



FINANCIAL
STABILITY
BOARD

Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation: Consultation report

Response to Consultation

Japanese Bankers Association

- 1. Preliminary findings: Does the report draw the appropriate inferences about the extent to which the securitisation reforms have achieved their objectives? Is there other evidence on the effects of the reforms to complement the preliminary findings of the report?**
- 2. Analytical approach: Are the descriptive analyses used to evaluate the effects of the securitisation reforms appropriate? Are there other such analyses to consider? What types of empirical analysis based on available data could inform the evaluation?**
- 3. Trends: Are the securitisation market trends presented in this report adequate given the scope of the evaluation? Are there other important trends that should be included and, if so, what additional data sources could be used for this purpose?**
- 4. Relevant reforms: Does the report appropriately describe the key aspects of the design and jurisdictional implementation of the BCBS and IOSCO reforms for analysing their impact on securitisation markets? Are there other important aspects of these reforms that should be considered for inclusion?**
- 5. Other reforms: Does the report accurately identify other G20 and domestic financial reforms that are most relevant for securitisation markets? Are there other reforms that should be considered in terms of their impact on market participants?**
- 6. Conceptual framework: Does the report adequately explain the objectives, transmission channels and expected outcomes of the securitisation reforms? What other metrics to assess the impact of the reforms should be considered?**

The report does not consider to what extent changes in the securitisation market were due to shifts in market behaviour after the Global Financial Crisis (GFC), rather than the outcomes of the reforms. A comparison of the timeline of reforms (section 3.2.1) with the impact discussed in sections 4.3 and 5.1 reveals that many changes in market behaviour occurred before the relevant reforms were implemented. This reflects the ability of market

participants, especially banks (major issuers and investors), to self-regulate by learning from mistakes in the GFC. Such self-regulation should be taken into account when assessing the need for additional regulation going forward.

- 7. Resilience metrics for the CLO market: Does the report accurately describe the evolution of resilience indicators for the CLO market? To what extent can the evolution of these indicators be attributed to the reforms?**
- 8. Risk retention in CLOs: Does the report accurately describe risk retention practices in the CLO market before and after the reforms? What additional analysis could be included to assess the effectiveness of risk retention in CLOs across FSB jurisdictions, including on how financing of risk retention deals by third party investors impacts effectiveness?**
- 9. Resilience metrics for the non-agency RMBS market: Does the report accurately describe the evolution of resilience indicators for the RMBS market? To what extent can the evolution of these indicators be attributed to the reforms?**
- 10. Risk retention in RMBS: Does the report accurately describe risk retention practices in the RMBS market before and after the reforms? What additional analyses could be included to assess the effectiveness of risk retention in RMBS across FSB jurisdictions?**
- 11. Effectiveness of BCBS securitisation reforms: Does the report accurately describe the changes in bank behaviour following the implementation of the BCBS securitisation framework reforms? To what extent can the effects of these reforms be disentangled from the broader Basel III framework, other reforms and confounding factors?**
- 12. Simple, transparent and comparable (STC) securitisations: Does the report accurately describe the impact of the introduction of the STC framework on the securitisation market? To what extent has the reform met its objectives?**
- 13. Effects on financing the economy: Does the report accurately describe the main effects of the reforms on financing the economy? Is there additional analysis that could be undertaken to estimate the benefits and costs of these reforms and to assess their impact on securitisation as a financing tool?**
- 14. Effects on financial system structure and resilience: Does the report accurately describe the extent to which there has been a redistribution of risk from the banking to the non-bank financial intermediation sector? What role did the reforms play in this process and what are the main benefits and risks from a system-wide perspective?**

How have the reforms impacted the demand and supply of liquidity in securitisation markets?

15. Other issues: Are there any other issues or relevant factors that should be considered as part of the evaluation?

We would note that the FSB significantly underestimates the size and importance of the private securitisation market - particularly with respect to trade receivable securitisation. For example, despite data contributions from only 12 banks, the Association for Financial Markets in Europe (AFME) estimates that the private EU securitisation market is at least EUR 209 billion, with trade receivable securitisation being the largest asset class. The fact that this asset class is rarely securitised publicly indicates that this sector has been underestimated by regulators.