Our Ref.: B1/15C

28 July 2015

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Criteria for identifying simple, transparent and comparable securitisations

As you may be aware, the Basel Committee on Banking Supervision ("BCBS") and the International Organization of Securities Commissions issued on 23 July 2015 a document on *Criteria for identifying simple, transparent and comparable securitisations*[1], setting out criteria to assist the financial industry in identifying or developing simple, transparent and comparable securitisation transactions.

The criteria, which are classified into three categories (viz. asset risk, structural risk, and fiduciary and servicer risk), are intended to promote—

(a) simplicity, that is, homogeneous underlying assets with simple characteristics, and a transaction structure that is not overly complex;

(b) transparency, including the provision of sufficient information to investors on underlying assets, transaction structure and transaction parties; and

(c) comparability to enable more straightforward comparison across securitisation products within an asset class.

The HKMA will consider the extent to which the criteria should be incorporated into the new Supervisory Policy Manual module "Credit risk transfer activities" currently under development. In the meantime, all authorized institutions are encouraged to apply the criteria when evaluating the risks of their existing securitisation exposures or new investment opportunities, or when originating and structuring new securitisation transactions. However, the criteria should not be used by authorized institutions as a substitute for their own due diligence on securitisations.

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1 The document is available at http://www.bis.org/bcbs/publ/d332.pdf.

Should you have any questions relating to this letter, please feel free to contact Mr Richard Chu at 2878-8276 or Ms Samantha Yau at 2878-8284.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

c.c. The Chairperson, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Mr. Jackie Liu)