EBA Consultation Paper on the conditions to allow institutions to calculate Kirb in accordance with the purchased receivables approach
This document provides the response of the Dutch Securitisation Association ("DSA") on the EBA Consultation Paper dated 19 June 2018.
We welcome the opportunity to commend on this Consultation Paper.

DSA Background
The Dutch Securitisation Association was established in 2012 as representative body of the Dutch securitisation industry. Our membership includes issuers of securitisations both from the insurance and banking industry, and we are operating in close cooperation with the Dutch investor community.
Our purpose is to create a healthy and well-functioning Dutch securitisation market. We try to achieve this i.a. by providing a standard for documentation and reporting of Dutch RMBS and Consumer ABS transactions, promoting (in close cooperation with PCS) further standardisation and improvements in transparency, and active involvement in consultations about future regulation of the securitisation market.
Against this background, we would like to commend, on behalf of all Dutch issuers joined in the DSA, on the EBA Consultation Paper on the conditions to allow institutions to calculate Kirb in accordance with the purchased receivables approach (individual DSA members may also provide their own comments).

Our comments

General:
We welcome the possibility created in the securitisation regulation to calculate Kirb in accordance with the purchased receivables approach. Apart from some clarification questions, our main concern is the fact that synthetic securitisations are excluded.

Unclear references:
Could you please confirm that in Art 4(1) the reference to "paragraph 2 to 7" should be "paragraph 2 (a)-(f)", and in Art 4(2) the reference to "Article 2(2)" should be "Article 2" ?

Q1: Do you agree with the requirement that a rating system shall be exclusively used for securitized exposures that the institution does not service, i.e. for the exposures that are in the scope of these draft RTS?
Yes, we do agree.

Q2: Should an exception be introduced for certain corporate exposures (e.g. large corporate exposures that the institution may rate using the corporate rating system it uses to rate corporate clients)? Should such exception be limited to the estimation of PD? If yes, what alternative would you propose for LGD estimation?
No, we do not see a direct need for a separate treatment of certain corporate exposures.

Q3: Do you agree with the fact that, unlike traditional securitisations, synthetic securitisations cannot meet the general conditions set out in this article and in particular the requirements on indirect control and ownership of the securitised exposures by the institution calculating Kirb ?
No, we do not agree. The current wording would indeed exclude synthetic securitisations. But in synthetic securitisations, the investor will typically have been involved in an extensive due diligence exercise, including the origination and servicing activities of the seller. This should have provided sufficient information to determine the Kirb of the underlying portfolio.
So, for synthetic securitisations, Art. 4(2)(a) should be drafted differently.

Q4: Do you consider that a more detailed definition of proxy data is necessary? If yes, please provide a suitable definition.
We have not seen a definition of proxy data other than Art. 10(1) stating that "Proxy data can be internal, external or pooled data".
*The references in the text of the draft regulation to "external data **or** proxy data" are confusing in this respect.*

Q5: Do you consider that the provisions set out in the draft RTS are workable if applied to securitisations of non-performing exposures?
Yes, we do not see any specific obstacles applying the provisions to non-performing loans, as long as the portfolios are sufficiently granular.

Q6: Do you have any other comments on the draft RTS?
No.