Monetary Authority of Singapore

Consultation Paper
P018-2026 – Nov 2026

Consultation Paper on Capital Treatment for Securitisation and Infrastructure Investments for Insurers

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1. Preface

1.1. MAS is proposing enhancements to the risk-based capital framework ("RBC 2 framework") for insurers in Singapore so that the capital treatment for securitisation and infrastructure investments appropriately reflects their underlying risks and incorporates commensurate prudential safeguards. We are proposing the following:

(a) to introduce additional granularity in the risk charging approach for rated securitisation investments and accord commensurate risk charges to applicable classes of securitisation;

(b) to extend the differentiated capital treatment (i.e. lower risk charges relative to a rated corporate debt security) to qualifying investment-grade infrastructure debt investments; and

(c) to provide applicable risk charges for qualifying infrastructure debt and qualifying infrastructure equity investments with lower-risk characteristics.

1.2. The proposals will be incorporated into MAS Notice 133 on Valuation and Capital Framework for Insurers ("MAS Notice 133"), where applicable.

1.3. MAS invites insurers and other interested parties to submit their views and comments on the proposals outlined in this paper.

1.4. Please note that all submissions received will be published and attributed to the respective respondent unless they expressly request MAS not to do so. As such, if respondents would like:

(a) their whole submission or part of it (but not their identity); or

(b) their identity along with their whole submission,

to be kept confidential, please expressly state so in the submission to MAS. MAS will only publish non-anonymous submissions. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.5. Please submit written comments by 18 December 2026 via the *submission link*.

2. Background

2.1. Securitisation investments provide insurers with exposure to diversified pools of underlying assets through tranched structures. Infrastructure investments generally exhibit long-term characteristics that generate stable cash flows, which align with insurers' long-dated liabilities. Nonetheless, these asset classes are inherently heterogeneous, and may involve complex structures, valuation uncertainty and illiquidity, with risks that vary significantly across investments.

2.2. With effect from 31 March 2026, MAS introduced further granularity in the risk charging approach for securitisation investments by differentiating the applicable loading based on the nature of the underlying pooled assets. MAS also introduced differentiated capital treatment for qualifying infrastructure equity and qualifying unrated infrastructure debt investments. Following further feedback from the industry, MAS initiated a fresh round of review of the capital treatment for rated securitisation and infrastructure investments to encourage greater allocation to such investments by insurers.

2.3. In Section 3, MAS sets out proposed enhancements to the capital treatment for rated securitisation investments, aimed at introducing greater granularity in risk segmentation and lowering risk charges for lower-risk securitisation classes. Specifically, MAS proposes applying more granular and revised loadings for both rated debt-based and non-debt based securitisation investments, introducing greater differentiation based on tranche seniority and underlying structural characteristics, and providing lower risk charges for tranches that satisfy additional conditions specified by MAS such as standardised, transparent and comparable standards, liquidity requirements and portfolio diversification.

2.4. Section 4 covers proposed refinements to the differentiated capital framework for infrastructure investments, with the view to enhance the framework's risk sensitivity. In particular, MAS proposes to introduce a risk-proportionate capital treatment for qualifying infrastructure debt and equity investments subject to specified conditions and where lower-risk characteristics are met.

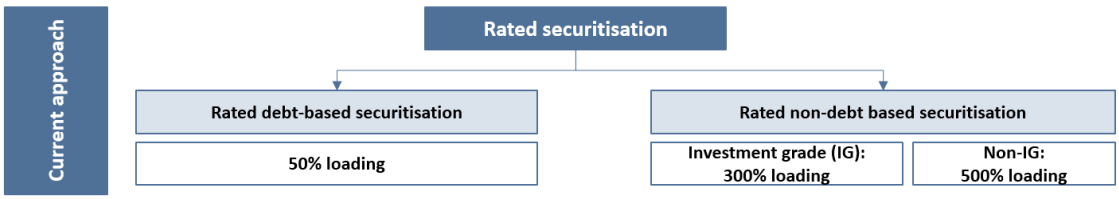
3. Securitisation Investments

Current approach

3.1. A more granular risk charging approach for structured products was introduced with effect from 31 March 2026 (hereinafter referred to as March 2026), given the diverse and heterogeneous nature of structured products. Specifically for rated securitisation investments, a distinction was made between debt-based[1] and non-debt based[2] securitisation, with different loadings prescribed for each.

3.2. These loadings are applied on the derived market-related risk charges[3], which were revised in March 2026 to be limited strictly to the credit spread risk charge[4]. The loadings are imposed to account for risks of securitisation such as structural complexity, opacity of underlying assets, wider spread volatility and liquidity constraints during periods of market stress. These risks may not always be reflected in the external credit rating as the external credit assessment institutions' (ECAIs') focus is primarily on credit risk. The March 2026 revisions also allowed insurers to recognise the external credit ratings assigned by a recognised ECAI to a securitisation tranche in the same manner as a corporate debt security when calculating the credit spread risk charge.

3.3. The following diagram sets out the current loadings for rated securitisation.



3.4. To better illustrate how the current loadings work, we have included a numerical example on the next page.

[1] Where the underlying pooled assets comprise debt obligations, such as loans, leases or mortgages.

[2] Where the underlying pooled assets comprise non-debt assets, such as equity interests, future cash flows or other non-debt financial assets.

[3] Besides the market-related risk charge, the insurer also needs to calculate the counterparty default risk charge. As there will be no change in the way that the counterparty default risk charge will be calculated, the consultation paper will only focus on the loadings on the market-related risk charge.

[4] To avoid doubt, other risk charges like interest rate mismatch risk requirements and foreign currency mismatch risk requirements still have to be calculated where relevant, but not subject to the loadings.

Example 1

Take the example of a rated securitisation with a remaining term of 10 years and tranche is rated "A" by a recognised ECAI.

Step 1:

Similar to a corporate debt, insurer calculates the underlying credit spread risk charge by applying the relevant MAS-prescribed credit spread risk adjustment factor i.e. 145bps.

The credit spread risk charge can be calculated as modified duration* of 10 years X 145 bps = **14.5% of market value**

Step 2:

To account for the additional risks of securitisation mentioned in paragraph 3.2, a MAS-prescribed loading, is applied -

- If the underlying assets of the rated securitisation are debts or loans: A loading of 50% for debt-based securitisation is applied. Hence the final credit spread risk charge is (100% +50%) x 14.5% = **21.75% of market value**
- If the underlying assets are private equities: A loading of 300% and 500% for non-debt based securitisation is applied for investment grade (IG) and non-IG respectively. In our example of "A" rated, the final credit spread risk charge will be (100% + 300%) x 14.5% = **58% of market value**

The credit spread risk charge of the rated securitisation (after applying the loading) will not exceed 100% of market value.

**We expect insurers to apply discounted cash flow approach for securitisations. However, as the objective of this example (as well as other examples in this paper) is to show how loadings are to be applied, we have adopted a simplified approach of using modified duration, and also assumed that the securitisation has no call feature.*

Proposed revisions

3.5. MAS has received industry feedback that the current 300% loading for IG non-debt based securitisations can be prohibitive. Whilst stakeholders did not raise concern on the 50% loading for debt-based securitisations, calibrated changes in loadings for certain debt-based securitisations could enhance the commercial viability of such investments for insurers, and support greater risk diversification of their investment portfolio.

3.6. As there is a diverse and heterogeneous range of securitisations, there is room for the capital framework for rated securitisation to be more granular and risk sensitive, to better differentiate between securitisation tranches with different risk characteristics.

Proposal 1 — Introduce greater granularity to risk charges for rated debt-based securitisation

3.7. For rated debt-based securitisation, data supports lowering the current 50% loading for certain IG securitisation tranches, after taking into account the seniority of the tranche and whether these meet the Simple, Transparent and Comparable (STC) criteria (see Annex A). The STC criteria are well-established in the Basel banking capital framework and are utilised by other insurance regulators[5].

3.8. MAS proposes to introduce greater granularity in the risk segmentation and revise the loadings for rated debt-based securitisation tranches as set out in Table 1.

Table 1: Current and proposed loadings for rated debt-based securitisation tranches

Type of rated debt-based securitisation	Description of tranche characteristics	Current loading	Proposed loading
Senior STC (IG)	Senior tranche (as defined in paragraph 3.9) that fully meets MAS' STC criteria in Annex A, and is externally rated IG by recognised ECAI	50%	0%
Senior Non-STC (IG)	Senior tranche that does not fully meet[6] MAS' STC criteria and is externally rated IG by recognised ECAI		25%
All others	All other rated debt-based securitisation tranches		50%

3.9. A senior tranche refers to a tranche that is effectively backed or secured by a first claim on the cash flows from the underlying exposures, and where a senior tranche is re-tranched, or partially hedged

[5] E.g. under Solvency II, this is termed as Simple, Transparent and Standardised (STS) criteria.

[6] If the insurer does not have enough information to make an assessment if the STC criteria specified in Annex A is met for a senior securitisation tranche, or chooses not to undertake such an assessment and instead adopts a more prudent approach that the STC criteria is not met for such a senior securitisation tranche, the insurer can apply the proposed loading of 25% for the "Senior Non-STC (IG)" category.

and not on a pro rata basis, is the new most senior tranche[7]. This definition is aligned to MAS Notice 637.

3.10. The proposed STC criteria for rated debt-based securitisations are set out in Annex A.

Question 1. *MAS seeks comments on the proposed risk segmentation and loadings for rated debt-based securitisation as set out in Table 1.*

Question 2. *MAS seeks comments on the proposed definition of a senior tranche, including if it is clear on the treatment of tranches that rank pari passu. This is where a tranche is split into two identical parts that sit at the very top of the capital structure sharing losses and cash flows equally (i.e. pari passu).*

Question 3. *MAS seeks comments on whether the proposed STC criteria in Annex A,*
a) appropriately identify securitisation exposures that should qualify for the proposed capital treatment; and
b) raise any practical implementation considerations for insurers.

Proposal 2 — Introduce greater granularity to risk charges for rated non-debt based securitisation

3.11. In line with Proposal 1, MAS proposes to introduce greater granularity in the risk segmentation[8] and revise the loadings for rated non-debt based securitisation tranches as set out in Table 2.

Table 2: Current and proposed loadings for rated non-debt based securitisation tranches

Type of rated non-debt based securitisation	Description of tranche characteristics	Current loading	Proposed loading
Senior – Category 1	Senior tranche meeting the conditions specified in paragraph 3.13	300%	25%
Senior (IG) – Category 2	Senior tranche externally rated IG by recognised ECAI		200%
Non-senior (IG)	Non-Senior tranche externally rated IG by recognised ECAI		300%

[7] A senior tranche has a first claim on cash flows. If a senior tranche is split up (re-tranched) or hedged unevenly, the resulting portion that retains that primary claim becomes the new most senior tranche.

[8] As non-debt based securitisation is unlikely to meet the STC criteria fully given that its underlying assets, there is no point in using the full STC criteria as a differentiating factor. Seniority of tranche is still relevant.

Type of rated non-debt based securitisation	Description of tranche characteristics	Current loading	Proposed loading
Non-IG	Tranche that is not externally rated IG by recognised ECAI	500%	500%

3.12. MAS considers that certain senior investment-grade rated non-debt-based securitisations may exhibit risk characteristics more closely aligned with "Senior Non-STC (IG)" category under rated debt-based securitisations, where specified conditions are met. MAS therefore proposes to introduce a separate "Senior - Category 1" classification for such securitisations.

3.13. A non-debt-based securitisation would qualify as "Senior - Category 1" where:

(a) it is externally rated "A" or above by a recognised ECAI;

(b) it has a well-diversified portfolio of underlying assets across sectors;

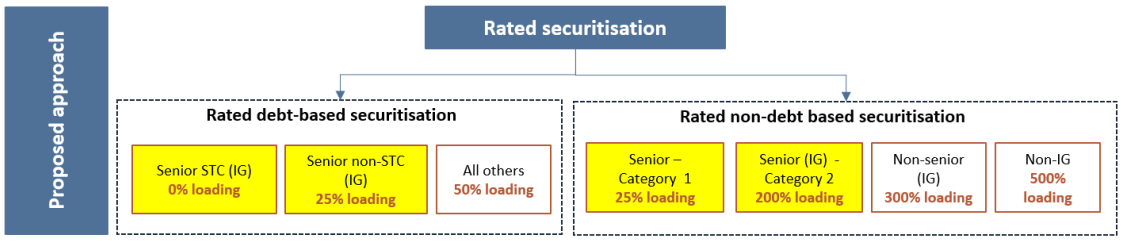
(c) it targets cash flow-generating assets, such as operating companies with steady cash flows;

(d) it has liquidity safeguards or buffers in place; and

(e) the sponsor and manager of the securitisation have a credible and long track record.

3.14. Taken collectively, a non-debt-based securitisation with such features is expected to behave more like a debt-based securitisation, which exhibits greater predictability in its underlying cash flows. As the underlying assets of a non-debt-based securitisation may not be sufficiently homogeneous to qualify under the STC criteria for debt-based securitisations, MAS proposes to apply a 25% loading to the "Senior - Category 1" securitisation, equivalent to the loading proposed for a rated debt-based "Senior Non-STC (IG)" securitisation.

3.15. The following diagram summarises the proposed granular risk charging approach and loadings for debt-based and non-debt based securitisation. The yellow highlighted boxes show the types of rated securitisation that would have a reduction in risk charges due to the lower proposed loadings.



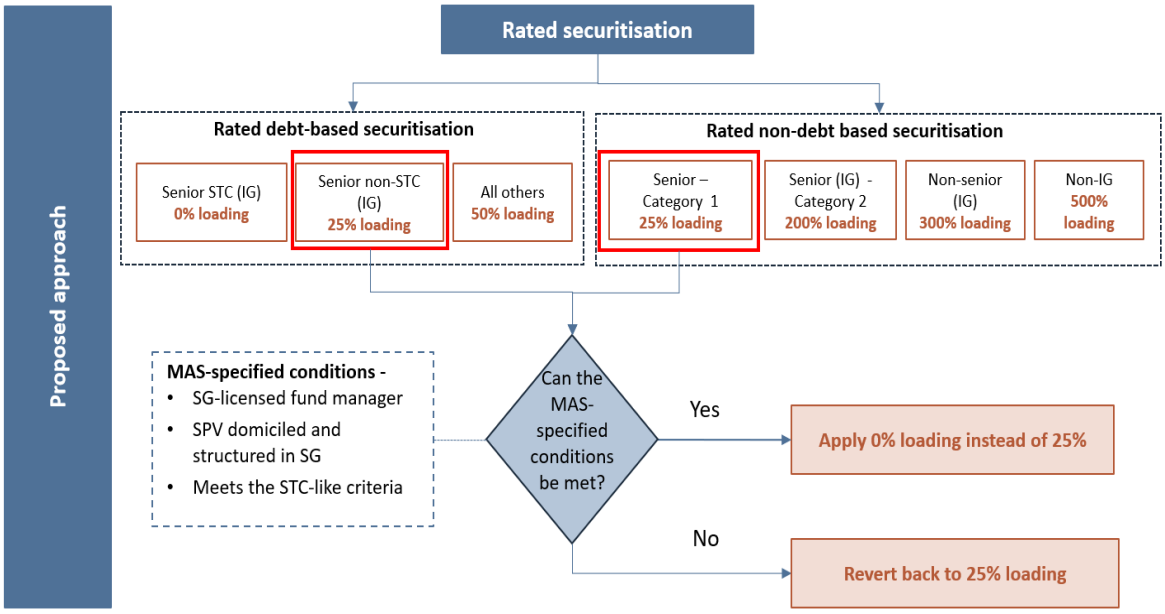
Question 4. MAS seeks comments on the proposed risk segmentation and loadings for the rated non-debt based securitisation tranches as set out in Table 2.

Question 5. MAS seeks comments on the proposed conditions for a "Senior - Category 1" non-debt based securitisation in paragraph 3.13.

Proposal 3 — Apply a 0% loading to eligible senior investment-grade securitisation tranches that meet specified conditions

3.16. We propose to further lower risk charges for senior IG securitisation tranches of lower risk and which meet appropriate safeguards. These include requirements for securitisations to be originated from Singapore, managed by licensed fund managers here, and minimally meet a subset of STC criteria (referred to as "STC-like" criteria[9]).

3.17. MAS proposes to reduce the loading from 25% to 0% only for the "Senior non-STC (IG)" (under rated debt-based securitisation) and "Senior – Category 1" (under rated non-debt based securitisation) if all the specified conditions in paragraph 3.18 are met. Otherwise, the loading would remain at 25%. The diagram below illustrates this.



[9] See Annex B. The "STC-like" criteria aim to strike a balance between relevance and ease of implementation, but the primary objective is to set out minimum expectations to bring about clear transaction structures, transparent underlying exposures, robust governance and documentation, and sufficient information to support ongoing risk assessment.

3.18. To qualify for the proposed 0% loading, the following conditions apply:

(a) the securitisation is managed by a fund manager licensed by MAS;

(b) the special purpose vehicle (SPV) is domiciled and structured in Singapore; and

(c) the securitisation meets all applicable STC-like criteria in Annex B.

3.19. If the securitisation tranche ceases to meet the conditions specified in paragraph 3.18 for the 0% loading, the applicable proposed loading in Table 1 or Table 2, as the case may be, will apply.

Question 6. *MAS seeks comments on the proposal to apply a 0% loading for "Senior Non-STC (IG)" (under rated debt-based securitisations) and "Senior - Category 1" (under non-debt based securitisations) that meet the specified conditions in paragraph 3.18.*

Question 7. *MAS seeks comments on the proposed conditions in paragraph 3.18 (a) and (b), namely that the securitisation must be managed by a licensed fund manager in Singapore and that the SPV is domiciled and structured in Singapore.*

Question 8. *MAS seeks comments on whether the proposed STC-like criteria in Annex B under Proposal 3,*

a) appropriately identify securitisation exposures that should qualify for the proposed capital treatment; and

b) raise any practical implementation considerations for insurers.

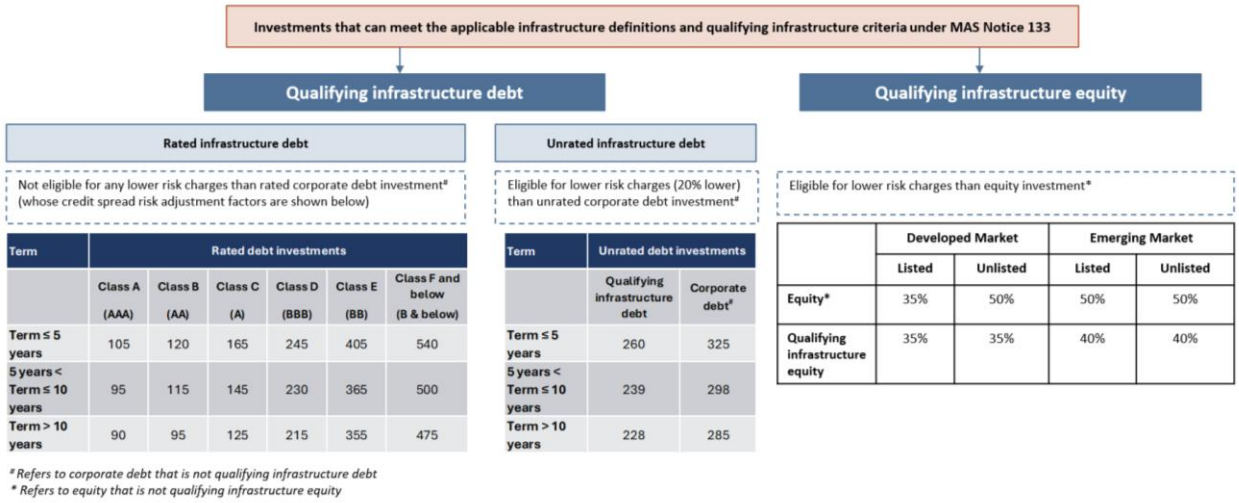
3.20. For Proposals 1 to 3, insurers are expected to assess compliance with the relevant criteria and specified conditions under the proposals on an ongoing basis. While insurers may reference assessments, designations, or declarations made by third parties (such as fund managers or external consultants) regarding compliance with these criteria, they remain responsible for conducting their own due diligence and retaining ultimate accountability.

4. Infrastructure Investments

Current approach

4.1. For the purpose of this consultation paper, "qualifying infrastructure investment" refers to an investment that meets the applicable infrastructure definitions and qualifying infrastructure criteria specified in MAS Notice 133[10]. In March 2026, MAS introduced a differentiated capital treatment for qualifying unrated infrastructure debt investments and qualifying infrastructure equity investments, where lower risk charges apply relative to the unrated corporate debt security and equity investment respectively.

4.2. The following diagram sets out the current capital treatment for qualifying infrastructure debt investments and qualifying infrastructure equity investments.



Term	Rated debt investments					
	Class A (AAA)	Class B (AA)	Class C (A)	Class D (BBB)	Class E (BB)	Class F and below (B & below)
Term ≤ 5 years	105	120	165	245	405	540
5 years < Term ≤ 10 years	95	115	145	230	365	500
Term > 10 years	90	95	125	215	355	475

Term	Unrated debt investments	
	Qualifying infrastructure debt	Corporate debt#
Term ≤ 5 years	260	325
5 years < Term ≤ 10 years	239	298
Term > 10 years	228	285

	Developed Market		Emerging Market	
	Listed	Unlisted	Listed	Unlisted
Equity*	35%	50%	50%	50%
Qualifying infrastructure equity	35%	35%	40%	40%

 # Refers to corporate debt that is not qualifying infrastructure debt
** Refers to equity that is not qualifying infrastructure equity*

4.3. MAS did not introduce differentiated capital treatment for qualifying rated infrastructure debt as available data did not indicate materially lower default rates for IG infrastructure debt investment relative to a rated corporate debt security. In its October 2025 response to feedback to *Consultation Paper on Proposed Capital Treatment for Structured Products and Infrastructure Investments for Insurers,* MAS indicated that it would continue to monitor relevant data and international developments.

4.4. The definitions and qualifying infrastructure criteria need to be met at all times, and not just at the beginning when the investment is onboarded. When the definitions and qualifying infrastructure

[10] Applicable infrastructure definitions can be found in paragraph 1.5 of MAS Notice 133, having regard to the guidance in Appendix 4O, and the qualifying infrastructure criteria can be found in Appendix 4P of MAS Notice 133.

criteria are not met, the investment ceases to be a qualifying infrastructure investment, and would not be eligible for the lower risk charges.

4.5. MAS has also introduced a timebound pilot, Project Verdi[11], for sustainable infrastructure investments that may not meet all the qualifying infrastructure criteria, for example the minimum period of operational phase.

Proposed revisions

4.6. Following implementation, MAS has conducted a further review of the differentiated capital framework for infrastructure investments, with a view to enhancing the framework's risk sensitivity. In particular, we looked at measures to make the framework more inclusive, such as bringing qualifying rated infrastructure debt investments within scope, and explored the introduction of a tiered structure or carve-out to grant further reductions in risk charges where lower-risk characteristics are additionally met.

Proposal 4 — Extend the differentiated capital treatment to qualifying rated infrastructure debt investments

4.7. While available data does not yet indicate materially lower default rates for IG infrastructure debt investments relative to rated corporate debt securities, higher recovery rates were noted for certain senior infrastructure debt exposures, which help reduce the overall credit losses. On balance, MAS is inclined to extend the differentiated capital treatment to qualifying rated infrastructure debt investments, subject to certain safeguards being met.

4.8. MAS proposes that qualifying rated infrastructure debt investments be subject to credit spread risk adjustment factors that are 20%[12] lower than those applicable to rated corporate debt securities of the corresponding credit quality class and term, if the following specified conditions are met –

(a) Externally rated IG[13] by a recognised ECAI; and

(b) Depending on the manner of investment,

[11] More information on Project Verdi can be found on the *MAS website*.

[12] 20% reduction is consistent with the current reduction for qualifying unrated infrastructure debt investments.

[13] This means that for qualifying rated infrastructure debt investments that are rated below IG (i.e. Credit Quality Class E or lower), there will be no lower risk charges relative to a rated corporate debt security. The insurer will apply the credit spread risk adjustment factors applicable to a rated corporate debt security of the corresponding credit quality class and term.

(i) if it is a direct investment, the rated infrastructure debt investment must be a Qualifying Debt Security (QDS)[14], defined under the *Income Tax (Qualifying Debt Securities) Regulations*; or

(ii) if it is an indirect investment through a fund, the fund must –

(A) be managed by a MAS licensed fund manager;

(B) have at least two qualifying investment professionals (QIPs) [15] based in Singapore; and

(C) have at least one Singapore-based QIP involved in managing the particular fund.

4.9. The proposed credit spread risk adjustment factors, in basis points (bps) are set out in Table 3.

Table 3: Proposed credit spread risk adjustment factors for qualifying rated infrastructure debt investments that meet the specified conditions under Proposal 4 (in paragraph 4.8)

Term\ Credit Quality Class	Class A (AAA)	Class B (AA)	Class C (A)	Class D (BBB)
Term ≤ 5 years	84	96	132	196
5 years <Term ≤10 years	76	92	116	184
Term >10 years	72	76	100	172

4.10. To illustrate how Proposal 4 works, we have included the following numerical example.

[14] This qualifying debt security definition here is different from the qualifying infrastructure debt investment as described in paragraph 4.1 of this consultation paper.

[15] A qualifying investment professional means a person who performs functions such as portfolio management, research or dealing functions. For the avoidance of doubt, a person performing only client servicing, business development, marketing or risk management functions will not be regarded as qualifying investment professional.

Example 2

(a) Take the example of a rated infrastructure debt security with a remaining term of 10 years. It has been externally rated "A" by a recognised ECAI, hence of investment grade.

Scenario 1: It does not meet the applicable infrastructure definitions nor all of the qualifying infrastructure criteria under MAS Notice 133 (so treated like a corporate debt security)

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 145 bps = **14.5% of market value**

Scenario 2: It meets the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying rated infrastructure debt investment), but does not meet the specified conditions under Proposal 4 (in paragraph 4.8)

Risk charge will be the same as Scenario 1

Scenario 3: It is a qualifying rated infrastructure debt investment, and can meet the specified conditions under Proposal 4

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 116 bps = **11.6% of market value** (20% lower than Scenario 1)

(b) Take the simplified example of an infrastructure debt fund where the underlying assets are loans and debt securities that have remaining terms of 10 years. The underlying loans and debt securities are all individually externally rated "A" by recognised ECAI.

Scenario 1: The underlying loans and debt securities do not meet the applicable infrastructure definitions nor all of the qualifying infrastructure criteria under MAS Notice 133 (so treated like a corporate debt security)

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 145 bps = **14.5% of market value**

Scenario 2: The underlying loans and debt securities meet the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying rated infrastructure debt investment), but the specified conditions under Proposal 4 cannot be met

Risk charge will be the same as Scenario 1

Scenario 3: The underlying loans and debt securities meet the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying rated infrastructure debt investment), and the specified conditions under Proposal 4 can be met

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 116 bps = **11.6% of market value** (20% lower than Scenario 1)

Question 9. *MAS seeks comments on the proposal to apply a 20% reduction to the credit spread risk adjustment factors that are applicable to a rated corporate debt security, for qualifying rated infrastructure debt investments that can meet all the specified conditions under Proposal 4 in paragraph 4.8. The applicable credit spread risk adjustment factors are set out in Table 3.*

Question 10. *MAS seeks comments on the specified conditions in paragraph 4.8 that must be met in order for the qualifying rated infrastructure debt investments to be eligible for lower risk charges.*

Proposal 5 — Introduce a lower equity risk charge for qualifying infrastructure equity investments with specified characteristics

4.11. Under the current RBC 2 framework, qualifying infrastructure equity investments are subject to an equity risk charge of 35% for underlying infrastructure corporates or infrastructure projects located in developed markets, and 40% for those located in emerging markets. By comparison, the property risk charge for real estate is currently 30%.

4.12. MAS has received feedback that certain qualifying infrastructure equity investments exhibit risk profiles comparable to real estate investments. For instance, infrastructure assets that provide essential services and have contracted cash flows tend to be more resilient across economic cycles and generate stable cash flows.

4.13. Following further stakeholder engagement and data reviews, MAS finds insufficient empirical evidence that shows the volatility of infrastructure equity investments is comparable to or lower than real estate investments. Consultations with ECAIs showed that infrastructure equity is generally perceived as being more volatile than direct real estate investments. Nonetheless, there is sufficient data evidence supporting a measured recalibration in risk charge for infrastructure equity with contracted cash flows, in line with the aforementioned lower-risk characteristics.

4.14. Accordingly, MAS will not be benchmarking the risk charges of certain qualifying infrastructure equity investments directly to real estate. Instead, MAS intends to build upon the existing qualifying infrastructure criteria to establish a new category comprising seasoned, core operational infrastructure assets which exhibit lower risks. This category will be characterised by predominantly availability-based, regulated or long-term contractual revenue arrangements, minimal exposure to merchant pricing or demand volatility, while having counterparties of strong credit quality.

4.15. MAS proposes that qualifying infrastructure equity investments be subject to lower equity risk charges of 30% (for developed markets) and 35% (for emerging markets)[16], as set out in Column B of Table 4, if the following conditions are met:

(a) at least 75% of the revenues attributable to the underlying infrastructure assets must be derived from one or more of the following:

(i) availability-based arrangements;

(ii) regulated revenue arrangements[17]; or

(iii) long-term contractual arrangements, including take-or-pay or similar arrangement;

(b) the revenues must not be materially exposed to merchant pricing or demand fluctuations[18]; and

(c) where revenues are derived from contractual arrangements, at least 75% of such revenues must be supported by one or more of the following counterparties:

(i) the Government of Singapore;

(ii) a Singapore Statutory Board;

(iii) another sovereign externally rated IG by a recognised ECAI;

(iv) a public-sector entity[19], or an entity that is wholly government-owned, government-backed or government-guaranteed, and externally rated IG by a recognised ECAI; or

(v) a private-sector entity externally rated IG by a recognised ECAI.

[16] For an investment through a collective investment scheme, the insurer should apply the look-through approach to the underlying infrastructure assets. The proposed 30% equity risk charge applies only to the portion attributable to underlying infrastructure assets that meet the applicable infrastructure definitions, qualifying criteria and additional conditions.

[17] Examples may include regulated revenue arrangements for electricity transmission or water desalination infrastructure, where the tariffs or revenues of the infrastructure operator are set or approved by the relevant national regulatory authority. For the avoidance of doubt, the listing of the investment vehicle, such as a listed REIT, will not, by itself, constitute a regulated revenue arrangement.

[18] In assessing whether revenues are materially exposed to merchant pricing or demand fluctuations, the insurer should consider the extent to which revenues depend on market prices or usage volumes, taking into account any minimum-payment, take-or-pay, capacity-payment or similar protections.

[19] "Public-sector entity" is defined in MAS Notice 133.

Table 4: Current and proposed equity risk charges for qualifying infrastructure equity investments

Location[20]	Column A - Current equity risk charge	Column B – Proposed equity risk charge
Developed markets	35%	30%
Emerging markets	40%	35%

4.16. If the investment does not meet the conditions set out in paragraph 4.15, but still meets the infrastructure definitions and qualifying infrastructure criteria, insurers are to revert to using the current equity risk charge in Column A of Table 4 for qualifying infrastructure equity investments. To avoid doubt, if the definitions and qualifying infrastructure criteria are not met, the investment ceases to be a qualifying infrastructure investment, and would not be eligible for the lower risk charges relative to an equity investment.

Question 11. MAS seeks comments on the proposal to apply a reduced equity risk charge of 30% and 35% to qualifying infrastructure equity investments in developed markets and emerging markets respectively, where the conditions in paragraph 4.15 are met.

Proposal 6 — Introduce a lower credit spread risk charge for qualifying rated infrastructure debt investments with specified characteristics

4.17. In line with Proposal 5, qualifying rated infrastructure debt investments can adopt a similar approach, where risk charges can be lowered where the investment is of lower risk. This also ensures consistency across the infrastructure equity and debt classes.

4.18. MAS proposes that qualifying rated infrastructure debt investments (which already meet the conditions in paragraph 4.8) that also meet all the conditions in paragraph 4.15 be eligible for credit spread risk adjustment factors that are 25% (instead of 20%) lower than those applicable to the corresponding IG corporate debt security. The applicable credit spread risk adjustment factors are shown in Table 5.

[20] Based on whether the infrastructure corporate or infrastructure project is located.

Table 5: Proposed credit spread risk adjustment factors for qualifying rated infrastructure debt investments that meet the specified conditions under Proposal 4 (in paragraph 4.8) and the conditions in paragraph 4.15

Credit Quality Class\ Term	Class A (AAA)	Class B (AA)	Class C (A)	Class D (BBB)
Term ≤ 5 years	79	90	124	184
5 years <Term ≤10 years	72	87	109	173
Term >10 years	68	72	94	162

4.19. To avoid doubt, if a qualifying rated infrastructure debt investment cannot meet all the specified conditions in paragraph 4.8 under Proposal 4 at all times, meeting the conditions in paragraph 4.15 alone will not entitle it to a lower credit spread risk adjustment factors in Table 5. Furthermore if the conditions in paragraph 4.15 are not met, but the infrastructure definitions, qualifying infrastructure criteria and specified conditions in paragraph 4.8 under Proposal 4 are still met, insurers are to revert to using the credit spread risk adjustment factors under Table 3 instead of 5. If the specified conditions in paragraph 4.8 are not met at any time, the investment will no longer be eligible for any lower risk charges relative to a rated corporate debt security.

4.20. To illustrate how Proposal 6 works, we have included a numerical example below.

Example 3

(a) Take the example of a rated infrastructure debt security with a remaining term of 10 years. It has been externally rated "A" by a recognised ECAI, hence of investment grade.

Scenario 1: It does not meet the applicable infrastructure definitions nor all of the qualifying infrastructure criteria under MAS Notice 133 (so treated like a corporate debt security)

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 145 bps = **14.5% of market value**

Scenario 2: It meets the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying rated infrastructure debt investment), and meets the specified conditions under Proposal 4 (in paragraph 4.8).

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 116 bps = **11.6% of market value** (20% lower than Scenario 1)

Example 3 (Cont'd)

Scenario 3: Similar to Scenario 2, but also additionally meets the conditions set out in paragraph 4.15.

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 109 bps = **10.9% of market value** (25% lower than under Scenario 1)

Scenario 4: Is a qualifying rated infrastructure debt investment but does not meet the specified conditions under Proposal 4. However it meets the conditions set out in paragraph 4.15.

Risk charge will be the same as Scenario 1

Scenario 5: Similar to 1, but meets the conditions set out in paragraph 4.15.

Risk charge will be the same as Scenario 1

(b) Take the simplified example of an infrastructure debt fund where the underlying assets are loans and debt securities that have remaining terms of 10 years. The underlying loans and debt securities are all individually externally rated "A" by recognised ECAI.

Scenario 1: The underlying loans and debt securities do not meet the applicable infrastructure definitions nor all of the qualifying infrastructure criteria under MAS Notice 133 (so treated like a corporate debt security).

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 145 bps = **14.5% of market value**

Scenario 2: The underlying loans and debt securities meet the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying rated infrastructure debt investment), and the specified conditions under Proposal 4 can be met.

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 116 bps = **11.6% of market value** (20% lower than Scenario 1)

Scenario 3: Similar to Scenario 2, but underlying loans and debt securities also additionally meets the conditions set out in paragraph 4.15.

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 109 bps = **10.9% of market value** (25% lower than under Scenario 1)

Scenario 4: Is a qualifying rated infrastructure debt investment but does not meet the specified conditions under Proposal 4. However, it meets the conditions set out in paragraph 4.15.

Risk charge will be the same as Scenario 1

Scenario 5: Similar to 1, but meets the conditions set out in paragraph 4.15.

Risk charge will be the same as Scenario 1

Question 12. MAS seeks comments on the proposal to apply a 25% (instead of 20%) reduction to the credit spread risk adjustment factors that are applicable to an IG corporate debt security, for qualifying rated infrastructure debt investments that already meets the specified conditions in paragraph 4.8, and additionally meet all the conditions in paragraph 4.15. The applicable credit spread risk adjustment factors are set out in Table 5.

Question 13. MAS seeks comments on the applicability of the proposed conditions in paragraph 4.15 for qualifying rated infrastructure debt investment.

Proposal 7 — Introduce a lower credit spread risk charge for qualifying unrated infrastructure debt investments with specified characteristics

4.21. To recap, qualifying unrated infrastructure debt investments are currently subject to credit spread risk adjustment factors that are 20% lower than those applicable to unrated corporate debt.

4.22. In line with Proposals 5 and 6, MAS proposes that qualifying unrated infrastructure debt investments that can meet all the specified conditions in paragraph 4.15 be eligible for credit spread risk adjustment factors that are 25% (instead of 20%) lower than those applicable to the corresponding unrated corporate debt security, subject to the floor described in paragraph 4.23.

4.23. As unrated infrastructure debt investments are not subject to external credit assessment, there is less independent visibility over the credit quality of the investment and how its risk profile may change over time. MAS proposes to impose a floor such that the credit spread risk adjustment factor must not be lower than the factor applicable to a "BBB"- rated corporate debt security of the corresponding term. The resultant credit spread adjustment factors, after taking into account of the floor, are shown in Table 6 below.

Table 6: Proposed credit spread risk adjustment factors for qualifying unrated infrastructure debt investments that meet the conditions in paragraph 4.15

Term\ Credit Quality Class	Applicable credit spread risk adjustment factor (bps)[21]
Term ≤ 5 years	245
5 years <Term ≤10 years	230
Term >10 years	215

4.24. To illustrate how Proposal 7 works, we have included a numerical example on the next page.

[21] As a comparison, if there had been no floor imposed, the applicable credit spread risk adjustment factors (in bps) would be 244, 224 and 214 for "Term <=5 years", "5 years <Term<=10 years" and "Term>10 years" respectively.

Example 4

(a) Take the example of an unrated infrastructure debt security with a remaining term of 10 years. It has not been externally rated by a recognised ECAI.

Scenario 1: It does not meet the applicable infrastructure definitions nor all of the qualifying infrastructure criteria under MAS Notice 133 (so treated like a corporate debt security).

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 298 bps = **29.8% of market value**

Scenario 2: It meets the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying unrated infrastructure debt investment).

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 239 bps = **23.9% of market value** (20% lower than under Scenario 1)

Scenario 3: It also additionally meets the conditions set out in paragraph 4.15.

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 230 bps = **23.0% of market value** (23% lower than under Scenario 1, slightly lower than 25% because of the floor)

(b) Take the simplified example of an infrastructure debt fund where the underlying assets are loans and debt securities that have remaining terms of 10 years. The underlying loans and debt securities are not externally rated by a recognised ECAI.

Scenario 1: The underlying loans and debt securities do not meet the applicable infrastructure definitions nor all of the qualifying infrastructure criteria under MAS Notice 133 (so treated like a corporate debt security).

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 298 bps = **29.8% of market value**

Scenario 2: The underlying loans and debt securities meet the applicable infrastructure definitions and all of the qualifying infrastructure criteria under MAS Notice 133 (i.e. qualifying unrated infrastructure debt investment).

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 239 bps = **23.9% of market value** (20% lower than under Scenario 1)

Scenario 3: The underlying loans and debt securities also additionally meet the conditions set out in paragraph 4.15.

The applicable credit spread risk charge can be calculated as modified duration of 10 years x 230 bps = **23.0% of market value** (23% lower than under Scenario 1, slightly lower than 25% because of the floor)

4.25. The conditions in paragraph 4.15 are to be met at all times, and not just when the investment is onboarded. If these conditions are not met, but the investment meets the infrastructure definitions

and qualifying infrastructure criteria, insurer are to revert to using credit spread risk adjustment factors that are 20% lower than those applicable to the unrated corporate debt security of the corresponding term. To avoid doubt, if the definitions and qualifying infrastructure criteria are not met, the investment ceases to be a qualifying infrastructure investment, and would not be eligible for the lower risk charges relative to an unrated corporate debt security.

Question 14. MAS seeks comments on the proposal to apply a 25% (instead of 20%) reduction to the credit spread risk adjustment factors that are applicable to an unrated corporate debt security, for qualifying unrated infrastructure debt investments that additionally meet all the conditions in paragraph 4.15.

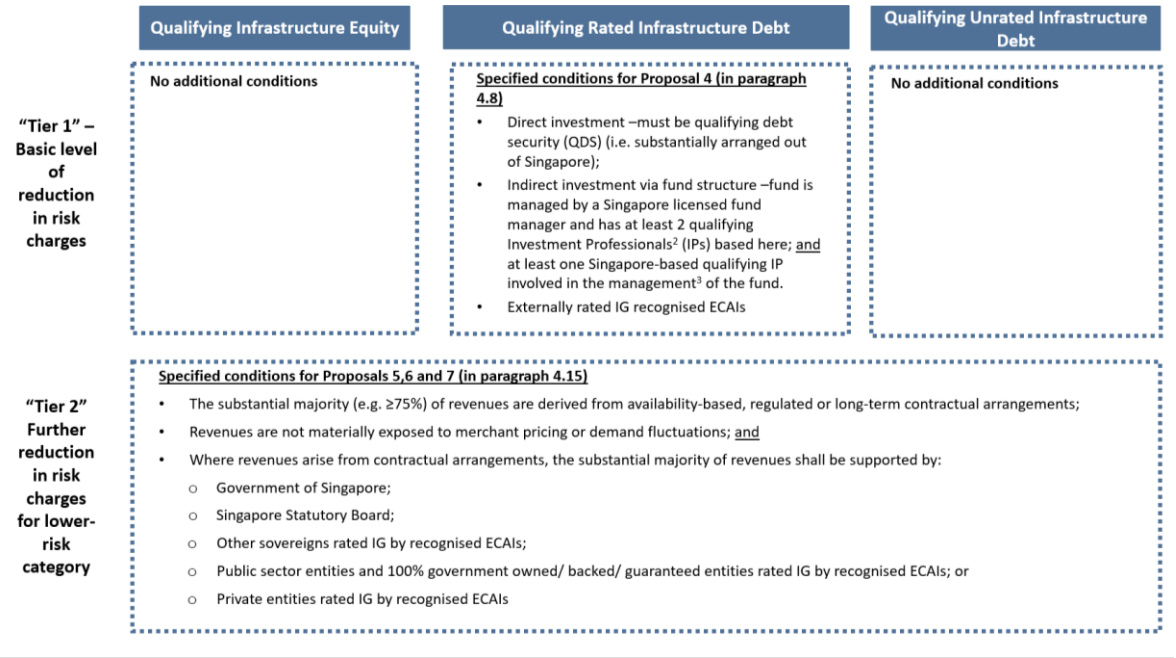
Question 15. MAS seeks comments on the applicability of the proposed conditions in paragraph 4.15 for qualifying unrated infrastructure debt investment.

Question 16. MAS seeks comments on the proposed floor of the credit spread risk adjustment factor of a "BBB"-rated corporate debt security of corresponding term, as described in paragraph 4.23.

Question 17. MAS seeks feedback on any other comments on the consultation paper.

4.26. To summarise, for Proposals 4 to 7, insurers are expected to assess compliance with the relevant criteria and specified conditions under the proposals on an ongoing basis. While insurers may reference assessments, designations, or declarations made by third parties (such as fund managers or external consultants) regarding compliance with these criteria, they remain responsible for conducting their own due diligence and retaining ultimate accountability.

4.27. The following diagram sets out how the various proposed conditions stack up across Proposals 4 to 7, to give effect to the proposed risk charging structure.



5. List of Questions

Question 1. MAS seeks comments on the proposed risk segmentation and loadings for rated debt-based securitisation as set out in Table 1. 8

Question 2. MAS seeks comments on the proposed definition of a senior tranche, including if it is clear on the treatment of tranches that rank pari passu. This is where a tranche is split into two identical parts that sit at the very top of the capital structure sharing losses and cash flows equally (i.e. pari passu). 8

Question 3. MAS seeks comments on whether the proposed STC criteria in Annex A,

a) appropriately identify securitisation exposures that should qualify for the proposed capital treatment; and

b) raise any practical implementation considerations for insurers. 8

Question 4. MAS seeks comments on the proposed risk segmentation and loadings for the rated non-debt based securitisation tranches as set out in Table 2. 10

Question 5. MAS seeks comments on the proposed conditions for a “Senior - Category 1” non-debt based securitisation in paragraph 3.13. 10

Question 6. MAS seeks comments on the proposal to apply a 0% loading for “Senior Non-STC (IG)” (under rated debt-based securitisations) and “Senior - Category 1” (under non-debt based securitisations) that meet the specified conditions in paragraph 3.18. 11

Question 7. MAS seeks comments on the proposed conditions in paragraph 3.18 (a) and (b), namely that the securitisation must be managed by a licensed fund manager in Singapore and that the SPV is domiciled and structured in Singapore. 11

Question 8. MAS seeks comments on whether the proposed STC-like criteria in Annex B under Proposal 3,

a) appropriately identify securitisation exposures that should qualify for the proposed capital treatment; and

b) raise any practical implementation considerations for insurers. 11

Question 9. MAS seeks comments on the proposal to apply a 20% reduction to the credit spread risk adjustment factors that are applicable to a rated corporate debt security, for qualifying rated infrastructure debt investments that can meet all the specified conditions under Proposal 4 in paragraph 4.8. The applicable credit spread risk adjustment factors are set out in Table 3. 16

Question 10. MAS seeks comments on the specified conditions in paragraph 4.8 that must be met in order for the qualifying rated infrastructure debt investments to be eligible for lower risk charges. 16

Question 11. MAS seeks comments on the proposal to apply a reduced equity risk charge of 30% and 35% to qualifying infrastructure equity investments in developed markets and emerging markets respectively, where the conditions in paragraph 4.15 are met. 18

Question 12. MAS seeks comments on the proposal to apply a 25% (instead of 20%) reduction to the credit spread risk adjustment factors that are applicable to an IG corporate debt security, for qualifying rated infrastructure debt investments that already meets the specified conditions in paragraph 4.8, and additionally meet all the conditions in paragraph 4.15. The applicable credit spread risk adjustment factors are set out in Table 5. 21

Question 13. MAS seeks comments on the applicability of the proposed conditions in paragraph 4.15 for qualifying rated infrastructure debt investment. 21

Question 14. MAS seeks comments on the proposal to apply a 25% (instead of 20%) reduction to the credit spread risk adjustment factors that are applicable to an unrated corporate debt security, for qualifying unrated infrastructure debt investments that additionally meet all the conditions in paragraph 4.15. 23

Question 15. MAS seeks comments on the applicability of the proposed conditions in paragraph 4.15 for qualifying unrated infrastructure debt investment. 23

Question 16. MAS seeks comments on the proposed floor of the credit spread risk adjustment factor of a "BBB"-rated corporate debt security of corresponding term, as described in paragraph 4.23. 23

Question 17. MAS seeks feedback on any other comments on the consultation paper. 23

Annex A

Proposed criteria for Simple, Transparent and Comparable (STC) Securitisations

This Annex sets out the proposed criteria for a securitisation exposure to qualify for the proposed capital treatment under Proposal 1. The criteria are adapted from the STC criteria in Annex 7AE of MAS Notice 637 for application to insurers as investors.

1. Homogeneity and nature of the underlying exposures

1.1 The underlying exposures must:
(a) be homogeneous, having regard to their asset type, country or jurisdiction, legal system and currency;
(b) have common material risk drivers and risk profiles;
(c) not require materially different legal or credit-risk analyses because of differences in jurisdiction, legal system or currency;
(d) constitute binding and enforceable payment obligations with well-defined payment streams relating to principal, interest, rental or other income, as applicable; and
(e) not include a securitisation position.

1.2 Interest payments and discount rates must be based on commonly encountered market or sectoral rates and must not reference complex formulae or exotic derivatives.

1.3 Payments to holders of the securitisation positions must depend principally on principal and interest proceeds from the underlying exposures. Partial reliance on refinancing or resale of assets securing the exposures may be permitted where refinancing is sufficiently distributed within the pool and the residual values on which repayment relies are sufficiently low.

2. Historical performance and relevant experience

2.1 Verifiable default, delinquency and loss-performance data must be available for exposures with substantially similar risk characteristics for a period long enough to permit meaningful evaluation of risk and, in any event,:
(a) for at least seven years in the case of non-retail exposures; and
(b) for at least five years in the case of retail exposures.

2.2 The sources of the data, access to the data and the basis on which the exposures are considered substantially similar must be disclosed.

2.3 The originator and original lender must have relevant experience in originating exposures of a similar nature.

2.4 The servicer must have relevant experience or otherwise demonstrate the operational capabilities required by paragraph 9.

3. Performing assets and underwriting

3.1 At the time an underlying exposure is included in the securitisation, it must be performing and must not:
(a) be in default or delinquent;
(b) be subject to enforcement or a material dispute;
(c) exhibit a known material increase in expected loss or likely deterioration in performance status; or
(d) be an exposure to a materially credit-impaired debtor or guarantor.

3.2 For paragraph 3.1(d), the assessment must consider whether the debtor or guarantor:
(a) was subject to insolvency proceedings or financial-difficulty restructuring during the preceding three years;
(b) is recorded on an applicable adverse credit registry; or
(c) has a credit assessment or score indicating a materially higher risk of non-payment than comparable performing exposures.

3.3 The assessment under paragraphs 3.1 and 3.2 must have been conducted no earlier than 45 days before the relevant closing date or date of inclusion. At the time of the assessment, there must be no evidence indicating likely deterioration in the performance status of the underlying exposures.

3.4 At least one payment must have been made on each underlying exposure before its inclusion, except for a revolving exposure, trade receivable, exposure payable in a single instalment or other exposure specified by MAS.

3.5 The underlying exposures must have been originated:
(a) in the ordinary course of business;
(b) under sound and prudent underwriting standards;
(c) under standards no less stringent than those applied to comparable exposures retained by the originator or original lender; and
(d) following either:
(i) an appropriate assessment of each debtor's ability and willingness to meet its obligations; or
(ii) for a granular pool originated in the ordinary course of business, modelling demonstrating that expected cash flows meet the securitisation's stated obligations under prudently stressed loan-loss scenarios.

3.6 A pool of residential mortgage loans must not include a loan marketed or underwritten on the basis that information provided by the borrower would not be verified.

3.7 Where an exposure was originated by a third party, the originator must have reviewed the third party's underwriting standards and the application of those standards to the exposure.

4. Selection and management of the pool

4.1 The underlying exposures must be selected in accordance with predetermined, clear and documented eligibility criteria.

4.2 The performance of the securitisation must not rely on ongoing selection of exposures through discretionary active management or cherry-picking of the underlying exposures post-closing.

4.3 An exposure added after closing must satisfy the same eligibility criteria as the initial pool.

4.4 Substitution or repurchase of an exposure following a breach of representation or warranty does not constitute active management where it is not undertaken on a discretionary basis.

5. Transfer and insolvency remoteness

5.1 The underlying exposures must be transferred to the securitisation vehicle by a true sale, assignment or other transfer having equivalent legal effect.

5.2 The transfer must:
(a) be enforceable against the relevant obligors, seller and relevant third parties;
(b) place the underlying exposures beyond the reach of the seller, its creditors and its liquidator;
(c) not be subject to material recharacterisation or clawback risk;
(d) transfer effective recourse to the ultimate obligation;
(e) not be effected by a credit derivative, guarantee or other synthetic means; and
(f) not result in a securitisation of other securitisation positions.

5.3 Despite paragraph 5.1, where the law of the relevant jurisdiction provides a legally effective means other than transfer to achieve true-sale treatment, that mechanism may be used if:
(a) the requirements in paragraphs 5.2(a) to (d) are satisfied; and
(b) the transaction documents disclose:
(i) the material legal obstacles to transfer;
(ii) the means of recourse to the ultimate obligors; and
(iii) any conditions affecting delayed or contingent transfer or timely perfection.

5.4 Where the transfer of an underlying exposure is delayed or contingent, the transaction documents must disclose the conditions affecting the transfer, the steps required for perfection and any factors affecting timely perfection.

5.5 The seller must provide appropriate representations and warranties concerning title, enforceability and the absence of any foreseeable condition or encumbrance that could adversely affect the legal enforceability of collections.

5.6 Compliance with paragraphs 5.1 to 5.5 must be supported by an independent legal opinion. The insurer must have access to a summary of the conclusion, scope, material assumptions and material qualifications of that opinion. The insurer need not obtain the complete legal opinion where such a summary provides sufficient information to assess compliance with paragraphs 5.1 to 5.5.

6. Data and independent verification

6.1 Sufficient information at the level of each underlying credit claim or receivable or, where appropriate, granular pool-level information must be made available:
(a) before pricing, to an insurer participating in the primary issuance; or
(b) sufficiently before acquisition, to an insurer acquiring the securitisation position after pricing,
in each case to enable investors to assess the risk characteristics of the underlying pool.

6.2 During the life of the securitisation, the information in paragraph 6.1 and sufficient performance and cash-flow reports must be made available at least quarterly.

6.3 The reporting cut-off dates for pool data and investor reports must be aligned or reconcilable.

6.4 Before issuance, an appropriate, legally accountable and independent external party must review:
(a) the accuracy, or factual accuracy in accordance with agreed-upon procedures, of the disclosed information concerning the underlying exposures, having regard to the scope of the review; and
(b) conformity of the initial pool with the eligibility criteria.

6.5 The review under paragraph 6.4 may be conducted using a representative sample of the initial pool determined in accordance with a sound and documented methodology. The results of the review, including material exceptions, must be disclosed in the initial offering documentation.

6.6 A liability cash-flow model, or sufficient information on the cash-flow provisions to enable investors to model the contractual cash-flow waterfall, must be available before acquisition and thereafter on an ongoing basis.

7. Refinancing, derivatives and hedging

7.1 Repayment of the securitisation positions must not depend materially on the refinancing or sale of the underlying exposures, except where:
(a) such reliance is sufficiently limited; and
(b) the pool is sufficiently granular with appropriately distributed repayment profiles.

7.2 Interest-rate and currency mismatches must be appropriately mitigated at all times and disclosed.

7.3 Timely and regular quantitative information must be available throughout the life of the transaction to demonstrate the effectiveness of the mitigation in paragraph 7.2, including:
(a) the proportion of relevant notional amounts hedged; and
(b) sensitivity analysis under extreme but plausible scenarios.

7.4 The securitisation vehicle may enter into derivatives only for genuine hedging of interest-rate or currency mismatches. Such derivatives must be documented under generally accepted market-standard agreements.

7.5 Any non-derivative risk-mitigation arrangement must be specifically created and used to mitigate an individual and specific risk, and not multiple risks at the same time, fully funded and available at all times.

8. Payment priorities and structural protections

8.1 The transaction documents must clearly specify and support the enforceability of:
(a) payment priorities in all material circumstances;
(b) triggers affecting the payment waterfall or payment profile;
(c) the consequences and reversibility of a trigger breach; and
(d) the rights of senior and junior investors.
The enforceability of payment priorities must be supported by a written independent legal opinion.

8.2 A junior liability must not receive payment preference over a due and payable senior liability, and the transaction must not contain a reverse waterfall.

8.3 Following a performance-related trigger, event of default, enforcement event or acceleration, as applicable under the transaction documents:
(a) principal proceeds must be applied sequentially according to tranche seniority;
(b) repayment priority must not be reversed;
(c) the underlying exposures must not be subject to automatic liquidation at market value; and
(d) cash must not be retained in the vehicle beyond what is reasonably necessary for its operation, orderly repayment of investors or protection of the underlying exposures in investors' interests.

8.4 Where the ordinary waterfall is not sequential, the transaction must contain an objective performance trigger that causes principal payments to revert to sequential order by seniority.

8.5 A securitisation featuring a revolving period must contain appropriate early-amortisation or revolving-period termination triggers, or both, covering at least:
(a) deterioration of pool credit quality;
(b) inability to acquire sufficient replacement exposures satisfying the eligibility criteria; and
(c) insolvency, default or material non-performance of the originator or servicer, where relevant to the continued operation of the revolving structure.

8.6 Definitions and treatment of delinquency, default, restructuring, forbearance, payment holidays, losses, recoveries and other performance remedies must, where relevant to the nature of the underlying exposures, be clear and consistently applied. Sufficient information must be made available to investors to identify and monitor such events and remedies on an ongoing basis.

8.7 Sufficient information on the payment waterfall and relevant cash-flow provisions must be made available to investors to enable them to understand and assess the allocation of cash flows and losses across securitisation positions.

8.8 Investor reports must identify any breach of a trigger affecting the payment waterfall, payment profile or payment priorities, the likelihood that the breach will be reversed, the consequences of the breach and the evolution of the relevant trigger indicators. A trigger breached between payment dates must be disclosed to investors on a timely basis in accordance with the transaction documents.

9. Servicing, governance and continuity

9.1 The servicer must have:
(a) relevant experience and expertise, supported by a management team with extensive industry experience;
(b) documented policies, procedures and risk-management controls;
(c) systems capable of producing timely, complete and accurate investor reports;
(d) appropriate workout, legal and collateral-management capability; and
(e) a proven track record in loss mitigation and the capability to act in accordance with reasonable and prudent standards.

9.2 Where the servicer is not a bank, an independent external party must review and substantiate the adequacy of the servicer's:
(a) policies and procedures;
(b) risk-management controls;
(c) systems; and
(d) reporting capabilities.

9.3 Upon the insolvency of the originator, the originator must transfer to the securitisation all voting and enforcement rights relating to the underlying credit claims or receivables.

9.4 The transaction documents must clearly identify:
(a) the duties and responsibilities of the servicer, trustee and other key parties;
(b) voting and enforcement rights;
(c) arrangements for resolving conflicts among investor classes; and
(d) procedures for replacing a servicer, account bank, derivative counterparty, liquidity provider or other material service provider following default, insolvency, non-performance or material credit deterioration.

9.5 Each party with fiduciary responsibility to the securitisation or its investors must have sufficient skills and resources to perform its duties of care on a timely basis and in the interests of investors.

9.6 The remuneration arrangements for the servicer and each party with fiduciary responsibility must provide appropriate incentives and sufficient resources for those parties to perform their responsibilities fully and on a timely basis.

9.7 Investor reports must provide complete and reconcilable information on the securitisation's receipts, payments and ledger entries, including:
(a) principal and interest collections and payments;
(b) prepayments and repurchases;
(c) fees and charges;
(d) delinquent, defaulted and restructured amounts;
(e) forbearance and payment holidays; and
(f) principal and interest deficiency ledgers.

10. Documentation and disclosure

10.1 Sufficient draft offering and transaction documents must be made available:
(a) sufficiently before pricing; or
(b) for a secondary-market acquisition, sufficiently before the insurer acquires the exposure,
to enable an informed assessment, and the relevant information must be presented so that it can be readily found, understood and used.

10.2 Final offering documents must be available at closing, and the remaining final material transaction documents must be available shortly thereafter.

10.3 Before publication, the terms and material transaction documents must be reviewed by an appropriately experienced and independent external legal practice.

10.4 Material amendments affecting compliance with these criteria or the structural risk of the securitisation must be notified to investors without undue delay.

11. Risk retention

11.1 An insurer may apply the proposed capital treatment under Proposal 1 only if the originator of the underlying exposures retains a material net economic interest in the securitisation on an ongoing basis.

11.2 The retained interest must:
(a) be measured at origination and maintained on an ongoing basis;
(b) not be divided among different retainers; and
(c) not be hedged or otherwise subject to credit-risk mitigation in a manner that materially reduces the retained exposure.

12. Additional prudential eligibility criteria

12.1 At the portfolio cut-off date, the underlying exposures, after recognising the effects of eligible credit-risk mitigation, must be assigned risk weights under SA(CR) in MAS Notice 637 that do not exceed:
(a) 40%, calculated on a value-weighted average basis for the portfolio, where the underlying exposures are regulatory residential real estate exposures;
(b) 50% for each underlying exposure that is a regulatory commercial real estate exposure, other real estate exposure, or acquisition, development and construction exposure;
(c) 75% for each underlying exposure that is a regulatory retail exposure; or
(d) 100% for any other underlying exposure.

12.2 At the portfolio cut-off date, the aggregate exposure to a single obligor must not exceed 1% of the aggregate outstanding exposure value of all underlying exposures in the portfolio.

12.3 With MAS's prior approval, the limit in paragraph 12.2 may be increased to 2% for corporate exposures from a country or jurisdiction with structurally concentrated corporate loan markets

available for securitisation, if:
(a) the originator retains the subordinated tranche or, where there is more than one subordinated tranche, all subordinated tranches that provide loss-absorbing credit enhancement; and
(b) the retained subordinated tranche or tranches cover at least the first 10% of losses.

12.4 An insurer must not apply the proposed capital treatment under Proposal 1 to a subordinated tranche retained by the originator for the purposes of satisfying paragraph 12.3.

13. Ongoing assessment

13.1 The insurer must reassess continued compliance at a frequency proportionate to the nature of the criterion and, in any event: (a) at least quarterly for ongoing information, performance, structural and retention requirements; (b) and promptly following:
(i) a material amendment to the transaction documents;
(ii) a material reporting failure, trigger breach or change in risk retention; or
(iii) any other information that could reasonably invalidate its previous assessment.

13.2 For a revolving or replenishing pool:
(a) objective eligibility controls must apply to each exposure added to the pool; and
(b) the insurer must, at least quarterly, assess the operation of those controls and continued pool compliance using investor reports and such risk-based testing or representative sampling as is reasonable, having regard to the nature of the pool and the information available to the insurer.

13.3 A criterion expressed to apply at origination, inclusion, the portfolio cut-off date or closing need not be retested as if the relevant event occurred again. However, the insurer must consider any information indicating that the criterion was not satisfied at the relevant time.

13.4 Where a substantive ongoing criterion ceases to be satisfied, the insurer must cease applying the qualifying capital treatment from the reporting date on which the insurer becomes aware, or ought reasonably to have become aware, of the failure, subject to:
(a) any express cure period prescribed by MAS for an information-delivery failure; and
(b) any transitional treatment expressly specified by MAS.

Annex B

Proposed STC-like criteria for securitisations

This Annex sets out the proposed criteria for a securitisation exposure to qualify for the differentiated capital treatment under Proposal 3. The criteria are adapted from Annex A where the differences are highlighted in blue.

1. ~~Homogeneity and~~ Nature of the underlying exposures

~~1.1 The underlying exposures must:~~

~~(a) be homogeneous, having regard to their asset type, country or jurisdiction, legal system and currency;~~

~~(b) have common material risk drivers and risk profiles;~~

~~(c) not require materially different legal or credit risk analyses because of differences in jurisdiction, legal system or currency;~~

~~(d) constitute binding and enforceable payment obligations with well-defined payment streams relating to principal, interest, rental or other income, as applicable; and~~

~~(e) not include a securitisation position.~~

~~1.2 Interest payments and discount rates must be based on commonly encountered market or sectoral rates and must not reference complex formulae or exotic derivatives.~~

~~1.3 Payments to holders of the securitisation positions must depend principally on principal and interest proceeds from the underlying exposures. Partial reliance on refinancing or resale of assets securing the exposures may be permitted where refinancing is sufficiently distributed within the pool and the residual values on which repayment relies are sufficiently low.~~

1.1 The underlying exposures must:

(a) constitute identifiable and legally enforceable rights or interests capable of being validly held by the securitisation vehicle;

(b) have economic characteristics, sources of return and material risks that are sufficiently clear to permit investors to conduct appropriate due diligence; and

(c) not include a securitisation position or otherwise result in a re-securitisation.

1.2 Where payments, distributions, valuations or discount rates reference market or sectoral rates, formulae or derivatives, those references must be transparent and capable of being modelled and must not introduce undue complexity.

1.3 Payments to holders of the securitisation positions must depend principally on identifiable cash flows, distributions or realisation proceeds from the underlying exposures. Any reliance on refinancing or realisation must be consistent with the stated investment strategy, supported by prudent assumptions and not give rise to material concentration or cliff risk.

2. Historical performance and relevant experience

2.1 ~~Verifiable default, delinquency and loss-performance data must be available for exposures with substantially similar risk characteristics for a period long enough to permit meaningful evaluation of risk and, in any event:~~ Verifiable historical performance data appropriate to the nature of the underlying exposures must be available for exposures or assets with substantially similar risk characteristics for a period long enough to permit meaningful evaluation of risk. Such data must include, where applicable, defaults, delinquencies and losses for debt-based exposures, and distributions, cash-flow shortfalls, valuation changes, impairments, realisations and recoveries for non-debt based exposures.
~~(a) for at least seven years in the case of non-retail exposures; and~~
~~(b) for at least five years in the case of retail exposures.~~

2.2 The sources of the data, access to the data and the basis on which the exposures or assets are considered substantially similar must be disclosed.

2.3 The originator and original lender ~~must have relevant experience in originating exposures of a similar nature~~or, for non-debt based exposures, the sponsor, asset manager or other party responsible for acquiring or managing the underlying assets, must have relevant experience in originating, acquiring or managing assets of a similar nature, as applicable.

2.4 The servicer or other party responsible for administering or managing the underlying exposures must have relevant experience or otherwise demonstrate the operational capabilities required by paragraph 9.

3. ~~Performing assets and underwriting~~Performance and origination or acquisition standards

3.0 Paragraphs 3.1 to 3.7 apply to the extent relevant to the nature of the underlying exposures. For non-debt based exposures, references to a debtor, guarantor, default, delinquency, payment history, underwriting or loan-loss modelling must be read as references to the corresponding obligor, issuer, investee entity, fund, asset, performance event, contribution or distribution history, acquisition or investment process, and stressed cash-flow or valuation analysis, as applicable.

3.1 At the time an underlying exposure is included in the securitisation, it must be performing or otherwise not materially impaired, having regard to its nature, and must not:
(a) be in default or delinquent or, for a non-debt-based exposure, subject to an equivalent material performance failure;
(b) be subject to enforcement or a material dispute;
(c) exhibit a known material increase in expected loss or likely deterioration in performance status or value; or
(d) be an exposure to a materially credit-impaired debtor or guarantor or, for a non-debt based exposure, an asset whose ability to generate, preserve or realise value is materially impaired.

3.2 For paragraph 3.1(d), the assessment must consider whether the debtor or guarantor or, where relevant, the issuer, investee entity, fund or other person responsible for the performance of a non-debt-based exposure:
(a) was subject to insolvency proceedings or financial-difficulty restructuring during the preceding

three years;
(b) is recorded on an applicable adverse credit registry or subject to an equivalent adverse regulatory, legal or financial record relevant to the exposure; or
(c) has a credit assessment or score indicating a materially higher risk of non-payment than comparable performing exposures or other information indicating a materially higher risk of cash-flow shortfall, impairment or loss than comparable exposures.

3.3 The assessment under paragraphs 3.1 and 3.2 must have been conducted no earlier than 45 days before the relevant closing date or date of inclusion. At the time of the assessment, there must be no evidence indicating likely deterioration in the performance status of the underlying exposures, or in their ability to generate, preserve or realise value, as applicable.

3.4 At least one payment must have been made on each underlying exposure before its inclusion, except for a revolving exposure, trade receivable, exposure payable in a single instalment or other exposure specified by MAS. For a non-debt-based exposure to which a periodic payment history is not applicable, there must be evidence of acquisition, funding, contribution, distribution, valuation or other performance in accordance with the exposure's contractual or governing terms before inclusion, unless the nature of the exposure makes such evidence inapplicable.

3.5 The underlying exposures must have been originated or acquired:
(a) in the ordinary course of business;
(b) under sound and prudent underwriting or investment and acquisition standards;
(c) under standards no less stringent than those applied to comparable exposures retained by the originator or original lender or comparable assets acquired or managed by the relevant sponsor or asset manager; and
(d) following either:
(i) an appropriate assessment of each debtor's ability and willingness to meet its obligations or, for a non-debt-based exposure, of the asset's capacity to generate, preserve or realise value; or
(ii) for a granular pool originated or acquired in the ordinary course of business, modelling demonstrating that expected cash flows meet the securitisation's stated obligations under prudently stressed loan-loss , cash-flow, valuation and realisation scenarios.

3.6 A pool of residential mortgage loans must not include a loan marketed or underwritten on the basis that information provided by the borrower would not be verified. For non-debt based exposures, material information supporting acquisition, ownership, valuation and expected cash flows must be subject to verification appropriate to the nature of the exposure.

3.7 Where an exposure was originated, acquired or managed by a third party, the originator or sponsor must have reviewed the third party's underwriting, acquisition, valuation and asset-management standards and the application of those standards to the exposure.

4. Selection and management of the pool

4.1 The underlying exposures must be selected in accordance with predetermined, clear and documented eligibility criteria.

4.2 The performance of the securitisation must not rely on ongoing selection of exposures through discretionary active management or cherry-picking of the underlying exposures post-closing.

4.3 An exposure added after closing must satisfy the same eligibility criteria as the initial pool.

4.4 Substitution or repurchase of an exposure following a breach of representation or warranty does not constitute active management where it is not undertaken on a discretionary basis.

~~5. Transfer and insolvency remoteness~~

~~5.1 The underlying exposures must be transferred to the securitisation vehicle by a true sale, assignment or other transfer having equivalent legal effect.~~

~~5.2 The transfer must:~~

~~(a) be enforceable against the relevant obligors, seller and relevant third parties;~~
~~(b) place the underlying exposures beyond the reach of the seller, its creditors and its liquidator;~~
~~(c) not be subject to material recharacterisation or clawback risk;~~
~~(d) transfer effective recourse to the ultimate obligation;~~
~~(e) not be effected by a credit derivative, guarantee or other synthetic means; and~~
~~(f) not result in a securitisation of other securitisation positions.~~

~~5.3 Despite paragraph 5.1, where the law of the relevant jurisdiction provides a legally effective means other than transfer to achieve true-sale treatment, that mechanism may be used if:~~
~~(a) the requirements in paragraphs 5.2(a) to (d) are satisfied; and~~
~~(b) the transaction documents disclose:~~
~~(i) the material legal obstacles to transfer;~~
~~(ii) the means of recourse to the ultimate obligors; and~~
~~(iii) any conditions affecting delayed or contingent transfer or timely perfection.~~

~~5.4 Where the transfer of an underlying exposure is delayed or contingent, the transaction documents must disclose the conditions affecting the transfer, the steps required for perfection and any factors affecting timely perfection.~~

~~5.5 The seller must provide appropriate representations and warranties concerning title, enforceability and the absence of any foreseeable condition or encumbrance that could adversely affect the legal enforceability of collections.~~

~~5.6 Compliance with paragraphs 5.1 to 5.5 must be supported by an independent legal opinion. The insurer must have access to a summary of the conclusion, scope, material assumptions and material qualifications of that opinion. The insurer need not obtain the complete legal opinion where such a summary provides sufficient information to assess compliance with paragraphs 5.1 to 5.5.~~

6. Data and independent verification

6.1 Sufficient information at the level of each underlying ~~credit claim or receivable~~exposure or, where appropriate, granular pool-level information must be made available:

(a) before pricing, for an insurer participating in the primary issuance; or
(b) sufficiently before acquisition, for an insurer acquiring the securitisation position after pricing,
in each case to enable investors to assess the risk characteristics of the underlying pool. For non-debt based exposures, the information must include, as applicable, ownership and governance rights, capital commitments and calls, distributions, valuations and valuation methodologies, leverage, liquidity, asset-level cash flows, fees, material restrictions on transfer or realisation, and material dependencies on an asset manager or other service provider.

6.2 During the life of the securitisation, the information in paragraph 6.1 and sufficient performance, valuation and cash-flow reports must be made available at least quarterly.

6.3 The reporting cut-off dates for pool data or valuation data and investor reports must be aligned or reconcilable.

6.4 Before issuance, an appropriate, legally accountable and independent external party must review:
(a) the accuracy, or factual accuracy in accordance with agreed-upon procedures, of the disclosed information concerning the underlying exposures, having regard to the scope of the review; and
(b) conformity of the initial pool with the eligibility criteria. For non-debt based exposures, the review must address the matters capable of independent verification, including ownership, existence, valuation inputs and conformity with the stated eligibility criteria, as applicable.

6.5 The review under paragraph 6.4 may be conducted using a representative sample of the initial pool determined in accordance with a sound and documented methodology. The results of the review, including material exceptions, must be disclosed in the initial offering documentation.

6.6 A liability cash-flow model, or sufficient information on the cash-flow provisions to enable investors to model the contractual cash-flow waterfall, must be available before acquisition and thereafter on an ongoing basis. The model or information must reflect, where relevant, non-contractual or variable distributions, capital calls, valuation-based proceeds, realisation timing and other cash-flow features of non-debt-based exposures.

7. ~~Refinancing, derivatives and hedging~~Refinancing, realisation, derivatives and risk mitigation

7.1 Repayment of the securitisation positions must not depend materially on the refinancing or sale or realisation of the underlying exposures, except where:
(a) such reliance is sufficiently limited; and
(b) the pool is sufficiently granular with appropriately distributed repayment, distribution or realisation profiles. For non-debt based exposures whose returns ordinarily arise from distributions or realisation, the transaction must instead demonstrate that such reliance is consistent with the stated investment strategy, supported by prudent assumptions and not concentrated in a manner that creates material cliff risk.

7.2 Interest-rate and currency mismatches must be appropriately mitigated at all times and disclosed. Other material asset-liability mismatches arising from the timing, amount or variability of distributions or realisation proceeds from non-debt-based exposures must also be appropriately mitigated or otherwise addressed and disclosed.

7.3 Timely and regular quantitative information must be available throughout the life of the transaction to demonstrate the effectiveness of the mitigation in paragraph 7.2, including:
(a) the proportion of relevant notional amounts hedged; and
(b) sensitivity analysis under extreme but plausible scenarios. For risks not mitigated through hedging, the information must include suitable exposure measures and sensitivity or scenario analysis demonstrating the effectiveness of the relevant structural or liquidity mitigants.

7.4 The securitisation vehicle may enter into derivatives only for genuine hedging of interest-rate or currency mismatches or other material market risks arising from the underlying exposures. Such derivatives must be documented under generally accepted market-standard agreements.

7.5 Any non-derivative risk-mitigation arrangement must be specifically created and used to mitigate an individual and specific risk, and not multiple risks at the same time, fully funded and available at all times.

8. Payment priorities and structural protections

8.1 The transaction documents must clearly specify and support the enforceability of:
(a) payment priorities in all material circumstances;
(b) triggers affecting the payment waterfall or payment profile;
(c) the consequences and reversibility of a trigger breach; and
(d) the rights of senior and junior investors.
The enforceability of payment priorities must be supported by a written independent legal opinion.

8.2 A junior ~~liability~~securitisation position must not receive payment preference over a due and payable senior ~~liability~~securitisation position, and the transaction must not contain a reverse waterfall.

8.3 Following a performance-related trigger, event of default, enforcement event or acceleration, as applicable under the transaction documents:
(a) principal , distribution and realisation proceeds must be applied sequentially according to tranche seniority;
(b) repayment priority must not be reversed;
(c) the underlying exposures must not be subject to automatic liquidation at market value; and
(d) cash must not be retained in the vehicle beyond what is reasonably necessary for its operation, orderly repayment of investors or protection of the underlying exposures in investors' interests.

8.4 Where the ordinary waterfall is not sequential, the transaction must contain an objective performance trigger that causes principal, distribution or realisation payments to revert to sequential order by seniority.

8.5 A securitisation featuring a revolving period must contain appropriate early-amortisation or revolving-period termination triggers, or both, covering at least:
(a) deterioration of pool credit quality or, for non-debt-based exposures, a material deterioration in value, cash-flow generation, liquidity or realisation prospects;
(b) inability to acquire sufficient replacement exposures satisfying the eligibility criteria; and
(c) insolvency, default or material non-performance of the originator or servicer or, where relevant, the

sponsor, asset manager or other material service provider, where relevant to the continued operation of the revolving structure.

8.6 Definitions and treatment of delinquency, default, restructuring, forbearance, payment holidays, losses, recoveries and other performance remedies must, where relevant to the nature of the underlying exposures, be clear and consistently applied. For non-debt based exposures, equivalent definitions and treatment must be provided for valuation changes, impairments, shortfalls, delayed or reduced distributions, capital calls, asset disposals, write-downs and recoveries, as applicable. Sufficient information must be made available to investors to identify and monitor such events and remedies on an ongoing basis.

8.7 Sufficient information on the payment waterfall and relevant cash-flow provisions must be made available to investors to enable them to understand and assess the allocation of cash flows and losses across securitisation positions.

8.8 Investor reports must identify any breach of a trigger affecting the payment waterfall, payment profile or payment priorities, the likelihood that the breach will be reversed, the consequences of the breach and the evolution of the relevant trigger indicators. A trigger breached between payment dates must be disclosed to investors on a timely basis in accordance with the transaction documents.

9. Servicing or asset management, governance and continuity

9.1 The servicer or, for non-debt based exposures, the asset manager or other party responsible for administration or management of the underlying assets must have:
(a) relevant experience and expertise, supported by a management team with extensive industry experience;
(b) documented policies, procedures and risk-management controls;
(c) systems capable of producing timely, complete and accurate investor reports;
(d) appropriate workout, legal and collateral-management capability or, as applicable, investment-management, valuation, liquidity-management and asset-realisation capability; and
(e) a proven track record in loss mitigation and the capability to act in accordance with reasonable and prudent standards.

9.2 Where the servicer, asset manager or other relevant administrator is not a bank, an independent external party must review and substantiate the adequacy of the servicer's or relevant party's:
(a) policies and procedures;
(b) risk-management controls;
(c) systems; and
(d) reporting capabilities.

9.3 ~~Upon the insolvency of the originator, the originator must transfer to the securitisation all voting and enforcement rights relating to the underlying credit claims or receivables.~~

9.4 The transaction documents must clearly identify:
(a) the duties and responsibilities of the servicer, trustee and other key parties , including any sponsor or asset manager;

(b) voting and enforcement rights and, for non-debt based exposures, governance, consent, information and disposal rights;
(c) arrangements for resolving conflicts among investor classes; and
(d) procedures for replacing a servicer, account bank, derivative counterparty, liquidity provider or other material service provider , including an asset manager where relevant, following default, insolvency, non-performance or material credit deterioration or other material deterioration in its ability to perform.

9.5 Each party with fiduciary responsibility to the securitisation or its investors must have sufficient skills and resources to perform its duties of care on a timely basis and in the interests of investors.

9.6 The remuneration arrangements for the servicer, asset manager and each party with fiduciary responsibility must provide appropriate incentives and sufficient resources for those parties to perform their responsibilities fully and on a timely basis.

9.7 Investor reports must provide complete and reconcilable information on the securitisation's receipts, payments and ledger entries, including:
(a) principal and interest collections and payments or, for non-debt based exposures, contributions, distributions, dividends, gains and other proceeds;
(b) prepayments and repurchases or acquisitions, disposals and realisations;
(c) fees and charges;
(d) delinquent, defaulted and restructured amounts or valuation changes, impairments, write-downs and cash-flow shortfalls;
(e) forbearance and payment holidays or other equivalent modifications or deferrals; and
(f) principal and interest deficiency ledgers or equivalent loss-allocation, capital-account or valuation records.

10. Documentation and disclosure

10.1 Sufficient draft offering and transaction documents must be made available:
(a) sufficiently before pricing; or
(b) for a secondary-market acquisition, sufficiently before the insurer acquires the exposure,
to enable an informed assessment, and the relevant information must be presented so that it can be readily found, understood and used.

10.2 Final offering documents must be available at closing, and the remaining final material transaction documents must be available shortly thereafter.

10.3 Before publication, the terms and material transaction documents must be reviewed by an appropriately experienced and independent external legal practice.

10.4 Material amendments affecting compliance with these criteria or the structural risk of the securitisation must be notified to investors without undue delay.

11. Risk retention

11.1 An insurer may apply the proposed capital treatment under Proposal 3 only if the originator of the underlying exposures or, for non-debt based exposures, the sponsor, seller, asset manager or other party responsible for selecting or acquiring the underlying assets retains a material net economic interest in the securitisation on an ongoing basis.

11.2 The retained interest must:

(a) be measured at origination and maintained on an ongoing basis;

(b) not be divided among different retainers; and

(c) not be hedged or otherwise subject to credit-risk mitigation or other risk transfer in a manner that materially reduces the retained exposure.

12. Additional prudential eligibility criteria

12.0 Paragraphs 12.1 to 12.4 apply to debt-based underlying exposures to which risk weights under SA(CR) in MAS Notice 637 can be assigned. For non-debt-based underlying exposures, the applicable capital treatment will continue to apply, with the exposures being assessed using measures appropriate to their nature, including concentration, leverage, valuation, liquidity, cash-flow variability and realisation risk. The insurer must maintain documentation on why the measures used provide protection comparable to the relevant prudential objective of paragraphs 12.1 to 12.4.

12.1 At the portfolio cut-off date, the underlying exposures, after recognising the effects of eligible credit-risk mitigation, must be assigned risk weights under SA(CR) in MAS Notice 637 that do not exceed:

(a) 40%, calculated on a value-weighted average basis for the portfolio, where the underlying exposures are regulatory residential real estate exposures;

(b) 50% for each underlying exposure that is a regulatory commercial real estate exposure, other real estate exposure, or acquisition, development and construction exposure;

(c) 75% for each underlying exposure that is a regulatory retail exposure; or

(d) 100% for any other underlying exposure.

12.2 At the portfolio cut-off date, the aggregate exposure to a single obligor or, for non-debt based exposures, to a single issuer, investee entity, fund, asset, asset group or common risk driver, as applicable, must not exceed 1% of the aggregate outstanding exposure value of all underlying exposures in the portfolio.

12.3 With MAS's prior approval, the limit in paragraph 12.2 may be increased to 2% for corporate exposures from a country or jurisdiction with structurally concentrated corporate loan markets available for securitisation, if:

(a) the originator retains the subordinated tranche or, where there is more than one subordinated tranche, all subordinated tranches that provide loss-absorbing credit enhancement; and

(b) the retained subordinated tranche or tranches cover at least the first 10% of losses.

12.4 An insurer must not apply the proposed capital treatment under Proposal 3 to a subordinated tranche retained by the originator for the purposes of satisfying paragraph 12.3.

13. Ongoing assessment

13.1 The insurer must reassess continued compliance at a frequency proportionate to the nature of the criterion and, in any event: (a) at least quarterly for ongoing information, performance, structural and retention requirements; (b) and promptly following:
(i) a material amendment to the transaction documents;
(ii) a material reporting failure, trigger breach or change in risk retention; or
(iii) any other information that could reasonably invalidate its previous assessment. For non-debt based exposures, relevant information includes a material valuation change, impairment, delayed or reduced distribution, capital call, change in leverage or liquidity, asset disposal or change in the asset manager or investment strategy.

13.2 For a revolving or replenishing pool or a pool in which assets may be acquired, disposed of or substituted:
(a) objective eligibility controls must apply to each exposure added to the pool; and
(b) the insurer must, at least quarterly, assess the operation of those controls and continued pool compliance using investor reports and such risk-based testing or representative sampling as is reasonable having regard to the nature of the pool and the information available to the insurer. For non-debt based exposures, the assessment must also consider compliance with applicable acquisition, valuation, concentration, leverage, liquidity and disposal controls.

13.3 A criterion expressed to apply at origination, inclusion, the portfolio cut-off date or closing need not be retested as if the relevant event occurred again. However, the insurer must consider any information indicating that the criterion was not satisfied at the relevant time.

13.4 Where a substantive ongoing criterion ceases to be satisfied, the insurer must cease applying the qualifying capital treatment from the reporting date on which the insurer becomes aware, or ought reasonably to have become aware, of the failure, subject to:
(a) any express cure period prescribed by MAS for an information-delivery failure; and
(b) any transitional treatment expressly specified by MAS.