

MEMORANDUM

TO: File No. S7-14-11

FROM: Jay Knight
Special Counsel
Office of Structured Finance
Division of Corporation Finance
U.S. Securities and Exchange Commission

RE: Meeting with Representatives of the Australian Securitisation Forum

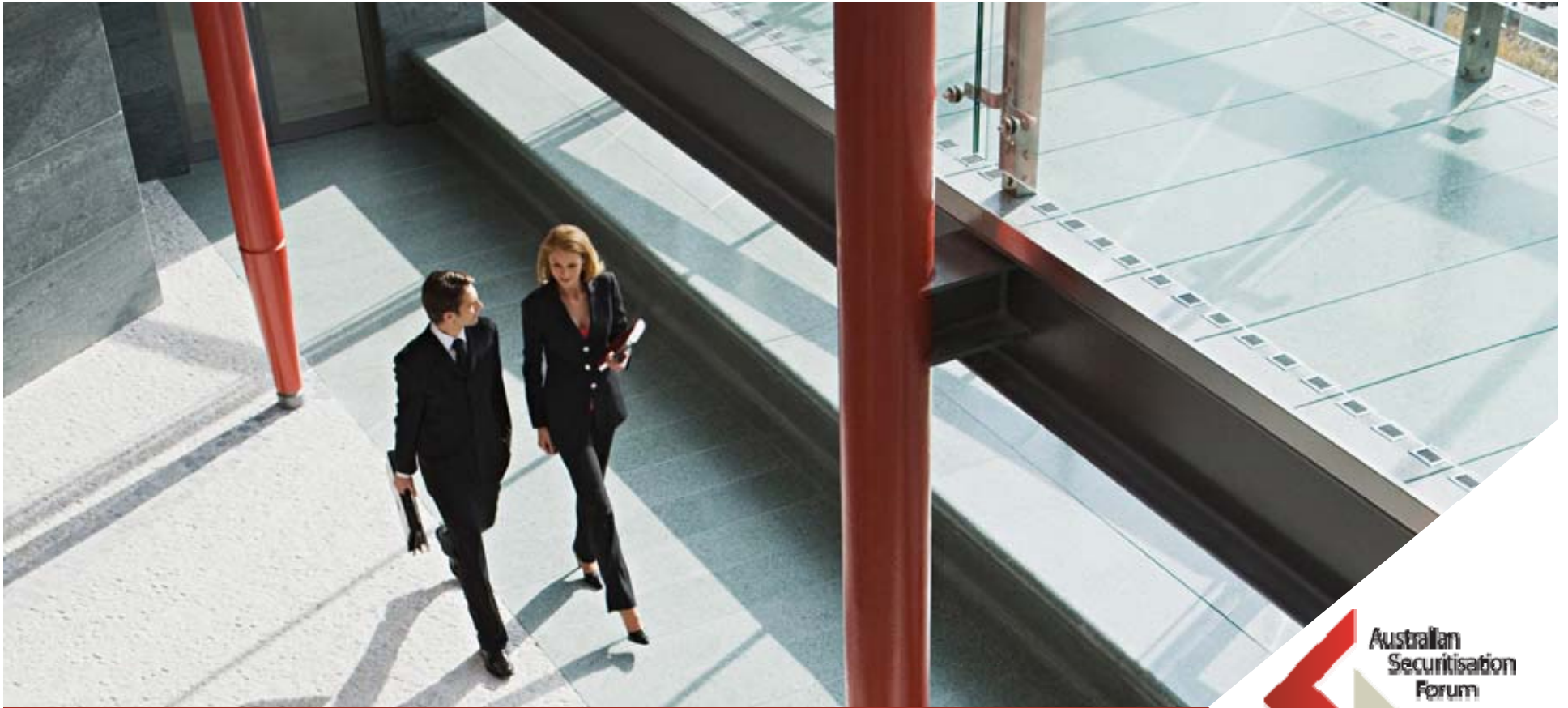
DATE: November 14, 2011

On November 14, 2011, Katherine Hsu, Jay Knight, and David Beaning of the Division of Corporation Finance, and Eric Emre Carr and Stanislava Nikolova of the Division of Risk, Strategy, and Financial Innovation met with the following representatives of the Australian Securitisation Forum (“AuSF”):

- Jon Van Gorp and Amanda Baker, Mayer Brown (in person)
- Jason Kravitt, Mayer Brown (via video conferencing); and
- Chris Dalton and Alex Sell, AuSF (via video conferencing)

The meeting participants discussed topics relating to the Commission’s March 30, 2011 proposals regarding credit risk retention. A handout is attached to this memorandum.

Attachment



Australian Securitisation Forum Comments to Credit Risk Retention Proposed Rule

November 14, 2011



Overview

- Modification & Clarification objectives:
 1. Empower the SEC to grant exemptions or adjustments to the Proposed Rule for cross-border ABS.
 2. Permit the continued use of risk retention and transaction structures currently employed by nearly every Australian RMBS and ABS sponsor.

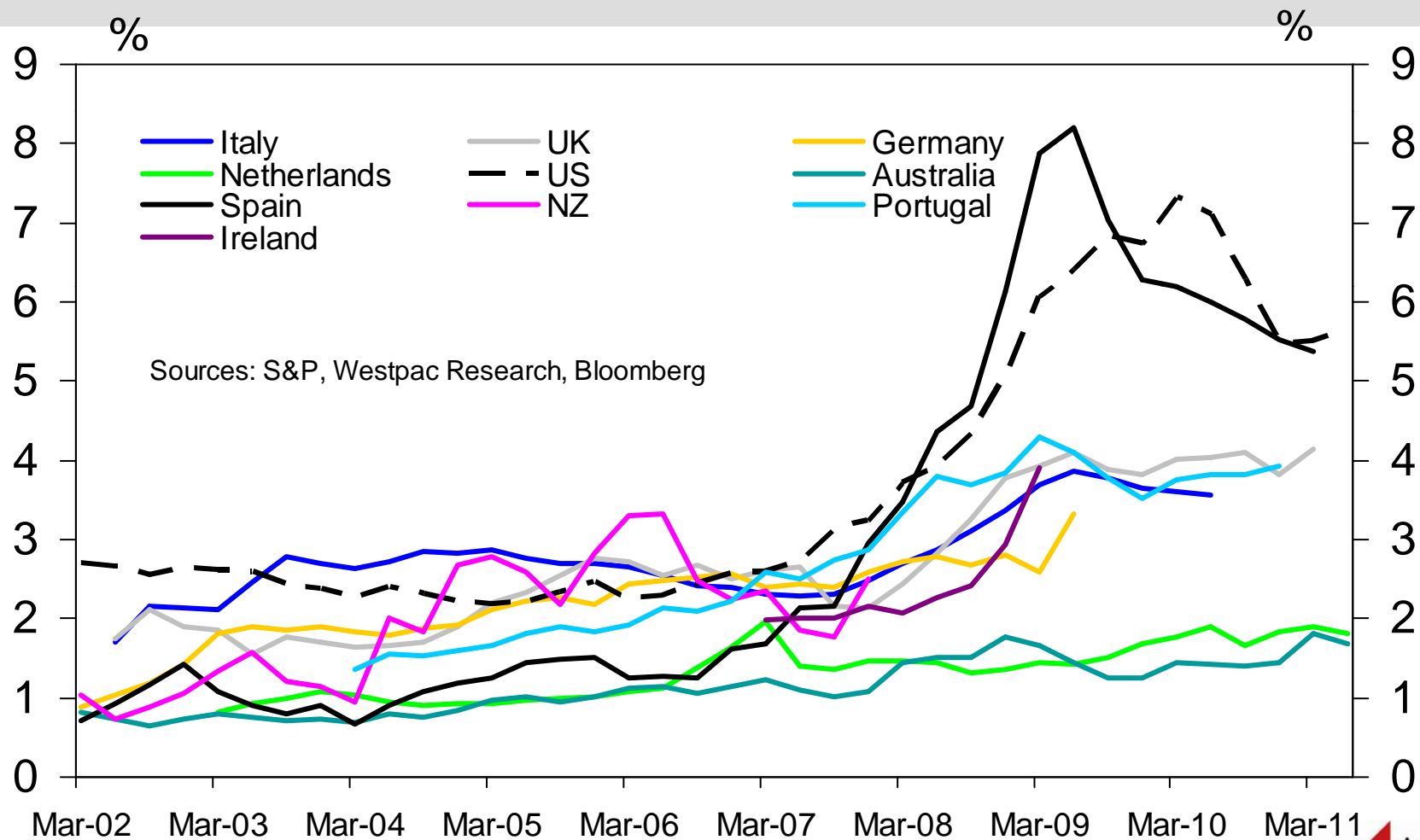


Cross-Border Mutual Recognition/Jurisdictional Exemption

- The Proposed Rule is focused on US sponsors and financial assets.
 - Several provisions may be inappropriate for cross-border ABS.
 - For example, the QRM definition does not reflect differences in foreign jurisdictions.
- On comity and free trade grounds, the Proposed Rule
 - Australia has proposed a similar risk retention rule.
 - A Jurisdictional Exemption avoids the lowest common denominator problem.



Selected International Arrears Levels



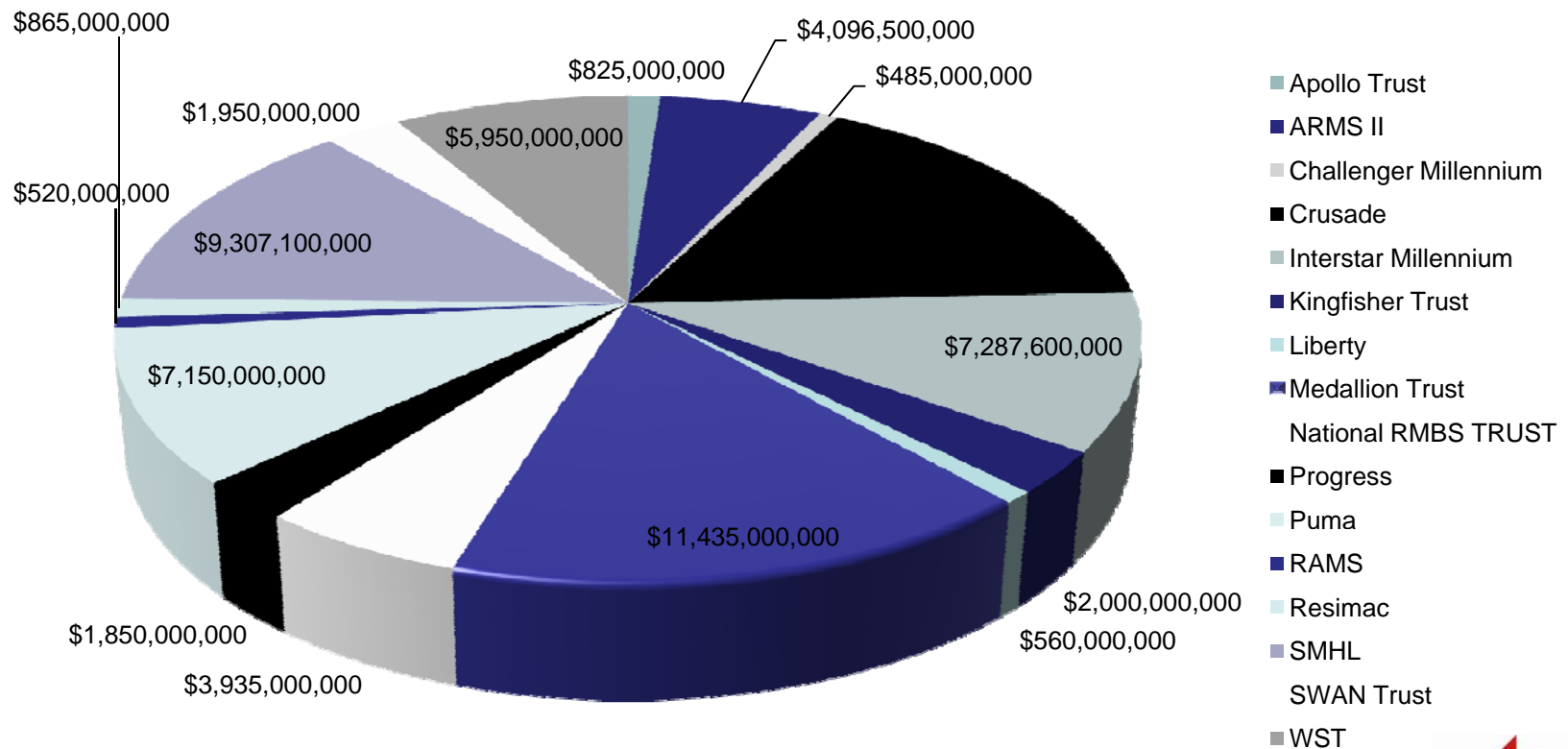


Significance of US markets to investors and issuers

Australian US registered RMBS tranches 2000-2011

Amounts in USD; Source: Westpac Institutional Bank

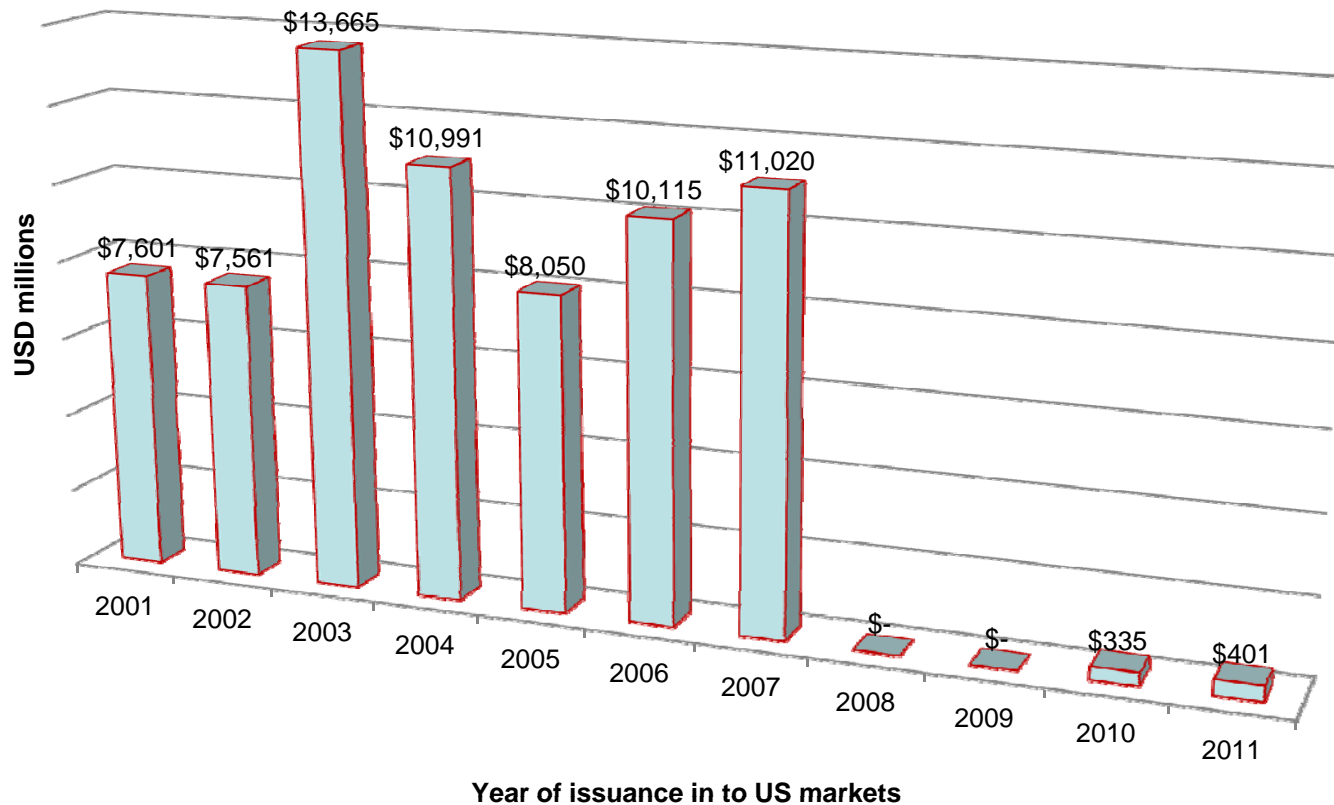
Total issuance USD69,739,300,000





Sudden halt to US issuance

AUSTRALIAN ISSUANCE IN TO THE SEC MARKETS





Proposed Australian Regulation

- Retention can be satisfied by:
 - a) a VERTICAL slice of at least 5% of public ABS; or
 - b) a HORIZONTAL slice equal to 1.50 times Expected Loss. The Present Value of the Securitiser's residual interest can be recognised to partly or fully meet this minimum; or
 - c) a REPRESENTATIVE SAMPLE equal to 5% of the face value of public ABS.



Revision of Proposed Rule with Respect to Horizontal Exposure

- The Proposed Rule's form of horizontal risk retention is universally inconsistent Australian RMBS and ABS transactions.
 - Current subordinated interest retained by sponsors would not technically satisfy the Proposed Rule.
 - The current form of risk retention used in Australian RMBS and ABS transactions already provides a strong alignment of interests.



Other Technical Comments

- The requirement that funds in a reserve account must be invested in US dollar-denominated assets.
- We support the US securitisation market's proposal to extend the master trust option for risk retention to master trusts whose underlying assets change over time.
- Clarify that mortgage insurance will not violate the hedging prohibitions in the Proposed Rule.