

## Press release

Press enquiries: +41 61 280 8188  
press.service@bis.org  
www.bis.org

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### **Joint Forum release of *Credit Risk Transfer* paper**

The Joint Forum today released for consultation a paper entitled [Credit Risk Transfer – Developments from 2005 to 2007](#). The paper was developed in response to a request from the Financial Stability Forum (FSF) in March 2007 to consider the extent to which the Joint Forum's March 2005 paper [Credit Risk Transfer \(CRT\)](#) required updating as a result of the continued growth and rapid innovation in the CRT markets. While development of the paper was underway well ahead of the market disruption that began in the summer of 2007, it has formed the centrepiece of the Joint Forum's submission to the FSF in support of its work on the market turmoil. In fact, the paper was prepared on an accelerated schedule so that it could be presented at the March 2008 meeting of the FSF.

John C Dugan, the Chairman of the Joint Forum and Comptroller of the Currency in the United States, said today, "This paper is focused on the performance in the last two years of two particular financial instruments that have been used widely to transfer credit risk: credit default swaps and collateralized debt obligations. The part of the paper that explains and analyses CDOs backed by tranches of subprime mortgage-backed securities is especially relevant given the very substantial losses that major financial institutions have recently sustained with respect to these instruments". Mr. Dugan added "I believe the paper is a fundamentally important and accessible contribution to our understanding of certain causes of the recent credit market disruptions. In addition, it provides a number of new recommendations that build on the still relevant recommendations of the 2005 paper".

The Joint Forum, in cooperation with the parent bodies, also wishes to indicate that it will undertake a review of the recommendations in this paper together with those in the 2005 paper to assess the degree to which they have been effectively implemented. The intention is for this review to take place in one year so that firms and supervisors have time to include necessary changes in their respective processes.



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The paper is available on the websites of the Bank for International Settlements (<http://www.bis.org>), IOSCO (<http://www.iosco.org>) and the IAIS (<http://www.iaisweb.org>). Comments on the paper are invited and should be forwarded by e-mail to the Joint Forum Secretariat at [baselcommittee@bis.org](mailto:baselcommittee@bis.org) by 16 May 2008.

The Joint Forum was established in 1996 under the aegis of the Basel Committee on Banking Supervision, IOSCO, and the IAIS to deal with issues common to the banking, securities and insurance sectors, including the supervision of financial conglomerates.