28 August 2024

Japanese Bankers Association

JBA Comments on the Financial Stability Board's (FSB) Consultative report:
"Evaluation of the Effects of the G20 Financial Regulatory Reforms on Securitisation"[1]

Question	Comment
Question 6 Conceptual framework: Does the report adequately explain the objectives, transmission channels and expected outcomes of the securitisation reforms? What other metrics to assess the impact of the reforms should be considered?	The report does not consider to what extent changes in the securitisation market were due to shifts in market behaviour after the Global Financial Crisis (GFC), rather than the outcomes of the reforms. A comparison of the timeline of reforms (section 3.2.1) with the impact discussed in sections 4.3 and 5.1 reveals that many changes in market behaviour occurred before the relevant reforms were implemented. This reflects the ability of market participants, especially banks (major issuers and investors), to self-regulate by learning from mistakes in the GFC. Such self-regulation should be taken into account when assessing the need for additional regulation going forward.
Question 15 Other issues: Are there any other issues or relevant factors that should be considered as part of the evaluation?	We would note that the FSB significantly underestimates the size and importance of the private securitisation market - particularly with respect to trade receivable securitisation. For example, despite data contributions from only 12 banks, the Association for Financial Markets in Europe (AFME) estimates that the private EU securitisation market is at least EUR 209 billion, with trade receivable securitisation being the largest asset class. The fact that this asset class is rarely securitised publicly indicates that this sector has been underestimated by regulators.

[1] https://www.fsb.org/2024/07/evaluation-of-the-effects-of-the-g20-financial-regulatory-reforms-on-securitisation-consultation-report/