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Mr. Tim Pinkowski
General Secretariat
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

03 August 2012

Subject: Public Comment on Global Developments in Securitization Regulation

Dear Mr. Pinkowski,

Mòrgij Analytics welcomes the opportunity to respond to the policy recommendations of the Task Force on Unregulated Markets and Products outlined in the consultation report on Global Developments in Securitization Regulation.

As a company aimed at providing market infrastructure addressing the concerns of all stakeholders including issuers, investors and regulatory bodies, we have been keenly following global trends in the regulation of asset-backed securities. We feel that the IOSCO has a large role to play in positively influencing the development of global regulation and are deeply interested in the surveys conducted by the TFUMP as well as the proposals outlined.

Below are our comments on the TFUMP's specific proposals relating to *Transparency issues* and *Standardization*.

Transparency issues

Proposal: *TFUMP proposes that IOSCO consult (through TFUMP) with investors about their appetite for stress testing information and, if appropriate, provide guidance on the disclosure issuers should be expected to make about stress testing and scenario analysis of pooled assets.*

Stress testing and scenario analysis of collateral underlying asset-backed securities are critical to understanding the performance of securities in a downturn scenario. The extent of losses incurred by investors during the sub-prime crisis clearly demonstrated that they did not have adequate stress testing information on the portfolios they held and were caught unawares by the unprecedented level of default on mortgages underlying residential mortgage backed securities

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(RMBS). It's proven that it is insufficient for issuers to only provide loan level data on collateral there needs to be a means and an ability to analyse and stress test that data.

It is also clear that in order to conduct the necessary due diligence, investors require stress testing information from issuers. We strongly encourage IOSCO guidance to issuers in this regard as it would greatly aid the industry in adopting disclosure standards that include stress testing information.

At the same time, it is also important for investors to perform in-house stress testing based on their own views on risk drivers and downturn scenarios rather than relying completely on issuers' risk assessment criteria for stress testing information. Recognising this need for flexibility for investors, we encourage IOSCO guidance to issuers to ensure that stress testing capabilities are customizable and based on a transparently disclosed and open-book methodology.

Standardization

Proposal: TFUMP proposes that IOSCO encourage industry to develop best practice templates and to encourage industry bodies to work with their counterparts in other jurisdictions to ensure consistent and harmonised approaches. IOSCO should consider developing principles to support harmonisation in these approaches

Without standardization, data disclosed by issuers cannot be effectively used by investors to carry out risk analyses comparing different portfolios. Therefore, data standardization is a pre-requisite to improving transparency in the asset-backed securities market.

As noted by the TFUMP, although initiatives such as the European Central Bank's European Datawarehouse and the American Securitisation Forum's RESTART project have developed granular loan level templates for standardized disclosure, most jurisdictions do not specify standardised disclosure formats.

On the other hand, we recognise the challenges in a complete harmonisation of standardised template, given the different market characteristics and data availability. We encourage IOSCO to ensure that harmonization of standardised templates is done in conjunction with the industry and target two key objectives: (1) establishing a key minimum of standard data that should be harmonised across all jurisdictions, barring differences in data definitions specific to each market (2) providing flexibility on part of individual standards to go over and above these data standards and incorporate additional items, where it is useful in the context of the specific market characteristics. With this in mind, IOSCO must develop over-arching principles that will support

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harmonisation of approaches while providing sufficient flexibility to account for specific market characteristics.

The ability to receive stress testing information and conduct stress testing on standardised data and in a standard format is critical to the future growth and success of global securitisation markets.

Yours sincerely

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