

Press release

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Joint Forum final release of *Credit Risk Transfer* paper

The Joint Forum today released the final version of its paper entitled [Credit Risk Transfer – Developments from 2005 to 2007](#). This follows the consultation process that began in April 2008.

Market participants provided direct feedback on the consultative draft during meetings held with Joint Forum representatives in London and New York last May. The comments provided by participants or sent directly to the Joint Forum secretariat reflected general support for the report's conclusions. Changes to the report based on the consultation, while not substantial, contributed to an improved final report.

John C Dugan, Chair of the Joint Forum and Comptroller of the Currency in the United States, said today: "This paper is contributing significantly to the understanding of the causes of the credit market turmoil. Particularly relevant is the report's focus on two financial instruments that have been used widely to transfer credit risk: collateralised debt obligations referencing ABS (ABS CDOs) and collateralised loan obligations (CLOs)." Mr Dugan added, "While it is critical to understand the causes of the market turmoil, market participants must also focus on actions to take to increase the resilience of markets and institutions going forward. To that end, this report provides a number of new recommendations applicable to all market participants that enhance the earlier recommendations of the Joint Forum's 2005 *Credit Risk Transfer* paper." Mr Dugan added, "I urge all significant participants in these markets to implement these recommendations. In 2009, the Joint Forum will survey these participants to assess the extent to which they have done so."

This paper was developed in response to a request from the Financial Stability Forum (FSF) in March 2007 to consider the extent to which the Joint Forum's March 2005 paper *Credit Risk Transfer (CRT)* required updating as a result of the continued growth and rapid innovation in the CRT markets. While development of



the paper was underway well ahead of the market disruption that began in the summer of 2007, it formed the centrepiece of the Joint Forum's submission to the FSF in support of its work on the market turmoil. In fact, the paper was prepared on an accelerated schedule so that it could be presented at the March 2008 meeting of the FSF.

The paper is available on the websites of the Bank for International Settlements (<http://www.bis.org>), IOSCO (<http://www.iosco.org>) and the IAIS (<http://www.iaisweb.org>).

The Joint Forum was established in 1996 under the aegis of the Basel Committee on Banking Supervision, IOSCO, and the IAIS to deal with issues common to the banking, securities and insurance sectors, including the supervision of financial conglomerates.