Million-dollar questions

Why do we like it?
What is it all about?
Structured Finance – main types

A. Traditional (cash) securitisations => raising cash

B. Synthetic Securitisations => capital relief trades

C. Covered Bonds => dual recourse a.k.a “super safe”?
Securitisations
Some basic concepts

Exposure(s) + Tranching of Credit Rirk = Total Portfolio of Exposures

Senior Tranche
Mezzanine Tranche
Junior Tranche

Amortisation of repayments of Exposures
Allocation of losses
Total Portfolio of Exposures
Traditional Securitisations
Cash securitisations - understanding the concept

- **Originator**
  - Originating Loan
  - Sale of Asset
  - Consideration for Asset Purchased

- **Borrower**
  - Interest & Principle

- **Credit Rating Agencies**
  - Issuance of securities
  - Subscription to securities

- **SPV**
  - Issuance of securities
  - Credit Enhancement, Liquidity Support, Hedging

- **Investors**
  - Subscription to securities

- **Ancillary service provider**
Cash securitisations - typical structure

- **Obligors**
  - Collections to **Seller**
  - Lease Agreement to **Data Trustee**

- **Data Trustee**
  - Receivables Purchase Agreement to **Seller**
  - Data Trustee Agreement to **Corporate Services Provider**

- **Corporate Services Provider**
  - Corporate Services Agreement to **Issuer**

- **Issuer**
  - Designated Activity

- **Joint Lead Managers**
  - Subscription Agreement

- **Account Back and Cash Trator**
  - Account Bank Agreement

- **Security Trustee**
  - Security (Deed of Charge)

- **Note Trustee**
  - Fiduciary Relationship (Security & Note Trustee)

- **Back-up Servicer**
  - Facilitator Agreement

- **Paying agent & Cash Manager**
  - Agency Agreement

- **Issuer**
  - Issue Proceeds

- **Noteholders**
  - Fiduciary Relationship (Security & Note Trustee)
Synthetic Securitisations
Synthetics - typical structure (financial guarantee)

- Originator
- Reference Portfolio
- Synthetic tranching
  - Senior Tranche
  - Mezzanine Tranche
  - Junior Tranche
- Agreement on credit protection
  - Financial Guarantee
- Counterparty
- Classes/Tranches (At least two)

relevant cover
Synthetics - typical structure (CLNs)

SVP-based synthetic securitisation

- Agreement on credit protection (CDS or financial guarantee)
- Issuance of Notes
- Classes/Tranches (At least two)
  - Senior Credit-linked Notes
  - Mezzanine Credit-linked Notes
  - Junior Credit-linked Notes
- Allocation of recoveries
- Allocation of losses

- Synthetic tranching
  - Senior Tranche
  - Mezzanine Tranche
  - Junior Tranche

- Originator
- Reference Portfolio

Reference
Synthetics - other structures

Direct issuance of credit-linked notes

Originator

Reference Portfolio

Synthetic tranching

Senior Tranche

Mezzanine Tranche

Junior Tranche

Issuance of Notes

Classes/Tranches (At least two)

Senior Credit-linkedNotes

Mezzanine Credit-linkedNotes

Junior Credit-linkedNotes

Allocation of losses

Allocation of recoveries

Reference
Covered Bonds
Covered bonds – understanding “dual recourse”
Covered bonds – typical structure

- **Covered Bond Issuer**
- **Cover pool**
- **Covered bonds**
- **Covered bond investors**
- **Asset Monitor**

The monitor reviews the cover pool.
Questions & Discussion