

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

By e-mail: baselcommittee@bis.org

March 15, 2013

Dear Sirs

**Standard & Poor's Response To The Consultative Document On Revisions
To The Basel Securitization Framework**

Standard & Poor's Ratings Services ("S&P") appreciates the opportunity to respond to the Basel Committee on Banking Supervision's ("the Committee") consultative document on revisions to the Basel securitization framework, dated December 18, 2012 (the "Consultation Paper").

We believe that banking regulation is one of the key factors shaping the future of securitization markets—particularly in regions such as Europe, where banks are heavily involved in the securitization process as originators, investors, and supporting counterparties. Our analysis suggests that the implementation of the Consultation Paper's proposals would have a significant effect on banks' capital requirements for securitization exposures.

In our view, the proposals include some positive elements, such as a reduced potential for sharp changes in securitization capital charges through economic cycles: so-called "cliff effects". In addition, the Committee's proposals may help to reduce the potential for mechanistic reliance on external credit ratings in regulations, in line with broader ongoing efforts under the coordination of the Financial Stability Board, which S&P supports.

However, the proposals also raise a number of significant concerns:

- In seeking to reduce the framework's reliance on external ratings, the proposals increase its reliance on various formula-based approaches. These generally do not take into account the full range of factors that can affect the creditworthiness of a securitization exposure, potentially undermining the framework's risk sensitivity.
- Because the proposed framework includes at least five different approaches to calculating securitization capital charges, there is significant scope for inconsistencies in treatment between different banks and/or jurisdictions. In particular, the proposals could further exacerbate the already "uneven playing field"

between banks that use the internal ratings-based (IRB) approach for the securitization's underlying assets, and those that use the standardized approach (SA). These effects could make banks' regulatory capital ratios more opaque and complex for external market participants to interpret.

- Notwithstanding the Committee's aim of ensuring more prudent capital charges for some securitization exposures, we question whether the losses experienced by securitizations globally since the 2007-2008 financial crisis warrant the scale of increase in capital charges that the proposals would result in, especially for investment-grade tranches.
- Our analysis suggests that in many situations the Revised Ratings-Based Approach (RRBA) leads to significantly higher capital charges than the other proposed approaches, which suggests the RRBA may be incorrectly calibrated.
- Although the proposals envisage various capping mechanisms to mitigate the risk of excessively high capital charges, our analysis suggests that these caps could determine capital charges in many situations, rather than being an exception. This undermines the overall framework's risk sensitivity, since different tranches with different characteristics and risk profiles may often be subject to the same capital charge cap.

Our detailed responses are set out in Appendix 1 below. In order to illustrate and quantify some of our concerns, we have applied the various capital calculation methodologies proposed in the Consultation Paper to a sample of stylized securitization tranches, based on real outstanding European and U.S. transactions that we rate. Appendix 2 provides details of these transactions. We trust that the Committee may in due course draw similar conclusions from its own Quantitative Impact Study.

We would be pleased to discuss any of the matters we have raised with you further. If you have any questions or require additional information, please contact Bernard de Longevialle (bernard_delongevialle@standardandpoors.com, +33 1 4420 7334) or Andrew South (andrew_south@standardandpoors.com, +44 20 7176 3712).

Yours faithfully



Bernard de Longevialle
Standard & Poor's Ratings Services

Appendix 1

Below we provide our more detailed comments on the Committee's proposals.

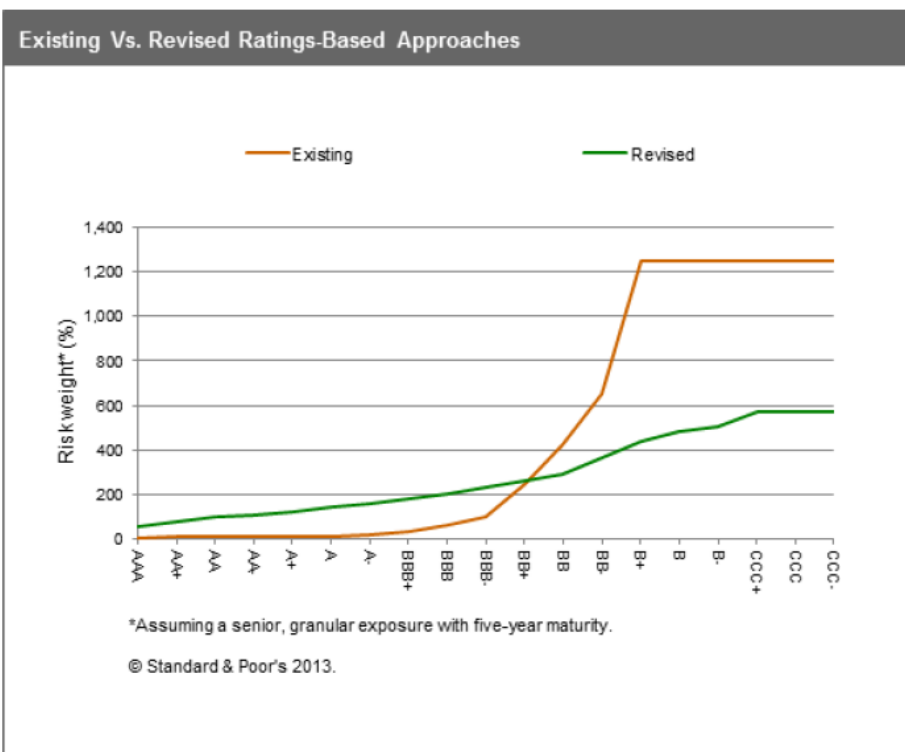
The Proposals Include Some Improvements To The Existing Securitization Framework

We agree with the Committee that there are some shortcomings in the existing securitization framework. We understand that the Committee's proposed revisions to the framework aim "to make capital requirements more prudent and risk sensitive, mitigate mechanistic reliance on external credit ratings, and reduce cliff effects," and S&P generally agrees with these objectives.

In fact, the way in which S&P treats securitizations in its own risk-adjusted capital framework (RACF) when rating financial institutions is aligned with some of the rationales behind the Committee's proposals for the regulatory capital framework (see "Bank Capital Methodology And Assumptions," published on Dec. 6, 2011).

In our opinion, the proposal effectively reduces cliff effects, making securitization capital charges more stable through economic cycles. Based on our analysis, capital charges for investment-grade exposures would typically rise under the proposals, while those on some speculative-grade exposures may fall. Put another way, under the proposed framework, capital charges would likely increase more smoothly if an exposure's credit quality were to deteriorate (see chart 1, comparing the existing and revised ratings-based approaches as an example).

Chart 1



S&P also supports the Committee's intention to reinforce links between the capital charges on securitization exposures and those on the underlying assets. In our view, the proposed securitization framework is conceptually more consistent with other parts of the credit risk framework applicable to underlying assets. This is because, in the proposed framework, the formula-based approaches use the underlying assets' capital charges and/or risk weights as input parameters. In addition, the proposals include a broader application of caps on securitization capital charges to help mitigate potential inconsistencies with charges that would be incurred on the unsecuritized underlying assets.

The following changes would remove some of the existing differences in treatment between SA and IRB banks:

- Eliminating the requirement for originators under the SA to deduct speculative-grade exposures from capital,
- Eliminating special treatment for certain exposures under the SA or IRB approaches, and
- Allowing the use of inferred ratings under the SA.

We support these measures, and indeed one of the key objectives of our own risk-adjusted capital framework is to treat SA and IRB banks consistently. The Committee has proposed other adjustments that are in line with our RACF philosophy, including the assumption of no risk transfer for revolving securitizations with early amortization features and the application of risk weights to carrying value for written-down exposures. S&P's RACF

previously treated revolving securitization exposures with early amortization features as if they had not been securitized because, if a real stress occurs, new drawings on the underlying assets may not be transferred off balance sheet following the triggering of early amortization features. (We note, however, that this treatment is no longer part of our latest RACF methodology, because bank disclosures were insufficient for us to apply it on a consistent basis.) In our RACF, we apply risk weights to the notional value of exposures less write-downs reported in the bank's profit and loss account.

Finally, regarding the so-called Basel 2.5 regulations, we agree with the principle of limiting regulatory arbitrage between banks' trading and banking books. In our RACF, we align charges on securitization positions in banks' trading books with those for similar exposures in the banking books (see "Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework," published on June 22, 2012).

However, The Proposals Also Raise Several Issues

The proposed securitization framework is significantly more complex than the existing framework, in our view. This could impede the restoration of market confidence in banks' capital charges for securitization exposures, regardless of any intrinsic merits. Once the text is finalized, we encourage the Committee to design a strong set of disclosure standards, to enhance the understanding of external market participants and to allow market discipline, according to the third pillar of the Basel agreement.

Beyond the form of the Committee's proposals, we have several observations on their content. In our opinion, the proposals have a number of significant limitations, which we discuss below.

Formula-based approaches do not capture all transaction features

S&P understands that one of the Committee's aims is to mitigate the mechanistic reliance on external ratings in the securitization framework. However, the proposed alternatives to a ratings-based approach increase reliance on mechanistic formulae with a limited number of inputs, rather than a combination of qualitative and quantitative risk assessment. S&P believes these formula-based approaches may lead to significantly reduced risk sensitivity and unintended consequences.

Many of the proposed approaches to calculating securitization capital charges are formula-based, including the Modified Supervisory Formula Approach (MSFA), the Simplified Supervisory Formula Approach (SSFA), the Concentration Ratio Approach based on the KIRB capital charge for the underlying assets (CRKIRB), and the Backstop Concentration Ratio Approach (BCRA). The capital charges resulting from these formula-based approaches generally depend on only a limited number of input parameters, including some of the underlying asset pool's risk characteristics, and the tranche's attachment point, detachment point, and maturity.

For institutions that would use an IRB approach for calculating capital charges on the underlying assets, the formulae inputs that describe the asset pool's risk characteristics may include some qualitative assessment, depending on how individual banks arrive at their underlying default probability and loss given default estimates. However, all of the proposed formula-based approaches then attempt to mechanically infer from this a risk assessment—and hence capital requirement—on the related securitization exposure.

In our view, all of the formula-based approaches listed above implicitly assume that the credit risk of securitization exposures is solely a function of the potential for losses in the underlying asset pool to cause losses on the securitization exposure. In reality, we believe there are many other factors to consider—both positive and negative—when assessing the creditworthiness of a securitization exposure, which such formulaic approaches cannot practically capture. These include legal risk, operational risk, counterparty risk, country risk, as well as numerous other structural features—such as excess spread mechanisms and interest rate and/or currency mismatches—which may affect cash flows to the securitization exposures and their ultimate loss propensity.

As an example, consider two securitization exposures with similar capital structures, each backed by floating rate underlying assets. Exposure A also pays a floating rate coupon, but Exposure B, by contrast, pays a fixed rate. A bank investing in Exposure B is therefore additionally exposed to the risk that—in a falling interest rate environment—the transaction will have fewer resources to cover losses in the asset pool.

The formula-based approaches listed above would likely not differentiate capital charges between these two hypothetical exposures. By contrast, more holistic risk assessments—including the methodologies typically used by External Credit Assessment Institutions (ECAIs), and also conceivably banks' own internal rating approaches for securitization exposures—would consider the difference in risk profiles, and Exposure B would likely be rated lower than Exposure A.

We note the proposal states that "supervisors could restrict or prohibit the use of the supervisory formula approaches...for certain structures or transactions; including tranches whose credit enhancement could be eroded for reasons other than portfolio losses..." However, we believe this condition should, in practice, apply to a very wide range of securitization exposures. The restriction would therefore require significant scrutiny from supervisors in order to ensure that the supervisory formulae are only used in situations where they adequately capture all the material risks to the securitization exposure.

We appreciate the Committee's aim of reducing mechanistic reliance on external ratings. However, we believe that the proposed alternative formula-based approaches would result in meaningfully less robust and less risk-sensitive capital charges than more holistic, less prescriptive approaches based on a combination of both quantitative and qualitative assessment of securitization exposures' creditworthiness. Under the proposed formula-based approaches, IRB banks may assess the risk of the underlying assets, but the formulae then prescribe how this translates into risk for the securitization exposure, without reference to many of the structural risks and/or risk mitigants that may be present in a securitization.

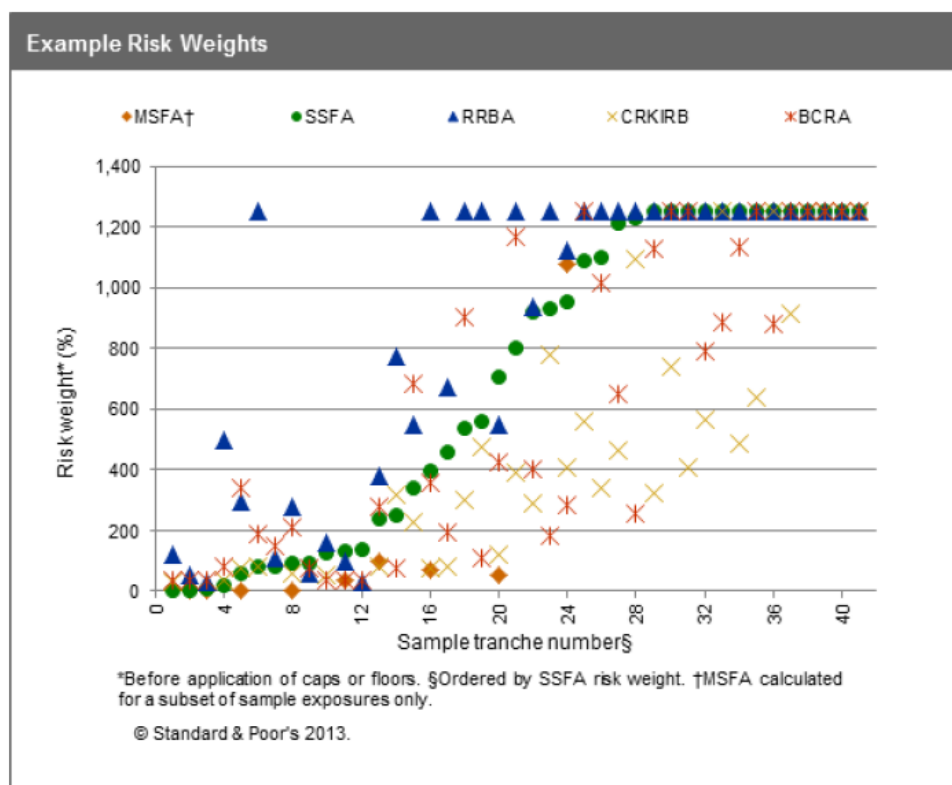
Some form of internal assessment approach by banks would therefore potentially be more robust, but could also create transparency and comparability issues.

Divergence in capital charges undermines consistency and "level playing field"

Under the proposals, our analysis suggests that the same securitization exposure would likely incur significantly different capital charges depending on the approach used. This could in turn depend on the jurisdiction, the institution's own choice, or whether the institution is an SA or an IRB bank with regard to the underlying assets. The proposal could therefore lead to an "uneven playing field"—with material inconsistencies in capital charges for the same securitization exposure between different institutions and countries—and potentially to regulatory gaming.

For example, in our analysis of a sample of transactions, the highest capital charge resulting from the various proposed calculation approaches for a given exposure was a median five times higher than the lowest capital charge for that exposure (see chart 2). Here, we ignore the various proposed floors and caps on capital charges and risk weights in order to highlight the differences in the underlying approaches. Even applying the proposed floors and caps, the highest capital charge for some exposures was still more than 15 times greater than the lowest capital charge for the same exposure.

Chart 2



Given the divergence in results from the different approaches, we note that IRB banks may often incur lower capital charges than SA banks under the proposal, for a number of reasons. First, a key input to all of the proposed formula-based methods is the capital charge for the underlying asset pool. In many cases, this will likely be lower for IRB banks than for SA banks. The disparity in treatment between the two types of institution is further compounded by more favorable calibration embedded in the IRB-related MSFA and CRKIRB approaches, compared with the RRBA, SSFA, and BCRA approaches available to SA banks.

We therefore question the extent to which the proposals—in aggregate—result in a more risk-sensitive outcome for allocating capital to securitization exposures. While some of the methodologies are presented as modifications to existing approaches in order to make them more risk-sensitive, the large number of alternative calculation methods itself leads to a wider range of potential outcomes, which could make the framework less risk-sensitive overall.

In addition, we believe the coexistence of many approaches with significantly different outcomes could make the framework vulnerable to regulatory gaming. Although many of the individual approaches and formulae are highly prescriptive, we believe there will be significant room for banks to determine which of their portfolios and securitization exposures qualify for the different treatments—based on data availability, for example—in order to optimize overall capital charges.

In general, we find that complexity, national supervisors' discretion, and a variety of bank options in a regulatory capital framework will likely lead to inconsistencies and a lack of transparency. Even under Basel II, it has become difficult to assess different banks' capital adequacy consistently, using their regulatory capital reporting. This is why S&P employs its own RACF when rating financial institutions.

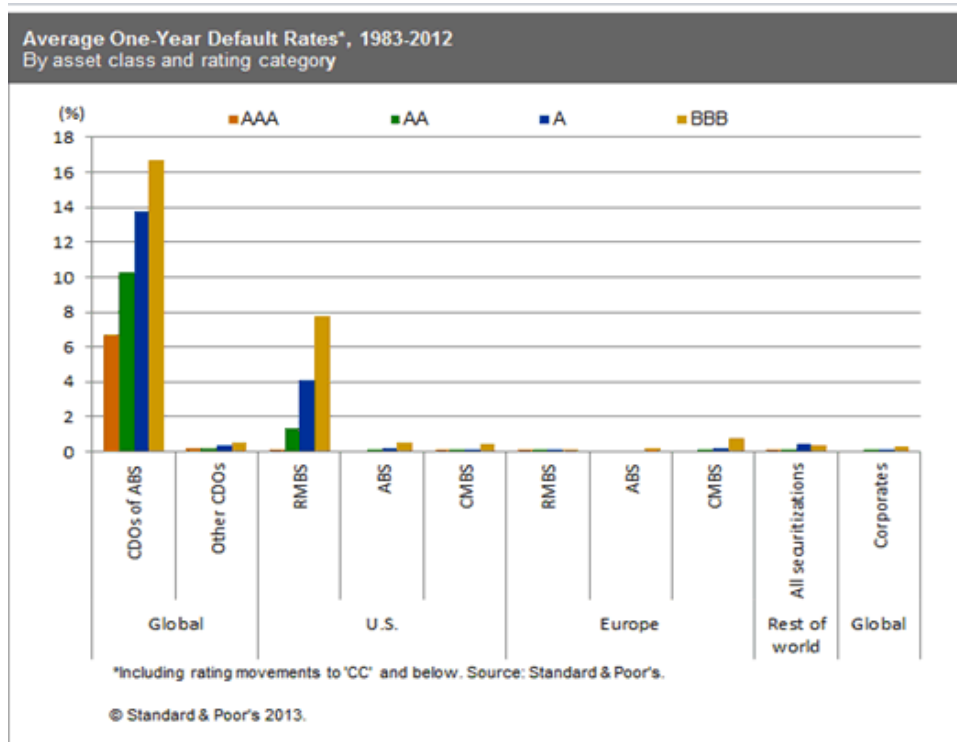
Capital charges seem high in the context of performance and charges for unsecuritized assets

According to our analysis, some of the proposed methodologies would often lead to much higher capital charges than under the current securitization framework, especially for highly-rated tranches. While we understand that some increase in capital charges is one of the Committee's objectives, we question whether the extent of the increase is consistent with general observations of securitization credit performance over the past several years or with the capital charges that banks would incur if they held the underlying collateral in unsecuritized form.

While some securitization sectors suffered from unexpectedly poor performance and high losses during the financial crisis, this behavior was limited to those asset classes with exposure to the U.S. housing market, and specifically to subprime mortgage loan collateral. This included U.S. subprime residential mortgage-backed securities (RMBS), as well as collateralized debt obligations that repackaged some of these asset-backed securities—so-

called CDOs of ABS. However, most global securitization sectors performed well during the crisis (see chart 3).

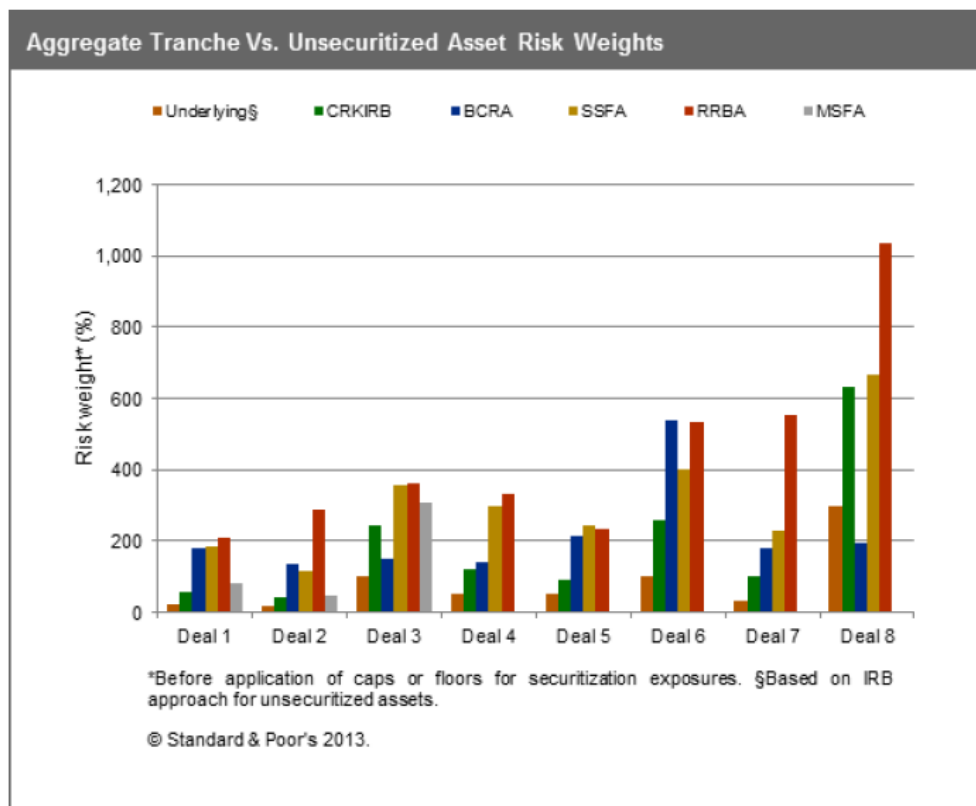
Chart 3



Even for the sectors that saw poor performance, it could be argued that the lessons learnt pertain to the assessment of the credit risk characteristics in the underlying collateral pools, rather than inherent weaknesses in the securitization process or transaction structures.

Another way to consider the appropriateness of the proposed securitization capital charges is by referring to the equivalent capital charges on the underlying collateral pools. According to our analysis, the (uncapped) capital charges that result from the various proposed approaches are often many multiples of the equivalent capital charges on the underlying collateral pool (see chart 4).

Chart 4



The proposal includes various caps in order to prevent excessive capital charges, which we discuss below. However, the relationship between the uncapped securitization charges and the charges on underlying asset pools shown in chart 4 suggests to us that the overall scale of securitization capital charges is not generally consistent with the scale of capital charges for the equivalent unsecuritized assets.

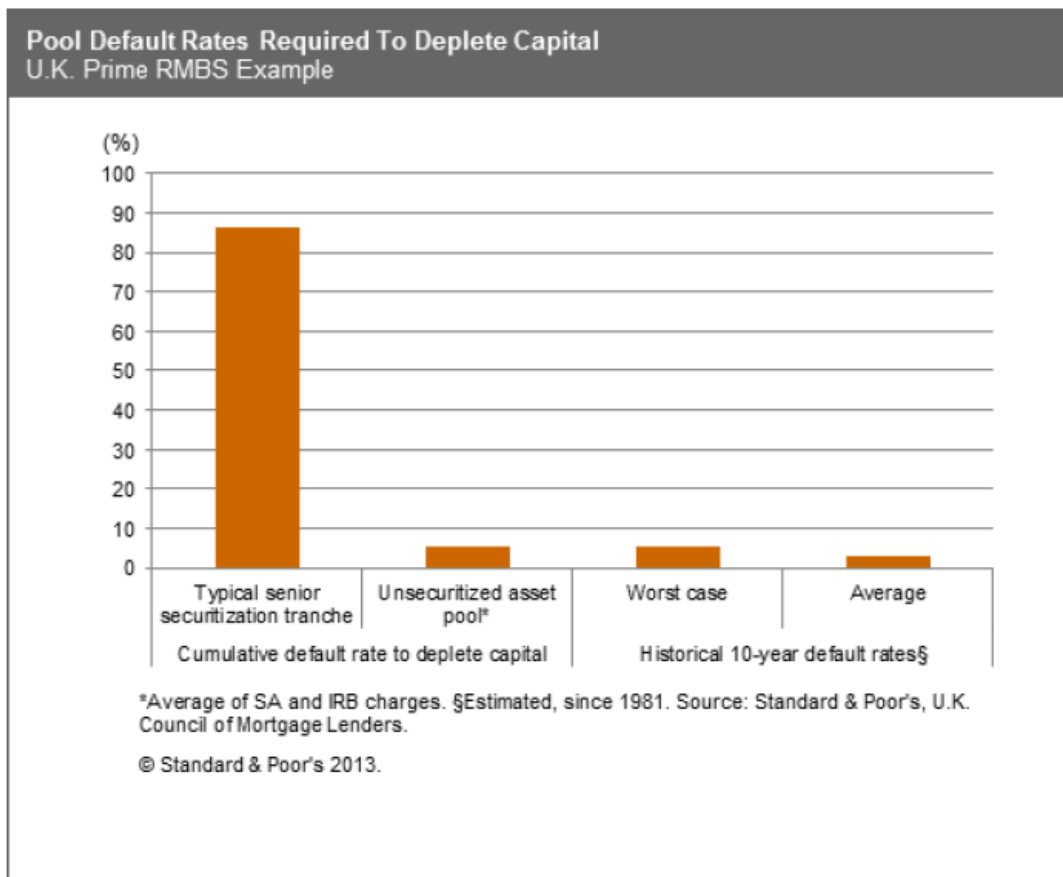
A final consideration is what degree of economic stress would be required to deplete the capital held against securitization exposures, and whether this is consistent with the level of stress that would deplete the capital held against an equivalent unsecuritized asset pool.

As an example, we consider an unsecuritized pool of U.K. prime mortgage loans. Assuming a highly-stressed average loss given default of 40%, the cumulative default rate required to fully deplete the capital held against this loan pool may be about 5%-6%. This is in line with, for example, approximate 10-year default rates experienced on the cross-section of outstanding U.K. mortgage loans over the past 30 years.

By contrast, we now consider the senior tranche in one of our sample of U.K. prime RMBS transactions, which has about 35% credit enhancement and a capital charge of 1.6% under the proposals, given the 20% risk weight floor. In order for the capital held against this tranche to be fully depleted, the cumulative default on the underlying asset pool would have to exceed 85% (see chart 5). The securitization capital charges—especially for senior

tranches backed by high quality assets—therefore appear to be covering for far more extreme stress scenarios than the charges on underlying assets.

Chart 5



Securitization capital charges under the RRBA appear miscalibrated

In particular, we question the RRBA's current calibration, which in our view appears excessively punitive.

Across our sample of rated securitization tranches, the RRBA results in capital charges (before applying any caps or floors) that are a median 30% higher than those under the SSFA, 40% higher than those under the BRCA, and three times higher than those under the CRKIRB for rated tranches where that method could apply under the proposed Alternative B hierarchy. In our sample of rated tranches, the RRBA resulted in the highest or equal-highest capital charge among all the various proposed approaches in 80% of cases.

In its calibration of the proposed RRBA, the Committee may unintentionally have made overly conservative assumptions. For example, we understand that the proposed RRBA was calibrated using the MSFA formula in tandem with a stylized CDO rating model, rather than any reference to actual current ECAI securitization rating methodologies for a variety

of asset classes or observed securitization ratings performance. Our analysis suggests that, in many instances, ECAs may actually assign lower ratings to securitization exposures than implicitly assumed in the calibration of the RRBA. This could lead to high RRBA risk weights, in our view.

Alternatively, it may be that the Committee has intentionally calibrated the RRBA in such a way as to provide a disincentive for banks to rely on external ratings to calculate capital charges, assigning systematically higher capital requirements to banks using the ratings-based approach, compared with the five alternative approaches proposed in the framework. We note that the RRBA now also requires at least two eligible credit ratings, of which the second-best is used in capital charge calculations, adding further layers of conservatism under this approach.

While we appreciate the Committee's aim of mitigating mechanistic reliance on external ratings, we do not believe policymakers should cast external ratings as an inferior means of assessing creditworthiness and—in this context—appropriate capital charges. In fact, as noted above, external ratings generally take into account many more risk factors than are captured by the alternative proposed formula-based approaches, and we believe they have a role to play in risk assessment. We acknowledge that during the 2007-2008 financial crisis, our ratings on some securitizations—specifically those affected by U.S. subprime mortgage collateral—did not perform as expected. However, virtually all market participants had the same difficulties in assessing the risks associated with U.S. subprime mortgage loans and the related securitization exposures. We do not believe that any of the alternative approaches proposed in the Consultation Paper would have performed better than the current approaches based on external ratings.

Frequent application of caps undermines calculation approaches and risk sensitivity

As discussed, the proposal includes provisions to limit the capital charges on securitization exposures in cases where the various formula-based and/or external ratings-based approaches lead to illogically high capital charges. This partially mitigates our concerns that the securitization capital charges appear to be very high when compared with the capital charges that would apply to the unsecuritized underlying collateral pool.

Indeed, the proposal retains the "overall cap" from the existing framework for IRB banks whereby "the maximum capital requirement for securitization exposures [they] hold is equal to the IRB capital requirement that would have been assessed against the underlying exposures had they not been securitized and treated under the appropriate sections of the IRB framework..." The proposal extends such a cap to the SA securitization framework, albeit only for originator or sponsor banks. It is unclear to us why this argument should not apply more broadly to all banks, rather than just originators and sponsors. In addition, for senior securitization exposures, the proposals include a risk weight cap that limits the senior exposure's risk weight to the average risk weight that would apply to the underlying assets.

According to our analysis, however, far from being an exception, these proposed caps will likely be triggered often, especially in cases where individual banks hold a significant portion of the transaction.

It is straightforward to simulate the effects of the proposed risk weight cap on senior securitization exposures. However, the effect of the proposed "overall cap" on capital charges may depend on whether the bank in question uses the SA or the IRB framework, whether they are an investor or an originator, and how large a portion of the transaction they are exposed to. In our analysis, we consider situations in which a bank holds the entire tranche of the securitization in question, but none of the other tranches. Under this assumption, about 50% of the securitization exposures in our sample would have their capital charge capped when using the RRBA. The same applies to about 35%-40% of our sample exposures under both the SSFA and the BCRA.

The capping of capital charges and/or risk weights disproportionately affects the most senior tranches in our sample, with seven of the eight senior-most tranches in our sample having their risk weight capped at the average risk weight of the underlying assets under at least one of the approaches, assuming typical IRB charges for the underlying assets. We also note that three of the eight senior tranches in our sample see their SSFA risk weight fall below the 20% floor, and we anticipate that this will also be an issue for the MSFA.

The widespread application of such caps and floors in the capital charge calculations undermines the logic and risk sensitivity of the various calculation approaches. In general, any absolute loss that may be experienced on the underlying asset pool in a stress scenario forms an upper bound on the possible absolute losses for any given tranche in that same scenario. However, if the formulae often result in the application of this simplistic limit, then capital charges on securitization exposures will often not take into account the actual credit enhancement available to the tranche, for example, and could fail to distinguish between tranches with different credit quality.

Appendix 2

Tables 1 to 8 provide details of the sample securitization exposures for which S&P calculated indicative risk weights and capital charges.

Table 1

U.K. Prime RMBS 1														
Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--					--Capped risk weights (%)--				
					RRBA	SSFA	CRKIRB	BCRA	MSFA	RRBA	SSFA	CRKIRB	BCRA	MSFA
A	AAA	34	66	2.2	30	7	N/A	35	0	20	20	N/A	20	20
B	AA-	25	9	4.9	276	91	60	209	0	235	91	60	209	20
C	A	17	8	5.0	378	238	80	280	0	238	238	80	238	20
D	BBB	6	10	5.0	547	706	120	421	53	192	192	120	192	53
Reserve	NR	0	6	5.0	1,250	1,249	323	1,129	1,250	323	323	323	323	1,250
Overall					210	183	58	178	83	93	81	58	91	100

Note: Average IRB risk-weight assumed for underlying portfolio = 20%; 90+ day arrears = 7%. N/A--Not applicable.

Table 2

U.K. Prime RMBS 2														
Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--					--Capped risk weights (%)--				
					RRBA	SSFA	CRKIRB	BCRA	MSFA	RRBA	SSFA	CRKIRB	BCRA	MSFA
A	AAA	21	79	4.2	50	4	N/A	35	0	15	15	N/A	15	15
B	AA	20	1	5.0	296	60	72	338	0	296	60	72	338	20
C	NR	4	16	5.0	1,250	399	76	355	67	94	94	76	94	67
Reserve	NR	0	4	5.0	1,250	1,250	406	1,250	928	406	406	406	406	928
Overall					289	114	40	134	45	45	42	40	45	57

Note: Average IRB risk-weight assumed for underlying portfolio = 15%; 90+ day arrears = 2%. N/A--Not applicable.

Table 3

U.K. Nonconforming RMBS														
Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--					--Capped risk weights (%)--				
					RRBA	SSFA	CRKIRB	BCRA	MSFA	RRBA	SSFA	CRKIRB	BCRA	MSFA
A	AA	25	75	5.0	97	132	N/A	35	37	97	100	N/A	35	37
B	B	8	17	5.0	1,124	955	406	284	1,079	601	601	406	284	1,079
C	CCC	2	6	5.0	1,250	1,250	1,250	878	1,250	1,250	1,250	1,250	878	1,250
Reserve	NR	0	2	5.0	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Overall					360	358	243	150	307	273	275	243	150	307

Note: Average IRB risk-weight assumed for underlying portfolio = 100%; 90+ day arrears = 18%. N/A--Not applicable.

Table 4

Spanish RMBS												
Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--				--Capped risk weights (%)--			
					RRBA	SSFA	CRKIRB	BCRA	RRBA	SSFA	CRKIRB	BCRA
A	A-	17	83	5.0	162	125	N/A	35	50	50	N/A	35
B	BB+	11	7	5.0	935	917	288	403	762	762	288	403
C	BB	9	2	5.0	1,250	1,214	462	646	1,250	1,214	462	646
Reserve	NR	0	9	5.0	1,250	1,250	564	790	564	564	564	564
Overall					330	298	119	138	166	165	119	118

Note: Average IRB risk-weight assumed for underlying portfolio = 50%; 90+ day arrears = 14%. N/A--Not applicable.

Table 5

U.K. Credit Card ABS

Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--				--Capped risk weights (%)--			
					RRBA	SSFA	CRKIRB	BCRA	RRBA	SSFA	CRKIRB	BCRA
A	AAA	15	85	5.0	58	93	N/A	75	50	50	N/A	50
B	NR	0	15	5.0	1,250	1,100	338	1,013	338	338	338	338
Overall					235	242	93	214	93	93	93	93

Note: Average IRB risk-weight assumed for underlying portfolio = 50%; 90+ day arrears = 4%. N/A--Not applicable.

Table 6

European CLO

Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--				--Capped risk weights (%)--			
					RRBA	SSFA	CRKIRB	BCRA	RRBA	SSFA	CRKIRB	BCRA
A	AA-	44	56	5.0	110	83	N/A	150	100	83	N/A	100
B	BBB	33	11	5.0	545	339	228	685	545	339	228	685
C	BB-	26	8	5.0	1,250	536	300	901	1,250	536	300	901
D	CCC-	18	8	5.0	1,250	799	388	1,165	1,250	799	388	1,165
E	CC	14	4	5.0	1,250	1,088	561	1,250	1,250	1,088	561	1,250
F	NR	0	14	5.0	1,250	1,249	738	1,250	738	738	738	738
Overall					535	402	258	539	460	333	258	442

Note: Average IRB risk-weight assumed for underlying portfolio = 100%; 90+ day arrears = 3%. N/A--Not applicable.

Table 7

U.S. prime jumbo RMBS

Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--				--Capped risk weights (%)--			
					RRBA	SSFA	CRKIRB	BCRA	RRBA	SSFA	CRKIRB	BCRA
A	A	86	14	3.7	122	1	N/A	35	30	20	N/A	30
B	BB-	38	48	3.8	498	17	35	82	62	20	35	62
C	B+	37	1	3.7	1,250	80	79	185	1,250	80	79	185
D	BB-	6	30	3.7	671	460	82	191	98	98	82	98
E	CCC-	5	1	3.8	1,250	1,250	485	1,131	1,250	1,250	485	1,131
F	CCC-	3	1	3.7	1,250	1,250	638	1,250	1,250	1,250	638	1,250
G	NR	2	2	3.8	1,250	1,250	912	1,250	1,250	1,250	912	1,250
H	NR	1	1	3.8	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
I	NR	0	1	3.8	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
J	NR	0	0	3.8	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Overall					552	227	99	180	155	121	99	142

Note: Average IRB risk-weight assumed for underlying portfolio = 30%; 90+ day arrears = 9%. N/A--Not applicable.

Table 8

U.S. subprime RMBS

Class	Rating	Attachment point (%)	Thickness (%)	Maturity (years)	--Uncapped risk weights (%)--				--Capped risk weights (%)--			
					RRBA	SSFA	CRKIRB	BCRA	RRBA	SSFA	CRKIRB	BCRA
A	AA+	95	5	1.0	32	139	N/A	35	32	139	N/A	35
B	B	63	32	2.2	774	248	316	74	774	248	316	74
C	D	39	25	5.0	1,250	558	474	111	1,220	558	474	111
D	D	27	11	5.0	1,250	928	776	181	1,250	928	776	181
E	D	8	19	5.0	1,250	1,230	1,095	256	1,250	1,230	1,095	256
F	D	0	8	5.0	1,250	1,250	1,250	883	1,250	1,250	1,250	883
Overall					1,038	666	632	193	1,031	666	632	193

Note: Average IRB risk-weight assumed for underlying portfolio = 300%; 90+ day arrears = 42%. N/A--Not applicable.