DBS BANK LTD

DBS Bank Ltd
12 Marina Boulevard, Level 45
DBS Asia Central @
Marina Bay Financial Centre Tower 3
Singapore 018982

DETAILED RESPONSE TO CONSULTATIVE DOCUMENT

Question 1

Do respondents agree with the rationale for introducing STC criteria into the capital framework? Are there any other aspects that the Committee should consider before introducing STC criteria into the capital framework that are not already reflected in the rationale above?

DBS broadly agrees with the rationale that having the STC criteria in the capital framework will enable comparability of the qualitative features of securitisation structures and will help investors (under the capital framework) to better understand securitisation transactions into which they enter. We also agree that STC transactions should indeed justify a reduction in the capital charge if they present lower structural risks or contain less risky underlying assets.

Question 2

Do respondents agree that, for the purpose of alternative capital treatment additional criteria are required? What are respondents' views regarding the additional criteria presented in Annex 1?

DBS broadly agrees with the rationale for the additional detailed criteria and the need for providing the additional guidance
We would also like to highlight our comments/ clarifications required for the following STC criteria:

(i) **A1. Nature of the assets**

We agree with the requirement for homogeneity of assets. However, we do not think it is necessary that all assets are originated in the same currency where there are hedges to mitigate foreign exchange risk.

We would like to suggest that it should be clarified that credit claims and receivables in STC securitisations can include both receivables that are already in existence (e.g., credit card and auto loan receivables) as well as receivables that are expected to come into existence under an existing contract (e.g., in the case of lease rental receivables arising from a lease agreement in a CMBS).

(ii) **A2. Asset performance history**

This requirement could prove difficult for new asset classes or traditional asset classes in new jurisdictions. Specifically, the additional requirement of a minimum of five years' performance history for retail exposures and of seven years' performance history for non-retail exposures may be too restrictive in practice – recent economic cycles have not lasted

DBS

as long. We would like to suggest that the minimum performance history to be set at five years for non-retail exposures, three years for non-auto loan retail exposures and five years for auto loan retail exposures.

(iii) **A3. Payment status**

We agree with this criterion. We would like to add that credit claims and receivables may be subject to contingencies and performance obligations by the originator (or any other party), for example, repair and maintenance and other performance obligations in return for the right or charge over future rentals. Whilst not directly linked to a "default" or "delinquent" status, any non-payments with regard to these additional obligations should be disclosed for transparency.

(iv) **B10. Enforcement rights**

We would like to suggest, for ease of comparability and transparency, that the strength of enforceability of the security structure upon insolvency of the originator or sponsor is disclosed clearly to investors (e.g., jurisdictions with sufficient legal precedents or clear laws or regulatory frameworks for enforcement).

(v) **B11. Documentation disclosure and legal review**

Whilst we agree that the legal documentation should be disclosed to the investors, disclosing of draft documentation may not promote clarity and understanding given that terms may be subject to negotiation between the parties at the time of disclosure. We suggest that only final documentation be required to be made available to the investors after the transaction closing date as the transaction prospectus should contain all material information.

(vi) **C13. Fiduciary and contractual responsibilities**

The party or parties with fiduciary responsibilities do not have any role in the administration of the securitisation vehicle. These are usually carried out by a corporate services provider. The timely resolution of conflicts between the different classes of note holders by the trustees may not necessarily be possible. We suggest that there be more specific details with regards the provisions facilitating the resolution of conflicts.

(vii) **D17. Relationship between the originator and servicer of the securitized assets**

It should be clarified whether the activation of the back-up servicer (by definition not the originator) will cause an STC securitisation to automatically lose its STC status.

Question 3 What are respondents' views on the compliance mechanism and the supervision of compliance presented in this consultative document?

We suggest that in the interest of consistency across banks, investing banks should not be required to independently assess compliance with the STC criteria. Rather, all banks should rely on the assertion made by the originator/sponsor. The Consultative Document states that "having the originator/sponsor alone designate STC compliance could induce less rigorous due diligence by the investor". We note that due diligence requirements have been specified in Revisions to the securitisation framework (December 2014) and these are, in our opinion, sufficient to guard against any lack of rigour on the part of investing banks.

It should also be clarified:

(i) whether assessment of compliance with the STC criteria is solely at origination or is to be periodically repeated; and

(ii) if the investor's assessment is still to be required, whether this would be at the frequency and according to the same format of a written attestation as required of the originator/sponsor.

DBS is satisfied with the role of regulators in the supervision of compliance.

Question 4

What are respondents' views on the alternative capital requirements for STC securitisation presented in this consultative document?

We agree that there should be alternative capital requirements for STC securitisation products.

However, we recommend that the prescribed rescaling of the p-parameter should adjust the risk weights for STC securitisation exposures to be more consistent with that of simple underlying assets where loss performance is comparable.

06-18-009 (08/2010) AW
Co. Reg. No. 196800306E