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Clients&FriendsMemo

Revisions to the Securitisation Framework: Final Rules published by the Basel Committee

15 May 2015

The Basel Committee on Banking Supervision (the "**Basel Committee**") has published the revised securitisation framework setting out the standards for regulatory capital requirements for securitisation exposures held in the banking book (the "**Revised Securitisation Framework**").[1] The Revised Securitisation Framework is largely based on the proposals published by the Basel Committee in December 2013, with some changes and clarifications.

This Clients and Friends Memo provides a summary of the Revised Securitisation Framework and some of the changes from those previous proposals.

Background

Under the current Basel II[2] securitisation framework, banks are required to hold regulatory capital against all their securitisation exposures.

The Basel II framework contains two different hierarchies, the applicable hierarchy depending on whether a bank uses the standardised approach (the "**Standardised Approach**") or an internal ratings-based approach (the "**IRB Approach**") for the type of underlying exposures which are being securitised. In each case, there are look-up tables setting out the relevant risk weights (generally these are lower for the IRB Approach) depending on the rating (or inferred rating) of the applicable exposure. In addition, certain exceptional treatments or alternative approaches may be applicable (such as an internal assessment approach[3] and a supervisory

1 *Basel III Document – Revisions to the securitisation framework*, dated 11 December 2014, which can be found at http://www.bis.org/bcbs/publ/d303.pdf.

2 The framework set out in the document entitled *International Convergence of Capital Measurement and Capital Standards – A Revised Framework, Comprehensive Version*, published in June 2006, which can be found at http://www.bis.org/publ/bcbs128.pdf, as amended.

3 The internal assessment approach is used for exposures to ABCP programmes.

formula approach[4] which are available to banks which apply the IRB approach with respect to unrated exposures).

The changes to the Basel II securitisation framework are part of the Basel III regulatory reforms following the financial crisis. They are intended to address the following shortcomings identified by the Basel Committee under the Basel II securitisation framework:

- mechanistic reliance on external ratings;
- excessively low risk weights for highly rated securitisation exposures;
- excessively high risk weights for low-rated securitisation exposures;
- cliff effects;[5] and
- insufficient risk sensitivity.

In December 2012, the Basel Committee published a Consultative Document setting out its proposed revisions to the Basel II securitisation framework (the "**Original Proposals**").[6] The Original Proposals contained a number of significant changes to the Basel II securitisation framework, including two alternative hierarchies of approaches for determining the regulatory capital requirements for securitisation exposures, enhancements to the existing ratings-based and supervisory formula approaches, the introduction of a simplified supervisory formula approach, certain concentration ratio based approaches and a 20% risk-weight floor.

Interested parties provided a number of detailed responses to the Basel Committee on the Original Proposals. Comments were made as to the calibration, the usability and the lack of risk sensitivity and capital neutrality[7] of the proposed approaches, and concerns were expressed that the resulting increases in capital requirements would be unduly conservative. More details of the Original Proposals and a summary of the comments provided by market participants can be found in the Cadwalader Clients & Friends Memo entitled "What's Next for the Basel Securitisation Framework?" dated 9 May 2013.

Following its review of the comments received in relation to the Original Proposals, together with the results of a quantitative impact study, the Basel Committee published a second

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[4] The supervisory formula approach is based on the capital charge calculated under the IRB approach had the underlying exposures not been securitised, the tranche's credit enhancement and thickness, the number of exposures in the pool and exposure-weighted loss given default.

[5] Cliff effects were observed during the financial crisis where small changes in the quality of the underlying pool of securitised exposures quickly led to significant increases in capital requirements.

[6] *Consultative Document – Revisions to the Basel Securitisation Framework*, which was published on 18 December 2012 and which can be found at http://www.bis.org/publ/bcbs236.pdf.

[7] Market participants argued that a bank should not be required to hold substantially more capital in relation to a securitisation exposure than if it held the underlying exposures directly.

Consultative Document with a set of revised proposals and a draft standards text in December 2013 (the "**Revised Proposals**").[8]

The Revised Proposals contained a number of key changes from the Original Proposals, including a simplified hierarchy of approaches, starting with an internal ratings-based approach, followed by an external ratings-based approach and then a standardised approach.[9] The approaches themselves were revised and in some respects were simplified, the calibration of the approaches was adjusted, resulting in reductions in risk weights compared with the Original Proposals, and the Revised Proposals also contained a number of changes and clarifications to the Original Proposals, including a 15% risk weight floor. For further details, please see the Cadwalader Clients & Friends Memo entitled "Revisions to the Securitisation Framework: Second Consultative Document published by the Basel Committee" dated 24 February 2014.

Once again, comments were provided by market participants and a further quantitative impact study was carried out, following which the Revised Securitisation Framework was published in December 2014 setting out the new standards text.

In preparing the Revised Securitisation Framework, the Basel Committee focused on the following principles:

- increased risk sensitivity;
- being more prudent in terms of calibration, broadly consistent with the underlying framework for credit risk;
- simplicity;
- assigning capital charges based on the best and most diverse information available to banks;
- transparency; and
- comparability across banks and jurisdictions.

Revised Securitisation Framework

Banks will be required to apply the Revised Securitisation Framework to their exposures to traditional and synthetic securitisations held in their banking book.

A traditional securitisation is defined as a structure where the cash flow from an underlying pool of exposures is used to service at least two different stratified risk positions or tranches reflecting different degrees of credit risk, and where payments to the investors depend on the performance of the specified underlying exposures.

A synthetic securitisation is defined as a structure with at least two different stratified risk positions or tranches that reflect different degrees of credit risk where the credit risk of an

[8] *Consultative Document – Revisions to the securitisation framework*, which was published on 19 December 2013 and can be found at http://www.bis.org/publ/bcbs269.pdf.

[9] If none of the approaches could be used, a 1,250% risk weight would be applied.

underlying pool of exposures is transferred, in whole or in part, through the use of funded or unfunded credit derivatives or guarantees that serve to hedge the credit risk of the portfolio and where the investors' potential risk is dependent on the performance of the underlying pool.

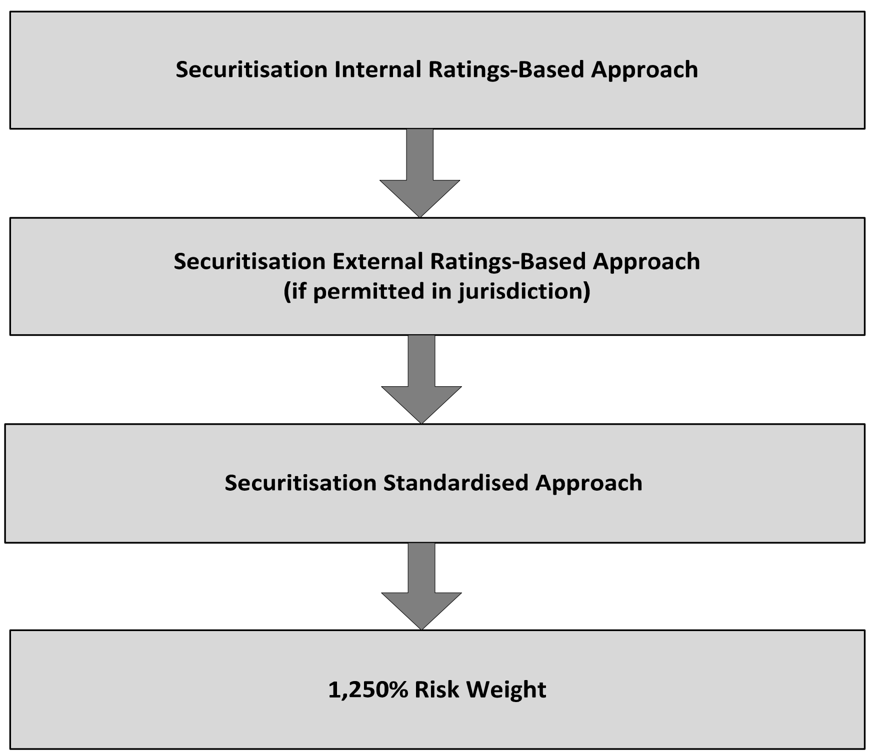
Securitisation exposures may include investments in asset-backed securities, retention of subordinated tranches, credit enhancement, liquidity facilities, interest rate and currency swaps and credit derivatives.

The risk-weighted amount of a securitisation exposure will, as a general principle, be calculated by multiplying the amount of the securitisation exposure by the risk weight determined under the applicable approach under the Revised Securitisation Framework.

The Revised Securitisation Framework is broadly similar to the Revised Proposals. In particular, the basic hierarchy of approaches is unchanged, as are the 15% risk weight floor and the availability of certain caps. However, there are some changes, particularly with respect to maturity, and some clarifications. Some of these points are described in more detail below.

Hierarchy of approaches

The hierarchy of approaches under the Revised Securitisation Framework is as follows:



The Securitisation Internal Ratings-Based Approach (the "**SEC-IRBA**") is at the top of the hierarchy of approaches. This is based on the capital charge for the underlying pool of exposures calculated under the IRB Approach.

If it is not possible to use the SEC-IRBA (for example, if the bank does not have sufficient information on the underlying assets), it will then need to use the Securitisation External Ratings-Based Approach (the "**SEC-ERBA**"), which is based on external (or inferred) credit ratings, provided the use of this approach is permitted in the applicable jurisdiction. In the case of unrated exposures to asset-backed commercial paper programmes, the bank may be able to use an Internal Assessment Approach ("**IAA**").

If neither the SEC-IRBA nor the SEC-ERBA may be used, the Securitisation Standardised Approach (the "**SEC-SA**") will be applicable. Under the SEC-SA, the calculation of the applicable risk weight will be based on the capital charges for the underlying exposures using the Standardised Approach.

In the event that none of the above approaches are available, a 1,250% risk weight will need to be applied.

Below is a summary of each of the approaches.

SEC-IRBA

Where the pool of underlying exposures is an IRB pool, the bank will be required to use the SEC-IRBA to calculate the capital requirements for the related securitisation exposure. An IRB pool is a securitisation pool for which the bank is able to use an IRB Approach to calculate capital requirements for all underlying exposures because firstly it has supervisory approval to use an IRB Approach and secondly it has sufficient information to calculate the IRB capital requirements for the applicable type of exposures. If a bank has the requisite supervisory approval but cannot estimate the capital requirements for the underlying exposures using an IRB Approach, it will be required to explain to its supervisor why it cannot do so. However, a supervisor may prohibit the use of the IRB Approach for the underlying pool of exposures in relation to particular structures or transactions.

In order to calculate the capital requirements for a securitisation exposure under the SEC-IRBA, the following bank-supplied inputs will be required to be used:

(a) the capital charge for the underlying exposures under the IRB Approach had such exposures not been securitised ("K_{IRB}");[10]

[10] K_{IRB} is the ratio of (a) the capital requirement under the IRB Approach, including the expected loss portion and, where applicable, dilution risk, for the underlying exposures in the pool to (b) the exposure amount of the pool (e.g., the sum of drawn amounts related to securitised exposures plus the exposure at default associated with undrawn commitments related to securitised exposures).

(b) the tranche attachment point ("**A**") (representing the threshold at which losses in the underlying pool would first be allocated to the securitisation exposure);[11]

(c) the tranche detachment point ("**D**") (representing the threshold at which losses in the underlying pool would result in a total loss of principal for the relevant tranche);[12,13] and

(d) a supervisory parameter, "p".

The formula for the supervisory parameter, "p", includes an adjustment for the maturity of the particular tranche. The maturity adjustment concept was the subject of considerable discussion during the consultation process. The maturity of the tranche can be calculated for the purposes of the SEC-IRBA using either of the following methods:

(a) on the basis of the weighted-average maturity of the contractual cash flows of the relevant tranche, but only if such contractual payments are unconditional and not dependent on the actual performance of the securitised assets; or

(b) on the basis of final legal maturity, subject to a haircut.[14]

Maturity is subject to a floor of 1 year and a cap of 5 years.

During the consultation process, the question of how mixed pools should be treated was discussed. A mixed pool is a securitisation pool for which the relevant bank is able to use the IRB Approach for some, but not all, of the underlying exposures. Under the Revised Securitisation Framework, it has now been established that the SEC-IRBA can only be used in the case of a mixed pool where the bank can calculate K_{IRB} for at least 95% of the underlying

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[11] A, which is a decimal value between zero and one, equals the greater of (a) zero and (b) the ratio of (i) the outstanding balance of all underlying assets in the securitisation minus the outstanding balance of all tranches that rank senior or pari passu to the relevant tranche that contains the securitisation exposure to (ii) the outstanding balance of all underlying assets in the securitisation.

[12] D, which is a decimal value between zero and one, equals the greater of (a) zero and (b) the ratio of (i) the outstanding balance of all underlying assets in the securitisation minus the outstanding balance of all tranches that rank senior to the relevant tranche that contains the securitisation exposure to (ii) the outstanding balance of all underlying assets in the securitisation.

[13] In calculating A and D, overcollateralisation and funded reserve accounts will be considered to be tranches and the assets forming those reserve accounts will be required to be recognised as underlying assets, provided that only the loss-absorbing part of funded reserve accounts can be recognised as tranches and underlying assets. Unfunded reserve accounts (e.g., those to be funded from future receipts from the underlying exposures) and assets that do not provide credit enhancement like pure liquidity support, currency or interest rate swaps or related cash collateral accounts may not be included in the calculation.

[14] Some market participants had argued that the use of final legal maturity was too conservative and was unlikely to be an accurate reflection of the actual maturity of the tranche. The haircut is intended to address these concerns. The final legal maturity will now be calculated as follows: $M_T = 1 + (M_L - 1) * 80\%$, where M_T is tranche maturity and M_L is the final legal maturity of the tranche.

exposure amounts.[15] If this is not the case, the bank will need to use the next available approach in the hierarchy.[16]

SEC-ERBA

The SEC-ERBA is based on the credit rating (from an external rating agency or where a rating can be inferred) of the exposure. The bank will be required to refer to the applicable look-up table containing risk weights for short-term and long-term ratings respectively, which will replace those in the Basel II securitisation framework.

For securitisation exposures with long term ratings, the risk weights will depend on the following factors:

(a) external or inferred rating;

(b) seniority of the tranche;

(c) maturity of the tranche; and

(d) for non-senior tranches, tranche thickness.

As with the SEC-IRBA, maturity will be calculated by reference to the final legal maturity, subject to a haircut, unless contractual payments are unconditional and not dependent on the actual performance of the securitised assets, in which case the weighted average maturity of the contractual cash flows may be used, subject in each case to a 1 year floor and a 5 year cap. The long-term ratings look-up table specifies risk weights for tranche maturities of 1 year and 5 years. For maturities between 1 and 5 years, the figures in the table will need to be adjusted using linear interpolation. The majority of the risk weights in the long-term ratings look-up table in the 5 year tranche maturity columns have been reduced from those specified in the Revised Proposals.[17]

In the case of non-senior tranches, a formula will also need to be applied in order to adjust the applicable risk weight in the look-up table with respect to the thickness of the tranche.

[15] In such cases, the bank will be required to use a pro rata approach, applying IRB Approach risk weights for exposures for which it can calculate K_{IRB} and applying Standardised Approach risk weights for exposures for which it cannot calculate K_{IRB}.

[16] Under Basel II, if the bank is using the IRB Approach for some of the underlying exposures and the standardised approach for other underlying exposures, it is required to use the approach corresponding to the predominant share of exposures within the pool in calculating the regulatory capital requirements for the relevant securitisation exposure. The treatment of mixed pools under the Revised Securitisation Framework has changed from the proposed treatment under the Revised Proposals, under which the bank would have had two options for calculating the regulatory capital requirements, either to calculate K_{IRB} for the portion of the pool where it could do so and use an assumed capital charge of 100% for the remainder, or to use the next available approach in the hierarchy.

[17] The reduction in risk weights for longer maturity tranches from those in the Revised Proposals is intended to address concerns that the effects of maturity could be overstated.

It is stated that the risk weight calculated under the SEC-ERBA should never be lower than the risk weight corresponding to a senior tranche with the same rating and maturity.

The SEC-ERBA is subject to certain operational requirements, including the requirement that external ratings (known as external credit assessments) must be from one or more eligible credit assessment institutions (ECAIs).[18]

It is important to note that the SEC-ERBA may be used only if it is permitted to be used in the relevant jurisdiction. For example, it will not be available in the United States since references to credit ratings in regulations are not permitted under Dodd-Frank.[19]

Internal Assessment Approach

A bank may use its internal assessments of the credit quality of unrated securitisation exposures to asset-backed commercial paper programmes such as liquidity facilities and credit enhancement, provided that the bank has supervisory approval and an approved IRB model and certain operational requirements are met in relation to the bank's internal assessment process.[20] Under the IAA, the bank would map its internal assessments to equivalent rating agency ratings and the appropriate risk weights would then be determined under the SEC-ERBA.

SEC-SA

Under the SEC-SA, capital requirements would be calculated using the following bank-supplied inputs:

(a) the capital charge under the Standardised Approach for the underlying exposures in the securitisation pool ("K_{SA}");

(b) a factor, "W", being the ratio of the nominal amount of delinquent exposures[21] in the underlying pool to the nominal amount of the total underlying exposures;

(c) the tranche attachment point;[22] and

(d) the tranche detachment point.[23]

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[18] There are also certain operational requirements which apply to the use of inferred ratings, including that the reference securitisation exposure (such as an asset-backed security) upon which the inferred rating is based must rank pari passu or subordinate to, and have a maturity equal to or longer than that of, the unrated securitisation exposure.

[19] Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the removal of any reference to credit ratings in regulations.

[20] These include requirements for the bank's internal assessment process and requirements for the ABCP programme itself such as credit and investment guidelines and certain structural features.

[21] Delinquent exposures are exposures that are 90 days or more past due, subject to bankruptcy or insolvency proceedings, in the process of foreclosure, held as real estate owned, or in default, where default is defined within the securitisation deal documents.

[22] The tranche attachment point is determined as described in footnote 11 above.

[23] The tranche detachment point is determined as described in footnote 12 above.

For structures involving a special purpose entity ("**SPE**"), all the SPE's exposures related to the securitisation should be treated as exposures in the pool, including reserve accounts, cash collateral accounts and claims against interest rate and currency swap counterparties. However, the bank can exclude the SPE's exposures for regulatory capital purposes if it can demonstrate to its national supervisor that the risk does not affect its securitisation exposure or that it is immaterial, e.g., because it has been sufficiently mitigated.

If the bank does not know the delinquency status for up to 5% of the underlying exposures in the pool, it may still use the SEC-SA but will be required to adjust the calculation according to a specified formula. Otherwise, it will be required to apply a risk weight of 1,250% to the securitisation exposure.

The SEC-SA would be the only approach available for resecuritisation exposures. A resecuritisation exposure is defined as a securitisation exposure where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. In addition, an exposure to one or more resecuritisation exposures will be a resecuritisation exposure. Clarificatory wording has been included (replacing wording in the Revised Proposals) to provide that an exposure resulting from the retranching of a securitisation exposure will not be considered to be a resecuritisation exposure if the bank is able to demonstrate that the cash flows to and from the bank could be replicated in all circumstances and conditions by an exposure to the securitisation of a pool of assets that contained no securitisation exposures. For resecuritisation exposures a supervisory parameter, "p", set at 1.5, would also apply ("p" would be set at 1 for other securitisation exposures under the SEC-SA).[24] The Revised Securitisation Framework also provides that if the underlying portfolio of a resecuritisation consists of a pool of exposures to securitisation assets and to other assets, these should be separated out and treated differently for the purposes of the calculation. The risk weight for resecuritisation exposures is subject to a floor risk weight of 100% and the caps described below will not be applicable.

Risk weight floor

The risk weights calculated under the SEC-IRBA, the SEC-ERBA and the SEC-SA will be subject to a floor risk weight of 15%.

Risk weight caps

The following caps will apply:

- a risk weight cap for senior securitisation exposures, using a "look-through" approach, under which the senior securitisation exposure could receive a maximum risk weight equal to the

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[24] In addition, for a resecuritisation, the capital requirement of the underlying securitisation exposures will be required to be calculated using the Revised Securitisation Framework, and delinquencies will be set to zero for any exposure to a securitisation tranche in the underlying pool.

exposure weighted-average risk weight of the underlying exposures, provided that the bank has sufficient information as to the underlying exposures at all times;[25]

- a maximum capital requirement for banks acting as originators, sponsors or investors using the SEC-IRBA for a securitisation exposure equal to the capital requirement that would have been assessed against the underlying exposures using the IRB Approach had they not been securitised;
- a maximum capital requirement for banks acting as originators or sponsors (but not banks acting as investors) using the SEC-ERBA or the SEC-SA for a securitisation exposure equal to the capital requirement that would have been assessed against the underlying exposures had they not been securitised.

Due diligence

In order for a bank to use any of the approaches under the Revised Securitisation Framework, it will be required to have the following information:

- a comprehensive understanding of the risk characteristics of the securitisation exposures;
- a comprehensive understanding of the risk characteristics of the underlying pools and the ability to access performance information on an ongoing basis;[26] and
- a thorough understanding of all structural features of a securitisation that would materially impact the performance of the bank's exposures to the transaction.[27]

If the bank is unable to perform this level of due diligence it will have to apply a 1,250% risk weight to the securitisation exposure.

Overlapping exposures

In a situation where a bank has more than one exposure to a securitisation, it may be able to benefit from provisions which deal with overlapping exposures, and will not be required to calculate risk-weighted assets for one of those exposures to the extent that it meets the conditions to show that they overlap.[28] A bank may also be able to split or expand its exposures to arrive at an overlap.[29]

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[25] Where this risk weight cap for senior exposures results in a lower risk weight than the floor risk weight of 15%, the risk weight resulting from the cap will be required to be used.

[26] Such information may include exposure type, percentage of loans 30, 60 and 90 days past due, default rates, prepayment rates, loans in foreclosure, property type, occupancy, average credit score or creditworthiness, average loan-to-value ratio and industry and geographical diversification, and in the case of resecuritisations, information both on the underlying securitisation tranches and on the pools underlying such tranches.

[27] Such structural features could include the contractual waterfall and related triggers, credit enhancement, liquidity, market value triggers and the definition of default.

[28] This may apply, for example, where a bank provides full credit support to certain notes and also holds a portion of such notes. If its full credit support obligation precludes any loss from its exposure to the notes, it will only be required to calculate risk-weighted assets for the former and not for the latter.

[29] For example, the bank may split exposures into portions which overlap with other exposures and those which do not, and may treat an exposure, such as a liquidity facility, as expanded in order to preclude all losses on its notes.

Swaps

In the case of currency and interest rate swaps, under each of the SEC-IRBA, the SEC-ERBA and the SEC-SA the risk weight will be inferred from a securitisation exposure that ranks pari passu, or failing that, from the next subordinated tranche.

What happens next?

The Revised Securitisation Framework is intended to be effective from January 2018 and will need to be implemented into local law.

However, it should be noted that the introduction to the Revised Securitisation Framework refers to the work currently being carried out by the Basel Committee and the International Organization of Securities Commissions (IOSCO) to review developments in securitisation markets and to identify factors that may be hindering the development of sustainable securitisation markets and, in particular, to develop criteria in relation to simple, transparent and comparable securitisations, as described in the joint Consultative Document published in December 2014 (the "**BCBS/IOSCO Consultative Document**").[30] Comments on the BCBS/IOSCO Consultative Document were required to be provided by 13 February 2015. Importantly, the Basel Committee have stated that they intend to consider how to incorporate such criteria into the Revised Securitisation Framework during 2015.

We also note that there have been other publications considering similar issues to those discussed in the BCBS/IOSCO Consultative Document, such as the joint Bank of England and European Central Bank Discussion Paper published in May 2014[31] which included the suggestion of developing principles to identify "qualifying securitisations" and the EBA Discussion Paper published in October 2014 in relation to simple standard and transparent securitisations.[32] In addition, we note the recent recognition of senior tranches of certain types of securitisations considered to be "high-quality" for the purposes of the liquidity coverage ratio[33] and Solvency II capital requirements.[34] Furthermore, an IMF Staff Discussion Note

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30 *Consultative Document: Criteria for identifying simple, transparent and comparable securitisations*, published on 11 December 2014, which can be found at www.bis.org/bcbs/publ/d304.pdf.

31 *The case for a better functioning securitisation market in the European Union*, which can be found at http://www.bankofengland.co.uk/publications/Documents/news/2014/paper300514.pdf.

32 *EBA Discussion Paper on simple standard and transparent securitisations*, published on 14 October 2014, which can be found at https://www.eba.europa.eu/documents/10180/846157/EBA-DP-2014-02+Discussion+Paper+on+simple+standard+and+transparent+securitisations.pdf.

33 *Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions*, which can be found at http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32015R0061&from=EN. The liquidity coverage ratio is the European Union requirement that banks have enough high quality liquid assets in their liquidity buffers to cover the difference between the expected cash outflows and the expected capped cash inflows over a 30 day period under stressed conditions. Senior tranches of RMBS, auto loan and SME loan securitisations are eligible as level 2B assets provided they meet certain requirements.

34 *Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)*, which can be found at http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0035&rid=1.

published in January 2015[35] considered the risk classification of securitisation transactions and recommended that further structural features of securitisation transactions should be recognised with respect to the calculation of capital requirements.

In addition, in February 2015 the European Commission launched a consultation on capital markets union, one aspect of which is the development of a high-quality securitisation market. The consultation document entitled "An EU framework for simple, transparent and standardised securitisation" includes questions on the Revised Securitisation Framework and on how capital requirements for "qualifying securitisations" should differ from those for other securitisations.[36] Comments were required to be provided by 13 May 2015.

This continued discussion leaves open the possibility of further changes to the Revised Securitisation Framework which may result in a reduction of risk weights for securitisation exposures which meet the relevant criteria. While this may not be applicable to certain types of securitisation exposures (for example, ABCP is currently outside the scope of the draft criteria in the BCBS/IOSCO Consultation Paper, and other transactions may not meet the relevant criteria), a move in this direction would be welcomed by many market participants.

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Please feel free to contact the authors of this Clients & Friends Memo, Merryn Craske and Stephen Day or any of the other Cadwalader lawyers listed below if you would like to discuss any of the issues discussed in this Clients & Friends Memo.

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35 *IMF Staff Discussion Note – Securitization: The Road Ahead*, which can be found at http://www.imf.org/external/pubs/ft/sdn/2015/sdn1501.pdf.

36 *Consultation Document – An EU framework for simple, transparent and standardised securitisation* dated 18 February 2015, which can be found at http://ec.europa.eu/finance/consultations/2015/securitisation/docs/consultation-document_en.pdf.

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