BLACKROCK

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Basel Committee on Banking Supervision (BCBS)
c/o Bank for International
Settlements
Centralbahnplatz 2
4051 Basel
Switzerland

International Organization of Securities Commissions (IOSCO)
C/ Oquendo 12
28006 Madrid
Spain

Submitted online and by e-mail

RE: Consultative document on simple, transparent and comparable securitisations

Dear Sirs,

BlackRock is pleased to have the opportunity to respond to the BCBS-IOSCO Consultative Document on 'Criteria for identifying simple, transparent and comparable securitisations'.

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide.

BlackRock has a pan-European client base serviced from 22 offices across the continent. Public and private sector pension plans, insurance companies, third-party distributors and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals select BlackRock to manage their investments on their behalf.

BlackRock represents the interests of its clients by acting in every case as their agent. It is from this perspective that we engage on all matters of public policy. BlackRock supports policy changes and regulatory reform globally where it increases transparency, protects investors, facilitates responsible growth of capital markets and, based on thorough cost-benefit analysis, preserves consumer choice.

General Comments

We broadly agree with the criteria set forward in the consultative document. To a great extent, many of these align with principles put forward by other bodies looking at the idea of some form of 'qualifying' securitisation (the exact nomenclature has varied) – for example, the European Banking Authority (EBA) or the Bank of England and European Central Bank. Our comments very much align with the comments we have provided to those organisations in their respective consultations.

BlackRock believes that regulatory regimes around securitisation are not always coherent and supportive of investor capital allocation to securitisations. We would strongly support a clear definition of 'qualifying' securitisation – jointly adopted by policy makers, regulators and central bankers – which would set a clear distinction between appropriately structured qualifying securitisations, which we believe should benefit from more favourable regulatory treatment.

This second step is key – in our experience, restrictive regulation on asset owners, particularly in Europe (such as Solvency II risk weightings for insurers), has significantly constrained the appetite of certain types of investor for securitisation. Designating appropriately structured securitisations as ‘qualifying’ can help bring investors back into the market, especially if they are given a more favourable regulatory treatment because of such a designation. For example, we believe that qualifying securitisations should benefit from significantly better capital treatment, in line with covered bonds (for AAA ratings) or equivalently rated corporate bonds (for lower ratings).

One of our over-arching concerns has been the need for consistency between the different policymaking approaches to setting out standards for ‘qualifying’ securitisations. Divergent standards could balkanise an already small market, which would in turn have a significant impact on secondary market liquidity. We are encouraged by the Basel Committee and IOSCO’s efforts to establish a consistent international framework in this area. As mentioned above, we very much support the fact that the criteria outlined in this consultative document are broadly similar in their approach to those put forward by other policy bodies looking at this issue.

Additionally, we believe that there is a risk of adverse market consequences if the definition and criteria of the qualifying securitisation framework is too restrictive or inappropriately designed. This would potentially exclude certain types of well-structured securitisations from the scope of the qualifying securitisation framework and the related preferential regulatory treatment for the wrong reasons. When analysing issues, BlackRock will look at both the structure and the credit quality of the securitisation. Investors generally are comfortable investing in a potentially lower-credit quality securitisation, as long as the risk-reward proposition is appropriate, and the structure, transparency, and disclosure are suitable.

Our approach to securitisation has been set forth in the following principles which we believe could serve as a useful tool for policymakers to promote a sound, consistent and streamlined regulatory framework:

1. Set out high-quality, prudent underwriting standards that are evaluated and administered properly.
2. Establish quality servicing standards.
3. Ensure transparent and accessible asset and transaction information.
4. Ensure conflicts of interest are identified and managed properly.
5. Ensure structures are clear, complete and presented in an understandable manner.
6. Appropriately align originator, sponsor or original lender and investor interests (with originator, sponsor or original lender risk retention, where applicable).

Our comments on the specific criteria in the consultative document are derived from this starting point.

We appreciate the opportunity to address, and comment on, the issues raised by this discussion paper and we will be happy to assist in any way we can and would welcome any further discussion on any of the points that we have raised.

Yours faithfully,

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Responses to specific Questions

1. Do respondents agree that the criteria achieve the goals they aim to achieve? In particular, do respondents believe that the criteria could help investors to identify "simple", "transparent" and "comparable" securitisations?

Broadly speaking, we agree that the criteria are useful determinants in helping delineate between 'qualifying' securitisations and others.

However, while BlackRock agrees that securitisations should have characteristics that are understandable and clear, we believe that the term "simple" could be too vague and too restrictive. What really matters is that the structure is clear and understandable for investors, which does not necessarily equate with "simple". For example, RMBS master trusts may not necessarily be described as 'simple' however they are clear and understandable for investors.

2. Do respondents agree with the STC criteria set out in the annex of this paper? In particular, are they clear enough to allow for the development by the financial sector of simple, transparent and comparable securitisations? Or do respondents think they are too detailed as globally applicable criteria? The annex provides guidance on each criterion. Which additional criteria would respondents consider necessary, if any, and what additional provisions would be useful or necessary to support the use of the criteria? What are respondents' views on the "additional considerations" set out under some criteria in the annex? Should they become part of the criteria? Are there particular criteria that could hinder the development of sustainable securitisation markets due, for example, to the costliness of their implementation?

We generally agree with the proposed criteria – below we have responded specifically to each.

A. Asset risk

1. Nature of the assets

In simple, transparent and comparable securitisations, the assets underlying the securitisation should be credit claims or receivables that are homogeneous with respect to their asset type, jurisdiction, legal system and currency.
As more exotic asset classes require more complex and deeper analysis, credit claims or receivables should have defined terms relating to rental, principal, interest, or principal and interest payments. Any referenced interest payments or discount rates should be based on commonly encountered market interest rates, but should not reference complex or complicated formulae or exotic derivatives.

We fully support this criterion.

2. Asset performance history

New and potentially more exotic asset classes are likely to require more complex and heightened analysis. In order to provide investors with sufficient information to conduct appropriate due diligence and access to a sufficiently rich data set to enable a more accurate calculation of expected loss in different stresses, verifiable loss performance data, such as delinquency and default data, should be available for credit claims and receivables with substantially similar risk characteristics to those being securitised, for a time period long enough to permit meaningful evaluation by investors. Sources of and access to data and the basis for claiming similarity to credit claims or receivables being securitised should be clearly disclosed to all market participants.

BlackRock strongly supports the need for investors to have timely and accurate information on the composition and performance of the asset pool, both at the point of issuance and on an ongoing basis. Where legally possible, all underlying

transaction documents should be freely available to current and prospective investors.

In order for investors to make well-informed decision about the likely credit performance and thus cash-flows from an asset pool, we strongly advocate for the timely disclosure of performance data on underlying assets. Historical performance data must be made available to investors prior to closing.

As such, we fully support the requirement for investors to have access to historic performance data and would suggest that this should (where relevant) encompass defaults, recoveries and net losses on a vintage basis together with dynamic arrears and prepayment data. To the extent that the securitised pool contains sub-classes of assets that have (or may be expected to have) performed differently (e.g. consumer vs. corporate leasing, or car loans vs. truck loans) the historic data should be shown separately for these sub-classes since the business mix of the historic data may have changed over time and/or not be consistent with the securitised pool.

The level of detail required by investors will vary between asset types. It should not be assumed that, as a general rule, investors necessarily require the level of data to re-underwrite all the assets in every pool of every asset type.

In more concentrated or less homogeneous pools (such as SME CLOs or large-loan CMBS), it is more important to look at individual loan characteristics. While most investors probably do not want and are not expected to re-underwrite the pool, there should be both sufficient qualitative information available on the borrowers to give investors a good guide to the quality of the pool (such as length of time established, time with bank, historic default performance, security details, underwriting lease / tenant information, credit score etc.) and quantitative data of sufficiently high quality and detail to ensure as robust modelling as individual investors require. It should be noted that with assets such as these, a key part of the credit decision is gaining comfort with the underwriting, servicing and risk and control processes of the originator.

We would be very pleased to see the development of centralised credit bureaux in every jurisdiction with both positive and negative information shared on a standard basis between all lenders. With this in place, originators would be more able to supply the details that investors require on securitised pools. However, we do not think that direct access to such bureaux by ABS investors would be practical or should be necessary.

3. Payment status

Non-performing credit claims and receivables are likely to require more complex and heightened analysis. In order to ensure that only performing credit claims and receivables are assigned to a securitisation, credit claims or receivables being transferred to the securitisation may not include obligations that are in default, delinquent or obligations for which the transferor or parties to the securitisation are aware of evidence indicating a material increase in expected losses or of enforcement actions.

We fully support this criterion. At the time of inclusion in the securitisation, we believe that no assets should be in default (at least 90 days past-due). In addition, the original lender should provide representations and warranties that assets being included in the securitisation are not subject to any condition or encumbrance that can be foreseen to adversely affect enforceability in respect of collections due.

4. Consistency of underwriting

Investor analysis should be simpler and more straightforward where the securitisation is of credit claims or receivables that satisfy uniform and non-deteriorating origination standards. To ensure that the quality of the securitised credit claims and receivables is not dependent on changes in underwriting standards, the originator should demonstrate to investors that any credit claims or receivables being transferred to the securitisation have been originated in the ordinary course of the originator's business to uniform and non-deteriorating underwriting standards.

These should be credit claims or receivables which have satisfied uniform and non-deteriorating underwriting criteria and for which the obligors have been assessed as having the ability and volition to make timely payments on obligations; or on granular pools of obligors originated in the ordinary course of the originator's business where expected cash flows have been modelled to meet stated obligations of the securitisation under prudently stressed loan loss scenarios.

We agree with this criterion.

5. Asset selection and transfer

Whilst recognising that credit claims or receivables transferred to a securitisation will be subject to defined criteria, the performance of the securitisation should not rely upon the initial and ongoing selection of assets through active management on a discretionary basis of the securitisation's underlying portfolio. Credit claims or receivables transferred to a securitisation should be whole portfolios of eligible credit claims or receivables, or should be randomly selected from those satisfying eligibility criteria and may not be actively selected, actively managed or otherwise cherry-picked on a discretionary basis. Investors should be able to assess the credit risk of the asset pool prior to their investment decisions.

In order to meet the principle of true sale, the securitisation should effect true sale or effective assignment of rights for underlying credit claims or receivables from the seller on terms such that the resulting claims on these credit claims or receivables:

- are enforceable against any third party;
- are beyond the reach of the seller, its creditors or liquidators and are not subject to material re-characterisation or clawback risks;
- are not effected through credit default swaps, derivatives or guarantees, but by a legal assignment of the credit claims or the receivables to the securitisation; and
- demonstrate effective recourse to the ultimate obligation for the underlying credit claims or receivables and are not a securitisation of other securitisations.

In applicable jurisdictions, securitisations employing transfers of credit claims or receivables by other means should demonstrate the existence of material obstacles preventing true sale at issuance and should clearly demonstrate the method of recourse to ultimate obligors. In such jurisdictions, any conditions where the transfer of the credit claims or receivable is delayed or contingent upon specific events and any factors affecting timely perfection of claims by the securitisation should be clearly disclosed.

The originator should provide representations and warranties that the credit claims or receivables being transferred to the securitisation are not subject to any condition or encumbrance that can be foreseen to adversely affect enforceability in respect of collections due.

We agree that, in order to fulfil these criteria, the performance of the securitisation should not be reliant on ongoing and active management of the pool. However, when it comes to so-called 'cherry-picking' of assets, in our experience, sponsors generally 'cherry-pick' in order to improve the quality of the securitised portfolios, rather than to put lower-quality assets in the pool. This is because sponsors have generally sought to ensure good securitisation performance so they can return to the

markets. We accept that adversely selected pools is a possibility, but suggest addressing any potential agency risk not through disallowing the practice of 'cherry-picking', but rather by ensuring that it is only done to enhance or maintain portfolio quality. Such a "cherry-picking" process (including filters applied) should be documented and disclosed in the offering circular and confirmed in a seller representation and warranty.

Further, we support the principle of true sale of the securitised assets and that it should not include any severe clawback provisions in the jurisdiction where the seller (originator, sponsor or original lender) is incorporated.

However, we would like to caution that it is possible to achieve a sale under the laws of many jurisdictions without the security interest being perfected. So long as there are appropriate triggers for perfection of security and, prior to this, there is a requirement for the legal title holder to act for the benefit of the beneficial owner, we do not feel that perfection of security should be a requirement at the close of a transaction. For example prime UK RMBS is usually effected by a non-notified true sale where the borrower is not told of the sale and the security interest remains registered to the original lender (i.e. not perfected) but this is subject to trigger events such as originator ratings downgrade, insolvency, change of law, trustee concern for the security.

6. Initial and ongoing data

To assist investors in conducting appropriate due diligence prior to investing in a new offering, sufficient loan-level data or, in the case of granular pools, summary stratification data on the relevant risk characteristics of the underlying pool should be available to potential investors before pricing of a securitisation.

To assist investors in conducting appropriate and ongoing monitoring of their investments' performance and so that investors that wish to purchase a securitisation in the secondary market have sufficient information to conduct appropriate due diligence, timely loan-level or granular pool stratification data on the risk characteristics of the underlying pool and standardised investor reports should be readily available to current and potential investors at least quarterly throughout the life of the securitisation. Cutoff dates of the loan-level or granular pool stratification data should be aligned with those used for investor reporting.

To provide a level of assurance that the reporting of the underlying credit claims or receivables is accurate and that the underlying credit claims or receivables meet the eligibility requirements, the initial portfolio should be reviewed for conformity with the eligibility requirements by an appropriate independent third party, other than a credit rating agency, such as an independent accounting practice or the calculation agent or management company for the transaction.

We support these criteria.

As a rule of thumb, we believe that data underlying rating decisions should be given to investors. Rating agencies frequently have access to more information than would generally aid investors. While we appreciate that truly proprietary information must be kept confidential, we believe all other information received by rating agencies during the rating process should be available to investors.
There has been an improvement in information provision on the underlying assets on a loan-by-loan level since the crisis and we believe that focusing on improved data quality and ease of access will be beneficial. The risk remains that poor quality disclosure may actually act as disincentive for new investors by adding complexity and by undermining the ability to come to a holistic and meaningful view of the underlying assets.

B. Structural risk

7. Redemption cash flows

Liabilities subject to the refinancing risk of the underlying credit claims or receivables are likely to require more complex and heightened analysis. To help ensure that the underlying credit claims or receivables do not need to be refinanced over a short period of time, there should not be a reliance on the sale or refinancing of the underlying credit claims or receivables in order to repay the liabilities, unless the underlying pool of credit claims or receivables is sufficiently granular and has sufficiently distributed repayment profiles. Rights to receive income from the assets specified to support redemption payments should be considered as eligible credit claims or receivables in this regard.

We fully agree with this criterion.

8. Currency and interest rate asset and liability mismatches

To reduce the payment risk arising from the different interest rate and currency profiles of assets and liabilities and to improve investors' ability to model cash flows, interest rate and foreign currency risks should be appropriately mitigated and any hedging transactions documented according to industry-standard master agreements. Only derivatives used for genuine hedging purposes should be allowed.

We fully agree with this criterion.

9. Payment priorities and observability

To prevent investors being subjected to unexpected repayment profiles during the life of a securitisation, the priorities of payments for all liabilities in all circumstances should be clearly defined at the time of securitisation and appropriate legal comfort regarding their enforceability should be provided.

To ensure that junior note holders do not have inappropriate payment preference over senior note holders that are due and payable, throughout the life of a securitisation, or, where there are multiple securitisations backed by the same pool of credit claims or receivables, throughout the life of the securitisation programme, junior liabilities should not have payment preference over senior liabilities which are due and payable. The securitisation should not be structured as a "reverse" cash flow waterfall such that junior liabilities are paid where due and payable senior liabilities have not been paid.

To ensure that debt forgiveness, forbearance, payment holidays and other asset performance remedies can be clearly identified, policies and procedures, definitions, remedies and actions relating to delinquency, default or restructuring of underlying debtors should be provided in clear and consistent terms, such that investors can clearly identify debt forgiveness, forbearance, payment holidays, restructuring and other asset performance remedies on an ongoing basis.

To help provide investors with full transparency over any changes to the cash flow waterfall, payment profile or priority of payments that might affect a securitisation, all triggers affecting the cash flow waterfall, payment profile or priority of payments of the securitisation should be clearly and fully disclosed both in transaction documentation and in investor reports, with information in the investor report that clearly identifies the breach status, the ability for the breach to be reversed and the consequences of the breach. Investor reports should contain information that allows investors to easily ascertain the likelihood of a trigger being breached or reversed. Any triggers breached between payment dates should be disclosed to investors on a timely basis in accordance with the terms and conditions of the transaction documents.

Transactions featuring a revolving period should include provisions for appropriate early amortisation events and/or triggers of termination of the revolving period, including, notably: (i) deterioration in the credit quality

of the underlying exposures; (ii) a failure to acquire sufficient new underlying exposures of similar credit quality; and (iii) the occurrence of an insolvency-related event with regard to the originator or the servicer.

Following the occurrence of a performance-related trigger, an event of default or an acceleration event, the securitisation positions should be repaid in accordance with a sequential amortisation priority of payments, in order of tranche seniority, and there should not be provisions requiring immediate liquidation of the underlying assets at market value.

To assist investors in their ability to appropriately model the cash flow waterfall of the securitisation, the originator or sponsor should make available to investors, both before pricing of the securitisation and on an ongoing basis, a liability cash flow model or information on the cash flow provisions allowing appropriate modelling of the securitisation cash flow waterfall.

We broadly agree with these criteria and would welcome the thoroughness of the information to be disclosed on the transaction documentation. We believe that the following fields are the most important in providing information to investors:

- As a rule of thumb, investors should have access to the same suite of documents and performance data that is provided to CRAs (both on closing and on an ongoing basis).
- Most of the performance information (i.e. Account Status, historic Arrears / Litigation, Redemption date, Default and Foreclosure) would contribute to investors' assumptions on the loan's future performance and any likely future prepayments, arrears, defaults or losses.
- Collateral valuation information would help investors form prepayment and "loss given default" assumptions.
- Product information such as interest rate, repayment type, prepayment penalties would also aid investors' prepayment assumptions.
- Any relevant historical performance data that would help predict when certain 'performance' related triggers may be reached during the estimated life of the tranche that an investor is invested in.
- Additionally, for more detailed cash flow analysis independent of third party models, loan characteristics such as rate, term and repayment type would feed base case amortisation assumptions.
- At the tranche level, the disclosure of the amount of credit enhancement (over-collateralisation, subordination, reserves, and excess spread) would also be meaningful for the investors.

10. Voting and enforcement rights

To help ensure clarity for securitisation note holders of their rights and ability to control and enforce on the underlying credit claims or receivables, in particular upon insolvency of the originator or sponsor or where the obligor is in default on the obligation, all voting and enforcement rights related to the credit claims or receivables should be transferred to the securitisation and investors' rights in the securitisation should be clearly defined under all circumstances, including with respect to the rights of senior versus junior note holders.

We agree with the principle behind having all voting rights related to the assets being transferred to the securitisation, and would want to see the most senior rights afforded to the most senior liabilities in this scenario. BlackRock generally expects to see language in the transaction documents that protects mezzanine and junior investors by stipulating that the most senior class of note-holders outstanding cannot enforce the security at a level below the fair market value of the assets at that time (because enforcing the security at below fair market value could mean senior note-holders unfairly wipe out more junior classes of notes in an enforcement scenario).

11. Documentation disclosure and legal review

To help investors to fully understand the terms, conditions, legal and commercial information prior to investing in a new offering and to ensure that this information is set out in a clear and effective manner for all programmes and offerings, sufficient initial offering documentation should be provided to investors (and readily available to potential investors on a continuous basis) within a reasonably sufficient period of time prior to issuance, such that the investor is provided with full disclosure of the legal and commercial information and comprehensive risk factors needed to make informed investment decisions. These should be composed such that readers can readily find, understand and use relevant information.

To ensure that the securitisation's legal documentation has been subject to appropriate review prior to publication, the terms and documentation of the securitisation should be reviewed and verified by an appropriately experienced and independent legal practice. Investors should be notified in a timely fashion of any changes in such documents that have an impact on the structural risks in the securitisation.

> We agree with these criteria. It is critical that information be made available on a timely basis through means that are not impacted by any conflict with or control by the sponsor, the servicer or other parties to the transaction.
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> Transparency of information will benefit investors, sponsors and servicers by equalising the data evaluated as part of the investment decision-making process at issuance and during the ongoing servicing of the assets. While we understand the need to protect the confidentiality of certain asset data, this need for protection should be balanced against investors' need for accurate information.

12. Alignment of interest

In order to align the interests of those responsible for the underwriting of the credit claims or receivables with those of investors, the originator or sponsor of the credit claims or receivables should retain a material net economic exposure and demonstrate a financial incentive in the performance of these assets following their securitisation.

> We think this criterion is sensible in principle – and certainly support the aim of addressing potential misalignment of interest between investors and originators or sponsors. However, we also agree with the comment made by the ECB-BoE in their discussion paper that "while retention requirements are to be welcomed for better aligning the interests of issuers and investors, they may act as a deterrent to some issuers, particularly non-banks, who may find it problematic to fund retained portions. The inconsistent implementation of retention requirements globally may also result in unequal treatment across different jurisdictions."
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> Also, we note that the aims of risk retention in Europe (alignment of interest) are different to those in the US (prudent underwriting). Some of the pre-crisis transactions – the vast majority of which emanated from the US – suffered in part from mis-alignment of interest from investors. In this case, parties within a transaction had no dis-incentive to behave in a manner which was detrimental to the end-investors (i.e. clients of asset managers, the asset owners). Risk retention, as constructed in Europe, seeks to align interests between the originators / sponsors and investors.
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> Credit risk retention by originator, sponsor or original lender cannot, however, be a substitute for investors' robust credit evaluation and structural analysis. Credit risk retention does not prevent losses on securities that do not perform as anticipated. The risk retention requirement should not be viewed as a panacea to the problems of

the past. The aim should be to provide a framework that ensures investors have protections against potential abuses as well as the tools necessary to understand the risks involved, but should not prevent non-bank issuers from accessing the securitisation markets for funding.

Another way to promote the appropriate alignment of originator, sponsor or original lender and investor interests is to have full and clear disclosure of the nature of all risks in the resultant securities being transferred between the sponsor and the investors, both at the asset level and as a consequence of the structural characteristics of the securitisation's terms.

13. Fiduciary and contractual responsibilities

To help ensure servicers have extensive workout expertise, thorough legal and collateral knowledge and a proven track record in loss mitigation, such parties should be able to demonstrate expertise in the servicing of the underlying credit claims or receivables, supported by a management team with extensive industry experience. The servicer should at all times act in accordance with reasonable and prudent standards. Policies, procedures and risk management controls should be well documented and adhere to good market practices and relevant regulatory regimes. There should be strong systems and reporting capabilities in place.

The party or parties with fiduciary responsibility should act on a timely basis in the best interests of the securitisation note holders, and the terms of the notes and contractual transaction documentation should contain provisions facilitating the timely resolution of conflicts between different classes of note holders by the trustees, to the extent permitted by applicable law.

The party or parties with fiduciary responsibility to the securitisation and to investors should be able to demonstrate sufficient skills and resources to comply with their duties of care in the administration of the securitisation vehicle.
To increase the likelihood that those identified as having a fiduciary responsibility towards investors as well as the servicer execute their duties in full on a timely basis, remuneration should be such that these parties are incentivised and able to meet their responsibilities in full and on a timely basis.

We agree with these criteria. We support full and clear disclosure of all relevant parties, their roles and responsibilities in ensuring the receivables are serviced in accordance with good market practice and all relevant regulatory requirements and codes of conduct.

We would urge for the adoption of best practice requirements for the trustee, servicer and other ancillary service providers as it is key that the potential mis-alignment of interest that can impact servicing decisions is properly mitigated (i.e. if another business area exerts influence over the process for a non-servicing related outcome which works at originator level but would be to the detriment of the securitisation)

14. Transparency to investors

To help provide full transparency to investors, assist investors in the conduct of their due diligence and to prevent investors being subject to unexpected disruptions in cash flow collections and servicing, the contractual obligations, duties and responsibilities of all key parties to the securitisation, both those with a fiduciary responsibility and of the ancillary service providers, should be defined clearly in the transaction documents. Provisions should be documented for the replacement of servicers, bank account providers, derivatives counterparties and liquidity providers in the event of failure or non-performance or insolvency or other deterioration of creditworthiness of any such counterparty to the securitisation.

To enhance transparency and visibility over all receipts, payments and ledger entries at all times, the performance reports to investors should distinguish and report the securitisation's income and disbursements,

such as scheduled principal, redemption principal, scheduled interest, prepaid principal, past due interest and fees and charges, delinquent, defaulted and restructured amounts, including accurate accounting for amounts attributable to principal and interest deficiency ledgers.

As we have outlined above in many of our above responses to the individual criteria, BlackRock believes that transparency and disclosure to investors is paramount and should be an overriding goal in establishing any form of 'qualifying' securitisations. As such, we fully support these criteria.

Furthermore, we believe the commitment to transparency must last for the full life of the transaction. Originator-sponsors should publish regular performance updates on the underlying asset portfolio (typically such updates should coincide with the payment frequency of the notes).

3. What are respondents' views on the state of short-term securitisation markets and the need for initiatives with involvement from public authorities? Do respondents consider useful the development of differentiating criteria for ABCP, in a manner similar to that of term securitisations? The BCBS and IOSCO would particularly welcome any data and descriptions illustrating the state of short-term securitisation markets by jurisdiction and the views of respondents on concrete comparable criteria that could be applied to short-term securitisations.

BlackRock can see merit in looking more closely at certain types of assets that clearly fall outside the scope of a 'qualifying' securitisation as defined above, and by other policymaking bodies.

In particular, it would make sense to look at actively managed pools, such as collateralised loan obligations (CLOs) – which would be excluded by the criteria set out above – but which can be of great benefit to both investors, and to the economy – and could potentially also benefit as an asset class from standards such as the ones set out for term securitisations.

With regard to ABCP, we agree that certain types of ABCP would benefit from specific regulatory treatment – however, any criteria that effectively differentiates between types of ABCP would need to be very different from those set out in this document (and elsewhere by other policymakers) for term securitisations.

Further work on ABCP should look primarily at two types of programmes:

- For "fully supported" ABCP programmes (i.e. where the sponsoring bank takes all the credit risk as well as providing liquidity support): A fully supported ABCP programme is really no different to a short-term covered bond in that the investor has dual recourse (firstly to the sponsoring bank and then, only if the bank fails, to the underlying assets). A specific regime for this segment of the market should be based more closely on comparable rules for covered bonds, rather than based on the work around identifying 'qualifying' term securitisations.

- For "partially supported" ABCP conduits: in a partially supported ABCP programme, the sponsoring bank provides liquidity support and programme-wide credit enhancement (usually in the form of an irrevocable Letter of Credit), but the repayment is still completely dependent on the bank sponsor (not the underlying cash flows). Consequently, the main issue in differentiating between partially supported ABCP programmes would be around the credit quality of the bank sponsor. Because of this, we do not feel

that the criteria developed for term securitisations would be a useful starting point to look more closely at partially supported ABCP programmes.

4. What are respondents' views on the level of standardisation of securitisation transactions' documentation? Would some minimum level of standardisation of prospectuses, investor reports and key transaction terms be beneficial? Do respondents think there are other areas that could benefit from more standardisation? Would a standardised template including where to find the relevant information in the prospectus be helpful? The BCBS and IOSCO would particularly welcome a description, by jurisdiction, of the extent to which different elements of initial documentation are standardised.

While we agree that minimum levels of information standardisation can provide benefits to investors, we would also caution that standardisation can give a false level of comfort. For investors, the key outcome is that the prospectus (and investor reports) are concise, understandable and contain all relevant information.