

Chapman Client Alert

May 14, 2018

Current Issues Relevant to Our Clients

Basel Committee Issues Simple, Transparent and Comparable Securitisation Framework for Short-Term Securitisations

On May 14, 2018, the Basel Committee on Banking Supervision (“BCBS”) issued two documents entitled “Criteria for Identifying Simple, Transparent and Comparable Short-Term Securitisations” (the “Criteria Document”) and “Capital Treatment for Simple, Transparent and Comparable Short-Term Securitisations” (the “Capital Document” and, together with the Criteria Document, the “Documents”). The Criteria Document can be found [here](#) and the Capital Document can be found [here](#). BCBS had previously published criteria for identifying simple, transparent and comparable (“STC”) term securitisations in July of 2015 (the “STC Term Securitisation Criteria”) and in July of 2016 published revisions to its securitisation capital framework (the “Revised Capital Framework”) that incorporated the regulatory capital framework for STC term securitisations.

On July 6, 2017, the BCBS issued two consultative documents entitled “Criteria for Identifying Simple, Transparent and Comparable Short-Term Securitisations” and “Capital Treatment for Simple, Transparent and Comparable Short-Term Securitisations” (together, the “Consultative Documents”). Comments were due on the Consultative Documents on October 5, 2017. Chapman and Cutler LLP represented the Structured Finance Industry Group in preparing a comment letter on the Consultative Documents.

The STC Term Securitisation Criteria and Revised Capital Framework explicitly excluded short-term securitisations, including asset-backed commercial paper (“ABCP”) programs.

The Criteria Document sets forth 17 criteria for STC securitisations that are focused primarily on investors in ABCP. The Capital Document supplements the 17 criteria with more specific requirements and adds two additional criteria and provides for more favorable capital treatment for exposures to qualifying ABCP conduits for both investors and sponsors. The criteria address asset risk and quality, structural risk, and fiduciary and servicer risk.

For notes issued by ABCP conduits that meet the short-term STC capital criteria, capital would equal that of STC risk positions of comparable maturity in the Revised Capital Framework. Banks providing credit or liquidity funding to qualifying ABCP conduits are treated as if they had taken a risk position in an STC term securitisation, and the capital treatment would follow the capital treatment for STC term securitisations in the Revised Capital Framework. Qualifying swap positions that are exposures to ABCP conduits meeting the short-term STC capital criteria would also be eligible for more favorable risk weights.

Importantly, the Documents no longer take the “all or nothing” approach to qualifying for STC status and capital treatment that was proposed in the Consultative Documents. All of the conduit level and transaction level criteria must be met for all transactions in an ABCP conduit in order for its commercial paper notes to be eligible for STC

capital treatment. Bank exposures to individual transactions through ABCP conduits, however, are eligible for more favorable treatment on a transaction-by-transaction basis if the transaction level criteria are met, regardless of whether the conduit-wide criteria are met by the applicable ABCP conduit.

We will prepare a more detailed alert that analyzes the Documents in the near future.

[For More Information](#)

If you would like further information concerning the matters discussed in this article, please contact the Chapman attorney with whom you regularly work.

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