



Response to Submissions

Implementation of the Basel II Capital Framework

3. Securitisation

11 July 2007

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Preamble

In November 2006, APRA released a discussion paper outlining its draft proposals on securitisation, accompanied by a revised draft *Prudential Standard APS 120 Securitisation* (APS 120) and a draft *Prudential Practice Guide APG 120 Securitisation* (APG 120). The draft proposals updated APRA's existing prudential framework for securitisation to incorporate the Basel II Framework and other amendments in response to market developments.

This paper discusses APRA's response to submissions on the proposed revisions to APS 120. The final draft of APS 120 has been released with this paper. It refines APRA's proposals and incorporates a number of amendments suggested in the consultation process.

APRA is not releasing a final draft APG 120 at this time but intends to do so after the prudential standard is finalised. APS 120, together with the other Basel II standards, will be finalised in late 2007 for implementation on 1 January 2008.

Written submissions on this final draft standard should be forwarded by 10 August 2007 to:

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Important

Submissions will be treated as public unless clearly marked as confidential and the confidential information contained in the submission is identified.

Submissions may be the subject of a request for access made under the *Freedom of Information Act 1982* (FOIA). APRA will determine such requests, if any, in accordance with the provisions of the FOIA.

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Chapter 1

Introduction

APRA's draft proposals on securitisation, released in November 2006, elicited a number of detailed comments, with submissions received from 14 respondents. The proposed prudential standard has been revised in light of these comments and to address issues raised through other channels.

This paper outlines the most significant changes made to the revised draft APS 120 and invites comment on the final draft prudential standard. APRA has made a number of other drafting changes to clarify more minor issues raised in submissions. The prudential standard has also been streamlined, where possible, to be more consistent with APRA's commitment to a more principles-based approach to prudential standards, as well as to improve the structure and flow of the standard.

Prudential standard

The final draft APS 120 sets out the general requirements applying to the involvement of an authorised deposit-taking institution (ADI) in securitisation activities, as well as the methodology for calculation of an ADI's credit risk regulatory capital requirement for securitisation exposures. The main requirements of the final draft prudential standard are:

- an ADI must hold regulatory capital against securitisation exposures arising from both traditional and synthetic securitisations. This applies to all roles undertaken by, and any investments of, an ADI in a securitisation;
- an ADI that uses the standardised approach to credit risk for the purpose of determining its regulatory capital requirement for the type of exposures in the pool of securitised exposures must use the standardised approach for determining the regulatory capital requirement for its securitisation exposures. Similarly, ADIs that generally use the internal ratings-based approach (IRB) to credit risk must use the IRB approach for securitisation exposures;
- the nature and limitation of an ADI's involvement in a securitisation must be clearly disclosed to investors;

- the securitisation must be clearly separate from any ADI involved in the securitisation;
- an ADI must not provide implicit support to a securitisation, ie support that is in excess of the ADI's explicit contractual obligations; and
- an ADI must have in place an appropriate risk management system to manage the risks arising from its involvement in securitisation.

In developing the final draft APS 120, APRA has been guided by the following general principles:

- to further APRA's prudential objectives of ensuring that a securitisation stands clearly separate from an ADI and is not implicitly or explicitly reliant on an ADI for funding, operations or to maintain its market standing, while at the same time not unduly disrupting existing arrangements and market practices;
- to reflect the willingness of ADIs to take responsibility for ensuring that securitisation structures and activities comply with APRA's requirements and for determining the appropriate capital charge, without the need for review by APRA of each transaction or methodology;
- to follow the wording of the Basel II Framework as much as possible, while recognising local considerations. Compared to many countries, Australia has a well-developed securitisation market and more flexible mortgage products. Hence, the Basel II requirements have been varied in some areas, where necessary, to accommodate local structures, practices and conditions, as highlighted in submissions; and
- where possible, to re-organise and streamline the prudential standard to provide a clearer, more principles-based approach. Some of the detailed requirements in the earlier draft that were derived from APRA's existing Guidance Notes under APS 120 will continue to be relevant but will be provided in the form of non-binding guidance in the prudential practice guide APG 120.

The major changes in the final draft APS 120, and their implications, are outlined in greater detail in the following chapters and listed in an Attachment.

Chapter 2

Review of submissions

This chapter examines the main issues raised in submissions on APRA's draft proposals on securitisation and APRA's response in each area.

Separation requirements

The issues

As a result of an earlier APRA review of the legal and other risks to ADIs in participating in securitisation programs, the revised draft APS 120 contained several provisions designed to enhance the separation between an ADI and a securitisation in which it participates. These changes were intended to minimise the risk that an ADI would be held responsible for any losses incurred in a securitisation. In particular, APRA proposed that ADIs would not be permitted to own shares in or act as trustee for their securitisation structures. The securitisation special purpose vehicle (SPV) would have to be independent with its own staff and be entitled to replace an ADI providing services to it without restriction. The revised draft standard also required ADIs to obtain a legal opinion on the ADI's compliance with these separation requirements for each securitisation.

Comments received

Submissions argued that some of the proposed changes were overly restrictive and could adversely affect existing market practice and costs, without providing a material enhancement to separation. For example, individual securitisation SPVs normally do not have dedicated staff. Requiring an SPV to have an unequivocal right to terminate a contract with an ADI at any time was considered inconsistent with arms'-length practice and market convention. In addition, the separation requirements were not viewed as appropriate for routine legal review as, for the most part, they are operational and compliance matters rather than legal matters.

APRA's prudential approach

In response to submissions, APRA has modified some of its proposed separation requirements and streamlined some existing requirements. Specifically, the final draft APS 120:

- removes the requirement for the SPV to have its own staff but nevertheless requires the SPV to be financially and operationally independent of the ADI;
- expands eligible SPV structures beyond corporations or trusts;
- clarifies that the SPV's right to replace a service provider is subject to reasonable qualifying conditions;
- clarifies the ADI's right to hold an ownership interest in a specific class of securities issued by an SPV to facilitate access to excess earnings;
- removes the requirement to routinely obtain a legal opinion regarding compliance with the separation requirements but retains the right of APRA to request a targeted legal opinion at its discretion; and
- reduces the existing detailed requirements on investor disclosures.

To reinforce the separation principle, however, the final draft APS 120 provides for prudent restrictions on provisions such as required rate clauses, basis swaps and similar arrangements that could undermine separation by allowing an ADI to cover cost overruns incurred by the securitisation. These arrangements potentially undermine the transfer of risks from the ADI to the securitisation and could put pressure on an ADI to charge an uncommercial rate on the securitised loans. APRA continues to be of the view that a securitisation should be structured such that it has sufficient financial resources (including a margin to cover contingencies) to meet its obligations without the need for the ADI to increase the interest rate charged to customers or the margin paid on a basis swap.

Notification and self-assessment

The issues

Currently, APRA generally reviews all new securitisation structures prior to issuance to assess their compliance with APS 120. This process is burdensome for APRA and for the ADIs involved, although it does result in a higher level of compliance with APS 120 than might otherwise be the case. In its November 2006 discussion paper, APRA encouraged submissions on alternative compliance approaches.

Comments received

Submissions expressed a consistent view that APRA should move away from its current prior approval approach to securitisation. The strong preference was for ADIs to conduct their own self-assessment of compliance with the requirements of the standard, which APRA would verify after the fact through its normal supervisory practices.

Respondents acknowledged that, if this change in approach is to result in an acceptable level of compliance, APRA would need to have the ability to impose additional capital requirements where it determined that an ADI had not fully complied with the standard, even if the ADI's self-assessment claimed otherwise. It was argued, however, that the additional capital requirements should reflect the severity and impact of the breach.

APRA's prudential approach

APRA is of the view that, in general, routine transactional approvals by the regulator are not consistent with a principles-based approach to prudential supervision. Hence, it supports the views of respondents. The final draft APS 120 introduces an explicit requirement for ADIs to undertake a written self-assessment of their involvement in each securitisation, which they will provide to APRA upon request. It also introduces a more flexible approach under which APRA may impose additional capital requirements where a breach of the standard has occurred. ADIs will no longer be required to consult with APRA ahead of issuing a new securitisation. APRA intends to continue to provide interpretative

guidance on novel structures or complex issues, where appropriate, but does not plan to routinely review securitisations ahead of issuance or provide a written confirmation of compliance on a transactional basis once APS 120 is finalised.

To support this new approach, APRA is proposing to collect additional quarterly data on securitisation activities in the context of the new Basel II returns. APRA will also develop a program to undertake risk-focused reviews of ADIs' securitisation activities. These reviews will cover the compliance and self-assessment arrangements in place and may test particular transactions to assess compliance. In many cases, the reviews will be conducted as part of an on-site credit risk review.

International consistency considerations

The issues

The Basel II Framework sets higher capital risk weights, including deduction from capital, for securitisation exposures relative to similar types of exposures that are treated under the standardised and IRB approaches to credit risk. For example, unrated liquidity facilities provided to securitisations must generally be deducted from capital. Facilities can only be considered rated where a publicly available rating is available from a credit rating agency. Any gain-on-sale resulting from a securitisation that increases reported capital is required to be deducted from Tier 1 capital. These provisions were reflected in APRA's revised draft APS 120.

Comments received

Submissions noted several specific areas where the Basel II Framework requirements as reflected in APRA's proposals were seen as potentially burdensome and disruptive to market practices. These included:

- the requirement for a liquidity or other facility that does not meet the criteria for an eligible liquidity facility to be deducted from capital;
- the non-recognition of private credit ratings for securitisation exposures;

- the inability (under the IRB approach) to recognise a *pari passu* rating when assigning an implied credit rating to an unrated securitisation (or non-securitisation) exposure; and
- the general treatment of asset-backed commercial paper (ABCP) securitisation transactions.

APRA's prudential approach

These particular provisions are key explicit requirements of the Basel II Framework, which have been discussed extensively in the international regulatory community and apply internationally. In APRA's view, and consistent with the Basel II Framework, facilities provided to ABCP programs present greater risks to ADIs than facilities provided to standard securitisation programs for housing loans and similar exposures. At this time, APRA is not inclined to depart significantly from the internationally accepted framework without very strong reasons. However, APRA will consider these issues going forward if they are found to have a significant impact on the functioning of the securitisation market in Australia.

Scope and definitions

The issues

Under the Basel II Framework, 'originating ADIs' for a particular securitisation are subject to more stringent requirements than ADIs that hold unrelated securitisation exposures. Originating ADIs are generally those that originate exposures into a securitisation or, in some cases, take on other roles. The definition of 'originating ADI' in the revised draft APS 120 was wider than that provided for in the Basel II Framework in that it included all ADIs that provided a facility or service to a third-party securitisation.

Comments received

Submissions noted that the proposed definition appeared to capture any ADI that provides a facility or service to any securitisation. They questioned whether it is appropriate to treat an ADI which may only have a tangential involvement in a securitisation in the same manner as the ADI which originates loans into the program.

APRA's prudential approach

In the final draft APS 120, the definition of 'originating ADI' has been revised to be more consistent with the Basel II Framework. APRA did not intend 'originating ADI' to include any ADI that provides a facility to any securitisation. The revised definition does, however, include as an originating ADI an ADI that manages a securitisation (for example, a securitisation that purchases assets from other ADIs or third parties) and, consistent with the Basel II Framework, an ADI that manages or provides a facility (other than a derivatives facility) to an ABCP program.

Repurchase of securitised exposures

The issues

The Basel II Framework prohibits an ADI from repurchasing exposures from a securitisation except under very limited circumstances. In particular, repurchases under 'clean-up calls' are only allowed when the outstanding amount has amortised to 10 per cent or less. In general, date-based calls outside this amount are not permitted. The existing APS 120 provides APRA the discretion to approve date-based calls in securitisations on a case-by-case basis.

Comments received

Submissions noted that the revised draft APS 120 appeared inconsistent with the guidance provided in the draft prudential practice guide APG 120. A number of respondents requested that APRA clarify its position on date-based clean-up calls. Some submissions also argued that originating ADIs should be able to repurchase exposures in a broader range of circumstances, provided this is done on market terms and conditions.

APRA's prudential approach

APRA's position is that, consistent with the requirements of the Basel II Framework, date-based calls conducted by originating ADIs are only permitted when the outstanding amount has amortised to 10 per cent or less of the pool. Inclusion of a date-based call option, by itself, would not meet the requirements of APS 120. If a securitisation provides for a date after

which an originating ADI may call the securitisation, it would need to be qualified by a provision that this option may not be exercised until no more than 10 per cent of the pool remains. The final draft APS 120 clarifies that case-by-case approval of a greater amount upon exercise is not available.

These restrictions only apply to originating ADIs. APRA is not opposed to third parties repurchasing exposures via date-based call facilities, provided that the originating ADI is not affected by exercise or non-exercise of the call (e.g. the ADI is not required to increase the interest rate charged to borrowers should the call option not be exercised). This aspect has also been clarified in the final draft standard.

APRA has retained the other requirements of the Basel II Framework that prohibit repurchase of exposures by an originating ADI except under limited circumstances, such as for purposes of providing further advances to borrowers. This restriction is to prevent the possibility or perception of implicit support by the ADI, eg in instances in which the credit quality of a pool is deteriorating.

Maximum capital requirements

The issues

The Basel II Framework provides for a cap on the maximum capital required for securitisation exposures. Specifically, for an ADI accredited to use the IRB approach to credit risk, the capital calculated under APS 120 for a particular securitisation is capped at the capital that the ADI would otherwise have been required to hold if the securitised exposures had remained on its balance sheet. APRA also proposed to apply a discretion to approve a similar cap for ADIs using the standardised approach to credit risk.

Comments received

Several submissions noted that the practical application of this provision seemed overly complex and questioned the need for APRA approval for the capital cap to apply for ADIs using the standardised approach.

APRA's prudential approach

APRA has modified its approach to this cap so as to clarify and simplify its administration and associated reporting requirements. The final draft APS 120 proposes that an ADI be permitted to elect whether to assess a particular securitisation scheme under APS 120 or as a series of on-balance sheet exposures to the underlying pool of securitised assets under the standardised or IRB approaches to credit risk, as appropriate. This option has the same effect as providing for an explicit cap on the capital requirement equal to the on-balance sheet capital treatment.

Under this election, the assets would be treated as if they had not been securitised, ie the assets in the pool would be included with the ADI's risk weighted exposures at Level 1. However, the securitisation itself still must meet the disclosure and separation requirements of APS 120.

Significant credit risk transfer

The issues

A key principle of the Basel II Framework is that an ADI must transfer a 'significant' amount of credit risk to third parties in order to be eligible to obtain any capital relief. This is to ensure that where a securitisation is being undertaken only for funding or other reasons, rather than for credit risk transfer purposes, there will be no resulting capital reduction. APRA provided a proposed quantitative test for this requirement in the draft prudential practice guide APG 120, based on the difference between the capital requirements applicable to the exposures before and after securitisation.

Comments received

Some submissions suggested that the requirement for significant credit risk transfer in the standard was vague. However, the view was also expressed that the quantitative test outlined in the draft APG 120 would be overly burdensome.

APRA's prudential approach

In the interests of international consistency and the desire for a more principles-based approach, APRA intends to retain the requirement for significant credit risk transfer. At this time, however, APRA will not specify a quantitative test. The capital treatment of credit enhancements to securitisations (i.e. capital deduction) effectively ensures that no capital relief is obtained if the ADI retains the credit risk in the pool.

Where an ADI has undertaken securitisation purely as a funding mechanism (which does not fail the restriction on issuing covered bonds) and not as a way to transfer overall credit risk to third parties, APRA expects that there would not be any reduction in the overall capital requirement and the ADI would elect to retain the exposures on its balance sheet.

Other drafting changes

APRA has also made a number of drafting changes throughout the final draft APS 120 to clarify more minor issues raised by respondents. Certain provisions have been reordered in a more logical sequence. The draft standard has also been streamlined to be more consistent with APRA's desired commitment to a more principles-based approach, as well as to clarify drafting and improve the structure and flow of the standard.

Chapter 3

Additions and outstanding issues

As detailed in APRA's November 2006 discussion paper, transition arrangements from the existing APS 120 requirements to the new Basel II-compliant standard were an outstanding issue on which APRA sought specific feedback. As well, there are several areas outlined below where APRA has made significant additions and other changes in the final draft standard to accommodate local market practices or clarify existing requirements. These issues were generally highlighted in submissions. APRA would particularly welcome feedback on these proposals.

Transition arrangements

The issues

In the discussion paper, APRA noted that it had not yet addressed the issue of whether existing securitisations that comply with the current APS 120 would need to comply with all aspects of the new standard when it became effective. APRA sought comments on this issue. APRA also indicated that it expected new or modifications to securitisations undertaken subsequent to the release of the revised draft APS 120 to be broadly in line with the new proposed requirements.

Comments received

APRA received a number of detailed submissions on this topic. Submissions argued that it would be difficult if not impossible for an ADI's operations and existing securitisations to be modified to comply with some practical aspects of the new standard. Submissions generally proposed that all existing securitisation transactions be grandfathered under the requirements of the existing APS 120 and that the new standard apply only to transactions issued after 1 July 2008.

APRA's prudential approach

APRA acknowledges that it is difficult for structures to comply with the broad principles of the new requirements until these requirements are finalised. In addition, in some circumstances there may be significant cost and effort involved in amending existing structures to comply with provisions of

the new standard. It is not APRA's intent to require securitisations to be amended and reissued in order to comply with the new standard, although APRA notes that many structures contain clauses that allow amendment or redemption in cases of regulatory events.

At the same time, APRA is not attracted to the broad grandfathering of all existing arrangements. This approach could see a mix of structures in place for a number of years, some compliant with the new requirements and some not. ADIs need to ensure that their securitisations are sufficiently flexible to comply with changes to regulatory requirements over time.

Instead, APRA proposes to apply the new standard in full to all existing securitisations from its effective date (1 January 2008). However, where this would result in a significant increase in capital for an ADI, the final draft standard proposes that APRA may, for a transition period of up to two years, impose a lesser capital requirement, suspend the operation of provisions of the new standard or continue the operation of the existing APS 120 in relation to a particular securitisation exposure on a case-by-case basis.

APRA strongly encourages all ADIs to consider the likely capital treatment of their securitisation structures and exposures under the final draft standard so that they are in a position to apply to APRA for any transitional relief well in advance of January 2008. APRA's expectation is that the application would identify the issues giving rise to the request for transitional relief as well as outline the ADI's plan and timeline for addressing instances of non-compliance with requirements of the standard. APRA's consideration of applications would also take into account the broader impact of Basel II on an ADI's capital requirements.

Cash collateral requirements

The issues

Cash collateral facilities, whereby the ADI posts collateral to support the credit and liquidity risk on its provision of facilities to a securitisation, are a feature of the Australian securitisation market, particularly

for smaller ADIs that lack an investment-grade credit rating. Such facilities are often required by ratings agencies. The revised draft APS 120 did not make reference to cash collateral facilities as securitisation exposures, though they are expressly identified as a form of reserve account within the Basel II Framework.

Comments received

Submissions indicated that there was some confusion over the standing of cash collateral arrangements under the revised draft APS 120.

APRA's prudential approach

In the final draft standard, APRA has introduced express requirements to deal with the provision of cash collateral facilities, which have the potential to increase an ADI's effective exposure to a securitisation if not properly controlled. The requirements are designed to ensure that such collateral cannot be used to provide general financial support to the SPV or to frustrate the ADI's ability to effectively retire as a provider of facilities at its discretion (where required by the standard). Where these requirements are met, the ADI will not need to hold capital against both the cash collateral exposure and the underlying facility being collateralised, but only the larger of the two amounts.

Redraw facilities

The issues

The flexible mortgage loans available in the Australian market often have features of revolving credit facilities. In securitising such loans, an originating ADI will often retain an interest in the collateral for the loan, as the undrawn commitment to lend is not formally novated or assigned to the SPV. In these cases, the ADI will often continue to have an obligation to fund additional drawings on the mortgage. Under the Basel II Framework, such loans could be considered revolving facilities, subject to the provisions applicable to securitisation of revolving exposures.

Comments received

Submissions highlighted the practical difficulties of treating mortgage loans with redraws as revolving exposures under the Basel II Framework.

APRA's prudential approach

In the final draft APS 120, APRA has clarified the definition of revolving exposures. A pool containing redrawable mortgages will not need to be assessed against the requirements for revolving structures where the revolving features arise only from redraw facilities that are not material in relation to the size of the pool.

The final draft standard also seeks to clarify the capital requirements that arise from redraw facilities and other arrangements where the collateral is shared between an ADI and the SPV.

Warehouse facilities

The issues

The Basel II Framework effectively defines a securitisation as a structure that has more than one tranche of securities or creditors. Securitisation warehouse structures, which are established to accumulate loans temporarily until a full securitisation is issued, may not technically meet this requirement as they may only issue one class of obligation, in some cases in the form of a note or funding facility. As a result, some securitisation warehouses could be treated as securitisation exposures under APS 120, and some may not. This could result in differing capital treatment for ADIs participating in very similar types of warehouses.

Comments received

Submissions highlighted the ambiguity as to the treatment of warehouse facilities under the revised draft APS 120. The view expressed was that the minor differences in structure would not justify any significant difference in capital requirements. Some proposed that warehouse facilities be treated as

non-securitisation exposures under the standardised or IRB approaches to credit risk, as appropriate; however, they did not indicate how this could be accommodated since these approaches generally only address direct counterparty exposures.

APRA's prudential approach

APRA considered several options for addressing this potentially anomalous capital treatment, including treating all warehouse facilities as securitisations under APS 120; excluding all warehouse facilities from APS 120 and therefore developing an appropriate treatment of such facilities under the standardised or advanced IRB approaches to credit risk; or retaining the existing treatment.

APRA has concluded that the second and third options would be overly complex and could exacerbate the potential inconsistencies in capital treatment. As a result, the final draft APS 120 proposes to include within the definition of securitisation all warehouse securitisation facilities, regardless of whether they have multiple tranches of investors or creditors. The draft also provides that APRA may determine whether a particular structure is to be treated as a securitisation.

An ADI originating loans into a warehouse facility may, therefore, exclude these assets from its risk-weighted assets if the arrangement meets the operational requirements under APS 120. An ADI providing a funding facility to such a warehouse will need to treat this facility as a securitisation exposure and APRA has included provisions to accommodate such warehouse funding facilities in APS 120 Attachment E.

Attachment 1: Summary of major changes to APS 120

July 2007 final draft APS 120 references	November 2006 draft APS 120 references	Nature of change
Paragraph 4	Paragraph 5	Definitions reordered and consolidated. Modification to definition of 'originating ADI' to narrow and align more closely with Basel II Framework. Modification to definition of securitisation to include all warehouse facilities.
Paragraph 17	Paragraph 10	Paragraph on APRA approval replaced by requirement for written self-assessment.
Paragraph 20	Paragraphs 21-24	Ability for APRA to impose a flexible capital penalty or other remedial action for non-compliance.
Paragraphs 22-23		Transitional provisions added.
Attachment A, paragraphs 1-3	Attachment A, paragraphs 1-8	Disclosure requirements simplified and streamlined. Requirement for investor acknowledgements eliminated.
Attachment A, paragraph 7	Attachment A, paragraphs 12-14	Requirement for routine legal opinion on compliance-related matters eliminated.
	Attachment B, paragraph 2(h)	Requirement for novation or assignment deleted to reflect market practice.
Attachment B, paragraph 2(c)	Attachment B, paragraph 2(c)	Modified to reflect potential legal restrictions on transfer of securities.
Attachment B, paragraph 2(f)(iv)		New paragraph to ensure required rate clauses do not result in implicit support.
Attachment B, paragraph 24	Attachment C, paragraph 1	Implements Basel II Framework maximum capital cap (whereby capital is limited to the amount that would otherwise be required if the exposures had not been securitised) by permitting an ADI to elect to treat its securitised exposures as on-balance sheet assets.
	Attachment D, paragraph 1	
Attachment B, paragraph 25-26		New paragraphs clarifying risk weighting of an ADI's exposures which share collateral with the SPV, to reflect market practice.
Attachment E, paragraph 1(d)	Attachment E, paragraph 1(d)	Requirement that an SPV must be able to appoint an alternative provider may be subject to reasonable qualifications.
Attachment E	Attachment E	Streamlined and simplified throughout to remove unnecessary repetition and some more detailed requirements that have become obsolete or not consistent with Basel II.
Attachment E, paragraphs 7-9	Attachment E, paragraphs 11-13	Amended to reflect market practices relating to basis swaps subject to prudent risk controls to avoid implicit support being provided.
	Attachment E, paragraph 22	Requirements relating to offering advice and brokerage business not directly relevant to securitisation and therefore removed.

July 2007 final draft APS 120 references	November 2006 draft APS 120 references	Nature of change
Attachment E, paragraph 14(d)	Attachment E, paragraph 14(d)	Requirement that SPV be able to appoint an alternative provider modified such that this may be subject to reasonable qualifications, as per market practice.
Attachment E, paragraph 17		Clarifies treatment of cash collateral facilities.
Attachment F, paragraph 2-3	Attachment F, paragraphs 2-3 and 5	Clean-up calls by originating ADI prohibited until 90 per cent or more of pool is amortised.
	Attachment F, paragraphs 9-12	Requirements relating to dealing and market making have been removed as not directly relevant to securitisation.
Attachment G, paragraph 5		New paragraph added to exclude redraw facilities that meet certain criteria from requirements of Attachment F.



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