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Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 1-5  
Washington, DC 20219  
**Document No. OCC-2010-0003**  
**RIN 1557-AC99**

Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
**RIN 3064-AD70**

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551  
**Docket No. R-1401**  
**RIN 7100-AD61**

**Re: Notice of Proposed Rulemaking: Risk-Based Capital Guidelines: Market Risk;  
Alternatives to Credit Ratings for Debt and Securitization Positions**

Ladies and Gentlemen:

The American Securitization Forum (“ASF”) appreciates the opportunity to submit this letter in connection with the notice of proposed rulemaking described above (the “NPR”), issued pursuant to Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. We are submitting this letter to seek clarification of a number of technical questions from our members with respect to the securitization aspects of the NPR in our preparation for submitting a detailed comment letter to respond to the proposals.

**Definitions of Attachment Point and Detachment Point**

1. Should overcollateralization that provides enhancement be included in the calculation of the attachment point? Should funded reserve accounts funded other than through accumulated cash flows also be included?
2. Capital structure seniority and/or subordination are used in calculating the attachment point (A) and detachment point (D) variables. For purposes of these calculations,

which of the following would be considered a subordinated tranche: a) a tranche that is subordinate as to interest payments, b) a tranche that is subordinate as to principal payments, and c) a tranche that is subordinate as to interest and principal payments?

### **General Risk-Based Capital Requirement (Kg)**

3. How should Kg be calculated for a mixed pool of qualified (Kg=4%) and non-qualified mortgages (Kg=8%)? Would the pool Kg be a weighted average (number or balance) Kg of individual loans?

4. Should a Kg of 8% be used for re-REMIC and other resecuritization positions or should there be a look through to the loans backing the underlying bonds in calculating Kg? Similarly, would the cumulative loss on the resecuritization position then be the amount of writedowns on the underlying bonds backing the resecuritization position?

### **Table 7 in the Proposed Rule and the Cumulative Loss Concept**

5. Are cumulative losses for purposes of calculating the capital floor intended to only include losses that result in (a) write-downs on the securitization position for which capital is being measured, (b) write-downs on any issued securities in the relevant transaction or (c) losses on the assets in the underlying portfolio? Losses on the underlying asset portfolio that are absorbed by excess spread or excess receivables would not result in a write-down of any securitization position in a transaction.

6. If the cumulative loss in Table 7 is based on the issued securities, what would this number be for securities with implied write-downs? Is the implied write-down used as the loss in Table 7? This question applies to situations in which a bank has written down a security but the security has not been written down in the servicer reports.

7. Over what time period should losses be calculated for transactions or asset classes that do not readily fit the concept of cumulative loss? Examples include credit card receivables, trade receivables transactions, and other revolving asset pools. Would using annual loss rates be more appropriate for such asset and pools?

8. The Proposed Rule states that cumulative losses should be calculated from origination. Does this mean from origination of the assets underlying the securitization, the commencement date of the securitization transaction giving rise to the securitization exposure, or the date on which the bank acquires its securitization position?

9. Table 7 provides that a risk weight floor only applies if cumulative losses are “greater than” zero. Can you confirm that the capital risk weight floor does not apply to asset pools or securities that have suffered no losses?

10. How should credit indices be treated and should they be decomposed for netting and risk-weighting purposes?

## General Questions

11. How should capital be calculated for interest only securitization positions using SSFA?

12. The NPR states that “the SSFA would require more capital on a transaction-wide basis than would be required if the pool of assets had not been securitized.” This appears to be accomplished with the p-factor in the SSFA formula. Can the regulators confirm what the intended spread in capital requirements should be between a securitization held on transaction-wide basis as opposed to the same pool of assets held directly on the balance sheet?

13. The Basel Committee on Banking Supervision's capital rules for correlation trading include a floor on the capital requirements for correlation trading positions included in the Comprehensive Risk Model (“CRM”) based on 8% of standardized charges. Given the introduction of the SSFA approach, will the US NPR be conformed to include a floor, rather than the surcharge described in the initial US NPR?

14. The correlation trading floor/surcharge is determined based on the standardized approach for correlation trading positions included in the CRM. When calculating the floor/surcharge, should SSFA results be determined without regard to the table 15 supervisory floor required for SSFA (therefore, a position level SSFA floor would not be applied to determine the portfolio level correlation trading floor)?

15. In the CRM model, risk and pricing inputs are based on the attributes of the derivative tranche position (for example, using the mark of the derivative), whereas standard specific market risk calculations are based on the market value of the effective notional amount of the underlying instrument or portfolio multiplied by the derivative’s delta. Are the input parameters for the standardized specific risk capital requirements for tranche positions with non-linear payoffs intended to conform with the input parameters for the CRM for these positions?

Should you have any questions or desire any clarification concerning the matters addressed in this letter prior to our discussion, please do not hesitate to contact me at 212.412.7107 or at [tdeutsch@americansecuritization.com](mailto:tdeutsch@americansecuritization.com).

Sincerely,



Tom Deutsch  
Executive Director  
American Securitization Forum