



August 21, 2020

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Carolyn Rogers
Secretary General
Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002
Basel, Switzerland

Re: Consultative Document: *Technical Amendment: Capital Treatment of Securitizations of Non-Performing Loans* (June 2020)

Dear Ms. Rogers:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on the Basel Committee on Banking Supervision's (Basel Committee) consultative document *Technical Amendment: Capital Treatment of Securitizations of Non-Performing Loans*.¹ Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 85,000 credit unions in 119 countries with USD 2.2 trillion in total assets serving 274 million physical-person members.²

This technical amendment appears to address a gap in the regulatory framework and sets a prudent treatment for securitizations of non-performing loans. Among other items, this technical amendment establishes a 100% risk weight for certain senior tranches of non-performing loan securitizations. The risk weight applicable to the other positions are determined by the existing hierarchy of approaches, in conjunction with a 100% risk weight floor and a ban on the use of certain inputs for capital requirements. The present amendment does not change the applicable capital requirements to securitizations of performing assets.

¹ Basel Committee on Banking Supervision, *Consultative Document Technical Amendment: Capital Treatment of Securitizations of Non-Performing Loans: (June 2020)*, available at <https://www.bis.org/bcbs/publ/d504.pdf>.

² World Council, *Statistical Report* (2018), available at https://www.woccu.org/impact/global_reach/statreport.



We concur with the Committee's view that securitisations of non-performing loans are subject to different risk drivers compared to securitisations of performing assets, which points to a need for a specific treatment to reflect these differences in a risk-sensitive manner.

We are concerned that the likely global recession resulting from the effects of COVID-19 will likely have an impact on the number of non-performing loans present in the portfolio of not only credit unions, but all financial institutions. Therefore, we encourage easing impediments and clarifying capital treatments for securitisations, which will assist in removing these exposures on a balance sheet as contained in the proposed technical amendment. Favorable treatment and facilitating securitisations should result in freeing up regulatory capital reserves, which in turn will increase liquidity in the market. We therefore support the technical amendment in that regard.

We do note, however, that the capital treatment of non-performing loan securitisations under the Capital Requirements Regulation (CRR) and the European Securitisation Regulation (ESR) in the European Union as opined³ by the European Banking Authority (EBA), went much further in addressing legal impediments to facilitating securitisations. We urge the Committee, therefore, to continue its work in this area and explore further relief to boost the securitisation market.

World Council appreciates the opportunity to comment on the Basel Committee's *Consultative Document: Technical Amendment: Capital Treatment of Securitisations of Non-Performing Loans*. If you have questions about our comments, please feel free to contact me at aprice@woccu.org or +1-850-766-5699.

Sincerely,

Andrew T. Price
Sr. Vice President of Advocacy
World Council of Credit Unions

³ See European Banking Authority *Opinion on the Regulatory Treatment of Non-Performing Exposure Securitisations* available at <https://eba.europa.eu/eba-publishes-opinion-regulatory-treatment-non-performing-exposure-securitisations>